

No. 3(9)/2010-DPE (MoU)  
Government of India  
Ministry of Heavy Industries & Public Enterprises  
Department of Public Enterprises

Public Enterprises Bhawan  
Block No. 14, CGO Complex  
Lodhi Road, New Delhi

Dated: 29<sup>th</sup> September, 2011

OFFICE MEMORANDUM

Sub: Guidelines on Human Resources Management for Central Public Sector Enterprises (CPSEs)

The undersigned is directed to enclose Guidelines on Human Resources Management for Central Public Sector Enterprises (CPSEs). These Guidelines issue with the approval of Minister, Heavy Industries & Public Enterprises.


2. These Guidelines are available on DPE website:

<http://dpemou.nic.in/MOU files/HRM Guidelines.pdf>

3. CPSEs are requested to implement these Guidelines with immediate effect. However, for the purpose of Performance Evaluation under the MoU system, these Guidelines will take effect from the year 2012-13.

4. All the administrative Ministries/Departments are requested to take note of the above Guidelines and bring these Guidelines to the notice of CPSEs under their control for necessary action.

Encl: as above

  
29.09.2011  
(J.R. Panigrahi)  
Director (MoU)  
Tel.24360841

To:

1. Secretaries of all administrative Ministries/Departments
2. Chief Executives of all CPSEs

**GUIDELINES**

**ON**

**HUMAN RESOURCE MANAGEMENT**

**FOR CPSEs**

----

**Department of Public Enterprises**  
**Ministry of Heavy Industries &**  
**Public Enterprises**

# INDEX

<b>S.No.</b>	<b>Topic</b>	<b>Page Number</b>
<b>1</b>	<b>Concept</b>	<b>3 - 4</b>
<b>2</b>	<b>Approach</b>	<b>5 - 7</b>
<b>3</b>	<b>HR Strategy, Systems, Practices</b>	<b>8 – 12</b>
<b>4</b>	<b>Implementation</b>	<b>13</b>
<b>5</b>	<b>Monitoring &amp; Review</b>	<b>14</b>
<b>6</b>	<b>Evaluation</b>	<b>15 - 16</b>
<b>7</b>	<b>Template for Performance evaluation of HR parameters</b>	<b>17 - 18</b>



# 1. CONCEPT

- 1.1 The most unique challenge for organizations is with respect to management of human resources. The competitive advantage of an organization is defined by how well it manages its human resources, or how well it incorporates human resource management into its business strategy. With the increasing realization of the potential of human resources in providing competitive advantage, organizations have begun to consider employees as 'valuable assets' or 'investments'. This view has become more significant in today's knowledge economy that depends on skill and knowledge of employees. From being a routine, administrative and reactive function, the HR function today has evolved to being proactive and strategic.
- 1.2 Human Resources Management (HRM) is a holistic approach towards the management of people resources present in an organization which contribute to the achievement of organizational objectives. Successful human resources management is largely dependent upon formulation and implementation of a well defined 'HR Strategy'. The 'HR Strategies' should lead to evolving of HR systems and practices that should be aligned with the business plans of the organization and with each other and that HR approaches should be adapted to the specific business strategies followed by the organization.
- 1.3 It is apparent from the above discussion that employees are an important resource of the organization. Human resource systems and practices need to be strategically integrated and HR strategy requires to be flexible enough and reflective of changes corresponding to business dynamics. The HR systems should facilitate enabling environment leading to



enhanced levels of employee engagement, cost competitiveness, higher retention as also enhanced organizational effectiveness and profitability.

- 1.4 Effective utilization of Human Resources has special significance in the management of public sector enterprises. CPSEs employ a large workforce in different disciplines and the successful operation of these organizations very much depends on efficient management and utilization of the skills and capabilities of the workforce.
- 1.5 No doubt CPSEs are having a vast pool of tacit knowledge available with them. But with increasing competition, CPSEs are facing new challenges in the area of talent retention, performance management , optimal utilization of manpower, employee motivation, skill development and up gradation to name a few. Therefore, sustainable development of HRM is a compelling need for CPSEs today. The guidelines on HRM will enable bringing in uniformity to the process by specifying the mandate and scope of activities for development of Human Resource Management strategies, systems and practices within the CPSEs.



## 2. APPROACH

2.1 The evolving role of HR as a 'business strategic partner' in the organization as a catalyst for organizational transformation would call for HRM function to establish robust linkage of HR strategies, systems and practices with business imperatives. HRM should now focus to build enterprises that change, learn, move and act faster than those of its competitors.

2.2 In public sector, for achieving professional and competitive HR standards, HRM practices and its management have to focus on areas such as identifying and nurturing talent; creating a performance-driven culture; and bringing about changes in the mindsets of employees at all levels so that all of them aim at providing value to customers. Multiple roles are, thus, required to be played by HR professionals such as business strategic partners, change agents, internal consultants, service-providers, etc. Following are some of the salient roles that HR functions in CPSEs have to play in the emerging scenario:

- to be 'proactive' rather than being reactive;
- to be 'preventive' instead of being curative.
- to view the organization in its totality.
- to emphasize both on productivity and quality of life.
- to consider employees as a valuable resource.
- to adopt a multi-disciplinary approach.

2.3 Accordingly, the important objectives of Human Resource Management in the context of CPSEs are:

- To provide, utilize and motivate employees to accomplish organizational goals.
- To secure integration of individuals and groups in securing organizational effectiveness.
- To provide opportunities, facilities and necessary motivation to individuals and groups for their growth by training and development.
- To provide attractive and equitable incentives, rewards, benefits, social security measures etc. to ensure retention of competent employees.
- To maintain high morale, encourage value system, create environment of trust and mutuality of interests.
- To provide opportunities for communication, expression, participation, appreciation and recognition.
- To create a sense and feeling of belongingness, team spirit and encourage creativity and innovative spirit amongst employees.
- To ensure that HRM systems build a shared mindset, reinforce desired behavior and build capacity for change.
- To provide security, ensure equity and recognition of merit.
- To provide fair and efficient leadership.

2.4 In the emerging scenario, following are some of the HR challenges that organizations have to address:

- Recruitment of right talent.
- Competency development of workforce to meet the technological challenge.
- To keep the attrition rate under control.

- To implant performance orientation in the organization
- To implant and sustain an enabling and motivational environment in the organization
- To become resource efficient, cost competitive organization
- Partnering with society and discharging CSR

2.5 Further, the HR function in every CPSE has to take initiatives to benchmark and adopt Best H.R. Practices. Best H.R. practices aim at building (a) Competency; (b) Commitment; (c) Culture; and (d) Systems – with a view to increasing productivity through efficiency, timeliness, quality and job satisfaction of the workforce.

Examples of certain best H.R. practices are:

- To value people and develop sensitivity towards cross cultural and diversity issues.
- Democratization of organization - participative management, suggestion system, effective communication system etc.
- Fairness and integrity
- Staying with the law.
- Accountability.
- Transparent personnel policy pertaining to recruitment, training and development, promotion, transfer, retention etc.
- Affirmative action and social responsibility.
- Viable and attractive compensation package and social security system.
- Effective performance management system.
- Grievance redressal system.



### 3. HR STRATEGY, SYSTEMS, AND PRACTICES

#### 3.1 CPSEs shall take initiatives for:

(A) Developing HR Vision, Mission & Values.

Both people and organization need to establish a strategic framework for significant success in sustainability. Identifying HR Vision, Mission & Values are the foremost steps. Every HR action should demonstrate the Vision, Mission & Values.

(B) Short term & long term Manpower Planning aligned to the strategic business plan of the company.

(C) Recruitment & Talent Sourcing strategy

(D) Devise Development and learning strategy based on the business requirement. Identifying the skill requirement (technical/behavioral).

(E) Performance Management System: Each CPSE to devise a robust and transparent PMS. It should be an objective system to judge the ability of an individual employee to perform his tasks.

(F) Career Management & Employee engagement system : Each CPSE to devise Career Management Strategy to balance the organizational requirements and employee aspirations.

(G) Compensation & Rewards Strategy: Strategy for having compensation system which will attract and help in retention of talent needs to be focused upon. Devising Rewards & Recognition system to enhance employee motivation needs to be emphasized.

### 3.2 **Performance Indicators of HRM:**

On the above strategy/system/practices, the following may be performance indicators to make Human Resource function as a strategic business partner. The list given is only indicative in nature and not exhaustive:

#### **(A) HR Vision & Mission Building**

- (i) Formulate HR Vision & Mission
- (ii) Devise values system and behavioral indicators
- (iii) Undertake culture building initiatives like culture study and gap identification.

#### **(B) Manpower Planning**

- (i) Manpower requirement – long-term and short-term keeping in view the demand-supply scenario.
- (ii) Preparation of recruitment plans
- (iii) Manpower sourcing strategy for meeting the present and future requirement

#### **(B2) Recruitment, Retention & Talent Management**

- (i) Strategy for recruitment of talent
- (ii) Policy of recruitment to suit the current business scenario
- (iii) Making on line recruitment process (Complete/Partial)
- (iv) Review recruitment schedule at regular interval and meeting timelines of recruitment
- (v) Reduction of Recruitment cost per employee

- (vi) Devise rationalization/optimisation strategy to control cost of manpower.
- (vii) Role analysis
- (viii) Exit Interview Analysis and measures to arrest attrition
- (ix) Mentoring culture
- (x) Filling up of backlog of reserved category of posts

**(B3) Career Management & Employee Engagement**

- (i) Promotion policy
- (ii) Job rotation policy
- (iii) Engagement survey

**(C) Competency & Leadership Development**

- (i) System of Training Need Analysis & Annual Training Plan
- (ii) Competency Mapping
- (iii) Assessment & Development Centre
- (iv) Developing critical mass of leaders at all levels and Succession planning
- (v) Actualization of Annual Training Plan
- (vi) Multi skilling and Skill up gradation to optimize manpower
- (vii) Continuing Education Program for employees
- (viii) Training in Project Management
- (ix) Promote industry-academia interface
- (x) Knowledge management initiatives

- (xi) Upgrading Training infrastructure
- (xii) Percentage utilization of training budget
- (xiii) Measuring effectiveness of Training

**(D) Performance Management System (PMS)**

- (i) Redefine PMS for transparency and fairness – evaluation parameter, weight age system, linkage with training need analysis, critical incidents reporting, KRA directory
- (ii) Performance coaching and counseling
- (iii) Linkage of Development plan with PMS; Performance Related Pay (PRP) preferably by adopting bell curve approach.

**(E) Compensation & Rewards strategy**

- (i) Pay & allowances
- (ii) Performance Related Pay
- (iii) Schemes for Productivity enhancement
- (iv) Rewards & Recognition system

**(F) Employee Relations**

- (i) Participative management practices – Bipartite Committees/forums
- (ii) Grievance Redressal mechanism
- (iii) Employee satisfaction survey
- (iv) Work life balance
- (v) Social security scheme
- (VI) Communication with society



**(G) HR Branding & Excellence**

- (i) Participation in surveys conducted by external agencies ( employer of choice, best employer etc.)
- (ii) Benchmarking of systems and processes
- (iii) Review/Revisit /Reengineered HR policy for meeting changing business priorities.
- (iv) Organisation culture building initiatives
- (v) Visibility of CPSE at various professional forums dedicated to HR function
- (vi) IT initiatives in HR function
- (vii) New HR initiatives & Interventions

## 4. IMPLEMENTATION

- 4.1 The HR Strategy implementation requires that Management of CPSEs should ensure availability of right mix of resources in time. Financial budgeting must be done in advance for HRM strategic intervention and must be booked. Roles and responsibilities shall be defined, documented and communicated to facilitate the effectiveness of implementation.
- 4.2 Under each head, specific HR intervention should be planned along with action plan and time frame.
- Year-wise Action Plan of HR interventions
  - Planning of resources required
  - Deployment of resources.
  - Preparation of schedule of Implementation Plan.
  - Defining organization structure / executing agency to steer the plan / strategy.
  - Defining roles & responsibilities
  - Initiate the process.

