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: 29th 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.

29.09.2011

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

Encl: as above

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

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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

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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

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(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)   Orgainisation 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.

5. MONITORING & REVIEW

5.1   Strategy implementation as per the key HRM parameters need to be monitored closely and any deviation should be corrected immediately. Once implemented, the results need to be gauged at regular intervals to check whether interventions are fruitful or not. For example: Whether employees are demonstrating the values as defined by the organization; or peer learning is taking place or not; or attrition rate is getting reduced, or lateral bonding among employees has increased or not, etc. Any change in the business environment automatically warrants reviewing the HR strategy so as to address the emerging business imperatives. Therefore, a continuous process needs to be evolved whereby all processes/strategy need to be reviewed after a regular interval to check its effectiveness. Towards this direction, CPSEs may introduce system of HR audit.

6. EVALUATION

6.1 While the pro activeness and developmental approach of HRM has been emphasized, it also needs to be accountable, demonstrate its contribution to organizational performance, contribute to the goals of business, and deliver value to its stakeholders – employees, customers, investors and the organization itself just like other functions such as Marketing, Finance etc.

6.2 To be accepted as a strategic business partner, the HRM function should be evaluated to demonstrate its values in quantitative terms. It must replace ideas with results and perceptions with assessments and back up its claims with evidence. HR evaluation refers to determining the value of HR for achieving organizational goals. It involves procedures and processes that measure, evaluate and communicate the value added of human resource management practices to the organization. Some of the benefits resulting from HR evaluation are:

- Facilitate transformation & change process by identification of strengths and weaknesses
- Facilitate assessment of performance of HR function
- Establishing the bottom-line contribution of HR function
- Establishing connect between achievement of organizational goals with HR function's roles.

6.3 Relationship between HRM practices/processes and organization's performance frequently appears to be indirect and is difficult to prove. However, the linkage is mediated by HR performance measures such as improved employee satisfaction, higher organizational capabilities etc.

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The productivity and efficiency of any function can be measured by some combination of cost, time, quantity, or quality indices. The HRM function can develop measurement approaches that will help it demonstrate its contribution to organizational performance and ensure its place as a strategic partner. The key objective of any approach to HR effectiveness measurement is to demonstrate the relationship between HRM and organizational outcomes and to use this understanding to improve quality of HR decisions.

Assessment of HRM in MoU

6.4 Each CPSE would be evaluated under the MoU framework for its achievement in the area of HRM. A template for evaluation of HRM parameters in CPSEs is given at Annexure I. Each CPSE is required to fill up the template indicating target values on a five-point scale against all the performance indicator (including one from A2 under Competency and Leadership Development) at the time of submission of draft MoU.

6.5 Each CPSE shall discuss the targets and performance indicators of HRM with the respective Task Force, Syndicate Group in the MoU Negotiation meetings. After deliberations, these performance indicators along with target values to be achieved shall be incorporated in the MoU signed. Once the performance indicators and targets are decided in the MoU, performance evaluation will be based on actual achievement at the end of the year vis-à-vis targets.

6.6 At the end of the year, CPSE will submit the actual performance against each parameter in MoU targets, along with supporting documents and self-calculated score on or before 31st August each year. The MoU Task Force will review the progress of CPSE and award the final score on HRM during performance evaluation of MoU.

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Template for HRM Performance Evaluation under Memorandum of Understanding

Sl.	HRM - PERFORMANCE INDICATORS	Measurement Unit	Weightage	Target value under five point scale - Basic Target(Good/ Very Good) -To be filled at the time of submission of draft MoU by CPSE)	Actual Performance (To Score) tobe filled up at the time of submission of performance evaluation by CPSE)	Self Evaluation Score(tobe filled at the time of submission of performance evaluation by CPSE)
A	**Competency & Leadership Development**					
	A1 Compulsory					
1	% actualisation of Training Plan & Training Days per employee per year	% fulfillment & Days/per employee per year	5			
2	Developing critical mass of leaders through a system of career planning & development	% fulfillment of planned leadership development programmes	5			
3	Training budget as % of employee cost	% of employees cost	5			
4	% fulfillment of training plan for Multi-skilling / Skill Upgradation of non executives	%	5			
	Total					
	A2 Optional (Out of below five, one is to be taken in the MOU)					
5	% of executives covered in 360 degree feedback system against plan	%				
6	% of Senior level executives (HoDs & GMs and above) covered in Assessment & Development Centre	%				
7	Training interventions in new/advanced technology - % fulfillment of training plan in new technology	%				
8	Interventions towards Industry- Academia Interface	Yes/No; details	5			
9	% fulfillment of Plan for carrying out Competency Mapping of employees	%				
	Total		25			
B	**Performance Management**					
10	To ensure implementation of Bell Curve Approach in PMS rating	Yes / No	4			
11	Linkage of Developmental Plan of Executives with Performance Management System	Yes/ No	3			
12	Implementation of PRP linked to PMS	Yes/No; details	3			
	Total					
C	**Recruitment, Retention & Talent Management**					
13	Manpower Rationalisation through - Voluntary retirements - Redeployment - Any other	%	5			
14	Attrition as % of total employees	%	5			
15	Presence of Mentorship Development Programme - Nos. of Mentors & Mentees	Yes / No ; Numbers	5			
16	Formulation / Implementation of systems for management of Talent such as - Job rotation system, reward system, sponsoring sr. executives for Advanced Management Programme, growth opportunities etc	Schemes / Initiatives & their details	5			
	Total		20			

Sl.		Measurement Unit	Weightage			
D	**Enabling Creativity & Innovation**					
17	Nos. of Nominations/entries submitted for National Awards (PM Shram Awards, Vishwakarma Rashtriya Puraskar)	Nos. of nominations/ entries submitted for national awards	5			
18	Number of suggestions generated per employee per year	Nos. per employee	5			
19	% of Quality Circle projects completed against total Quality circle projects undertaken in a year	% fulfilment	5			
	Total		15			
E	**Employee Relations & Welfare**					
20	Effectiveness of Grievance Redressal system - % of grievances settled vis-à-vis received during the year	% settlement	4			
21	Pension, medicare, Yoga classes to reduce stress where the job is stressful, setting up of wellness centre such as Gym etc.	Number of programs/date of implementation of scheme	4			
22	Employee satisfaction survey - ESI measure in %	%	4			
23	Formulation & Implementation of social security scheme	Yes/ No	4			
24	Number of structured meetings with employees' representatives	Number of meetings	4			
	Total		20			
F	**HR Branding & Excellence - Indicate achievement in this field for initiatives such as :**					
	Participation in survey conducted by external agencies (Employer of choice, Best employer, Best Place to Work etc.)	Details regarding the initiatives to be given alongwith achievements				
	Review/ Revisit/ Re-engineer HR Policy for meeting changing business priorities.					
25	Benchmarking projects undertaken in area of HR					
	Organization Culture Building initiatives					
	Total		10			
	Grand Total		100			

NB: Total score out of 100 awarded on HRM to CPSE will be converted into score out of 5 in MoU on pro-rata basis