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REPORT OF THE STUDY GROUP  
ON  
LABOUR PROBLEMS IN THE PUBLIC SECTOR

NATIONAL COMMISSION ON LABOUR

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CHAPTER I  
INTRODUCTION

1.1 The Study Group on Labour Problems in the Public Sector, set up by the National Commission on Labour, was composed of the following:

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1.2 The Study Group had nine meetings during July 1967-March 1968, at which the different aspects of the problem on which the Study Group was desired to make a report to the Commission were discussed at length. The Study Group sent a brief questionnaire to public enterprises and has been able to make use of the replies received from several of them.

1.3 In presenting the report, the Study Group has adopted a three-fold angle;

- (a) to highlight the circumstances in the public sector, which merit the attention of the Commission in the field of labour;
- (b) to analyse available data and experience with a view to throwing up the major problems calling for opinion and recommendation on the part of the Commission; and
- (c) to suggest, wherever possible, the Study Group's own recommendations, which might form a convenient starting point for the Commission's deliberations.

1.4 At the outset, the Study Group wishes to outline certain important qualifications to their analysis of findings. Firstly, the enterprises covered by it happen to be mainly the enterprises entirely owned by Central Government; there are



CHAPTER II

A. The labour problem in the public sector

2.1 The Five Year Plans formulated and implemented in post-independent India envisaged a pivotal role for the public sector. It was envisaged that they would not only be production-oriented growth points in the national economy but also ~~they would~~ maximise employment opportunities to the extent they could. Expansion of employment opportunities was an important objective in the Second and Third Five Year Plans. The following quotation is relevant to our discussion of the labour problems in the public sector.

"The Third Five-Year Plan has to make its own contribution towards the evolution of labour policy and the realisation of its basic aims. It has always to be kept in view that the measures that are adopted must serve adequately the immediate and long-term ends of planned economic development. Economic progress has to be rapid enough to attain a level of full employment and secure a rising standard of living for the people.

.....The large expansion of the public sector which is occurring and is being envisaged will make a qualitative difference in the tasks set for the labour movement and will facilitate the transformation of the social structure on the lines of the socialist pattern in view" \*

2.2 The implication of the above quotation is that the public sector should progressively come to occupy a pivotal role in the national economy vis-a-vis organised labour.

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\* The Third Five Year Plan, Planning Commission, New Delhi, p. 53.



2.3 The following table will illustrate the extent to which the public sector, as represented by the category quasi-government, was successful in its mission of providing employment opportunities.

Employment Growth in the Public Sector<sup>1</sup>, 1961-1966

	March 1961 (No. in lakhs)	March 1966 (No. in lakhs)	Change		Average annual growth rate
			No. (in lakhs)	Percent- age increase	
Central Government	20.90	26.32	5.42	25.9	5.2
State Government	30.14	37.27	7.13	23.7	4.7
Quasi Government*	7.73	13.16	5.43	70.2	14.0
Local Bodies	11.73	16.89	5.16	44.0	8.8
<b>Total</b>	<b>70.50</b>	<b>93.64</b>	<b>23.14</b>	<b>32.8</b>	<b>6.6</b>

1 This term, as employed in DGET's publication covers all government companies.

\* Establishments which are autonomous and controlled and financed wholly or substantially by Central and State Governments such as the steel plants, Heavy Electricals, Life Insurance Corporation of India, State Trading Corporation.

Source: Employment Review, 1961-66, issued by Directorate General of Employment and Training, Ministry of Labour, Employment and Rehabilitation. p.6

From the above table it is evident that employment in the quasi-government category has increased by over 70% during 1961-66.



Employment by Sectors: 1961-66

March of	Public sector	Private sector	Percentage change over the previous year:	
			Public	Private
	(in lakhs)			
1961 ..	70.5	50.4	-	-
1962 ..	74.2	51.6	5.2	2.4
1963 ..	79.5	54.6	7.1	5.8
1964 ..	84.5	57.8	6.3	5.9
1965 ..	89.6	60.4	6.0	4.5
1966 ..	93.6	61.0	4.5	1.0
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Total growth percent ..	32.8	21.0		
Average annual growth rate (percent)	6.6	4.2		

Source: Employment Review, 1961-66. Issued by Directorate General of Employment & Training, Ministry of Labour, Employment and Rehabilitation. p.5

2.4 A perusal of the figures in the above table will underline the fact that the average annual growth rate of employment in the public sector was one and half times higher than that in the private sector. This is all the more significant because of the fact that the employment in the public sector in the year 1961 was itself higher than in the private sector. From this it follows that the labour conditions and policies in the public sector are bound to have a significant impact on the general structure of labour problems, negotiations and industrial peace in the country.



Employment in Public Sector by nature of industry

Sl. No.	Nature of industry	No. of under-takings	No. of workers as on 1-1-'66	Col. 4 as % of total employment
1	2	3	4	5
1.	Iron and Steel	1	1,05,963	25.95
2.	Engineering	13	94,485	23.15
3.	Ship building and repairing	3	14,289	3.50
4.	Chemicals	6	21,085	5.17
5.	Oil refineries	1	5,463	1.34
6.	Paper	1	1,428	0.35
7.	Mining	3	82,067	20.10
8.	Others	6	83,439	20.44
	Total	34	4,08,219	100.00

Source: Data received from National Commission on Labour.

2.5 The above table shows the structure of employment in different sectors of industry in public enterprise. Even though the data pertain to only 34 public enterprises, these are representative in character and may, therefore, be expected to indicate the broad trends of employment, sector-wise, in public enterprises. It can be very clearly seen that the employment in the basic industries is predominant with more than half of the employment being in these industries. These are industries with long gestation and, therefore, potentially not highly profitable in the early period. This feature has an impact on the character of the labour problem in the public sector. For example, the introduction of incentive schemes,



the payment of bonus under the Payment of Bonus Act has caused dissatisfaction in its actual working in the basic public sector undertakings.

2.6 The following table gives an idea of the employment structure of the central public sector enterprises undertaking-wise and plant-wise.\*

Employment position in Central Public  
Sector undertakings/plants as on 1-1-1966

No. of workers	No. of undertakings	No. of plants/ units
1	2	3
Less than 500	-	22
500 - 1000	4	12
1000 - 2000	5	22
2000 - 5000	8	23
5000 - 10000	6	8
10000 - 25000	7	5
25000 and above	4	4
Total	34	96

Source: Data received from National Commission on Labour.

2.7 Most of the enterprises have employment of more than 2,000 workers. About a third of the establishments have more than 10,000 workers working in them. Such a large concentration of workers under one roof not only strengthens workers' unions but also increases the difficulties of management in handling labour disputes and individual and collective grievances. It is also clear from the above table

\* Vide appendices 9 and 10 for fuller data on employment





Employment position in Multi-plant central public  
sector undertakings as on 1-1-1966

Sl. No.	Name of the undertaking	No. of plants/ units	No. of workers
1	2	3	4
1.	Hindustan Steel Ltd.	3	1,05,963
2.	Bharat Heavy Electricals Ltd.	3	4,185
3.	Hindustan Aeronautics Ltd.	2	26,463
4.	Heavy Engineering Corporation Ltd.	4	9,011
5.	Hindustan Machine Tools Ltd.	4	10,719
6.	Fertiliser Corporation of India Ltd.	2	11,090
7.	Hindustan Insecticides Ltd.	2	625
8.	Hindustan Salts Ltd.	3	1,995
9.	Indian Rare Earths Ltd.	4	2,002
10.	Indian Oil Corporation Ltd.	3	5,463
11.	National Coal Development Corporation Ltd.	37	60,936
12.	Oil and Natural Gas Commission	7	10,936

Source: Data received from National Commission on Labour

2.9 A few of the above enterprises employ more than 25,000 workers each. Multi-plant units create multiple labour problems, unique to themselves. For example, if the units belonging to one organisation happen to be located in different states, where governments with different ideologies and complexions are in power, centre-state relations get reflected in labour-management relations. The Hindustan Machine Tools Ltd., is an interesting example. Another problem arises in the context of the Payment of Bonus Act. The workers of a

particular plant belonging to a particular company in the public sector may ask for bonus based upon the profit of the enterprise, at a time when the plant, in which the concerned workers are employed, is itself running in loss. The introduction of an incentive scheme in one of the plants, based upon the conditions obtaining in it may create serious repercussions in other units especially when the physical conditions obtaining in other plants in the organisation are not identical.

2.10 Public enterprises generally are characterised by low profitability as can be seen from the following table.

Surpluses of  
Central Government Enterprises

Rate of return	No. of enterprises	Total capital invested	% of col. (3) to total of col. (3)
1	2	3	4
Less than 0	17	537.80	22.11
0 - 3	13	1446.90	59.52
3 - 6	8	288.37	11.86
6 - 8	4	45.94	1.89
8 - 10	4	15.64	0.64
10 and above	19	96.30	3.96

Source: 'Pricing System in Public Enterprise' by Professor V.V.Ramanadham, the Developing Economies, March 1968, Tokyo.



2.11 The enterprises with an investment of about 22.11% of the total capital invested in the public sector as a whole are running on losses. Enterprises with a capital of more than 70% are earning less than 3% return. A few enterprises, sharing among themselves a capital of only a little more than 5% earned a rate of return of more than 6%. It is obvious that most of the public enterprises with a great part of the investment in them are characterised by a low rate of return or no return. This is a very important consideration influencing wage policies and incentives, welfare expenditures, bonus and motivation, in general terms.

B. Distinctive features of the Labour Problems  
in the Public Sector

2.12 We intend to outline below the distinctive features of the labour problems in the public sector.

(a) Theoretically, one expects that unlike in the private sector, there should be no inherent conflict between the employer and the employee in the public sector because the employer is the government. The immediate management entrusted with the responsibility of ensuring efficiency and profitability of the undertaking, is itself and employee as much as the worker. The public sector management is no more identified with owners of the capital than the worker and therefore there should be no scope for divergence of approach and consequent class conflict, which may characterise labour-management relations in the private sector industry. But the very fact that conflicts do arise between the workers and immediate management



in the public undertakings, would indicate that the conflict arises out of the task undertaken by the management, namely that of establishing conditions of efficiency and profitable working, is not viewed as a common task by the workers, at the present stage. Ways and means by which full identification of the entire body of the employees with the objective of <sup>the</sup> undertaking can be brought about <sup>have</sup> ~~has~~ to be considered if the theoretical advantage of the public sector in this respect is to be achieved in reality. At present the definition of "worker" under the Industrial Disputes Act <sup>includes</sup> ~~precludes~~ the ~~manage-~~ment and this enhances the differentiation-the public and private sectors being treated alike.\*1

Similarly no conflict of interest between the management and workers ought to arise in the matter of profit sharing in the public sector undertakings. Neither the management nor the government have any vested interest in denying the employees of their fair share of profit. In practice, however, we find there are already conflicts in the matter of payment of profit bonus etc., although no public sector undertaking is yet earning appreciable net profits after taxation. Therefore, it would appear to the Study Group that the approach of labour to the question of emoluments as well as to dealings with management, is no different in the public sector from the private sector.\*2

(b) Though the public sector is institutionally an

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1 & 2. See points of dissent by Shri M.S. Krishnan



enterprise in which the management and the labour are engaged for the common good of the nation as a whole, industrial disputes have not been uncommon. It is worth our notice that the disputes take an unduly long time to resolve, partly because of influences, external to the management and the trade union within the enterprise, entering the area of negotiations, somewhat more extensively and informally than in the private sector and partly because of the lengthy procedures which have to be followed in resolving industrial disputes.

(c) The problem of labour negotiations is complicated in the public sector by the fact that, unlike in the private sector, the interests involved extend beyond the two sides, the management and the labour, and the government itself comes into the picture. This is mainly because of the notion that, being the owner, the government has the prerogative of entering the negotiations and decision-making at any, if not, at every stage. Where the enterprise belongs to the Central Government, the State Government sometimes emerges as a distinctive interest in itself, besides that of the Central Government. It is even possible, that, if the Central Government takes the attitude of the owner-cum-employer and presents a stiff attitude in its bargain with labour, the State Government may put on a contrasting countenance more compassionate towards labour.

From the examples which came up before the Study Group it became apparent that the centre-state relation can affect labour problems of an undertaking in the following manner. It is a fact of the Indian Trade Union scene that each major political party also has a trade union organisation supporting it and vice versa. It has followed therefore that a particular political party in power in a state takes a favourable attitude towards the trade union belonging to the



same political party, in the matter of recognition as well as in specific matters of industrial dispute which have to be referred to the local state government labour machinery in the first instance. It is not unlikely that political pressures can influence and have influenced the state conciliation machinery and the state government in final decision.

Secondly, when under the present Indian Labour Conference Convention, permission is sought from the centre by the state government, before referring matters to adjudication in respect of central units, the centre itself may withhold or delay such reference, in some cases, at the instance of the management. The converse can also happen.

When a multi-plant organisation has units situated in different states with different political parties **in power**, the above kind of tension and conflict can become magnified and tangled manifold, particularly because, a single employer with plants in different states cannot deal with labour problems concerning service conditions etc., in each unit independently, in view of the repercussions it would have in the other units. This is not appreciated by the state government who view the problem from the local standpoint alone.

(d) The status of the employees in the public enterprises is not quite defined. For certain purposes they are considered to be on par with government servants; and the fact that many public enterprises have been <sup>decided</sup> directed to adopt the service conditions, the wage scale etc. of government servants without formulating their own rules and conditions autonomously, has strengthened this notion. In matters of leave, privileges, health amenities, dearness allowance and bonus, clear differences exist as between the government servants on the one side and the public enterprise employees on the other. Their lot differs in point of pension, transferability and security of service as well. Varying interpretations



tend to be advanced on the privileges and prerogatives of public enterprise employees, vis-a-vis the corresponding income brackets in government service; and no wonder that, while presenting the demands the workers in public enterprises compare themselves with those government employees who happen to be eligible to superior privileges while at the same time demanding or availing themselves of superior benefits available to industrial labour in certain other respects.

(e) The workers in public sector have high expectations vis-a-vis managerial participation. They expect that the processes of management within a public enterprise must be fully democratic so that, every employee will have the opportunity of understanding them and participating in them. The claim that senior management often advances, namely that all employees in a public enterprise are workers, though at varying degrees of education and responsibility, intensified the hopes of labour in this regard. Unlike in the private sector, the management, in the eye of labour, ought to explain every decision taken by them; and labour does not visualise any managerial transactions to belong to a secretive category. It is therefore in the nature of public enterprise that the management ought to be as democratic and widely participative as possible; mere monetary prosperity may not satisfy the workers.

(f) While private enterprise managements do not consider themselves as a family within which significant uniformities should be evolved in the matter of agreements with labour and negotiation with labour, public enterprise managements have a tendency, to aim at some degree of uniformity in the method, if not the substantive element, of labour negotiation and agreements. The point mentioned earlier about the



government involving itself in management-labour matters in the public sector gains particular relevance in this context. While it is true that public enterprises ought not to deviate from one another in deals with labour, the variations in their conditions, technology, capacity to pay labour intensity and their structures do warrant their differences definitely in detail and perhaps in method as well, in the way the managements of individual public enterprises approach or respond to the labour questions. There has yet been no effective definition of the extent to which public enterprise management have to aim at uniformity and the extent to which they may operate autonomously with regard to their labour problems.

(g) While workers have a good deal of political power behind them which they can bring into service even in the private sector, the ease with which they can influence political opinion and cause pressures to be brought on the management is particularly great in the public sector. Very often a labour matter goes straight to Parliament in the shape of a parliamentary question. For example, on the slightest suspicion of the prospect of retrenchment or a delay in the introduction of beneficial awards or a brief lock-out, discussion can easily be promoted in parliament, with the result that the Minister concerned will be obliged to take direct interest in the matter. This eventually has an impact on the management of the enterprise concerned. Some may take this as a symptom of its public accountability.

2.13 From the foregoing survey, the Study Group is of the opinion that public enterprise managements operate under heavy handicaps in their dealings with labour. Management-labour relations are continuously under the glare of public opinion and parliamentary criticism as well as external pressures.



Unfortunately, their capacity to pay is yet so low that the managements usually find themselves inhibited in taking decisions involving labour-costs autonomously by themselves and most of the industrial disputes directly or indirectly involve such decisions.\*

2.14 The Study Group recommends that it is of utmost urgency to define the status of the workers in the public sector vis-a-vis the employees in the government, so that both the managements and the workers are on clear ground in negotiations. It seems necessary to the Study Group that the government ought to limit its interest in so far as management-labour negotiations are concerned by specifically laying down the broad principles within which the management could negotiate with their labour on their own, such as (1) the extent to which the capacity to pay should be subordinated to the payment of need-based wages, (2) the extent to which the retained earnings for ploughing back into the business could be sacrificed, (3) the extent to which dividends could be lowered or losses enhanced to meet ~~the~~<sup>wage</sup> economic demands of the labour and (4) the extent to which such extra costs could be passed on to consumers by way of increased prices of products. This should not only be recognised in theory but implemented in practice.

### C. Motivation in the Public Sector

2.15 With regard to the question of motivation of the workers and the raising of productivity in the public sector, the Study Group presents the following analysis.

2.16 The problem of industrial relations in public sector undertakings assumes special importance today in the context of the fact that most public undertakings in India are running at a loss and under certain basic economic handicaps. The in-

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\* See points of dissent by Shri M.S.Krishnan



dustrial undertakings in the public sector are mainly engaged in basic industries with heavy capital investment and long gestation periods and in a situation like this these undertakings can achieve efficiency and prosperous conditions only if productivity is raised high and maintained all round.

2.17 Even though in the public sector there is no reason for any basic conflict between the workers and management in regard to the sharing of profits there is a conflict between the managements efforts to raise productivity (as this calls for additional effort) and in some ways sacrifices by the workers over a comparatively longer period, all of which cannot be compensated by pecuniary benefits alone.

2.18 Comparatively speaking, in the private sector enterprises which are only launched if they are economically viable and show a surplus within a reasonably short period, this effort on the part of the workers can be secured by the management by economic incentives, and by negotiation with the workers from time to time. Thus active participation by the workers in the management and a definite sense of belonging on their part, though desirable, is not a matter of such vital importance as it is in the public sector. Such participation can grow with time. In the matter of such negotiations and decisions in economic bargaining the private sector firms are also very much more independent, flexible and free from procedural limitations or the necessity to follow a uniform pattern even within the same industry.

2.19 In most of the public sector undertakings however, at the present stage the financial capability for providing adequate economic incentive does not exist. Even where it does, procedural limitations, restricted powers of the management at various levels, considerations of uniformity



and other inhibiting factors make it difficult for them to effectively motivate the working force, through economic incentives alone. Motivation of the working force outside economic incentives is a matter of vital importance for their successful running. Since most of the enterprises are not in a position to offer monetary incentives generously, motivation through association of workers becomes an urgent necessity. Without a satisfactory consensus on the wider problems of recognition of unions, association of workers with the running of enterprises, cannot be effective and without such association, the dynamism lacking in public enterprises today, cannot be imparted.

2.20 It is in this context that the manner and extent to which association of the workers not only with matters which concern them immediately like wages, recruitment, promotion, bonus schemes, welfare etc., but with matters which concern the management of the undertakings, namely the financial position of the company, production, sales, costs, higher productivity and such management responsibilities as indirectly affect the economic welfare of the employees also becomes an equally important area where positive involvement and acceptance of responsibility by the workers have to come.

2.21 While the matters affecting the workers immediately as those mentioned above, namely, recruitment, promotion, incentives etc., were found by the group as comparatively easier of examination the problem of association of the workers or the participation of the workers, in the running and well-being of the undertaking being an issue connected with the wider problems of recognition of unions, formation of representative works committees, management councils, political affiliates etc., was more difficult of solution. This issue therefore deserves special attention of the Commission. Meanwhile, it appears



some enterprising undertakings should be encouraged to experiment in this direction and the results watched.

The Public Sector as a model employer

2.22 Public enterprises are claimed and intended to be model employers. There are several heads under which this claim can be adjudged in the light of conditions in practice.

1. Implementation of labour laws in public sector

(a) The Public sector as a model employer cannot and should not ask for any exemption from the operation of labour laws. However, the empirical evidence culled from the case studies on certain public sector undertakings about the non-implementation of labour enactments by the public sector carried out by the Ministry of Labour and Employment has revealed the following lapses. The evidence given in the Appendix I highlights specific violations by public enterprises with regard to the Factories Act 1948 and the Industrial Dispute Act 1947.

(b) It was pointed out to the Study Group by some trade union leaders that the Payment of Wages Act provisions were also being violated. For example, it was alleged that deductions were being made from the employees' salaries for damages without asking them for explanations as to how the damages had occurred. Besides, acting allowance rules under the Payment of Wages Act were being changed by some managements, even when the award was in favour of the employees.

(c) The Estimates Committee (1963-64) in its 52nd report on Personnel Policies of Public Undertakings has drawn attention to the non-existence of Standing Orders which are a must under the Industrial Employment Standing Orders Act 1946.



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"The Committee find that Standing Orders have not been framed by the following undertakings so far. The figure in bracket indicates the year of establishment of the Undertaking".<sup>1</sup>

1. Damodar Valley Corporation (1948)
2. Hindustan Photo Films Manufacturing Co.Ltd. (1960)
3. Indian Drugs and Pharmaceuticals Ltd. (1961)
4. Nahan Foundry Ltd.\* (1952)
5. National Buildings Construction Corpn. Ltd., (1960)
6. National Projects Construction Corporn. Ltd. (1957)
7. Pyrites & Chemicals Development Co. Ltd. (1960)

(d) The Standing Orders framed by the following undertakings have not been certified so far:

1. Air India+ (1953)
2. Fertiliser Corporation of India Ltd.@ (1961)
3. Heavy Engineering Corporation Ltd.@ (1958)
4. Hindustan Machine Tools Ltd.@ (1953)
5. Hindustan Steel Ltd.@ (1954)
6. Indian Refineries Ltd. (1958)
7. National Instruments Ltd. (1957)
8. National Mineral Development Corporation Ltd.@ (1958)
9. National Small Industries Corporation Ltd. (1955)
10. Rehabilitation Industries Corporation Ltd. (1959)

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1 Estimates Committee, 52nd report, 3rd Lok Sabha, pp.71-72

\* At the time of factual verification it was stated by the Ministry of Labour and Employment that Standing Orders of Nahan Foundry have been certified.

+ Indicate the year of incorporation of the undertaking.

@ At the time of factual verification it was stated by the Ministry of Labour and Employment that the standing orders of Nangal Project of Fertiliser Corporation of India, Heavy Engineering Corporation, Hindustan Machine Tools, Durgapur and Rourkela Projects of Hindustan Steel and National Mineral Development Corporation have been certified.



Some trade union leaders at Bangalore have represented to the Study Group that some managements in the public sector were framing and substituting new rules for the Standing Orders earlier framed which were pending with the certifying authority.

2. Secondly, in order to be considered a model employer the public enterprise ought to evolve exemplary personnel policies, practices and procedures. Even from this angle we find several deviations from the ideal.

(a) Excessive manpower besets many of our public sector plants. The Estimates Committee's Report cited earlier has drawn attention to the problem of overstaffing vide appendix 2,

2. A perusal of the data given in the appendix makes it clear that in Heavy Electricals (India) Ltd., alone the excess manpower was of the order of 1785. Further it is clear from the appendix that overstaffing has occurred at all levels in the hierarchy.

Many public enterprises carry surplus labour on their rolls. Extensive evidence in support of this observation is available from the reports of the Estimates Committee and the Committee on Public Undertakings. It is difficult to establish that the managements do not realise the nature of the surplus labour force; at the same time one wonders why the economic obligation of a commercial enterprise, namely to contract the minimum necessary expenditures in the production process, has not been strictly adhered to by these enterprises. Desirable retrenchment, re-training schemes and absorption of surplus labour in related or other activities elsewhere, seem to be heavily conditioned by external pressures. Not to retrench labour in a public enterprise has gradually



come to be regarded as a symptom of social responsibility on the part of the management concerned. While supporting the cause of maximising employment in the country as a whole, many members of the Study Group positively felt that the public enterprises ought not to be singled out for uneconomical absorption of grossly surplus labour force. They ought to be encouraged to make all lawful adjustments in the size of their labour employed by them, consistent with the technology adopted by them. Some members of the Study Group particularly cautioned against large scale retrenchments in the process.

(b) Conditions of service rules: The Estimates Committee Report cited above has also drawn attention to this aspect of personnel management in the public sector. The report lists 18 public undertakings that have not laid down the terms and conditions of service of their employees so far, vide Appendix 3. It is interesting to note from the data given in the appendix that even those public enterprises which were established in the early forties and fifties failed to lay down the conditions of service for their employees.

(c) Recruitment and promotion rules: The Estimates Committee in the 52nd Report has also drawn attention to the absence of recruitment <sup>rules</sup> in 28 and promotion rules in 31 public undertakings respectively, vide appendices 4 & 5. It is interesting to know that some of the enterprises were registered as early as in 1943 and in the early fifties.

(d) Grievance procedure: These should exist in any well-run undertaking. However, the Estimates Committee has drawn attention to their absence in 28 public undertakings, vide appendix 6.

(e) Labour management relations: In a model enterprise the labour-management relations should be cordial. While



the Study Group is aware of the economic process, particularly recession and high costs, which in recent years has strained the attitudes of labour and their relations with management, the Group particularly regards as unfortunate the wide area of unrest that pervades the public sector, particularly in some of its biggest constituents like Heavy Engineering Corporation, Hindustan Steel Limited (Durgapur), Bharat Heavy Electricals Ltd. and National Coal Development Corporation Ltd. Illustrative evidence is culled out from the annual reports of some public enterprises which is as under.

1. Hindustan Aeronautics Ltd, 3rd Annual Report (1965-66)

Labour relations: "The Directors regret to record a degree of unrest amongst some sections of workers, which has marred an otherwise satisfactory relationship with labour during the period under report.

At Kanpur, many problems have arisen following the conversion of the factory from Air Force to Company control. These have led to demands for higher pay and allowances, provision of housing, transport and the like. A series of incidents over a period of time culminated in an illegal strike and a month's lockout, from 10th September to 9th October 1966. With resumption of normal work better relations are gradually being established. The Division as a whole has many lessons to learn from this painful experience. It is hoped that it will benefit from them and eventually emerge as a stronger and more efficient organisation.

A lock-out also had to be declared in the Bangalore Division, from 10th to 16th November, 1966, following a tool-down strike and unruly behaviour by employees. In this case, the principal demand was for the grant of Dearness Allowance at the enhanced rates recently approved for Central Government servants. The fact that the pay and allowances of engineering industries, of which HAL is one, are now under consideration of a Wage Board, and that interim relief has already been given in many cases higher than that awarded by the Wage Board, was pointed out to labour representatives, but to no effect. However, on their giving assurances of good behaviour the factory was reopened and work is now proceeding normally.



The Directors are aware of and sympathise with the difficulties of employees on account of the increased cost of living in recent months. They also realise that essential facilities, such as housing, schooling, medical services and transport, are in short supply, and that these have to be made good by the Company to some extent. The demands for such facilities become larger as the Company grows, and constitute a heavy charge upon its resources, especially in the newer Divisions. Measures are being taken to provide relief as far as circumstances now permit. At the same time, the Directors appeal to all employees to appreciate the Company's limitations in this regard. In the last analysis, their own work and efficiency must determine the living conditions and amenities available to them by providing the Company with the means of establishing these."

2. National Coal Development Corporation Ltd.  
10th Annual Report (1965-66)

Labour relations: "There were, however, some isolated cases of lightening strikes, mostly of short duration, in certain collieries. The longest period of strike was 18 days at Jhingurdan Colliery. It has been referred to adjudication by the Ministry of Labour and Employment. All other cases were settled amicably. In all 5401 man-days were lost due to strike/cessation of work which works out to 0.03 per cent of the total man-days."

3. Hindustan Steel Ltd. 12th Annual Report (1965-66)

Industrial relations, welfare and safety: "The improvement in the industrial relations reported last year in the Rourkela Steel Plant continued and the management entered into a number of agreements with the recognised union. A rival union continued to be very active; but in spite of minor incidents of slow-down and stoppage of work there was no major disturbance. The supporters of this rival union, however, won a clear majority in the election to the Works Committee in February, 1966 on the basis of which it demanded recognition in preference to the existing recognised union. The advice of the State Government on this claim is awaited.

In Durgapur, there were minor disturbances including illegal stoppages of work and demonstrations by both the recognised and the unrecognised rival unions throughout the year. The call for 'bundh' by some political parties on issues not connected with the Plant affected seriously the attendance of the workers on the 10th March 1966. The rival Union staged another 'bundh' on the 6th April 1966 and kept up the tempo of



agitation thereafter. These disturbances ultimately culminated in an illegal strike and disturbances during August 1966 which caused considerable loss of production, damage to properties and hardship to the employees.

Industrial relations in the Bhilai Steel Plant continued to be satisfactory as before and a number of agreements with the recognised unions were entered into by the management. There was however, agitation by an unrecognised union on the issue of retrenchment of construction workers on completion of their work.

4. Indian Airlines Corporation - 13th Annual Report(1965-66)

Labour relations: "The Corporation had to face during the year illegal practice such as 'Work to Rule' and 'Work to Trade' by sections of its employees calculated to pressurise management into conceding demands of various kinds. Consequently, sudden stoppages of work or 'go-slow' tactics were resorted to by the employees on a number of occasions and services were delayed or disorganised. This is in spite of the fact that the Associations of employees have at one time or another give an assurance of eschewing methods resulting in the disruption of traffic and inconvenience and hardship to passengers.

Instances of labour unrest resulting in demonstrations and such other pressure tactics, which are clearly in violation of the Code of Discipline or of the provisions of the Industrial Disputes Act were more frequent than at any time in the past, despite the fact that a satisfactory settlement have been reached on most of the outstanding problems and all important issues. This indicates an attitude of indiscipline and gross violation of the rules of the Corporation. Latterly, a tendency has developed to misuse this Corporation's working to pressurise the management and government over disputes in the sister corporation. The Air Transport Industry is particularly vulnerable to pressure tactics of this kind because of the specialised and skilled trades involved and the importance of time factor in the utilisation of the aircraft. Whilst the state of indiscipline is not a phenomenon confined to the working of the Corporation, there is no doubt that disappointments at failure to save time - the main motive-force of air travel, frustration at the delay in accomplishing the journey and bitterness involved in avoidable waitings at airports and dislocation of one's time-table grip every passenger who is adversely affected and the Corporation's other staff including management have had to bear the brunt of the public and private expression of these feelings, the validity of which cannot be disputed. The incidents were dealt with as firmly and tactfully as the situation demanded but their repeated occurrences have transgressed



the bounds of patience and forbearance and the Corporation has decided to deal with such incidents in future with firmness and has give ample evidence of this determination in dealing with the more recent incidents.

There have been 16 instances of labour indiscipline in IAC during the year under report. In two incidents, Pilots alone were concerned; in another, Pilots and Engineers were involved. There was one instance in which the Radio Officers reported sick. The remaining 12 incidents were attributable to concerted action of mechanics, loaders, drivers, catering staff and cabin attendants. While some were based on grievances which need remedy, others arose out of inter-union rivalries or incidents which on mature reflection should not have resulted in stoppage of work."

2.23 In point of wages and wage structures, it was felt by some that public enterprises, on the whole, are playing the role of a pace-setter. Another view expressed was that public enterprises have adopted only desirable standards to a certain extent in the matter of a few of the fringe benefits such as housing, leave facilities, hospitals and play grounds. Further aspects of the wages, welfare expenditures and incentive rewards will be dealt with in later chapters..

2.24 Many of the lapses pointed out are those noticed at the time of the compilation of the data some years back and possibly many of them have been rectified by now. But the failures both on the side of management and labour have resulted in the nations expectations of public enterprises as model units (not only economically but sociologically) <sup>being</sup> have not been realised adequately. We understand that certain handicaps emanated from the delays caused at the level of government, for example, in certifying standing orders. To the extent that this is true all causes of delay ought to be remedied atonce. The need to motivate the workers and ensure their participation in the common task of ensuring efficient and profitable working of the enterprises has already been emphasised.



### CHAPTER III

#### Recruitment, Promotion and Training

3.1 Recruitment and promotion are two important areas which affect industrial relations. At the same time, there is a great deal of diversity in policy and practice in this regard in the public enterprises. The Study Group feels the need for formulation, of a well defined policy and an unambiguous procedure to be followed in this respect.

3.2 Recruitment: The areas in recruitment which affect management-worker relationship, broadly are the following:

(a) The expectation of the people of the region in which the enterprise is situated, to exclusive or predominant right for employment in the enterprise. This is also supported by the state governments. On the management side, to some extent, this restricts the field of choice for obtaining the best possible talent and skill for positions requiring such skill.

(b) The level at which direct recruitment takes place is an important consideration for the worker as it affects to some extent his chance of promotion within the organisation. On the management side, however, there is a distinctly felt need for injection of fresh blood at higher levels, at certain well-defined points in order to maintain the vitality and efficiency of the organisation.

(c) There is also the apprehension and charge about nepotism, favouritism or corruption in the matter of giving employment.

3.3 The government have in fact laid down certain directive principles in this matter although recruitment is a res-



ponsibility of each corporate public undertaking. The Estimates Committee also has expressed its view in favour of laying down such policies. The current government directive in the matter is as under:

"There is technically no restriction in the matter of recruitment to those units based on the areas from which the employees come. It will be of advantage to the units in various directions, if persons who come from areas near about the place of location of the project secure appointment to posts in the lower scales. In the case of all unskilled workers even without any special effort they are generally drawn from the locality where the project is situated. Every effort should be made in such recruitments to give preference to persons displaced from the areas acquired for the project especially of scheduled castes and scheduled tribes (e.g. Adivasis). Next should be preferred those who, even if they come from some distance, have been or are about to be retrenched from other government undertakings.

In the case of skilled workers, clerks and other non-technical staff whose scales are comparatively low, so long as the basic qualifications and experience are forthcoming, preference should be given in the order of priority mentioned in the previous paragraph.

In the case of the middle level technical and non-technical posts, having higher starting salaries equivalent to the Class I Junior scale of the Government of India (Rs.350-850), recruitment should be made on an All-India basis, merit and qualifications being the principal criteria. Complaints have sometimes been made in the past that local candidates do not receive a fair deal. Special care should be taken to ensure that there is no reasonable ground for any such complaint.

In the case of higher non-technical posts, e.g., top general management, finance and accounts, sales, purchase, stores, transport, personnel management and welfare and town administration carrying a salary of Rs.600 and above, candidates available in the Industrial Management Pool should first be considered. Failing such candidates, there should be advertisements on All-India basis. This does not, however, preclude considering candidates who may have applied on their own or may have been retrenched from other government projects etc.



For the higher technical posts, the best qualified persons will have to be recruited, either by advertisement on an all-India basis or by personal contact.

All vacancies of the kind referred to in paras above should be communicated to the Employment Exchange close to the project. Advertisements, which are made in the papers should be in local languages and in the local newspapers. Such advertisements should specially mention that preference would be given to persons who are registered in Employment Exchanges. All the applications received along with the list sent by the Employment Exchange should be screened and appointments made by Selection Committees specially set up for the purpose by each unit. These Selection Committees should include representatives from the state government or their nominees.

The Selection Committees set up for recruitment to all other medium level or higher technical or non-technical posts should include at least one representative of the state government, preferably a state government official who is on the Board of Directors.

Representation for local interests in the shape of a state government nominees etc., as detailed above should also be provided for in any standing committees that may exist for the purpose and not confined to only special ad hoc committees.

Where the exigencies of work require the making of urgent ad hoc appointments, it will be open to the Managing Director to make such appointments and then inform the Selection or Standing Committees.

The above principles may be kept in view by Boards of Directors and Managing Directors/Chairmen of Public Sector Projects while making recruitments to posts within their projects".\*

3.4 The Study Group examined the actual situation as it obtains in the public enterprises, the manner and the extent to which the above directives are being implemented and their effect on the efficiency of the organisation as well as the worker-management relationship. It came to the following conclusions:

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\* Estimates Committee, 52nd Report, 3rd Lok Sabha, p. 116



(a) There are enterprises where no specific recruitment policy has been laid down and made widely known. The Group felt that it must be done in all enterprises. In this matter as far as could be gathered, the Study Group understood that the private enterprises have a great deal of freedom, but in the very nature of things the publicly owned enterprise has to open its employment opportunities to all within certain acceptable limitations. These have been defined in the government directive and priority is laid down for displaced persons, scheduled castes and local unskilled workers etc. The Study Group was of the view that by the very nature of public sector undertakings, it was expedient to adopt these priorities.

(b) In regard to the obligation to notify all vacancies through the employment exchanges and restrict recruitment through these exchanges alone, the Study Group observed that there was some divergence of practice among the enterprises and the procedure was not always strictly adhered to. The reason for this deviation was appreciated by the Study Group namely, that it is impracticable to confine recruitment only to candidates sponsored by the employment exchange because (i) a single area or region is unlikely to offer candidates for all jobs, skills and talents required in a large industrial enterprise and even if it did it would mean dilution of the quality of the recruitment. (ii) The public enterprises also have special responsibility to provide opportunities for permanent absorption to their own temporary personnel such as construction workers, casual labour and other categories of non-permanent employees. (iii) The employment exchanges though well conceived have not come up to the expectation because of their procedure of forwarding the names of candidates in chronological order of registration alone. (iv) If



after notification to the employment exchange and interviewing the candidates sponsored by them, the enterprise does not find any suitable candidate then it has to go for public advertisements and recruit from the open market. This becomes a time consuming process which most enterprises can ill-afford.

3.5 Considering the above, the Study Group recommends that whilst the present rule of notifying vacancies to the Employment Exchanges may continue, the enterprises should have the freedom to simultaneously tap other sources of recruitment from the open market.

3-6 In regard to the question of ensuring fair practice in recruitment, the following steps were considered by the Study Group:

(a) It is contended ~~sometimes~~ by the unions that the management obtains by direct recruitment from outside persons who have sometimes less or equal qualifications compared to the people within the organisation. In order to combat this criticism as well as to make sure that the recruitment of the right type of people is ensured, the Study Group feels that qualifying tests including trade tests should be laid down for as many posts as possible in every enterprise.

(b) A corollary of this is that there should be standardisation in the jobs specification related to wage scales for the purpose of direct recruitment on common criteria throughout the public enterprises to the extent possible.

3.7 On the question of associating workers' representatives with selection, the Study Group could not arrive at a unanimous conclusion. Some felt that they should be given the status of full membership, whereas others felt that at best they could sit along with the committee, as observers. In the latter case the advantage, though a limited one, is that the workers'



representatives would be in a position to know precisely how the selections take place and can assure themselves that the rules of selection and promotion formulated for the enterprise are being followed. Their presence will undoubtedly be a moral force for the management to reckon with. A third view that was put forward was that the workers' representatives could be associated only as observers of trade tests only and not with the entire process of selection involving assessment of confidential reports and possibly interview. The reason advanced in support of this view <sup>was</sup> as that selection for recruitment or promotion is a management function involving assessment of comparative merit in which the association of a representative answerable to the body of persons from whom selection is to be made would give rise to pressures.

3.8 On the question of associating state government's representatives with the selection committees, the Study Group feels that any representation for outside interest is not desirable and any proposal in this regard should be positively discouraged. There was no need for such representation, as the Study Group feels that in the government directive sufficient emphasis has been laid and safeguard given to ensure maximum employment to the inhabitants of the state in which enterprises are situated.

#### B. Promotion

3.9 Promotion policy is one of the most controversial areas affecting management-union negotiations. The areas where conflicts regarding promotion arise are:

- (i) The degree to which promotion should be made from the next-below grade i.e., whether it should be cent per cent by promotion from below or a combination of promotion plus direct recruitment at certain levels.



- (ii) The channel or line of promotion.
- (iii) The minimum qualifying period of service for promotion to the next higher grade.
- (iv) The weightage to be given to seniority.
- (v) The manner in which merit is to be judged and given weightage for promotion purposes.
- (vi) The unsatisfactory character of judgment of merit and performance on the basis of annual confidential reports.
- (vii) The desirability of having interviews with marks for the purpose of promotion.
- (viii) The desirability of having qualifying tests by way of trade tests or written tests for condition of promotion either on a qualifying basis or on a competitive basis.
- (ix) The composition of selection committees and the degree of confidence on the part of the workers in the objectivity and impartiality of these selection committees composed of management representatives alone.

3.10 There are wide divergences in the promotion practices of public enterprises even within a particular industrial area like Bangalore, vide appendix 7 of which the main points can be seen from the table given on pages 38 and 39.

3.11 From the table it can be seen that differences in the promotion practices obtain not only at different levels among different enterprises, but also differences exist in the promotion practices for the same grade among different public enterprises. It is only in the case of the direct labour posts in the lower categories that we find some uniformity among



different public enterprises in the industrial area of Bangalore. The only exception to this is Hindustan Machine Tools Ltd., where even for the promotion from the lowest direct labour post of Rs.130-210 seniority and merit are considered.

3.12 In view of these facts, the Study Group feels that public enterprises located at one place, e.g., Bangalore, Ranchi or Cochin, should aim at achieving some uniform cannons of promotion based on standardised job description and job terminology. However, the Study Group is aware of the need for differences on the basis of very specialised skills required. In any case whatever percentages for promotions from within are considered desirable, level by level, these must be announced and consistently followed from time to time, so that labour does not find in promotions a cause for complaint or protest.

3.13 As an adjunct to recruitment and promotion policies, the Study Group feels it necessary to emphasise the need for the management of the enterprises to provide extensively training schemes within the organisation for upgrading workers' skills and increasing their potential for promotion within the organisation for specialised jobs so that there is positive opportunity as well as a feeling amongst the employees that adequate facilities are available in the organisation for the advancement of an employee from the lowest level of entry to the highest. The Study Group observes that such schemes are being operated in some enterprises but they are not as uniformly prevalent as they should be in all the public enterprises. This we shall consider next.



PROMOTION PRACTICES-A COMPARISON

Category of employees.	Hindustan Aeronautics Ltd.	Bharat Electronics Limited	Hindustan Machine Tools Ltd.	Indian Telephone Industries Ltd.
<u>Direct Labour</u>				
<u>Posts:</u>				
Rs. 130-210	100% seniority subject to certain conditions like passing the prescribed tests.	100% seniority, subject to the condition that their confidential reports are satisfactory. <u>Note:</u> Junior candidates will also be promoted if they score 60% or more marks in the prescribed tests.	Seniority-cum-merit (2Yrs. minimum service and merit on the basis of Service records.) <u>Note:</u> Tests will be conducted when there is a change in the trade. If no suitable candidate is available within the enterprise, posts are filled by open selection.	Seniority-cum-merit. Minimum seniority is one year and merit will be judged on the basis of service records and opinion of the departmental head.
Rs. 160-310	75% by promotion and 25% by open selection.	,,	,,	,,
<u>B. Indirect Staff:</u>	75% by promotion of suitable candidates.	-	-	75% by promotion (seniority-cum-merit) 25% by open selection
Rs. 130-210	25% by open selection	-	-	-
Rs. 160-310	,,	-	-	100% by promotion within the enterprise on the basis of seniority-cum-merit. Minimum seniority prescribed is 2 Yrs.
<u>B. Indirect Staff:</u> <u>Asst. Supervisors:</u>	75% by promotion 25% by open selection	The procedure followed is the same as for posts upto and including Rs. 160-310	100% by promotion of eligible employees, the criterion being seniority cum merit. Open selection when suitable candidates within the enterprise are not available	i. All non-technical posts in grade are filled by 100% promotion (seniority-cum-merit) ii. For technical posts, 50% by promotion and 50% by open selection
Rs. 195-375				100% by promotion.
Rs. 240-440	This scale is not obtaining	,,	,,	



Category of employees.	Hindustan Aeronautics Limited.	Bharat Electronics Limited.	Hindustan Machine Tools Ltd.	Indian Telephone Industries Limited.
Rs. 350-600	75% by promotion and 25% by open selection	100% by open selection by means of advertisement.	100% by promotion of eligible employees, the criterion being seniority-merit. Open selection when suitable candidates within the enterprise are not available.	i. 50% by promotion ii. 50% by open selection
Rs. 500-860	50% by promotion and 50% by open selection	100% by promotion <u>Note:</u> Juniors who score 60% or more marks in tests will be promoted.	Same as applicable to Asst. Supervisors.	50% by promotion and 50% by open selection.
Rs. 1000-1250	50% by promotion and 50% by open selection	50% by promotion and 50% by open selection	”	”

Source: Note on the procedures and practices relating to recruitment, promotion, training in public sector undertakings in Bangalore by Shri B.N.Jayasimha, pp. 7-10.



C. Training

3.14 The Study Group feels that training is highly essential for the following reasons:

- (1) The trainee picks-up the job in the right way and the way management wants him to learn.
- (2) To make the trainee feel sure of himself by making him realise the worth of his job and thus fit him to the position.
- (3) Training becomes essential when the selected candidates though technically qualified lacks practical experience and familiarity with the environment.
- (4) In respect of supervisory staff and junior executives, particularly when directly recruited, training fits them to the jobs and makes them effective in their jobs and provides opportunities for further advancement in the organisation.

3.15 The Study Group has collected some data on training schemes in operation in some of the public enterprises. The table given on pages 42 and 43 shows that there are various kinds of training programmes prevalent in public enterprises. They may be broadly classified into three kinds (1) training Scheme under the Apprentice Act, (2) inplant-training Schemes and (3) teacher training Schemes. The inplant training schemes may, once again, be divided into different sub-categories such as the pre-employment training, training for general improvement, training for improving promotion prospects and for re-training. These inplant training schemes of various kinds are meant for employees at various levels, i.e., lower, middle and senior levels.

(1) Training Scheme under the Apprentice Act:

Most of the public enterprises are affording training



opportunities as required by the provisions of the Apprentice Act.

2. In-plant Training Schemes:

- (a) **Pre-employment Training:** Some of the big public sector undertakings like Hindustan Machine Tools Ltd., Heavy Electricals India Ltd., and Heavy Engineering Corporation Ltd. have instituted pre-employment training schemes for training raw hands as operators - semi-skilled and skilled - as well as assistant supervisors. The pre-employment training programmes seem to be relatively common among the various kinds of training programmes, apart from the obligatory training programmes under the Apprentice Act.
- (b) **Training scheme for general improvement:** These training schemes are to be found in a very few public enterprises.
- (c) **Training schemes for improving promotion prospects:** Promotion is a powerful incentive for increasing the motivation of the employees. The training scheme which aims at the development of human resources so as to fit them for higher positions within the organisation will not only contribute to cordial union-management relations but also bring home to the employees that they are not destined to stagnate in the job for which they are recruited. Realising the importance of such schemes some of the enterprises like Neyveli Lignite Corporation Ltd., and Heavy Engineering Corporation Ltd. have instituted such schemes. These appear to be more common than the training schemes for general improvement, which aim at improvement of the employees for doing the job better.
- (d) **Retraining schemes:** It is inevitable that in some public enterprises surpluses and shortages of skilled manpower might show up from time to time. While pre-employment train-







K E Y

INDUSTRIAL ENTERPRISES

BEL = Bharat Electronics Ltd.  
ITI = Indian Telephone Industries Ltd.  
HAL = Hindustan Aeronautics Ltd.  
BEMIL = Bharat Earthmovers Ltd.  
HEL = Heavy Electricals (I) Ltd.  
KGM = Kolar Gold Mining Undertaking  
HAnt.L = Hindustan Antibiotics Ltd.  
MDL = ~~Mazagon Dock~~ Ltd.  
HTL = Hindustan Teleprinters Ltd.  
HMT = Hindustan Machine Tools Ltd.  
HIL = Hindustan Insecticides Ltd.  
NLC = Neyveli Lignite Corporation Ltd.  
WR = Western Railway  
ICF = Integral Coach Factory

NON-INDUSTRIAL ENTERPRISES

RBI = Reserve Bank of India  
SBI = State Bank of India  
SBJ = State Bank of Jaipur  
SBH = State Bank of Hyderabad  
SB Indore = State Bank of Indore  
SBM = State Bank of Madras  
SBS = State Bank of Saurashtra  
SBT = State Bank of Travancore  
SBP = State Bank of Patiala  
LIC = Life Insurance Corporation of India  
CPT = Cochin Port Trust  
AHL = Ashoka Hotels Ltd.  
KG = Khadi and Gramodyog



ing is intended to remedy shortages, the problem of re-training skilled workmen in surplus trades has not received due attention. We find from an analysis of the data supplied to us that training schemes to help artisans in surplus trades, viz., moulders and electricians, to switch over to new trades like mechanists and turners are in operation only in two enterprises namely Heavy Electricals (India) Ltd., and Heavy Engineering Corporation Ltd.

(3) Since the training has been taken up seriously by the public enterprises it is but natural that with the passage of time and the accelerated growth of the public sector, training schools attached to public enterprises may face the problem of shortage of instructors to man these institutes. Heavy Electricals (India) Ltd., has pioneered a teacher training programme to ensure an adequate supply of trained teachers.

3.16 The Study Group is happy to note that training has caught on in public enterprises. The coverage as well as the spread of training is growing. The Study Group recommends the institution of training schemes to improve employees' skills, emoluments and status in such of those enterprises where they do not exist at present. In the case of these enterprises that are faced with the problem of surpluses and shortages of skilled manpower, the Study Group recommends the institution of re-training schemes. In respect of apprentices or trainees and personnel under retraining schemes, there should be uniform conditions of service such as stipends, bond periods, leave facilities etc.

3.17 Training schemes in non-industrial enterprises: The non-industrial enterprises like the Reserve Bank of India, State Bank of India and its subsidiaries and Life Insurance Corporation of India appear to have stolen march over public in-



dustrial enterprises in the matter of comprehensive training for general improvement of the staff on the jobs in which they are working. The training appears to be broader and deeper in coverage and content. This is mostly related to executive and managerial aspects of their performance.

3.18 In conclusion the Study Group realises that there may be small public enterprises which may not be able to introduce full-fledged training schemes individually and that the highly uneconomic character of individual enterprise-wise schemes may block the emergence in such enterprises. The Study Group recommends that, atleast in a locality or region where several public enterprises are located, common schemes may be evolved among the enterprises, especially among the small ones, on a coordinated basis.

3.19 Even in the case of relatively big enterprises, for example those at Ranchi, it may be economical to have coordinated schemes of training at certain levels, particularly where extensive laboratory or workshop facilities are required. The need for coordination is certainly greater when we consider the higher levels of managerial skill.



## CHAPTER IV

### Welfare expenditures

4.1 Almost every enterprise incurs some expenditure on the welfare of its employees nowadays. This is true of both the public and private sectors. There is no precise definition of the term welfare expenditures; these may be understood to relate to those programmes of expenditure incurred by an enterprise on conferring certain non-wage benefits on the employees. Examples of welfare expenditures are education, medicine, training, recreation, housing, transport and other amenities, which are over and above the contractual wage payments as well as the statutory items of fringe benefits.

4.2 Some understand by this term all voluntary efforts on the part of the employers to provide the best possible conditions of employment in their factories; or anything done for the comfort and the improvement, intellectual or social, of the employees over and above the basic wage. In Report 3 of the ILO Asian Regional Conference, it is stated that the provisions of facilities for the promotion of the workers' welfare may be understood as meaning such services, facilities and amenities as may be established in the vicinity of the undertakings to enable the persons employed in them to perform their work in healthy and congenial surroundings and to provide them with amenities conducive to good health and high morale. A resolution adopted by the International Labour Conference at its 30th Session in January 1947, has enumerated some of these services and amenities as follows: adequate canteens, rest and recreation facilities, sanitary and medical facilities, arrangements for travelling to and



from work and the accommodation of the workers employed at a distance from their home. The report of the Labour Investigation Committee (Rege Committee) of the Government of India sets a wide scope for welfare activities; anything done for the intellectual, physical, moral and economic betterment of workers by any agency. It would include housing, medical and educational facilities, nutrition (including provision of canteens) facilities for rest and recreation, cooperative societies, day nurseries and creches, provision of sanitary accommodation, holidays with pay, social insurance measures, including sickness and maternity benefit schemes, provident fund, gratuities and bonus etc.

4.3 It becomes important particularly to consider the problem of welfare expenditures in the public sector for the following reasons:

(a) Public enterprises are expected to be model employers. Apart from setting the pace of welfare expenditures in the industrial sector, they constitute, to some extent, an agency of national policy on the provision of non-wage benefits for workers and the promotion of health, productivity, morale and dignity of life on the part of the workers. A public enterprise that neglects these responsibilities is at once vulnerable to criticism from almost every quarter.

(b) Basically it is in the interest of public enterprise as an enterprise to motivate the workers in every way possible - the more so today when the productivity in many a public enterprise is rather low. Wage payments are only one means of involving the workers in the tasks of the enterprise. Equally important, and at some stages really more significant, are the welfare amenities offered to them.



(c) Many public enterprises, engaged in basic activities like steel, fertiliser, mining, and heavy engineering, are located in relatively remote areas and whole townships had to rise almost from out of nothing, in order to attract employees to the work site and make their living comfortable in those areas. The townships of Ranchi, Bhilai, Sindri and Rupnarainpur are good examples.

(d) However, there are two factors which seem to limit the enthusiasm and capacity of the public sector in general in the field of welfare expenditures.

(i) Most of the public enterprises, as presented in the birds' eye-view in Chapter II, are financially in a delicate condition; some of them, in fact the biggest ones, yet make losses or very low profits. It can be easily appreciated that enterprises whose financial conditions are good can voluntarily decide on progressive magnitudes of welfare expenditures; while enterprises marked by the opposite conditions feel crippled in their ability to incur high welfare expenditures, however much they desire to do so.

(ii) Recently a slow-down has marked the housing and township programmes of certain public enterprises, partly as a sequel to the national desirability of maximising the use of scarce resources for productive expenditures. The point is not that housing has to be stopped, but the rate at which housing expenditures are incurred is under some restraint today, unlike in the early days of the public sector.



4.4 The Study Group has collected representative data on welfare expenditures incurred by public sector undertakings. The following examples - Fertiliser Corporation of India Ltd., and Neyveli Lignite Corporation Ltd. - are presented in illustration of the extensive welfare provisions made by public enterprises.

Welfare expenditures in Fertiliser Corporation of India Ltd.  
(Nangal Unit)

<u>Revenue Expenditure</u>	Rs.
	1966-67
a) Housing (Repairs to buildings)	1,17,895
Interest on capital expenditure at 6%	18,45,399
b) Electricity	
i) Maintenance	21,504
ii) Energy charges paid to P.S.E.S.	2,19,945
c) Water supply	51,841
Repairs and maintenance	51,841
d) Roads	
Repairs and maintenance	23,852
e) Transport	
i) Repair and maintenance	1,72,016
ii) POL	69,662
	<hr/>
Total Rs.	25,73,955
	<hr/>



Welfare expenditures in Fertiliser Corporation of India Ltd.  
(Nangal Unit)

<u>Income from employees</u>	Rs.
	<u>1966-67</u>
i) Rent recoveries	5,32,819
ii) Water charges	51,102
iii) Electricity	1,31,274
Total Rs.	<u>7,15,285</u>
Subsidy involved	13,58,670
No. of employees	4,013
Subsidy per employee Rs.	463.16

Welfare expenditures in Neyveli Lignite Corporation Ltd.

<u>Revenue expenditure*</u>	Rs.
	<u>1966-67</u>
a) Housing	96,77,484.83
b) Electricity	12,37,635.82
c) Water supply	27,60,040.77
d) Drainage	10,70,093.42
e) Roads	10,26,631.54
f) Medical	26,14,053.32
g) Education	14,15,659.25
h) Health	7,54,788.24
i) Recreations	4,26,624.76
j) Transport (Commercial Bus Service)	19,82,795.29
Total Rs.	<u>2,29,65,807.24</u>

\* Includes interest on capital expenditure, depreciation, maintenance expenditure and T.A., administrative charges (direct supervisory staff) allocated to various items.



Welfare expenditure in Neyveli Lignite Corporation Ltd.

<u>Income from employees</u>		<u>1966-67</u>
a) Housing	Rs.	22,92,576.25
b) Water supply		2,79,613.53
c) Medical		70,423.69
d) Education		2,54,565-15
e) Recreations		1,242.79
f) Transport (Commercial Bus Service)		11,48,969.04
	Total Rs.	<u>40,47,390.45</u>

Subsidy involved

a) Housing	Rs.	73,84,908.58
b) Electricity		12,37,635.82
c) Water supply		24,80,427.24
d) Roads		10,26,631.54
e) Drainage		10,70,093.42
f) Medical		25,43,629.63
g) Education		11,61,094.10
h) Health		7,54,788.24
i) Recreations		4,25,381.97
j) Transport (Commercial Bus Service)		8,33,826.25
	Total Rs.	<u>1,89,18,416.79</u>

Total number of employees 17,466  
Subsidy per employee Rs. 1,083.15

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Source: Data collected by the Study Group



4.5 One of the features of welfare expenditure in the public sector, which struck the Study Group distinctively, is that there is a great dissimilarity in the relative magnitudes of welfare expenditures among the public enterprises. The following table shows that their revenue expenditure on labour welfare as a percentage of the total wage bills varies between 5% and 32% among the 15 enterprises for which adequate data have been collected. Likewise the annual per capita revenue expenditure on labour welfare varies between Rs.166 and Rs.1461 among these 15 enterprises. There is no relationship of a high average wage and a high or low welfare expenditure figure, in either of the two senses outlined above. The Study Group feels that the actual commitment on welfare expenditure has been the result of either historical circumstances or the remoteness of the factory, in question.



Expenditure on Labour Welfare in Public Sector Undertakings

S1. No.	Name of the undertaking	Total No. of employees	Average pay per month	Percentage of revenue expenditure on L.W. to total wage bill.	Annual per capita revenue expenditure on labour welfare
1.	Hindustan Machine Tools Ltd. I & II, Bangalore.	5236	335	16	627
2.	Hindustan Machine Tools Ltd. III, Pinjore	2180	251	9	276
3.	Hindustan Machine Tools Ltd. IV, Kalamassery	2140	244	18	534
4.	Hindustan Machine Tools Ltd. V, Hyderabad.	1743	212	15	381
5.	Hindustan Machine Tools Ltd. Watch Factory	1152	217	28	735
6.	Fertiliser Corporation, Nayanangal	4013	247	5.5	166
7.	Hindustan Antibiotics, Pimpri	1955	311	24	898
8.	Bharat Electronics, Bangalore	6736	218	29	761
9.	Hindustan Organic Chemicals, Rasayani	325	428	7	373
10.	National Instruments, Calcutta	1290	344	8	350
11.	Indian Drugs & Pharmaceuticals, Madras	1138	217	15	398
12.	Fertiliser Corporation, New Delhi	377	599	21	1279
13.	Indian Rare Earths, Udyogmandal	338	-	38	1461
14.	Bharat Heavy Electricals Ltd., Hardwar	3069	302	9.5	345
15.	Fertiliser Cor. of India, New Delhi	2086	327	6.4	389

Source: Data Collected by the Study Group



4.6 The main item of welfare expenditures has been townships. From the excellent material collected by the Committee on Public Undertakings, we find the different public enterprises stand at different levels with regard to the proportion of township capital expenditure to the total capital expenditure of the enterprises. **Illustrative data** are shown in the Appendix No. 8.

4.7 The Study Group also finds that there is a high degree of diversity among public enterprises in the proportion of workers provided with houses. That the welfare commitments of the public enterprises varied widely from one another is shown by the following data on the elements of subsidy involved in such enterprises.



Subsidy as percentage of Revenue Expenditure on Townships  
and Welfare (1966-67)

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Public Enterprise	%
1. Hindustan Aeronautics Ltd. (Bangalore Division)	63.44
2. Heavy Electricals (India) Ltd. (includes depreciation and interest)	63.81
3. Garden Reach Workshops Ltd.	60.18
4. Kolar Gold Mining Undertaking (1965-66)	76.83
5. Hindustan Insecticides Ltd.	
Alwaye Unit	81.02
Delhi Unit	26.66
6. Hindustan Antibiotics Ltd.	66.34
7. Indian Telephone Industries Ltd.	75.39
8. Neyveli Lignite Corporation Ltd.	82.98
9. Mazagon Dock Ltd.	13.52
10. Integral Coach Factory	52.63
11. Cochin Refineries Ltd.	58.52
12. Security Press	12.43
13. India Government Mint (1965-66)	52.20
14. Cochin Port Trust	28.57
15. Madras Port Trust	19.09
16. Heavy Engineering Corporation Ltd.	82.65

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Note: Data not exhaustive: diverse methods of computing expenditures have been employed by the enterprises which supplied the data.

Source: Data supplied by the National Commission on Labour.

*Data collected by the Study Group.*



4.8 One of the operational reasons for the diversities in the welfare expenditures by public enterprises is that the financial conditions of enterprises vary greatly from one another. This point may be illustrated most forcefully from the expenditure of even a single enterprise whose plants in different places are marked by diverse financial potentialities. For example, the HMT factories of machine tools and watches in Bangalore, and of machine tools in Kalanassary record varying financial results. Understandably the management is inclined to the view that, beyond basic minima, the actual provisions of welfare benefits may vary among the factories, and that, as a factory improves in its surplus potentiality, the eligibility of its labour to improved welfare expenditures should also increase. From the side of the workers the reaction is generally different; for they feel that welfare provisions are more or less a desired obligation of a public enterprise irrespective of its capacity. The Study Group is of the view that some guide lines have to be set up by the government on the permissible differences in the quantum of welfare expenditures which an enterprise with factories of different financial potentialities may incur at the different places.

4.9 In fact the Study Group considers it as even more important that public enterprises spending quite different amounts on welfare benefits ought to be given some clear guidance by the government on the extent of provisions that should be minimally aimed at by any or every unit in the public sector. Theoretically, the maximum limit also needs to be prescribed.



4.10 The Study Group is of the opinion that the minimum quantum of per capita welfare expenditure may be approximately determined for public enterprises in general, with appropriate allowances for special locational factors. Over and above this figure, welfare expenditures should be linked with the surplus potentialities of an enterprise. Here by surplus we should mean clear surplus, remaining after all costs, depreciation, and finance charges are met. A sliding scale may be formulated, according to which, as the surplus increases, a varying, probably slightly declining, percentage of surplus may be made available for welfare expenditures. Such a linkage will have a two-fold effect. It protects the workers' prospects commensurately with the capacity of the enterprise; it does not damage the interest of other claimants to public enterprise surpluses, namely the consumer and the public (or tax payer) at large.

4.11 The Study Group had occasion to consider certain administrative aspects of the welfare expenditure programmes. It was brought to the Group's notice by some workers that the administration of welfare items ought to be streamlined, so that the full value of the money spent might be realised by the workers concerned. The Study Group recommends that, instead of merging the welfare functions with several other and more established functional areas of management, the welfare items should be co-ordinated under a Welfare Officer, with the required staff under him. In fact a specific budget should be set up for the welfare department; and the head of this department should be on the pay roll of the enterprise itself.

4.12 The Study Group recommends that, where the size of operations and the working force of an enterprise is too small to permit it to launch such welfare programmes as a school, or



full-fledged recreational facilities, attempts should be made to co-ordinate its programmes with those of any other public enterprises in the same locality or region. In fact resources may be pooled wherever possible, and the best possible facility provided with the aid of the combined resources. For example, elementary schools may be run by each enterprise but a good high school or a school specially for girls may only be run, in some localities, by pooling the resources of the local enterprises. Places like Bangalore, Ranchi, Durgapur, Nangal and Cochin may particularly work out the possibilities in this direction.

4.13 A suggestion which came up in the discussions of the Study Group was that a Welfare Ministry for public enterprises may be set up at the central level. The opinion was divided on this proposal. We recommend to the Commission that this proposal may be considered in its broad perspective; and we suggest that both public and private enterprises of a commercial character should come commonly within the purview of such a ministry, if and when created.

4.14 A specific question which was discussed by the Study Group related to the possibility of laying down the extent to which housing should be compulsorily provided by every public enterprise to its employees. The opinion was divided on such a compulsory stipulation, for the circumstances justifying or necessitating a certain number of houses in the case of a public enterprise depend greatly on local considerations. For example, how near the factory is to a town or to villages from which workers are drawn, is a serious determinant. However, the Study Group is of the opinion that, though such a standard stipulation may be undesirable, the Government should work out with every public enterprise the detailed programme and extent of town ship



facilities to be provided by it eventually. Further the Study Group recommends that the criteria of house allotment should be clearly laid down and that, as far as possible, the employees should be associated with the formulation as well as the implementation of the rules.



## CHAPTER V

### Incentives and Wages

5-1 We are aware of the constitution of another Study Group to look into "Incentives and Productivity." We therefore felt that it would be appropriate if we focussed our attention on the special problems associated with the introduction of incentive scheme in the public sector.

5.2 In some of the public enterprises incentive schemes have been introduced on an ad-hoc basis without scientific work-load studies and fixation of standards of performance. Hindustan Steel Limited may be cited as an example in this context. The original incentive scheme entitled "H.S.L. Bonus Scheme" was introduced in haste in 1961 without any work-load studies at all. It may be that the scheme was introduced because of the severe shortages of steel in relation to the demand at that time and also because of the public criticism that the public enterprises and especially the steel plants were not working to their capacity. The fact, however, remains that the last units of the plants were commissioned late in 1961 when the incentive scheme was just introduced. This implies that the plants were still in gestation period and could not be expected to operate at full capacity. On factual considerations it may be assumed that in course of time the plants would have operated at least at the normal level once the gestation period was over. It is, therefore, in this context that the incentive scheme may be considered to have been introduced prematurely.

5.3 Another related aspect is the introduction of incentive schemes in public enterprises without the necessary conditions obtaining in the enterprises. The introduction of an incentive



scheme assures the smooth working of the equipment, supply of tools and free flow of material. There are instances in public enterprises where incentive schemes have been introduced when these conditions were not satisfied. The Singareni Collieries Company Limited has introduced incentive schemes for various categories of workers in their collieries. The norms of performance for categories of workers like coal fillers, trammers and banks-man and machine mining operators were fixed without relationship to the practical situation of the availability of the required equipment. In the case of coal fillers and trammers and banks-man the amount of work done by them depends upon the number of tubs made available to the respective categories of workers. In practice it was found that their performance was low because of the inadequacy in the supply of proper number of tubs required by the workers. In the case of machine mining operators, the standards of performance were fixed on the basis of certain number of machines. In actual practice they were never supplied with the required number of machines on the basis of which their standard of performance was fixed. So much so, the workers never got any incentive bonus at all.

5.4 In the light of this, the Study Group feels that the incentive scheme should be introduced after scientific fixation of work-loads and proper assessment of physical and technological conditions.

5.5 An analysis of the data collected by the Study Group reveals that out of fifteen enterprises surveyed, five did not have any wage incentive schemes. They are Heavy Engineering Corporation Ltd., Hindustan Teleprinters Ltd., Neyveli Lignite Corporation Ltd. Surgical Instrument Plant of Indian Drugs and Pharmaceuticals Ltd. and Hindustan Antibiotics Ltd. The physical conditions in Heavy Engineering Corporation Ltd. and Neyveli Lignite Corporation Ltd. are such there is no scope for utilising the capacity fully for some time. In such a situation the Study Group recommends that the managements should firmly set their face against any pressure for the introduction of incentive schemes.



5.6. Some of the incentive schemes in existence in public enterprises are production-oriented and not labour-productivity oriented. In such cases the attempt will be only to raise the production levels without consideration of costs. This may result in increased labour force, or this may not at least reduce the surplus labour force as the labour productivity is not taken into consideration. This, in its turn would lead to increased absenteeism and increased over-time payments to the workers. An interesting example in this connection is Hindustan Steel Ltd. It has been clearly brought out by the ~~Estimates~~ <sup>on Public Undertakings</sup> Committee that there is surplus labour force in ~~one of~~ the steel plants of Hindustan Steel Ltd. and one of the problems being faced by the plants of Hindustan Steel Ltd.; since the introduction of incentive scheme is that of increased over-time payments to its workers. The Study Group, therefore, strongly recommends that incentive schemes should be linked with labour productivity either directly or indirectly so as to avoid increased labour costs.

5.7 The public sector is characterised by multi-plant enterprises. The introduction of incentive schemes in such enterprises creates certain unique problems. For example, on account of the earlier start of a unit and the propitious conditions obtaining therein, management might consider the introduction of an incentive scheme feasible. The conditions in other plants subsequently established may not be propitious for the introduction of similar incentive schemes either because that they are new enterprises or they have not still passed over the period of gestation. Secondly, the nature of equipment and the level of utilisation of equipment may be different in different plants. Hindustan Steel Ltd., may again be quoted as an interesting example. The incentive schemes



in Hindustan Steel Ltd. envisage incentives beyond 100% achievement of the capacity. Originally there was a provision for bonus of 50% at 100% achievement of the capacity. Later on it was revised to 70% for 120% **achievement** of the capacity. However, the nature of equipment in the three plants is different. The inbuilt capacity of Bhilai Steel Plant was more than the project report capacity. Whereas in the case of other plants there was no such hidden capacity. Even though the incentive rate for the workers in the three plants ~~was~~ uniform, the potentialities of incentive earnings were different because of the differences in the equipment cited above. This may lead to frustration or jealousies among the workers in the three plants. An interesting question in this connection is whether uniform incentive schemes should prevail or whether incentive schemes should go into effect simultaneously in multi-plant enterprises. The Study Group feels that incentive schemes should be tailor-made plant-wise in a multi-plant enterprise in the public sector.

5.8 Many of the public enterprises were also characterised by monopoly market conditions. Indian Telephone Industries and Hindustan Aeronautics Ltd. come to mind immediately. The introduction of incentive schemes in such enterprises might in practice result in managements giving away too much for too little to the workers at the cost of the consumer. The problem that would arise in this context is the sharing of gains by way of improvement in the productivity or decline in the cost of production of the enterprise consequent upon the introduction of incentive schemes. The consumer interest should not be neglected in sharing the gains of increased productivity through incentives. The Study Group recommends that in monopoly enterprises care should be taken to ensure that incentives



do not tend to do the work of mere wages and that incentive earnings result only from increased productivity. It is advisable that all incentive schemes are drawn up in consultation with the trade unions as far as possible.

5.9 In conclusion, the Study Group feels that the introduction of an incentive scheme should be preceded by a proper fixation of standards of performance and the coverage of different departments like maintenance group, the management group and the head office group should be done in a way so as not to increase the cost of implementation of the scheme in relation to the benefits that it confers. The incentive scheme should take into consideration not only production and productivity but also material utilisation, inventory turn-over etc. An ideal example in this connection is the production incentive scheme of Hindustan Insecticides Ltd. In general, many public enterprises are still passing through gestation and their productivity is rather low. Under these conditions the Study Group recommends that incentive schemes should not only aim in theory at raising productivity but be intimately linked in practice with productivity attainments.

#### Wages

5.10 The basic conflict which underlies the majority of the manifestations of industrial disputes, is the natural desire on the part of the workers as an organised group, to increase the total pay packet and the difficulty of management in trying to contain it so that the economic viability of the undertaking is not jeopardised. Whilst in the sense, the problem is common to both private and public sectors, there are certain peculiar facets which make the problem more complicated in the public sector. No isolated wage policy for the public



sector alone will be desirable or possible.

5.11 This desire of the workers make them to take at present, recourse to all methods and avenues, reasonable or otherwise, to press for additional gains. Practices like manipulation of over-time, bargaining for lowering incentive targets, job demarcation disputes with a view to delimiting the work content, demand for higher posts and quicker promotions are all strongly motivated and conditioned by the fact that by and large, workers find it difficult to make both ends meet in a phase of rising prices which would characterise, in a greater or lesser degree, any developing economy. The concept of "need-based wage" is therefore the foremost pressure and consideration on the part of the trade unions sponsoring economic demands and disputes. It is needless to add that the expectations in this regard, are naturally higher in the public sector as it is also identified, generally, with the image of a welfare state.

5.12 As often observed throughout this report, private sector undertakings, by the very nature of their products and investment objective, are in a somewhat better position to meet this pressure to some extent from time to time. Even when basic wages are identical, the annual profit bonus makes a substantial difference.

5.13 In the case of the public sector, however, a number of handicaps prevent them from taking this course, the foremost being the fact that most of the public undertakings are in basic or infra-structural industries with very heavy capital investments and long gestation periods. The only two courses open to the public sector undertakings to combat this burden of capital would be to gain advantages in the wage element of the cost and to gain in productivity all-round on raw material, equipment, as well as labour productivity. In this effort, a



conflict inevitably arises because of the fact that the national economy itself, in its present stage, is unable to provide need-based wage all-round. The improvement of the national economy is itself linked with the public sector undertakings achieving their full surplus potentials. Furthermore, they supply the basic requirements the prices of which may have to be regulated as a matter of policy and this might lead to low profits or no profits.

5.14 This vicious circle can only be broken by the formulation of a national income and wage policy. Whilst in a labour-surplus economy like ours, one could expect advantages of comparatively cheap labour, yet for the very reason there are pressures on employment. Such pressures are naturally felt most in the public sector undertakings started during the second and third plans. Overmanning, therefore, has resulted in counteracting the advantage of lower wage levels in our country. The fact that by and large workers in most of the public sector undertakings are comparatively better placed as far as total emoluments are concerned than the workers in many other sectors of the economy, does not <sup>make</sup> ~~take~~ the workers in the public sector any more contented because they are still short of a satisfactory standard of living. A national wage policy is, therefore, again necessary to determine the fair share of wages for all sectors of the economy in relation to the total national income, in this crucial stage of the growth of our economy.

5.15 The Study Group is aware that the Wage Boards are playing a significant role, taking different industrial sectors at a time. But, by and large, the Wage Boards' task had to be limited only to the more immediate issues by way of determining the degree of relief to be provided to the workers in the changed circumstances by compromise between the increased cost of liv-



ing and the ability of the industry to pay without inhibiting its growth and survival completely.

5.16 Some revision of wage scales under rationalisation within an industry, is done also by the Wage Boards, but a basic examination of the wage structures has not taken place in a significant manner.

5.17 Some industries have adopted job evaluation and point scales for the purpose of determining basic wages but it is open to doubt whether the weightages given for the various elements of the job value such as education, skill, physical effort etc. are in fact related to the changed working conditions such as the emergence of matriculate and higher qualified people as workers at the basic level including unskilled levels. This is important as the historical basis of the wage structure in our industries is linked with the past when manual labour was cheap and greater reliance was placed on manual work as opposed to higher skills. In this connection, it may be remembered that the public sector includes a higher proportion of enterprises oriented towards new and sophisticated technologies.

5.18 In the absence of these fundamental issues being tackled by a national wage policy, ad-hoc solutions are being attempted with the result that anomalies have appeared and disputes on wage scales are fairly common in the public sector. The basic wages in different categories of skills among enterprises of a similar nature tend to be different. For example, the Welders of the HAL are paid less than in the industries of Durgapur. Whilst the Study Group feels that there would be regional variations in the cost of living etc. which could be compensated by suitable allowances, there is great scope for standardisation of the nomenclature and job contents for similar work throughout the public sector industries.



5.19 It has already been mentioned that there is a great deal of disparity in welfare amenities like township facilities, medical aid and transport etc. as between the public enterprises themselves. In computing the real wages of the workers these should also be taken into account. If this is done, then the anomalies become sharper. For example, it is emphasised that Hindustan Aeronautics Ltd. provides residential accommodation to only about 10% of the workers, Hindustan Machine Tools Ltd. to 25% of its workers, Hindustan Steel Ltd. to about 40% and Neyveli Lignite Corporation to over 60%.

5.20 In conclusion, the Study Group feels that since the progress towards a need-based wage can only be made through higher productivity, it could be done only through a basic acceptance by the trade unions in the public sector of the economic limitations and economic objectives of the public undertakings and making joint efforts to reduce the period of waiting for attaining the need-based wages. Even in this matter, the ability of particular undertakings within the public sector to afford basic wages or even the public sector as a whole being able to do so at some stage may not necessarily mean that the national economy as a whole could afford to do so. Therefore, the Study Group feels again that the Commission may consider the question of the best means for setting about the formulation of a national income and wage policy with the participation of all the major trade unions and employers' organisation in the country, so that individual wage policies and disputes could be settled within a definite framework\*.

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\* See points of dissent by Shri M.S.Krishnan



CHAPTER VI  
Industrial Relations

6.1 In dealing with the problems of industrial relations, the Study Group sought to highlight the more fundamental issues for the attention of the Commission, since special Study Groups have already been set up for a detailed study of labour legislation and their implementation in detail.

6.2 These fundamental issues concern the form and the content of industrial relations. The former again has been dealt with in two broad groups. The first relates to labour legislations which determine the formal mechanics of regulating industrial relations statutorily. The Study Group has touched upon some of the basic aspects of the more important labour laws which need re-consideration.

6.3 Secondly, given certain statutory mandates governing the formation and recognition of trade unions, the machinery for grievance settlement, conciliation, adjudication, the basic service conditions like hours of work, leave etc., the problem of administering these legislations assumes great importance. The largest concentration of investment as well as employment being under the aegis of the Central Government, the Study Group has discussed the pros and cons of administering the labour laws governing industrial relations centrally, as opposed locally by the state governments.

6.4 The fundamental issue in regard to the content of industrial relations in public sector undertakings is one of full participation and involvement of workers and management in achieving the common objective of the undertaking. The Study Group has therefore chosen to deal with this aspect under the scheme of Joint Management Councils, their evolution, function-



ing and limitations and the extent to which these could be made to help towards real participation.

A. Labour legislation and implementation

6.5 As a special Study Group has already been set up for the study of labour legislations and their implementation, this Study Group confined itself only to some broad observations on some of the important aspects of the present labour laws vis-a-vis their implementation in the public undertakings.

6.6 The Study Group feels that the time has come for a review of the plethora of Industrial Acts and to streamline the procedures, the returns and the various machinery set up under these Acts.

6.7 The Study Group further feels that the rule framed under some of these Acts in different states differ in important details and therefore pose problems for multi-plant units operating in different states. This aspect has been dealt with in detail <sup>when</sup> which the Study Group discussed the pros and cons of centralising the administration of industrial laws in so far as the Central Government undertakings are concerned.

6.8 The Study Group would draw the attention of the Commission to some of the important lacunae in the present Acts and their implementation and hope that the special Study Group on labour legislation <sup>must</sup> would have adequately dealt with these.

6.9 Factories Act 1948

(a) The scope of application of the Factories Act could be re-examined as at the moment the Act covers different sections of the same unit which have different activities and



working conditions and need special treatment e.g. research centres or research units in an undertaking. Such an understanding can only be reached and imposed at the national level and not at the local union level.

(b) Violation of the Factories Act have been recorded in the public sector undertakings from time to time; but these are generally of a minor nature such as inadequacies in first-aid boxes, creches, spittoons, rest rooms and lunch rooms, urinals etc. By and large, the public sector undertakings have been implementing them.

(c) The need to reduce the number of returns to be rendered has already been mentioned.

(d) It has been brought to the notice of the Group that the inspection by the Factory Inspectors could be improved. Some suggestions were made that training should be given to Factory Inspectors and they should be provided with independent means of transport. They should also be given "check list" for their inspection works. It has also been suggested that the advisory role of the Inspectorate of Factories should be more emphasised and positive, than ~~these~~ present punitive role.

## 2. Shops and Commercial Establishments Act

6.10 In some undertakings whilst one group of employees is governed by the Factories Act and other Acts relating to industrial workers, other groups come under the Shops and Commercial Establishment Acts in the same unit. It should be possible to operate one Act for an entire unit.

## 3. Workmen's Compensation Act

6.11 A suggestion has been made that the limit of application of this Act should be raised to cover employees in receipt



of Rs.500/- p.m. and beyond as many large establishments have a number of employees in the higher ranges to whom the benefit of this Act could be extended.

4. Industrial Employment (Standing Orders) Act, 1946

6.12 At present, before certification of standing orders employees and the management are separately heard. This results in negotiation and ultimately leads to variations in details in the standing orders <sup>from</sup> ~~between~~ unit to unit in the same company or region. The Study Group feels that there is a case for uniform statutory Standing Orders for all central undertakings.

5. The Industrial Disputes Act 1947

6.13 The problem arising out of different rules framed by different state government authorities under this Act has already been dealt in detail elsewhere. The other problem in regard to the machinery for settlement of disputes set up under these Acts which affect centre state relationship ~~have~~ <sup>has</sup> also been discussed in detail.

6.14 The Industrial Disputes Act provides for formation of works committees on an elective basis whereas the recognition of the trade union under the ILC Code of Discipline follows a different principle. This leads to considerable difficulties resulting in violation of the Act inasmuch as some undertakings are unable to form Works Committees where inter-union rivalries and recognition issues are unresolved.\*

6. Trade Unions Act

6.15 This act does not legislate for the proper method

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\* See points of dissent by Shri M.S.Krishnan



of recognition. Although an amendment to this Act was passed in 1947, its implementation has been deferred sine die and since this is the crux of the labour problem in the public sector, the sooner a proper method of recognition of Unions is evolved and statutorily laid down, the better.

6.16 Seven employees can get together and form a registered union. This is harmful and a minimum percentage to the total strength should be laid down as a condition of eligibility for registration of a trade union\*.

7. Employment Exchanges (Compulsory Notification of vacancies) Act 1959

The Study Group's view on this has already been recorded in Chapter III dealing with Recruitment, Promotion and Training.

B. Administration of labour laws

6.17 On the question of centralising the administration of industrial relations in so far as the central government public enterprises are concerned, the Study Group feels that there are several reasons why such a step may prove to be of advantage.

(a) When the labour relations are centralised, the Government of India can afford to take an all-India view on the problems relevant to the issues involved; this seems to be desirable in the sense that the way in which any point concerning labour is decided in one public enterprise has repercussions inevitably on the other public enterprises.

(b) The need for such a uniform approach is particularly great in the case of central government enterprises which are

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\* See points of dissent by Shri M.S.Krishnan



multi-plant in nature and have factories and labour forces spread over several states. It will make for smoothness in management relations with workers in such cases if some degree of uniformity were to prevail in regard to all matters concerning labour such as service conditions in the different plants of which the enterprise is composed.

(c) It is contended in some quarters that the efficiency of administering labour relations may be of a superior order when the central government takes it over. The difficulties that may arise out of divergent approaches of different state governments in regard to labour and also differences in labour legislation prevailing in different states would be avoided if labour and industrial relations in regard to public sector are entirely within the purview of the central government.

(d) It is argued that the centralisation of industrial relations will not involve a new principle, for there has been a trend towards the centralisation of certain other matters relating to public enterprise operations and administration. For example, a bill has just been introduced, under which the security forces on public enterprise promises will be taken over as central government responsibility.

(e) Already labour relations in the coal industry are a central subject; in fact the entire area of mining constitutes a central subject. There is no reason why other industries should not be added to this list, particularly because very often mining is combined with other industries and difficulties arise in defining the jurisdiction of the central and state governments in regard to the industries concerned.

6.18 On the other hand, the Study Group is aware of certain difficulties that will complicate the centralising of labour relations.



Firstly, if labour relations are centralised but law and order remains a state subject, as it must, it seems to be difficult and in several situations impossible to draw a line of demarcation between what may be described as a labour relation situation and what may be termed as a law-and-order situation. If the former becomes a central responsibility, the demarcation of the relative roles of the central and state governments will become a difficult task; and the consequences for the enterprises in times of labour strife may be worse than what they are today.

Secondly, labour is not simply an economic question; it constitutes an area highly prone to political pressures. The process of administrative decentralisation in the country is so established that it may be unrealistic to assume that the political forces at the state level will let the important area of labour relations be taken over by the central government. The fact that different states in the country are under different political patterns at the level of administration and are characterised by dissimilar shades of political set-up, makes the centralisation of labour relations far more difficult than it might have possibly been, had there been a monolithic system of governance over the entire country.

Thirdly, it is appropriate that the labour problems of an enterprise are settled, as far as possible, at the local level in the background of the human factors influencing the enterprise, its workers and the management. Since the management and the workers have to operate within the local circumstances and since both sides may have to depend, to some extent, on the local political situation as well, it may be inadvisable to try to insulate them totally from the state government's concern with labour relations.



Fourthly, the question arises as to why the centralisation of industrial relations should be resorted to in the case of the public enterprises alone. For example, if the state government is good enough to assume the responsibility for the Tata Iron and Steel Company, can it not be entrusted with the same responsibility for the Hindustan Steel Plants? In this context, it is relevant to note that the central government happens to be the largest single industrial owner and employer of labour spread over all the states of the country and that the central government is directly responsible for the performance of the central public enterprises as well as for the industrial peace, and well-being of workers in these undertakings. The sheer magnitude of the investments involved, the regional spread of the operations and the requirement of uniformity in regard to service conditions seem to warrant special treatment in this case in favour of centralising the industrial relations.

6.19 In conclusion, the Study Group is of the opinion that the argument for centralisation seems to be fairly strong on theoretical grounds, though in practice the Group feels that, considering the political conditions at the state level, this question calls for a reconciliation between the specific interests of the central public sector as presented above with broader administrative considerations regarding industrial relations in the country, as a whole and the division of powers and responsibilities as between the centre and the states. The Study Group commends to the Commission the idea that the government may promote, in some form, a consensus among trade unions on the one hand and the managements on the other on the question of centralising industrial relations, as distinct from other matters like law and order, before a final conclusion is arrived at in this regard.



C. Joint Management Councils

6.20 Modern large scale economic organisations, both in the public sector and private sector, while contributing to the economic well-being of the community have also given rise to certain labour problems viz. boredom and stifling of creativity on the part of the employees, resistance to change, and overt acceptance and covert resistance of managerial decisions.

6.21 In order to find solutions to the above mentioned problems and to underline the fact that management and labour are partners in the enterprises, the Whitley Councils had been set up in England in pursuance of the Whitley Report of 1917. These councils were advisory in nature and had a chequered career. In post independence era in India, planned economic development brought into existence mighty industrial activity in both the sectors. The idea of workers' participation in management was initially voiced by the late Prime Minister Jawaharlal Nehru in one of his addresses to a workers rally in 1954. The movement has gathered momentum over the years. In the initial stages of the Second Plan, and in this may be covered the period up to the beginning of 1958, the process of participation had hardly begun. The important push it received was when the first seminar on workers' participation in management was convened in 1958. In this seminar, after a detailed discussion between the representatives of management and labour, it was agreed to demarcate the functions of joint management councils.

6.22 The scheme of joint management councils which is synonymous with workers' participation in management was intended (1) to provide management with advice and (2) to give employees the feeling and thrill of participation in managerial decisions affecting them. The scheme envisaged not only to increase productivity or production but also to improve the living and



working conditions of the employees and also to usher in a socialist order and to make the private sector also fit into such scheme. The Industrial Disputes Act 1947 also envisaged the setting up of works committees in all industrial establishments in order to provide an opportunity to workers to participate in the working of the enterprises. Management in both the sectors have also initiated schemes of joint consultation with their employees suo motto. The first joint management council was established in the public sector in the Hindustan Machine Tools Ltd., Bangalore, in 1958. In other industries schemes for joint consultation both voluntary and statutory, are in existence. In all these schemes, care was taken to exclude wages and bonus as they legitimately come within the purview of collective bargaining by trade unions. The following table lists the schemes of joint consultation, both voluntary and statutory, in existence in the public sector enterprises, *the data are not exhaustive*



Schemes of joint consultation in some public enterprises

Enterprise	Joint consultation bodies
1. Bharat Electronics Ltd.	No Joint Management Councils, as such are operating. 1. Works Committee
2. Garden Reach Workshops Ltd.	1. Works Committee 2. Emergency Production Committee
3. Hindustan Antibiotics Ltd.	1. Works Committee 2. Bus Advisory Committee 3. Canteen Management Committee 4. Safety Committee 5. Emergency Production Committee
4. Kolar Gold Mining Undertaking	1. Works Committee 2. Production Committee 3. Canteen Managing Committee 4. Central Social Welfare Committee
5. Heavy Electricals (India) Ltd.	1. Joint Committee 2. Canteen Managing Committee 3. Two Grievances Committees 4. Emergency Production Committee 5. Departmental Joint Production Committee 6. House Allotment Advisory Committee (Junior) 7. Hospital & Medical Committee



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Enterprise	Joint consultation bodies
6. Bharat Earth Movers Ltd.	1. Works Committee Working
7. Hindustan Aeronautics Ltd.	1. Works Committee 2. Canteen Managing Committee 3. Labour Welfare Fund Committee 4. Transportation Advisory Committee 5. Township Advisory Committee 6. Housing Allotment Committee 7. Benevolent Fund Committee 8. Sports Club Managing Committee
8. Hindustan Insecticides Ltd. Delhi	1. Joint Management Council Sub-Committee 2. Welfare Sub-Committee Works Committee
Always	
9. Cochin Port Trust	1. Works Committee 2. Committee of Administrative Representatives
10. Kandla Port Trust	1. Works Committee
11. State Bank of India	1. Central Consultative Committee 2. Joint Consultative Committee (1) Central -do- (2) Circle -do-
12. Integral Coach Factory	1. Staff Council



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Enterprise	Joint consultation bodies
13. Ashoka Hotels Ltd.	1. Works Committee 2. Accommodation Committee 3. Panchayat 4. Punishment Review Committee 5. Grievance Committee
14. Western Railway	1. Permanent Negotiation Machinery
15. Reserve Bank of India	1. Two tier Conciliation Machinery
16. India Govt. Mint	1. Works Committee
17. State Bank of Jaipur	No joint consultation bodies exist but meetings are held between Employees' representatives and management once in a year
18. State Bank of Mysore	A scheme of joint consultation is being finalised
19. Indian Telephone Industries Ltd.	1. Works Committee
20. Hindustan Teleprinters Ltd.	1. Safety Committee and Grievance procedure
	<u>Proposed</u>
	(1) Works Committee (2) Joint Management Council

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Source: Data collected by the Study Group



6.23 The Ministry of Labour and Employment have carried out the evaluation on the working of joint management councils in twelve public undertakings. The report based on that evaluation highlights the following facts:

1. Despite the existence of a joint management council work stoppages were not eased. For example, in Rajasthan Electricity Board, there was a strike in 1962 and a threatened strike in 1963 despite the existence of a joint management council.
2. It is difficult to attribute increase or decrease in production/productivity to the working of the joint management council. For example, while in Government Central Press, Bombay, it is stated that production and productivity increased consequent on the formation of the joint management council, in Kerala Soap and Oils Ltd., on the other hand there has been a fall in production after the constitution of the joint management council.
3. Despite joint management councils in the public sector, outside intervention has been sought for more and more and the matters settled mutually are very few.
4. The rate of absenteeism has not gone down despite the formation of joint management councils.
5. The administrative matters entrusted to the joint management councils are very few.
6. It has been universally noted that the meetings of the joint management councils have not been regular despite recommendations that they must meet regularly and frequently.
7. It is clear from what has been said above that schemes of joint consultation, and joint management councils in particular, have not been a success.



6.24 The Study Group feels that this lack of success may be due to two reasons. First, the coverage and jurisdiction of the matters falling within the purview of the joint management councils are neither precise nor clear cut. Second, the functions envisaged for the joint management councils actually overlap with the functions of statutory works committees and other non-statutory committees such as canteen committee and safety committee.

6.25 Further, the successful working of a joint management council calls for a different attitude on the part of labour and management when they meet in the committee opposite each other. It is very difficult for both to remember that they are wearing different hats when they talk to each other in the committee. Another reason might be the lack of communication to the rank and file on the useful work that is being carried out by the joint management council.

6.26 Hence the Study Group feels that instead of a plethora of bipartite committees with overlapping functions, it is better to statutorily provide for a single joint management council which in its turn should constitute sub-committees to look after various matters affecting employees like canteen, safety, house allotment and co-operative societies.\*

6.27 Whilst the Study Group agreed that a single joint management council with functional sub-committees would be the best machinery for effective participation of workers in management, there are problems in the formation of such a single council, because a joint management council of this nature, to be truly effective, must consist of a representative body of workers who can carry conviction with the large body of workers.

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\* See points of dissent by Shri M.S.Krishnan



6.28 The Study Group could not come to any conclusion on the question of the constitution of joint management councils. Some asserted that the most effective council would be one which is nominated by the recognised trade union provided the recognised trade union itself has earned its recognition through secret ballot election. One view was, however, expressed against the recognition through secret ballot election on the ground that secret ballot will weaken the trade union movement and disturb the industrial peace before and after the election. The method of election, it was felt, might introduce all evils associated with the political elections. Further, it will encourage trade union leaders to subordinate workers' interest to the winning of election.

6.29 The other view expressed was that the employees' representatives on the joint consultative body should be elected by direct election by secret ballot, in which all workers would be entitled to vote. Such elections are prescribed for Works Committees and there is no reason to think that the process of election alone would introduce any more evils than the process of canvassing to establish largest membership by the unions. Winning of election where the electorate consists of workers obviously would depend on working towards workers' interests and not subordinating them to any other considerations. Such direct election would have greater chances of ensuring that the representatives work with the interests of workers alone in view, and serve to eliminate the external influences consequent on the external affiliations of trade unions.

6.30 In the second alternative, one difficulty was envisaged namely that whilst the joint management council may contain different shades of opinion, there may also exist a recognised trade union consisting of a particular group of opinion. This may lead to conflicts and therefore some members of the Study Group felt that items of collective bargaining such as wages,



incentive etc., which have been so far dealt with by the unions may continue to be within their purview. This was, however, not agreed to by those advocating constitution of the council by direct election who felt that such a body should be the sole representative body of all labour for all purposes and that in the interim period when the recognised union may be permitted to nominate the members such conflict itself does not arise. The pattern initially established, could be continued even when the members of the council themselves are elected by direct election, by secret ballot. A view was also expressed that industrial unrest such as strikes etc., could be entirely avoided by a provision for adjudication in case an acceptable decision cannot be arrived at between the consultative body and management. When under the rule of law judicial interpretation is final as between the Government and the citizens or between citizens, there is no reason why it should not be so as between management and workers of an enterprise.

6.31 The view was also expressed that the terms of reference of joint management council as spelt out in the 15th I.L.C. do not cover truly all management functions. Further the role of joint management council as envisaged today is that of an advisory committee rather than a committee which has directly the power of taking management decisions jointly and also that joint management council decisions have to be unanimous. Whilst this view is accepted, many in the Study Group felt that in the initial stages of the formation and working of the joint management council, it could be kept in an advisory role with the expectation that its advice will generally be accepted and implemented by the management increasingly as the joint management council gathers experience and stabilises its working.



CHAPTER VII

Uniformities in Public Sector

7.1 The constitution of public sector undertakings either as companies or as statutory corporations has resulted in each unit formulating its own rules and regulations. This has resulted in each undertaking developing its own administrative structure, terms and conditions of service for the employees, and pattern of wages and fringe benefits including amenities. However, all such undertakings are broadly identified with the government with the result that there is a certain expectation of uniformity on the part of labour engaged in such units. Generally the practices in the government form the base. At the same time due to the application of the Industrial legislation and due to prevalent advantageous practices in the private sector there is continuous pressure to introduce variations from the government practices. The result is that there are fairly wide disparities in the prevailing practices pertaining to hours of work, leave facilities and amenities in the different public sector undertakings. Such disparities constitute a fertile ground for discontent amongst the employees and demands are made continuously with reference to the practices prevailing in some other units without treating the prevalent practice in each unit as a package.

7.2 Reference has been made in the Report to the need for bringing about uniformity in percentages of intake at various levels, welfare expenditure and wages. The question of wage has already been dealt with separately and the Group's views are recorded. The areas in which there is room for bringing about uniformity are discussed below:



(1) Leave and Leave Rules:

While some public enterprises follow the pattern laid down in the Factories Act, in some cases better terms have been evolved as a result of negotiations between the management and labour. In some undertakings government practices are being followed particularly in regard to office staff. Such disparities in the undertakings constitute a greater cause of unrest than interunit disparities. This applies to earned leave, holidays with pay, casual leave and medical leave. The Study Group feels that uniformity in this matter should not be difficult to achieve particularly on the pattern of the industries

(2) Hours of work

A normal week of 48 hours has been prescribed for all industrial public undertakings under the Factories Act. The majority of the public sector undertakings observe this pattern though there are some instances of deviation. The number of hours of work for blue and white collar workers within the same enterprise tends to be different and as a rule white collar employees work for lesser number of hours as compared with the blue collar workers. The Study Group feels it necessary to recommend uniformity in this respect also.

(3) Recruitment and promotion

This area also <sup>remains</sup> provides considerable diversity in procedures in the public sector undertakings. This is inevitable when generally recruitment and promotion procedures are discussed with the representatives of the unions. It is, therefore, no wonder if diversity in this sphere is very wide as concessions in this field depend largely on the strength and bargaining power of the unions concerned. The Study Group feels that although a fully satisfactory pattern prescribing recruitment and promotion rules common to all undertakings may not be evolved, it is still administratively possible to lay down general principles to be followed.



(4) Discipline

It is common knowledge that there is increasing indiscipline in the public sector, To a large extent, besides politics, this is due to the fact that rules of discipline governing employees, in general, in all categories have not been formulated except in the standing orders based upon negotiations with the unions. The Study Group recommends that standard rules governing the conduct and discipline of employees in the public sector undertakings in all categories should be drawn up similar to the Civil Service Conduct Rules.\*

(5) Medical aid

In a number of cities the Employees State Insurance Scheme is now operating. This however, leaves out several areas in which the public sector undertakings have been located. The result is that whereas the employees working in the public undertakings located in cities covered by the Employees State Insurance Scheme <sup>have</sup> certain benefits, those located in areas not so covered are <sup>x</sup> at a great disadvantage. The Study Group feels that there does not seem to be any reason why the public sector undertakings cannot evaluate uniform pattern similar to the Employees State Insurance Scheme or the Contributory Health Service Scheme of Government of India in all public sector undertakings irrespective of the location. This will bring considerable relief not only to the employees themselves but to their families also. Better medical aid uniformly extended to all employees of the public sector undertakings will go a long way in making them 'model' enterprises.

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\* See points of dissent by Shri M.S.Krishnan



## CHAPTER VIII

### Summary of Findings and Recommendations

8.1 The following is a summary of our findings and recommendations:

8.2 Public enterprise management operate under heavy handicaps in their dealings with labour. Management-labour relations are continuously under the glare of public opinion and parliamentary criticism as well as external pressures. Unfortunately their capacity to pay is yet so low that the managements usually find themselves inhibited in taking decisions involving extra labour-costs autonomously by themselves; and most of the industrial disputes directly or indirectly involve such decisions. (Para 2.13)

8.3 It is of utmost urgency to define the status of the workers in the public sector vis-a-vis the employees in the government, so that both the management and the workers *are on* have clear ground in negotiations. It seems necessary that the government ought to limit its intervention in so far as management-labour negotiations are concerned by specifically laying down the broad principles within which the management could negotiate with their labour on their own, such as (1) the extent to which the capacity to pay should be subordinated to the payment of need-based wages. (2) the extent to which the retained earnings for ploughing back into the business could be sacrificed (3) the extent to which dividends could be lowered or losses enhanced to meet the <sup>wage</sup> ~~economic~~ demands of the labour and (4) the extent to which such extra costs could be passed on to consumers by way of increased prices of products. This should not only be recognised in theory but implemented in practice. (Para 2.14)



8.4 Motivation of the working force in public enterprises outside economic incentives is a matter of vital importance for their successful running. Since most of the enterprises are not in a position to offer monetary incentives generously, motivation through association of workers becomes an urgent necessity. Without a satisfactory consensus on the wider problems of recognition of unions, association of workers with the running of enterprises, cannot be effective and without such association, the dynamism lacking in public enterprises today, cannot be imparted. This issue, therefore, deserves special attention of the Commission. Meanwhile, some enterprises undertaking should be encouraged to experiment in this direction and the results watched. (Paras 2.19 and 2.21)

8.5 While supporting the cause of maximising the employment in the country as a whole, public enterprises ought not to be singled out for uneconomical absorption of grossly surplus labour force. They ought to be encouraged to make all lawful adjustments in the size of the labour employed by them, consistent with the technology adopted by them without bringing sudden or large scale retrenchment in the process. (Para 2.22 (2))

8.6 In point of wages and wage structures, it was felt by some that public enterprises, on the whole, are playing the role of a pace-setter. Another view expressed was that public enterprises have adopted only desirable standards to a certain extent in the matter of ~~a few~~ of the fringe benefits such as housing, leave facilities, hospitals and play grounds. The failures both on the side of management and labour have resulted in the nations' expectations of public enterprises as model units (not only economically but sociologically) have not been realised adequately. The causes particularly emanating from the delays on the side of the government ought to be remedied at once. (Paras 2.23 & 2.24)

8.7 There is need for formulation of a well defined policy and an unambiguous procedure to be followed in regard to recruitment and promotion. (Para 3.1)



8.8 By the very nature of the public sector undertakings, it is **expedient** to adopt the priorities listed in the government directive for displaced persons, scheduled castes and local unskilled workers. (Para 3.4 (a))

8.9 Qualifying tests including trade tests should be laid down for as many posts as possible in every enterprise. (Para 3.6 (a))

8.10 There should be standardisation in the job specification related to wage scales for the purpose ~~of~~ direct recruitment <sup>of</sup> common criteria, throughout the public enterprises to the extent possible. (Para 3.6 (b))

8.11 We have no positive recommendation to make on the question of representation to workers on selection committees for recruitment and promotion. (Para 3.7)

8.12 We find no need for associating state government's representatives with the selection committees, as the interests of local employment are adequately covered by the government directive on the subject. (Para 3.8)

8.13 Public enterprises located at one place should aim at achieving some uniform cannons of promotion based on standard job description and job terminology. (Para 3.12)

8.14 Whatever percentages for promotion from within an enterprise are considered desirable, level by level, these must be ~~announced~~ announced and consistently followed from time to time, so that labour does not find in promotions, a cause for complaint or protest. (Para 3.12)

8.15 As an adjunct to recruitment and promotion policies, it is necessary to emphasise the need for the management to provide extensively training schemes within the organisation for up-~~grading~~ grading workers' skills and increasing their potential for promotion within the organisation for specialised jobs. (Para 3.13)



8.16 Training has caught on in public enterprises. We recommend the institution of training schemes to improve employees skills; emoluments and status in those enterprises where they do not exist at present. (Para 3.16)

8.17 Small enterprises which may not be able to introduce full-fledged training schemes individually, should evolve co-ordinated schemes of training on a joint basis. (Para 3.18)

8.18 The welfare expenditures vary considerably from one Public Enterprise to another to-day. Some guide lines have to be set up by the government on the permissible differences in the quantum of welfare expenditures which an enterprise with factories of different financial potentialities may incur at the different places. (Para 4.8)

8.19 It is even more important that public enterprises spending quite different amounts on welfare benefits ought to be given some clear guidance by the government on the extent of provisions that should be ~~minimally~~ aimed at by any or every unit in the public sector. Theoretically the maximum limit also needs to be prescribed. (Para 4.9)

8.20 It is also necessary that the minimum quantum of per capital welfare expenditure be approximately determined for public enterprises in general, with appropriate allowance for special locational factors. A sliding scale may be formulated, according to which as the surplus increases, a varying, probably slightly declining percentage of surplus, may be made available for welfare expenditures. (Para 4.10)

8.21 Welfare administration ought to be streamlined so that the full value of the money spent might be realised by the workers concerned. Instead of merging the welfare functions with several other and more established functional areas of management, the welfare items should be coordinated under a welfare officer with the required staff under him and a specific budget for his department. (Para 4.11)



8.22 Where the size of operations and the working force of an enterprise are too small to permit it to launch such welfare programmes as a school, or full-fledged recreational facilities, attempts should be made to coordinate its programmes with any other public enterprises in the same locality or region. In fact, resources may be pooled wherever possible and the best possible facility provided with the aid of the combined resources. (Para 4.12)

8.23 The Commission may consider the propriety of setting up of a welfare ministry with its own funds at the central level. Both public and private enterprises of a commercial character should come within the purview of such a ministry, if and when created.

8.24 The government should work out with every public enterprise, <sup>(Para 4.13)</sup> the detailed programme and extent of township facilities to be provided by it eventually. The criteria of house allotment should be clearly laid down by the enterprise and the employees should be associated with the formulation as well as the implementation of the rules of allotment. (Para 4.14)

8.25 Incentive schemes should be introduced after scientific fixation of work-loads and proper assessment of physical and technological conditions. (Para 5.4)

8.26 Incentive schemes should be linked with labour productivity either directly or indirectly so as to avoid increased labour costs. (Para 5.6)

8.27 Incentive schemes in multi-plant enterprises should be tailor-made plant wise. (Para 5.7)

8.28 In monopoly enterprises, care should be taken to ensure that incentives do not tend to do the work of mere wages and that incentive earnings result only from increased productivity. It is advisable that all incentive schemes are drawn up in consultation with trade unions. (Para 5.8)



8.29 The introduction of an incentive scheme should be preceded by a proper fixation of standards of performance and the coverage of different departments like maintenance group, the management group and the head office group should be evolved in a way as not to increase the cost of the implementation of the scheme in relation to the benefits that it confers. (Para 5.9)

8.30 A national wage policy is necessary to determine the fair share of wages for all sectors of economy in relation to the total national income, in this crucial stage of the growth of our economy. (Para 5.14)

8.31 The basic wages in different categories of skills among enterprises of a similar nature tend to be different. There is great scope for standardisation of nomenclature and job contents for similar work throughout the public sector undertakings. (Para 5.18)

8.32 Since the progress towards the need-based wage can only ~~through~~ be made through higher productivity, it could be done only through a basic acceptance by the trade unions in the public sector of the economic objectives and limitations of the public undertakings making joint efforts to reduce the period of waiting for attaining the need-based wages. (Para 5.20)

8.33 The Commission may consider the question of the best means for setting about the formulation of a national income and wage policy with the participation of all the major trade unions and employees' organisations in the country, so that individual wage policies and disputes could be settled within a definite framework. (Para 5.20)



8.34 The time has come for a review of the plethora of Industrial Acts and streamline the procedures, the returns and the various machinery set up under these Acts. (Para 6.6)

8.35 The rules framed under some of these Acts in different states differ in important details and therefore pose problems for multi-plant units operating in different states. (Para 6.7)

8.36 The scope of application of the Factories Act could be re-examined as at the moment the Act covers different sections of the same unit which have different activities and working conditions and need special treatment. Such an understanding can only be reached and imposed at the national level and not at the local union level. (Para 6.9 (a)).

8.37 There is need to reduce the number of reports to be filed under the various Acts. (Para 6.9 (c))

8.38 It should be possible to devise one Act to cover all the employees of a unit, (Para 6.10)

8.39 There is a case for uniform statutory standing orders for all central government undertakings. Some public enterprises are unable to form works committees where inter-union rivalries and recognition issues are unresolved. The sooner a proper method of recognition of unions is evolved and statutorily laid down, the better. A minimum percentage in the total strength of the labour force in an enterprise should be laid down as a condition of eligibility for registration of a trade union. Paras 6.12, 6.14, 6.15 and 6.16)

8.40 The argument for centralisation of labour administration seems to be fairly strong on theoretical grounds, though in practice this question calls for reconciliation between the specific interests of the central public sector with broader administrative considerations regarding industrial relations in the country as a whole and the division of powers



and responsibilities as between the centre and the states. (Para 6.19)

8.41 The Commission may attempt to bring about a consensus in the trade unions on the one hand and the management on the other, on the question of centralising industrial relations, as distinct from other matters like law and order.

(Para 6.19)

8.42 The Joint Management Councils have not been a success.

Instead of a plethora of bipartite committees with overlapping functions, it is better to statutorily provide for a single Joint Management Council which in its turn will set up functional sub-committees. To be truly effective, Joint Management Council must include a representative body of workers who can carry conviction with the large body of **workers**. There was divergence of opinion on how the Council should be constituted with labour representatives. (Paras 6.26, 6.27 & 6.28)

8.43 Uniformity in the matter of leave rules should not be difficult to achieve among the public enterprises particularly on the pattern of the industries. (Para 7.2(1))

8.44 It is necessary to bring about uniformity in the number of hours of work for blue and white collar workers within the same enterprise (Para 7.2(2)).

8.45 Although a fully satisfactory pattern prescribing recruitment and promotion rules common to all undertakings may not be evolved, it is still administratively possible to lay down general principles to be followed. (Para 7.2(3))

8.46 Standard rules governing the conduct and discipline of employees in the public sector undertakings in all categories should be drawn up similar to the Civil Service Conduct Rules. (Para 7.2(4))



8.47 There does not seem to be any reason why the public sector undertakings cannot evolve a uniform pattern in medical aid similar to the Employees State Insurance Scheme or the Contributory Health Service Scheme, irrespective of their location. (Para 7.2(5))

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CHAPTER IX

Acknowledgments

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Sd/- A.S. Jagannadha Rao	Member Secretary

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\* Subject to note of dissent.



Points of dissent by Shri M.S. Krishnan

1. The conflict between the employer and employee in the Public Sector also arises because of the nature of the State. In Indian conditions, the State is looked upon not as an instrument of the working class (vide para 2.12).
2. If there is conflict in matters of bonus etc., it is not due to lack of realisation on the part of labour but it is because the public sector management, by and large, behave in no better a fashion than the private sector undertakings (vide para 2.12).
3. If disputes in public sector undertakings are taken up to courts or tribunals, capacity to pay is taken care of by the tribunals. But, if they are not to go before tribunals and if questions relating to wages etc., are to be resolved as a matter of policy by negotiations only, no unsurmountable difficulty will arise. Secondly, since most of the industries are basic or heavy industries capacity cannot be interpreted in a very rigid way. Even in advanced countries, the rate of profit in such basic industries is not of a very high order and the period of gestation also has been quite long. But on that account workers have not been denied the level of wages being paid by a fair minded employer in private sector (vide para 2.13).
4. The formulation that "progress towards need-based wage can only be made through higher productivity" cannot be accepted as a universal rule. While some amount of waiting to reach the need-based wage level may be acceptable suggesting that the only method is through higher productivity is not correct. In some cases, the difficulty in attaining the need-based wage might be due to abnormal increase in the prices of the necessities of life. And this state of affairs may not con-



tinue for all time. If the prices come down it may be possible to pay the need-based wages also (vide para 5.20).

5. It is suggested that inter-union rivalries etc., are standing in the way of formation of works committees. This may not be very correct. I would suggest works committees being constituted irrespective of other problems (vide para 6.14).

6. The restriction sought to be imposed on registration of a trade union is unnecessary (vide para 6.15).

7. Joint Management Councils have failed in our country. Besides, they are not a panacea for all evils. Only in a Socialist Society, could there be a real workers' participation in management (vide para 6.20).

8. Formulation of rules similar to civil service conduct rules is not acceptable. Standing orders are comprehensive enough and may be applied to all categories of employees. It is incorrect to say that either there is increasing indiscipline or that it is due to politics. There are several other factors for the present state of affairs in the public sector. There is no point in isolating this problem out of the social context. Mere rules will not solve the problem (vide para 7.4).



APPENDICES



## APPENDIX I

### Violation of Labour Laws

#### 1. Fertiliser Corporation of India Ltd. (Nangal Unit)

(a) "Working conditions in mechanical and electrical workshop, which are at present housed in temporary sheds, need greater attention". (b) "The provisions relating to First Aid Boxes, although compiled with in letter were not followed in spirit. While the First Aid Boxes were maintained in all the departments, their contents were not found to be in conformity with the laws". (P.15)

#### 2. The Indian Telephone Industries Ltd.

(a) "The inspection note book in which the details of the visits of the factory inspectors under the Factories Act are recorded revealed that the factory was visited only five times during the six years from 1960 to 1966". (P.21)

(b) "As a result of the expansion programme taken up one after the other, some of the hangers in the factory seem to be congested. In some of the hangers, leans have been constructed to provide additional space. These leans have, to some extent, come in the way of better ventilation, fresh air etc." (P.22)

(c) "The ITI general canteen accommodates only 1250 at a time, as against an average 2000 to 3000 who visit the canteen daily in lunch intervals in each shift. This results in considerable congestion in each dining hall in the lunch intervals. As a result some workers are obliged to take their food standing. In some dining halls even the process of cleaning rice (manually) goes on during lunch breaks. In some kitchens smoke and falling of (soot) when preparations are in progress, was said to be a continuous problem. Utensils in some of the kitchens were not being washed hygienically, neither soap, nor hot water nor any disinfectant was being used." (P.22)

(d) In so far as the creche is concerned, it is a temporary measure. "Without proper seating accommodation for children, the existing creche is hardly any where near the model laid down in Rules 73 to 76 of the Mysore Factories Rules 1952. The proposal for constructing a new creche seems to have been pending for a long time". (P.23).



(e) First Aid Boxes: "Though the First Aid centre is adequately stocked with necessary medicines etc., the first aid boxes in some of the hangers leave much to be desired. Quite a few were found empty and the members of the safety committee in the concerned hangers, whose duty is to ensure that first aid boxes are properly kept, could not give any possible reasons for neglect on their part." (P.23).

According to the provisions of the Factories Act, one First Aid Box should be provided for every 150 workers. Measured by these standards many more first aid boxes are required to be kept in various hangers in the ITI.

(f) Medical Examination of workers by certifying Surgeons:

Workers employed in electrolytic plating or oxidation of metal articles by use of an electrolyte containing chromic acid or other chromium compounds, grinding or glazing of metals, cleaning or smoothing of articles by a jet of sand, metal shot or grit or other abrasive propelled by a blast of compressed air or steam, are all susceptible to the variety of occupational diseases such as lead poisoning etc. These jobs are done by about 270 I.T.I. workers.

According to Section 10 of the Factories Act and Rules thereunder, certifying Surgeons are required to medically examine those employees at intervals ranging from 14 days to 3 months. However in I.T.I. none of these workers have so far been medically examined by any certifying surgeon. Though, belatedly a certifying surgeon was nominated by the Mysore Government, it has not been possible to get his services for medical examination of these I.T.I. workers. Thus the workers are forced to suffer due to violation of the Act.

### 3. Hindustan Machine Tools - Pinjore

"The provisions of the Factories Act 1948 are not being faithfully observed. The study revealed that the management had not been properly implementing the provisions of the Act with regard to supply of protective equipment etc." (P.39).

### 4. National Instruments Ltd. - Calcutta

"The position regarding the implementation of labour laws is not satisfactory. The accident reports are not sent in time



and the annual reports under the Factories Act, 1948, Payment of Wages Act 1936, and the Workmen's Compensation Act 1923 are not being sent at all to the concerned authorities. The registers of adult workers, leave and wages and accidents are not maintained in the prescribed form and the safety measures provided by the management in the factory are not adequate. The circular saws are not properly fenced and the driving belt of the power saw machine is unguarded. There is smoke in the dye-casting section. Latrines and urinals are dirty and the canteen too small to accommodate all the workers who take their meals there. The workers have not been provided with the leave book". (P.37).

5. Heavy Electricals India Ltd. - Bhopal  
(July 1960 to February 1965)

It is clear from the evaluation report that in the matter of implementation of Factories Act 1948, there are several lapses such as inadequate arrangements for disposal of poisonous waste products, non-provision of exhaust fans or exhaust draught in places where dangerous materials like cyanide is used non-implementation of safety precautions in respect of 'dangerous' operations' and violation of Sections 21, 28, 29, 31, 45. In particular it is noted that in the case of provision of First Aid appliances 'even the prosecution of management in the Court has not proved deterrent enough.'

In the foregoing paras a detailed review of the way in which the Factories Act has been implemented is stated. It shows that there are serious lapses on the part of the managements of several leading public sector undertakings. On a similar analysis of the implementation of Industrial Employment Standing Orders Act, Industrial Disputes Act, it is observed that there have been violations. The statutory Managements generally refuse arbitration of disputes though the unions accept this, despite the statement of Government of India that disputes have to be solved expeditiously by arbitration. In several cases the standing orders are yet to be certified. Payment of Wages Act appear to have been implemented by and large."



## APPENDIX 2

### Overstaffing

#### 1. Ashoka Hotels Ltd., New Delhi

"Even allowing for some extra staff for maintenance, repair, laundry etc. the Committee feel that the hotel is over-staffed and there is scope for effecting reduction therein.

"Obviously the ideas expressed by the Minister of Works, Housing and Supply on the question of desirable staff strength in the Hotel when replying to the discussion on Demands for Grants of the Ministry of Works Housing and Supply on 31-3-58 have not been put into effect by the management of the hotel. The Committee trust that the Government will take immediate steps to bring down the staff strength to the desired level."

(Paras 31-33 of 119th Report, 2nd Lok Sabha)

#### 2. Fertiliser Corporation of India (Sindri Unit)

"It will be seen that the total staff strength of the Company increased from 7,872 in 1956-57 to 8,924 in 1958-59 i.e. an increase of over 13 per cent during the three years. While the increase in technical staff might be due to the expansion schemes of the Company, the increase of over 100 per cent in non-technical supervisory personnel does not appear to be justified specially when the production of the Company is falling. The Committee trust that vigorous attempts would be made to rationalise staff strength. They feel that the test of efficiency of an organisation is that it should be able to cope with the increase in production without an equivalent increase in its staff strength."

(Para 40 of 120th Report, 2nd Lok Sabha).

#### 3. Heavy Electricals (India) Ltd.

"It is further seen that in the following departments, the staff actually employed even now exceeds the number of staff recommended by L.E.I. for the output of Rs. 112.5 crores:



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	Staff recommen- ded in the Pro- ject Report	Staff in position in January 1963	Excess
Transformers, Capacitors, Rectifiers ..	910	1154	244
Fabrication ..	673	1012	330
Maintenance and other services ..	634	969	335
Transport ..	87	150	72
Secretariat & Accounts Purchase and Factory stores ..	443	748	305
Management ..	132	302	170
Personnel & Catering ..	36	71	35
	-	285	285
	-----	-----	-----
	2915	4700	1785
	-----	-----	-----

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The Committee are in agreement with the views of the Consultants that the project is overstaffed for its present level of output. They recommend that a thorough review of the staff strength at Bhopal may be carried out immediately with a view to its reduction. "

(Paras 231 and 322 of 35th Report, 3rd Lok Sabha)

#### 4. Life Insurance Corporation of India

"The overall increase in staff during the 3 years period 1957-59 has been over 21% and the increase in expenditure about 29% ..... It will be seen that there is no fixed ratio between the number of policies or the business in force to the staff employed in different zones ..... The Committee find it difficult to appreciate the justification for such a large increase in the number of employees within a period of 2 years, particularly in view of the statement of the Minister of Finance quoted in para 125 above. They consider that the real test of economy and efficiency of the Corporation would be to increase the business without a corresponding increase in its operational cost. In any case, the Committee feel that once the Corporation has established its network of organisation it should be possible to exercise more economy in the number of staff employ-



ed and the existing organisation should be able to take care of additional business to a large extent. They recommend that the staff position of the different zones in the various categories may be constantly reviewed with reference to the work loads which should be uniform for all zones and efforts made henceforth to secure additional business without a corresponding increase in staff. The immediate attempt should be to approximate the ratio of the strength in the other zones to that of the Western Zone at least and see to the elimination of the whole disparities between the zones."

(Paras 124-31 of 134th Report, 2nd Lok Sabha)

5. National Coal Development Corporation

"It will be seen that the total staff of the Corporation which rose from 43,804 in 1959-60 to 51,354 in 1960-61, further increased to 56,324 in 1961-62 ..... though the total production in all collieries during 1961-62 has fallen to 6.05 million tons from 8.05 million in 1960-61, the total staff had increased from 51,354 to 56,324 during the same period, the increase under officers being as much as 34% ..... They would, therefore, recommend that a review of the present staff strength of the Corporation may be undertaken immediately with a view to reducing the same. It is also necessary that the present methods of determination of staff strength are rationalised."

(Paras 195-99 of 32nd Report, 3rd Lok Sabha)

6. National Newsprint and Paper Mills

"From the details of the existing staff furnished to the Committee it is seen that the operating staff of the Mill is 943 against the estimate of 741, given by the Consultants. Thus even in this category there is an excess of 202 men. The Committee regret that the estimates of the Consultants should have proved wrong in these important matters which vitally affect the working and efficiency of the concern. They feel that local standards should be specifically brought to the notice of Consultants at the time of framing of estimates. The Committee have already suggested in expert enquiry into the working of the Mill with a view to achieving efficiency and economy. They suggest that the manpower requirements of the Company should also be reviewed by those experts. Further, there should be a periodical review of the staff position and their out-turn according to well defined standards so as to ensure that there is no surplus or idle man-power."

Para 61 of 157th Report, 2nd Lok Sabha)



7. Neyveli Lignite Corporation

"While the Committee note the reasons given by the Corporation that the larger complement of non-technical staff is due to the project being under construction, they trust that all efforts would be made by the Corporation to keep its ministerial and other staff to the minimum. Once the Project comes into production they trust there would be no difficulty in following the pattern of German Lignite Mining Corporation in keeping its non-technical staff to the minimum. "

(Para 37 of 125th Report 2nd Lok Sabha).



### APPENDIX 3

#### Non-existence of conditions of service rules

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Name of the Public Undertaking		Year of setting up.
1. Bharat Electronics Ltd.	..	1954
2. Fertiliser Corporation of India	..	1961
3. Film Finance Corporation Ltd.	..	1960
4. Heavy Engineering Corporation Ltd.	..	1958
5. Hindustan Aircraft Ltd. *	..	1940
6. Hindustan Antibiotics Ltd.	..	1954
7. Hindustan Housing Factory +	..	1953
8. Hindustan Insecticides Ltd.	..	1954
9. Hindustan Photo Films Manufacturing Co. Ltd.	..	1960
10. Hindustan Salts Ltd.	..	1953
11. Indian Drugs & Pharmaceuticals Ltd.	..	1961
12. Indian Refineries Ltd.	..	1958
13. Nahan Foundry Ltd.	..	1952
14. National Instruments Ltd.	..	1957
15. National Seeds Corporation Ltd.	..	1963
16. Praga Tools Corporation Ltd.	..	1943
17. Rehabilitation Industries Corporation Ltd.		1959
18. Travancore Minerals Ltd.	..	1956

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\* At the time of factual verification it was stated that HAL have laid down that the terms and conditions of service of their employees will be governed by their Standing Orders which are comprehensive in nature.

+ At the time of factual verification, it was stated that Hindustan Housing Factory have laid down the terms and conditions for some of the categories of their employees.



APPENDIX 4

Non-existence of recruitment rules

Sl. No.	Name	Year of setting up.
1.	Ashoka Hotels Ltd.	1955
2.	Central Warehousing Corporation	1957
3.	Employees' State Insurance Corporation	1948
4.	Export Risks Insurance Corporation Ltd.*	1957
5.	Film Finance Corporation Ltd.	1960
6.	Hindustan Cables Ltd.	1952
7.	Hindustan Housing Factory Ltd. +	1953
8.	Hindustan Photo Films Manufacturing Co. Ltd.	1960
9.	Hindustan Salts Ltd.	1958
10.	Hindustan Shipyard Ltd.	1952
11.	Hindustan Teleprinters	1960
12.	Indian Durgs and Pharmaceuticals Ltd.	1961
13.	Indian Oil Co. Ltd.@	1959
14.	Indian Rare Earths Ltd.	1950
15.	Industrial Finance Corporation of India.	1948
16.	Mogul Line Ltd.	1938
17.	Nahan Foundry Ltd.	1952
18.	National Instruments Ltd.	1957



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1	2	3
19.	National Mineral Development Corporation	.. 1958
20.	National Newsprint and Paper Mills Ltd.	.. 1947
21.	National Research Development Corporation of India	.. 1953
22.	Neyveli Lignite Corporation Ltd."	.. 1956
23.	Oil and Natural Gas Commission	.. 1959
24.	Praga Tools Corporation Ltd.	.. 1943
25.	Pyrites & Chemicals Development Co.Ltd.	.. 1959
26.	Rehabilitation Industries Corporation	.. 1959
27.	Shipping Corporation of India	.. 1961
28.	Travancore Minerals Ltd.	.. 1956

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\* Since transferred into Export Credit and Guarantee Corporation.

+ At the time of factual verification it was stated that the Recruitment Rules for workers are contained in the Company's Certified Standing Orders.

@ At the time of factual verification it has been stated that IOC has finalised the Rules on recruitment, promotion and discipline which are likely to be published in about a month's time.

" The Corporation has framed recruitment and promotion rules vide chairman's proceedings No. 508/E&G/64, Dt. 30-12-1964 and No. 737/65/(E&G) Dt. 23-11-1965.

Source: Estimates Committee, 52nd report, 3rd Lok Sabha, pp. 43-44



APPENDIX 5

Non-existence of Promotion Rules

It is noted that the following 31 public undertakings have not laid down rules to regulate promotions of their employees:

Name	Year of setting up
1. Air-India ..	1953 (Circulars issued to head of Dept.)
2. Ashoka Hotels Ltd. ..	1955
3. Central Warehousing Corporation	1957
4. Export Risks Insurance Corporation Ltd.*	1957 (Office order issued)
5. Film Finance Corporation Ltd.	1960
6. Heavy Engineering Corporation Ltd.	1958
7. Hindustan Cables Ltd. ..	1952
8. Hindustan Housing Factory Ltd.	1953
9. Hindustan Photo Films Mfg. Co. Ltd.	1960
10. Hindustan Salts Ltd. ..	1958 (Government rules followed)
11. Hindustan Shipyard Ltd. ..	1952
12. Hindustan Teleprinters ..	1960
13. Indian Drugs & Pharmaceuticals Ltd.	1960
14. Indian Oil Co. Ltd. ..	1959
15. Indian Rate Earths Ltd. ..	1950
16. Industrial Finance Corporation of India ..	1948
17. Mogul Line Ltd. ..	1938
18. Nahan Foundry Ltd. ..	1952
19. National Buildings Construction Corporation Ltd. ..	1960
20. National Instruments Ltd. ..	1957
21. National Mineral Development Corporation Ltd. ..	1958 (Under preparation)
22. National Newsprint & Paper Mills Ltd. ..	1947 (Being framed)
23. National Research Development Cor.	1953
24. National Seeds Corporation Ltd.	1963
25. Neyveli Lignite Corporation ..	1956
26. Oil & Natural Gas Commission	1959
27. Praga Tools Corporation Ltd. ..	1943
28. Pyrites & Chemicals Dev. Co. Ltd.	1960
29. Rehabilitation Industries Corpn.	1959
30. Shipping Corporation of India	1961
31. Travancore Minerals Ltd. ..	1956

\* Since transferred into Export Credit and Guarantee Corpn.  
 Source: Estimates Committee, 52nd Report, 3rd Lok Sabha, pp.



## APPENDIX 6

### Non-Existence of Grievance Procedure

The 28 public undertakings that have not laid down proper procedure for redressal of grievances of their employees:

N a m e	Year of setting up
1. Central Warehousing Corporation ..	1957
2. Fertiliser Corporation of India (Nangal Unit)	1961
3. Heavy Engineering Corporation Ltd. ..	1958
4. Hindustan Antibiotics Ltd. ..	1954
5. Hindustan Cables Ltd. ..	1952
6. Hindustan Housing Factory Ltd. ..	1953
7. Hindustan Photo Films Mfg. Co. Ltd. .	1960
8. Hindustan Salts Ltd. ..	1958
9. Hindustan Shipyard Ltd. ..	1952
10. Hindustan Steel Ltd. ..	1954
11. Hindustan Teleprinters Ltd. ..	1960
12. Indian Airlines Corporation ..	1953
13. Indian Oil Co. Ltd. ..	1959
14. Indian Refineries Ltd. ..	1958
15. Industrial Finance Corporation of India	1948
16. Khadi & Village Industries Commission	1957
17. Nahan Foundry Ltd. ..	1952
18. National Buildings Construction Corporation Ltd. ..	1960
19. National Projects Construction Corporation Ltd. ..	1957
20. National Small Industries Corporation	1955
21. Oil and Natural Gas Commission ..	1959
22. Praga Tools Corporation Ltd. ..	1943
23. Pyrites & Chemicals Development Co. Ltd.	1960
24. Rehabilitation Industries Corporation Ltd.	1959
25. Shipping Corporation of India ..	1961
26. State Bank of India ..	1955
27. State Trading Corporation of India ..	1956
28. Travancore Minerals Ltd. ..	1956

Source: Estimates Committee, 52nd report, 3rd Lok Sabha, pp. 72-73.



APPENDIX 7

PROMOTION PRACTICES OF SOME PUBLIC ENTERPRISES IN BANGALORE.

	Hindustan Aeronautics Ltd.	Bharat Electronics Ltd.	Hindustan Machine Tools Ltd.	Indian Telephone Industries Ltd.
<u>PROMOTIONS:-</u>	<p><u>The posts below the grade of Asst. Supervisors (Posts upto and including the payscale Rs. 160-310)</u></p> <p>A. <u>Direct Labour Posts:</u> (Groups 3A to 5A) 100% posts in the payscale upto and including 130-210 are filled by promotion of the seniormost employee in the lower grade, subject to passing the prescribed tests and recommendation by the P &amp; T Board, on a dept.-wise basis. For posts in the lowest grade, i.e., 'C' Grade, Helpers working in a Department are considered for promotion, subject to their passing the tests, on a departmentwise, and the remaining vacancies are filled by recruitment.</p> <p><u>Posts in the grade of Rs. 145-255 and Rs. 160-310 (Group 6A &amp; 7A)</u></p> <p>75% of posts are filled by promotion on a department-wise basis in the same manner as above, and 25% by open selection.</p>	<p>100% vacancies in these grades (both) Technical &amp; Non-technical) are filled by promotion only, considering all eligible employees in the lower grade in the particular job designation on a factory-wide basis on the basis of seniority, subject to tests or interviews as the case may be. A minimum of two years service in the lower grade is necessary to be eligible for promotion to the higher grade. Normally, the senior candidates who are found fit for promotion in the test/interview are promoted on the basis of seniority, subject, of course to Service Records and the periodical Confidential Reports also being satisfactory. Exception is made only in cases when the junior candidates score 60% or more marks in the test/interview, when they are promoted in preference to the seniors.</p>	<p>100% vacancies in these grades are filled by promotion on a Departmentwise basis the criterion being seniority-cum-merit. A minimum of two years service in the present grade is necessary to be eligible for promotion to the higher grade. No interview/test is held. The promotions are made on the recommendation of the Department Head on the basis of seniority-cum-merit (merit being decided on the basis of the Service Records and the periodical Confidential Reports). Test/interview is conducted only where the promotion involves a change in the trade.</p>	<p>100% vacancies of Operatives (Direct Labour) are filled by promotion on a shop-wise, considering the existing employees in the lower grade in the same shop and in the same trade the criterion being seniority-cum fitness. No test/interview is held. The Departmental promotion Committee which includes the Department Head concerned, goes through the Service records and the Periodical Confidential Reports and recommend the candidates as suitable for promotion on the basis of these records and also taking the opinion of the Department Head. If suitable candidates are not available in the line of promotion in the Department, the vacancies are advertised internally on a factorywide basis. If no suitable candidates are available even after.</p>



Hindustan Aeronautics  
Ltd.

Bharat Electronics  
Ltd.

Hindustan Machine  
Tools Ltd.

Indian Telephone Industries Ltd.

B. Indirect Staff:

(Payscale Rs.85-135 to  
Rs.130-210), i.e., 2B to 5B

75% of posts in a Department are filled by promotion of eligible employees in the lower grade by interview and selection by the PAC, the criterion being 'seniority-cum-ability' on the basis of the approved Rating Plan. The remaining 25% vacancies are filled by recruitment/open selections as the case may be. However, Inspectors 'C', being the lowest grade in the Dept. all vacancies in this grade are filled by open selection.

Posts in the grade of Rs.145-255  
and Rs.160-310 (Group 6B & 7B)

75% of posts are filled by promotion on a departmentwise in the same manner as above on the recommendation of PAC- If suitable candidates are not available in the Department for promotion, the vacancies are then advertised on a Factorywide. The remaining 25% vacancies are filled by Open Selection.

internal advertisement, then the posts are filled by open advertisement. A minimum of one year service in the present grade is necessary to be eligible for promotion.

CLERICAL POSTS: Clerk 'B':

90% of the posts in this grade are filled by direct recruitment by advertising in the press, and the remaining 10% by internal promotion of the existing employees, such as Messengers, etc. For promotion posts, employees have to pass the written test and the selection is made out of those who pass a test on the basis of their length of service.

Clerk 'A' etc. (Payscale Rs.130.210)

For filling up posts in this grade, all Departments (Except Accounts) are grouped as one. 75% of the vacancies are filled by promotion on the basis of seniority-cum-suitability, as judged from Service Records and Periodical Confidential Reports on the recommendations of DPC. The same applies to Accounts Department also. The remaining 25% vacancies are filled by open selection.

Senior Clerk (Payscale Rs.160-310)

100% vacancies are filled by promotion only in the same manner as Clerk 'A'. Normally, a minimum of



Hindustan Aeronautics Ltd.	Bharat Electronics Ltd.	Hindustan Machine Tools Ltd.	Indian Telephone Industries Ltd.
<u>Posts in the Grade of Asst. Supervisor.</u> <u>(Payscale Rs. 195-375)</u>	75% of posts in a Department are filled by promotion on a factorywide, the criterion for promotion being seniority-cum-ability, on the basis of the approved Rating Plan on the recommendation of the PAC. The remaining 25% are filled by open selection.	The procedure followed is the same as for posts upto and including Rs. 160-310.	100% vacancies are filled by promotion of eligible employees within the Department. If sufficient number of suitable employees are not available in the Department, such vacancies are advertised and filled on a factorywide basis. The candidates are interviewed by the Selection Committee, who recommends those considered as suitable for promotion on the basis of Merit-Cum-Seniority (which is assessed in the interview). If suitable candidates are not available for promotion in a factorywide, then only the posts are filled by open selection.
<u>Posts in the Grade of</u> <u>Rs. 240-440</u>	This scale is not obtaining in H.A.L.	-do-	-do-
<u>Posts in the Grade of</u> <u>Rs. 350-600</u>	75% of posts in a Department are filled by promotion on a factorywide in the same way as Asst. Supervisor on the recommendation of PAC and the remaining 25% by open selection on the recommendation of Staff Selection Committee.	100% vacancies in this grade are filled by open advertisement.	-do-
			two years service in the present grade is necessary to be eligible for promotion in the case of Non-Operative staff
			<u>Non-Technical Posts:--</u> 100% of the posts in these grades are filled by promotion in the same way as Clerk 'A' Senior Clerk, etc.
			<u>Technical Posts:--</u> 50% of posts are filled by promotion on the basis of seniority-cum-merit on the recommendation of DFC and the remaining 50% are filled by open selection.
			100% posts in this grade, both Technical & Non-technical are filled by Promotion only.
			50% of the posts in this grade are filled by promotion on the basis of seniority-cum-merit on the recommendation of DFC. The remaining 50% are by open selection.



Hindustan Aeronautics Ltd.

Bharat Electronics Ltd,

Hindustan Machine  
Tools Ltd.Indian Telephone  
Industries Ltd.

Posts in the  
Grade of  
Rs. 500-860.

50% of posts in a Department are filled by promotion, the criterion being ability -cum- seniority, on the recommendation of the staff Selection Committee. The remaining 50% by open selection.

100% posts in this grade are filled by internal promotion only on the basis of seniority, subject to suitability in the same manner as posts in the grade of Rs. 240-440 and below. The junior candidates scoring 60% or more marks in the test/ interview are, however, promoted in preference to the seniors.

Same as applicable to Asst. Supervisors

50% of the posts in this grade are filled by promotion on the basis of seniority-cum-merit on the recommendation of DPC. The remaining 50% are filled by Open Selection

Posts in the  
grade of  
Rs. 700-1250  
and above

50% of vacancies of Department are filled by promotion, the criterion being ability-cum-seniority, on the recommendation of the Staff Selection Committee. The remaining 50% by Open Selection.

50% of vacancies are filled by promotion on the basis of seniority subject to suitability and the remaining 50% by open selection. Junior candidates scoring more marks in the test/interview are, however, promoted in preference to the seniors.

-do-

-do-

NOTE:- 1. For open selection posts, no relaxation in the matter of educational qualification, experience or age is allowed for the employees.  
2. All vacancies in Group I (Payscale Rs. 700-1100) and the lowest grade in each job designation (except to the extent which can be filled by promotion either on a department basis of factory-wide) are filled by direct recruitment.

NOTE:- For open selection posts no relaxation in the matter of educational qualification, experience, or age is allowed for the employees.

NOTE:- For open selection posts, no relaxation in the matter of educational qualification, experience, or age is allowed for the employees.

NOTE:- For open selection posts, relaxation in age by five years is allowed for the employees who satisfy the requirements of educational qualification and experience.

Source: Note on the Procedures and practices, relating to recruitment, promotion, Training in Public Sector undertakings in Bangalore by Shri B.N.Jaismiha, pp. 7-10.



APPENDIX 8

Township Capital Expenditure as a percentage of total project expenditure

Public Undertakings 1	Projects/offices where township set up 2	Percent- age 3
1. Air India	Bombay	..
2. Ashoka Hotels Ltd.	New Delhi	6.22
3. Hindustan Aeronautics Ltd.	A-Aircraft Division Bangalore	19.75
	B-Mig Project	
	(i) Aircraft Division, Nasik	11.2
	(ii) Aero Engine Div. Korapur	37.9
	(iii) Electronics Div. Sanatnagar	39.33
	Total MIG Project	<u>30</u>
4. Bharat Electronics Ltd.	Bangalore	32
5. Bharat Heavy Electricals Ltd.	(i) Tiruchirapalli	25
	(ii) Hyderabad	15
	(iii) Hardwar	10
	Total B.H.E.	<u>15.5</u>
6. Cochin Refineries Ltd.	Ernakulam	NK
7. Damodar Valley Corporation	(i) Bokaro Thermal Stn.	5.78
	(ii) Panchet Dam	6.84
	(iii) Tilaiya Dam	2.27
	(iv) Maithon Dam	6.64
	(v) Durgapur Thermal Stn.	6.68
	(vi) Chandrapura Thermal Stn.	4.5
	(vii) Konar Dam	2.41
	Total D.V.C.	<u>5.4</u>
8. Fertilisers & Chemicals Travancore Ltd.	Alwaye	4



1	2	3
9. Fertiliser Corporation of India Limited	(i) Sindri	12.66
	(ii) Nangal	<u>12</u>
	(iii) Trombay	7.8
	(iv) Gorakhpur	7.5
	(v) Namrup	9.73
	Total F.C.I.	<u>10.6</u>
10. Heavy Electricals Ltd.	Bhopal	<u>16.8</u>
11. Heavy Engineering Corpn. Ltd.	(i) Ranchi	<u>15.5</u>
	(ii) Durgapur	23.2
	Total H.E.C.	<u>16</u>
12. Hindustan Antibiotics Ltd.	Pimpri	21.28
13. Hindustan Cables Ltd.	Rupnarainpur	28
14. Hindustan Machine Tools Ltd.	Bangalore	20
15. Hindustan Insecticides Ltd.	(i) Delhi	25
	(ii) Alwaye	<u>18</u>
	Total H.I.L.	<u>20.8</u>
16. Hindustan Organic Chemicals Ltd.	Bombay	11
17. Hindustan Photo Films Manufacturing Co. Ltd.	Ootacamund	15.3
18. Hindustan Salts Ltd.	..	..
19. Hindustan Shipyard Ltd.	Visakhapatnan	17.85
20. Hindustan Steel Ltd.	(i) Rourkela:	
	(a) Million ton stage	6.11
	(b) Expansion (0.8 mill.ton)	4.9
	Total upto 1.8 mill.stage	<u>5.7</u>
	(ii) Bhilai:	
	(a) Million ton stage	7.2
	(b) Expansion 1.5 mill. ton	5.62
	Total upto 2.5 million ton stage	<u>6.5</u>



1	2	3
	(iii) Durgapur upto 1.6 mill. ton stage	9.5
	(iv) Durgapur Alloy Steel Project	..
	(v) Coal washery Project:	
	(a) Dugda	9.73
	(b) Bhojudih	13.4
	(c) Patherdih	10.30
	Total Coal Washery	<u>11.5</u>
	(vi) Head Office Ranchi	..
	Total H.S.L.	<u>7.4</u>
21.	Hindustan Teleprinters Ltd. Madras	36
22.	Indian Drugs & Pharceuticals Ltd.	
	(i) Rishikesh	15.97
	(ii) Hyderabad	11.27
	(iii) Madras	29.37
	Total I.D.P.	<u>15</u>
23.	Instrumentation Ltd.	
	(i) Kotah	28.6
	(ii) Palghat	31
	Total instrumentation	<u>30</u>
24.	Indian Oil Corporation Ltd.	
	(i) Gauhati Refinery	8.6
	(ii) Barauni	8.40
	Total I.O.C.	<u>5.6</u>
25.	Indian Rare Earths Ltd.	7.8
26.	Indian Telephone Industries Limited	
	Bangalore	37.5
27.	Life Insurance Corporation of India	
	Bombay, Chandigarh, Poona & Calcutta Offices ..	



1	2	3
28. Manganese Ore (India) Ltd.	Various mines	43
29. National Coal Development Corporation Ltd.	40 Mines/Washeries etc.	17
30. National Instruments Ltd.	Ophthalmic Glass Project, Durgapur	..
31. National Mineral Development Corporation Ltd.	(i) Kiriburu	7.3
	(ii) Biladila	6.03
	(iii) Khatri	18
	(iv) Panna	4
	Total N.M.D.C.	<u>11.5</u>
32. NEPA Mills Ltd.	Nepanagar	13.40
33. Neyveli Lignite Corporation Ltd.	Neyveli	8.86
34. Oil and <del>Natural</del> Gas Commission	A. Oil/Gas Fields:	
	(i) Cambay	..
	(ii) Ankleshwar	..
	(iii) Baroda	..
	(iv) Sibsagar	..
	(v) Ahmedabad	..
	(vi) Jwalamukhi	..
	B. Koyali Refinery	7.71
35. Pyrites and Chemicals Development Company Ltd.	Anjhore	24
	Grand total	<u><u>11.2</u></u>

Source: Committee on Public Undertakings, 8th Report, Third Lok Sabha, Appendix II, Cols. 1, 2 & 5.



1	2	3
	(iii) Durgapur upto 1.6 mill. ton stage	9.5
	(iv) Durgapur Alloy Steel Project	..
	(v) Coal washery Project:	
	(a) Dugda	9.73
	(b) Bhojudih	13.4
	(c) Patherdih	10.30
	Total Coal Washery	<u>11.5</u>
	(vi) Head Office Ranchi	..
	Total H.S.L.	<u>7.4</u>
21.	Hindustan Teleprinters Ltd. Madras	36
22.	Indian Drugs & Pharceuticals Ltd.	
	(i) Rishikesh	15.97
	(ii) Hyderabad	11.27
	(iii) Madras	29.37
	Total I.D.P.	<u>15</u>
23.	Instrumentation Ltd.	
	(i) Kotah	28.6
	(ii) Palghat	31
	Total instrumentation	<u>30</u>
24.	Indian Oil Corporation Ltd.	
	(i) Gauhati Refinery	8.6
	(ii) Barauni	8.40
	Total I.O.C.	<u>5.6</u>
25.	Indian Rare Earths Ltd.	Always 7.8
26.	Indian Telephone Industries Limited	Bangalore 37.5
27.	Life Insurance Corporation of India	Bombay, Chandigarh, Poona & Calcutta Offices ..



1	2	3
28. Manganese Ore (India) Ltd.	Various mines	43
29. National Coal Development Corporation Ltd.	40 Mines/Washeries etc.	17
30. National Instruments Ltd.	Ophthalmic Glass Project, Durgapur	..
31. National Mineral Development Corporation Ltd.	(i) Kiriburu	7.3
	(ii) Biladila	6.03
	(iii) Khatri	18
	(iv) Panna	4
	Total N.M.D.C.	11.5
32. NEPA Mills Ltd.	Nepanagar	13.40
33. Neyveli Lignite Corporation Ltd.	Neyveli	8.86
34. Oil and <del>Natural</del> Gas Commission	A. Oil/Gas Fields:	
	(i) Cambay	..
	(ii) Ankleshwar	..
	(iii) Baroda	..
	(iv) Sibsagar	..
	(v) Ahmedabad	..
	(vi) Jwalanukhi	..
	B. Koyali Refinery	7.71
35. Pyrites and Chemicals Development Company Ltd.	Anjhore	24
	Grand total	11.2

Source: Committee on Public Undertakings, 8th Report, Third Lok Sabha, Appendix II, Cols. 1, 2 & 5.



APPENDIX 9

Employment in Public Enterprises

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Undertakings under construction	No. of employees as on 31--3-1966
1. Heavy Engineering Corporation Ltd.	11,808
2. Hindustan Organic Chemicals Ltd.	202
3. Hindustan Photo Films Manufacturing Company Limited	671
4. Pyrites & Chemicals Development Co. Ltd.	438
5. Indian Drugs & Pharmaceuticals Ltd.	2,730
6. Cochin Refineries Ltd.	92
7. Bokaro Steel Ltd.	1,000
8. Instrumentation Ltd.	260
9. Bharat Heavy Electricals Ltd.	6,547
10. Cement Corporation of India Ltd.	307
11. Mining & Allied Machinery Cor- poration Ltd.	5,377

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Source: Data collected from the Bureau of Public Enterprises.



APPENDIX 10

Employment in Public Enterprises

Running concerns	No. of employ- ees.
1. Hindustan Steel Ltd.	1,18,171
2. Bharat Earth Movers Ltd.	4,037
3. Bharat Electronics Ltd.	5,449
4. Heavy Electricals (India) Ltd.	13,227
5. Hindustan Aeronautics Ltd.	26,721
6. Hindustan Cables Ltd.	2,061
7. Hindustan Machine Tools Ltd.	12,037
8. Hindustan Teleprinters Ltd.	673
9. Indian Telephone Industries Ltd.	11,584
10. National Instruments Ltd.	1,387
11. Praga Tools Ltd.	1,381
12. Fertilisers & Chemicals Travancore Ltd.	3,790
13. Fertiliser Corporation of India Ltd.	16,853
14. Hindustan Antibiotics Ltd.	1,948
15. Hindustan Insecticides Ltd.	648
16. Hindustan Salts Ltd.	290
17. Indian Rare Earths Ltd.	362
18. Sambar Salts Ltd.	583
19. National Coal Development Corporation Ltd.	65,600
20. National Mineral Development Corporation Ltd.	2,339
21. Neyveli Lignite Corporation Ltd.	17,856
22. Garden Reach Workshops Ltd.	240
23. Hindustan Shipyard Ltd.	5,510
24. Mazagon Dock Ltd.	4,236
25. Hindustan Housing Factory	2,050



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Running concerns	No. of employ- ees
26. Nepa Mills	.. 1,440
27. Air India	.. 7,354
28. Indian Airlines Corporation	.. 11,862
29. Mogul Line Ltd.	.. 761
30. Shipping Corporation of India Ltd.	.. 3,227
31. Ashoka Hotels Ltd.	.. 1,326
32. Central Road Transport Corporation Ltd.	428
33. Engineers India Ltd.	.. 61
34. Hindustan Steel Works Construction Ltd.	95
35. Indian Oil Corporation Ltd.	.. 11,007
36. Janpath Hotels Ltd.	.. 1,023
37. Minerals & Metals Trading Corporation of India Ltd.	1,626
38. National Buildings Construction Cor- poration Ltd.	.. 466
39. National Projects Construction Cor- poration Ltd.	.. 1,090
40. State Trading Corporation of India Ltd.	1,240

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Source: Data Collected from the Bureau of Public Enterprises