

**13**

**FIFTEENTH LOK SABHA**

**MINISTRY OF LABOUR AND EMPLOYMENT**

**[Action taken by the Government on the Recommendations/Observations  
contained in the Fortieth Report of the Standing Committee on Labour on the  
'Problems being faced by workers due to sickness of HMT units']**

**THIRTEENTH REPORT**



**LOK SABHA SECRETARIAT**

**NEW DELHI**

*August, 2010/ Sravana, 1932 (Saka)*

**THIRTEENTH REPORT**

**STANDING COMMITTEE ON LABOUR**

**(2009-2010)**

**(FIFTEENTH LOK SABHA)**

**MINISTRY OF LABOUR AND EMPLOYMENT**

**[Action taken by the Government on the Recommendations/Observations  
contained in the Fortieth Report of the Standing Committee on Labour on the  
`Problems being faced by workers due to sickness of HMT units]**

**Presented to Lok Sabha on 20<sup>th</sup> August, 2010**

**Laid in Rajya Sabha on 20<sup>th</sup> August, 2010**



**LOK SABHA SECRETARIAT**

**NEW DELHI**

*August, 2010/Sravana, 1932 (Saka)*

## CONTENTS

	PAGE(S)
<i>COMPOSITION OF THE COMMITTEE</i>	<i>(iii)</i>
<i>INTRODUCTION</i>	<i>(iv)</i>
CHAPTER I	Report.....
CHAPTER II	Recommendations/Observations which have been accepted by the Government.....
CHAPTER III	Recommendations/Observations which the Committee do not desire to pursue in view of the Government's reply.....
CHAPTER IV	Recommendations/Observations in respect of which replies of Government have not been accepted by the Committee and which require reiteration.....
CHAPTER V	Recommendations/Observations in respect of which replies of the Government are interim in nature .....

### **APPENDICES**

- I. Minutes of the sitting of the Committee.
- II. Analysis of the Action Taken by Government on the Recommendations contained in the Fortieth Report (Fourteenth Lok Sabha)

**COMPOSITION OF THE STANDING COMMITTEE ON LABOUR  
(2009-10)**

**SHRI HEMANAND BISWAL-CHAIRMAN**

**MEMBERS  
LOK SABHA**

2. Shri M. Anandan
3. Shri P. Balram
4. Shri Shafiqur Rahman Barq
5. Shri Sudarshan Bhagat
6. Shri Hassan Khan
7. Shri Kaushalendra Kumar
8. Shri P. Lingam
9. Shri Hari Manjhi
10. Shri P.R. Natarajan
11. Smt. Mausam Noor
12. Shri S. Pakkirappa
13. Shri Ramkishun
14. Shri Mahendra Kumar Roy
15. Shri Chandu Lal Sahu
16. Shri Murari Lal Singh
- \*\*\*17. Shri Raj Babbar
- \*\*\*\*\*18. Dr. Kakoli Ghosh Dastidar
- \*\*\*\*\*19. Shri Paban Singh Ghatowar
- \*\*\*\*\*20. Dr. P. L. Punia
21. Vacant

**RAJYA SABHA**

22. Shri G. Sanjeeva Reddy
23. Shri Rudra Narayan Pany
- \*\*24. Shri Pyarelal Khandelwal
25. Shri Rajaram
26. Smt. Renubala Pradhan
27. Shri G.N. Ratanpuri
- \*28. Shri Mohammad Adeeb
- \*\*\*\*29. Shri Praveen Rashtrapal
- \*\*\*\*\*30. Vacant
31. Vacant

- 
- \* Changed the nomination from Committee on Labour to Committee on Commerce *w.e.f.* 17<sup>th</sup> September, 2009.
- \*\* Expired on 6<sup>th</sup> October, 2009.
- \*\*\* Nominated *w.e.f.* 3<sup>rd</sup> December, 2009.
- \*\*\*\* Nominated *w.e.f.* 31<sup>st</sup> December, 2009.
- \*\*\*\*\* Nominated *w.ef* 11<sup>th</sup> January, 2010.
- \*\*\*\*\* Nominated *w.ef* 26<sup>th</sup> February, 2010.
- \*\*\*\*\* Nominated *w.e.f.* 4<sup>th</sup> August, 2010.

## **SECRETARIAT**

- |                          |   |                     |
|--------------------------|---|---------------------|
| 1. Shri Devender Singh   | - | Joint Secretary     |
| 2. Shri B.S. Dahiya      | - | Director            |
| 3. Shri Ashok Sajwan     | - | Additional Director |
| 4. Smt. Bharti S. Tuteja | - | Under Secretary     |

## INTRODUCTION

I, the Chairman of the Standing Committee on Labour having been authorised by the Committee to submit the Report on their behalf, present this Thirteenth Report on the action taken by the Government on the recommendations contained in the Fortieth Report of the Standing Committee on Labour (Fourteenth Lok Sabha) on **‘Problems being faced by workers due to sickness of HMT units’**. The Report was considered and adopted by the Committee at their sitting held on 22.07.2010.

2. An analysis of the action taken by Government on the recommendations contained in the Fortieth Report of the Committee (Fourteenth Lok Sabha) is given in Appendix-II.

3. For the facility of reference and convenience recommendations/observations of the Committee have been printed in thick type in the body of the Report.

**New Delhi;**  
**21 July, 2010**  
**29 Asadha, 1932 (Saka)**

**HEMANAND BISWAL**  
**CHAIRMAN,**  
**STANDING COMMITTEE ON LABOUR**

## **CHAPTER I**

### **REPORT**

This Report of the Standing Committee on Labour deals with the action taken by the Government on the recommendations/observations contained in the Fortieth Report (14<sup>th</sup> Lok Sabha) on 'Problems being faced by workers due to sickness of HMT Units' relating to the Ministry of Labour and Employment which was presented to Lok Sabha, and laid in Rajya Sabha, on 25.02.2009. The Report contained seven recommendations/observations.

2. The Fortieth Report was presented to Lok Sabha and also laid in Rajya Sabha on 25.02.2009. The Ministry of Labour and Employment were required to furnish the action taken replies by 24.05.2009 i.e. within 3 months of presentation of the Report. The Ministry were also issued due reminders in this regard but of no avail. The Ministry did not even observe basic courtesy to seek extension of time for furnishing the action taken replies as per the well-established parliamentary practice. Miffed with such blithe unconcern on the part of the Ministry, the Committee were compelled to direct the Ministry at their sitting held on 01.07.2010 to furnish the requisite replies within 10 days. The Ministry finally furnished their replies

indicating action taken on the recommendations contained in that Report on 12.07.2010.

**While deprecating such a perfunctory attitude of the Ministry, the Committee expect that hereinafter the Ministry will take parliamentary work seriously and also with utmost seriousness and furnish reasons as to why the basic courtesy of seeking extension of time was dispensed with.**

3. The action taken replies of the Government in respect of all the recommendations contained in the Report were received on 12.07.2010. These have been categorized as under:-

- (i) Recommendations/Observations which have been accepted by the Government—Rec. Sl.Nos. 2, 6 and 7 (Para Nos.37, 41 and 42).
- (ii) Recommendations/Observations which the Committee do not desire to pursue in view of the Government's reply – NIL
- (iii) Recommendations/Observations in respect of which replies of the Government have not been accepted by the Committee and which require reiteration—NIL.
- (iv) Recommendation/Observation in respect of which replies of the Government are interim in nature-Rec.Sl.Nos.1,3,4 and 5. (Para Nos. 36, 38, 39 and 40)



**4. The Committee desire that action taken notes in respect of recommendations contained in Chapter I and final action taken notes in respect of recommendations contained in Chapter-V for which only interim replies have been given by the Government may be furnished to them at the earliest and in any case not later than three months of the presentation of this Report.**

5. The Committee will now deal with the action taken by the Government on some of their recommendations which merit comments in the succeeding paragraphs.

**A. Problems of workers in HMT Units**

**(Rec. Sl. No.1, Para 36)**

6. The Committee noted that HMT was set up in 1953 for manufacture of machine tools in collaboration with a Swiss company named OERLIKON. As of now, the company has subsidiaries of machine tools, watches, bearings, HMT International and Praga Tools under the ambit of holding company, HMT Limited. At present the company has 8873 permanent employees and 1700 contract workers in its different units. The Committee found that the company was

plagued with various problems ranging from inharmonious industrial relations to lower wages and inhospitable working conditions which are having direct bearing on the workforce of the company. This has significantly eroded not only the confidence of the workforce but their numerical strength also. The inept handling on the part of the Government and management of the company has done irreparable damage to the interest of the workers and to the future of the company as well. Lack of foresight in the implementation of VRS resulted in sustainable depletion of staff strength leading to non-availability of even bare minimum staff to manage the affairs of the company. Needless to say, the VRS of such a magnitude drained the much-needed finance which could otherwise have been made use of in a more meaningful way for the sustenance and growth of the company. Ironically, those who opted for VRS are at an advantageous position as they are being paid 150% of their remuneration whereas those who are working are not getting the revised wages. Even the arrears arising out of 1992 wage revision have not been paid to the workers who are working in different units of the company. The Committee, therefore, strongly recommended that issues regarding problems of workers be immediately addressed with specific attention to revision of wages, payment of arrears following wage revision of 1992 and suitable career avenues be charted out for the workers of HMT.

**7. In the action taken reply furnished to the Committee, the Ministry has stated:-**

Management has been advised to take appropriate measures to create confidence among the workforce by addressing their problems. Apart from giving budgetary support and other financial help to the companies, Government has been giving revival packages to make the companies viable. But implementation of such packages is the prime responsibility of the management of the

company. From time to time, performance of the companies is reviewed by the Government. The companies are asked to take corrective measures in cases where there is slack in performance. The policy for giving VRS is decided by the company with the approval of its Board and in conformity with the Department of Public Enterprises guidelines.

As regards revision of pay and wages, it may be stated that all the HMT Group of companies except HMT International Limited have been incurring losses over the years. These companies are not in a position to generate required resources to meet the additional expenditure on account of such pay/wage revision through improved performance in terms of productivity and profitability as required under the guidelines of Department of Public Enterprises. HMT Machine Tools Ltd. was given a revival package of Rs.880.80 crore in February 2007 but the company could not turn around towards the path of profit making. However, the proposal for implementation of 1997 pay revision have been envisaged in revival plans of HMT Limited and HMT Watches Limited which are under consideration of the Government. For HMT Bearings Limited the proposal for implementation of 1997 pay revision has been included in the Draft Rehabilitation Scheme. As regards HMT International Limited, a proposal for implementation of 1997 pay revision is under consideration.

As regards payment of arrears of 1992 pay revision, it may be stated that although the pay revision of 1992 was implemented, the company could not make payment of arrears due to financial constraints. The issue was raised

before the Court of Law also and as per orders of the court, the company has been making payment of Rs. 50 lakh per month to the employees in the order of seniority based on their date of separation. However, provision for making payment of arrears on account of 1992 pay revision has been factored into the revival plan of HMT Ltd which is under consideration of the Government at present.

As regards charting out suitable career avenues for the workers of HMT Limited, the company has taken up activities pertaining to training/re-training/multi-skilling of its employees with a view to increasing their engagement levels as an essential ingredient for successful achievement of targets set under the revival plans. Further, the approved revival plans also include formation of JV in order to further the business prospects of the company and also to improve the career of the employees’.

**8. The Committee had recommended that issues regarding problems of workers be immediately addressed with specific attention to revision of wages, payment of arrears following wage revision of 1992 and suitable career avenues be charted out for the workers of HMT. The Committee note that these companies are not in a position to generate required resources to meet additional expenditure on account of pay/wage revision and arrears. The Committee hope that the rehabilitation scheme/revival plans under consideration would be approved**

**without further delay so as to facilitate payment of arrears to the employees at the earliest.**

## **B. Harmonious Industrial Relations**

### **(Rec. Sl. No.2, Para 37)**

9. The Committee noted that the industrial atmosphere in the units of HMT was far from being congenial as no discussion on industrial relations or review of industrial relation machinery in HMT organisation took place at the Board Meetings or at Ministerial level meetings during the last three years. The Committee were even informed that most of the IR issues were sorted out at the unit level and remaining issues were ultimately solved at the subsidiary company's level. The Committee observed that perhaps this was a unique case wherein no issues regarding industrial relations had been discussed during the last three years. The Committee were informed that inaccessibility of the top management and consequent lack of interaction between the management and workers' representatives were the primary reasons for many avoidable and small problems of the workers. The Committee, therefore, strongly recommended that, despite demarcated and distinct responsibilities assigned to management and workers, it was incumbent upon both the sides, with a far greater responsibility on the management, to preserve and promote harmonious industrial relations in the larger interest of the workers, management, company and the nation as a whole. The Committee hoped all out efforts would be made by the Government in right earnest to achieve the objectives.

**10. In the action taken reply furnished to the Committee, the Ministry has stated:-**

‘The Committee’s observation in this aspect is noted. Continuous efforts will be made to maintain harmonious industrial relations. The Management has already informed the Committee that Industrial Relation issues have been resolved at the appropriate level. However, the Committee’s views are kept in mind and suitable measures will be taken in resolving all genuine Industrial Relation issues in future, involving both Management/Government. The creation and maintenance of cordial industrial relations is a joint effort and responsibility. However, the management is advised to adhere to the Committee’s views and work on them.’

**11. The Committee in their Report had recommended that, despite demarcated and distinct responsibilities assigned to the management and workers, it is incumbent upon both the sides, with a far greater responsibility on the management, to preserve and promote harmonious industrial relations in the larger interest of the workers, management, company and the nation as**

**a whole. The Committee reiterate that the management must maintain cordial relations with the workers and ensure frequent interactions between them and the representatives of workers and also with the top management as is being done by the maharatna public sector companies leading to higher production and harmonious industrial relations.**

**C. Low morale of existing depleted staff and the need for corrective measures**

**(Rec. Sl. No.3, Para 38)**

12. The Committee observed that the morale of the workers of the HMT organization was at its lowest ebb due to pending of wage revision since January 1997. The Committee, however, noted that though various proposals of wage revision had been submitted to the Government for consideration but distressingly, the issue could not be resolved due to non-fulfillment of Department of Public Enterprises (DPE) guidelines and other reasons varying from units to unit of HMT organization. The Committee found that consequently not only the workers but the Executives too are not getting the wages due to them. The Committee, strongly recommended that an urgent, effective and time bound action plan be drawn for implementation so that not only the morale of the staff was resorted but the functional and financial viability of all the units was guaranteed through such measures.

**13. In the action taken reply furnished to the Committee, the Ministry has stated:-**

‘The revival plans already approved/under consideration/proposed for the HMT Group of companies includes effective and time bound action plan for implementation. It is expected that with the approval/implementation of the revival plans the functional and financial viability of the Units will improve and consequently the morale of the employees would also improve’.



**14. The Committee in their recommendation had desired that an urgent, effective and time bound action plan be drawn for implementation so that not only the morale of the staff was improved but also the functional and financial viability of all the units was guaranteed through such measures. The Committee earnestly hope that the revival plans already approved/under consideration/proposed for the HMT Group of Companies, as stated by the Ministry, would be implemented expeditiously and sincerely.**

**D. Reasons for sickness**

**(Rec. Sl. No.4, Para 39)**

15. The Committee noted that due to lack of foresightedness and unimaginative handling of the domestic and international market, HMT continuously kept yielding its ground to their competitors in the private sector. The Committee were informed that with the advent of liberalization in 1990, HMT units faced a lot of problems in marketing of products, excess manpower, etc. liberalization, opening of global boundaries and import of second hand machinery were the other contributory factors, statedly, for the present status of HMT units. The Committee, therefore, recommended that in order to make the company viable, it would be essential to integrate the various units of the organization with the other establishments of the Government of India like BHEL, HAL, NTPC, Railways, IAF, etc. wherein the technical

requirements of these establishments were first invariably met by the products of HMT paving the way for strengthening HMT as an organization and also ensuring supply of high quality implements to the various wings of the Government of India.

**16. In the action taken reply furnished to the Committee, the Ministry has stated:-**

The proposals from the company seeking assistance from Department of Heavy Industry for promotion/generation of business are actively supported by Department of Heavy Industry. Such proposals have been taken up with respective authorities in the Central Government as also with the Public Sector Enterprises under Department of Heavy Industry. For example to promote the products of HMT Bearings Limited, Department of Heavy Industry has also taken up the matter with Ministry of Defence, Ministry of Railways and also Department of Supply. For the products of HMT Watches Limited, Department of Heavy Industry has taken up the matter with Department of Posts for institutional purchase for Commonwealth Games, 2010 and also Ministry of Railways. Apart from this, a proposal for merger of HMT Machine Tools Limited with M/s Heavy Engineering Corporation, Ranchi is being explored. For increasing the business potential of HMT International Limited, Department of Heavy Industry has also taken up the matter with Bharat Heavy Electricals Limited'.

**17. The Committee in their Report had recommended that in order to make the company viable, it would be essential to integrate the various units of the organization with the other establishments of the Government of India like BHEL, HAL, NTPC, Railways, IAF, etc. wherein the technical requirements of these establishments are first invariably met by the products of HMT paving the way for strengthening HMT as an organization and also ensuring supply of high quality implements to the various wings of the Government of India. The Committee note that various proposals are underway for promotion/generation of business of HMT Group of Companies. The Committee urge the Government to expedite the implementation of these proposals and keep them posted as and when any tangible progress is made in this regard.**

## **E. Need for revival**

### **(Rec. Sl. No.5, Para 40)**

18. The Committee noted that the company prepared a plan during 1998 which tried to address the issue of deterioration of the HMT group of companies through organization restructuring, manpower streamlining, ensuring financial health of the company etc. Though the Government approved and implemented the plan in August 2000, yet it did not help improve the finances of the company as factors like lack of working capital, unaddressed liabilities, non-fructification of efforts for sale of NPAs, sale of stake to joint venture partner, inability to diversify the products, technology upgradation and plant modernization and above all, resources crunch remained as nagging as before. More so, the disinvestments process of HMT Machine Tools Limited, HMT watches, HMT Chinar and HMT bearings during 2002-03 could also not be completed due to non receipt of necessary permission from the concerned quarter of the Government.

The Committee found that all these reasons led to heavy losses and necessitated revival plans for the company and its subsidiaries. Even the restructuring package of the Government was not found comprehensive by the Committee. The Committee observed that no contingencies like loan from banks, raising of internal resources, sale of surplus assets, etc. should be the part of revival scheme as these are the negative appendices and smack will power on the part of the Government to move seriously in the direction of revival. The Committee were of the considered view that the revival plan should be comprehensive for all the units of HMT and should *inter-alia* consist of working capital for each unit wherever necessary, retrospective wage revision of employees, payment of arrears, liquidation of liabilities, transparent methodology for infusion of fresh and skilled

talent into the organization, a clear and well defined marketing strategy and firm tie up with other Government departments. The Committee found that revival plans were not time bound and their implementation procrastinated indefinitely. The Committee felt that lacing the proposal of revival of HMT with impractical conditions for releasing a few hundred crores, particularly when the organization had paid handsome dividend to the nation continuously for five decades, amounted to self-defeat leaving the workers to their fate. The committee, strongly recommended that a wholesome revival package for all the units of HMT be released immediately for being executed in a time bound manner so that not only the interest of the workers was well taken care of but the glory of the HMT organization was reinstated.

**19. In the action taken reply furnished to the Committee, the Ministry has stated:-**

The Committee critically examined the revival plan during 1998 for restructuring, manpower streamlining, ensuring financial health of the Company etc. and suggested various methodologies while implementing the Restructuring/Revival Plan of the Company as a whole. Restructuring /revival plan are sanctioned to the loss making companies in consultation with BRPSE and other concerned Government authorities.

At present, the revival plans in respect of HMT Limited and HMT Watches Limited are under active consideration of the Government. In respect of HMT Bearings Limited, which stands referred to BIFR, a Draft Rehabilitation Scheme is also under consideration of the Government. A revival package has already been sanctioned for HMT Machine Tools Limited in February 2007. In respect of HMT

Chinar Watches Limited the proposal for handing over the Unit to the Government of Jammu & Kashmir is also under active consideration. It is expected that with the approval of revival plans/rehabilitation scheme HMT Group of companies would be able to turnaround and become financially viable'.

**20. The Committee had recommended that a wholesome revival package for all the units of HMT be released immediately for being executed in a time bound manner so that not only the interest of the workers was well taken care of but the glory of the HMT organization was reinstated. The Committee note from the reply of the Government that a revival package has already been sanctioned for HMT Machine Tools Limited in February, 2007. The Committee urge the Government to make concerted efforts for the actual implementation of the said plan and apprise the Committee on the progress made in this regard.**

**The Committee also expect that immediate decision be taken on the revival plans of HMT Limited and HMT watches Limited and the Committee be informed of the same. The Committee desire that revival package for each unit be prepared**

**and released expeditiously and no unit be closed down without proper rehabilitation of the workers.**

**F. Other issues of importance**

**(Rec. Sl. No.6, Para 41)**

21. The Committee, further recommended that in addition to the above recommendations, the following steps may also be taken urgently for fulfilling the aspirations of the workers and the health of the organization.

- (i) Merging of HMT Machine Tools unit with BHEL/ Defence organizations.
- (ii) Retaining age of superannuation as 60 years.
- (iii) Merger of 50% DA in the basic pay on par with other PSUs.
- (iv) Implementation of HRA applicable for “A” class cities by lifting or extending the ceiling.
- (v) Strengthen the tractor project at Hyderabad to meet the heavy demand of South India.
- (vi) Waiver of training period for junior employees, who worked for few years earlier and underwent training.
- (vii) Enhancement of conveyance allowance on par with PS cadre employees.
- (viii) Revision of pension scheme.

(ix) Transfer of Ex-LMH employees back to Hyderabad who are working in various locations to HMT.

**22. In the action taken reply furnished to the Committee, the Ministry has stated:-**

(i) A proposal for merging HMT Machine Tools Ltd. with M/s Heavy Engineering Corporation, Ranchi is currently being explored and a Task Force has been constituted in the Department of Heavy Industry for this purpose.

(ii) As HMT Group of companies baring HMT International Limited have been incurring losses for the last many years, the superannuation age has been reduced to 58 years as per the policy decision taken by the Department of Heavy Industry in conformity with could be considered only after these companies start generating profits. the DPE guidelines in respect of all loss making companies. The revision of superannuation back to 60 years

(iii) As HMT Group of companies except HMT (I) Limited have been incurring losses, the pay scales of 1997 and any further pay scales could not be implemented. However, provisions for implementation of 1997 pay scale are being considered in the revival plan proposals of individual companies. As per DPE guidelines, the merger of 50% D.A. with basic pay is possible in the companies which have already implemented the pay revision of 1997.

(iv) This has already been implemented.



(v) The company at its Board level would consider the issue for taking an appropriate decision as part of its marketing strategy. The company also plans to manufacture some exclusive tractor models at the tractor unit at Hyderabad. This would cater to the requirement of the coastal areas. Further, proposal is also there to develop infrastructure for manufacture of gensets. The plant at Hyderabad would accordingly be strengthened to take up the above activities.

(vi) This has been noted by the company for examining it further in accordance with the policy of the company.

(vii) This is to be considered only during wage revision.

(viii) This is to be considered only during wage revision.

(ix) The LMH employees are placed/transferred to various Units spread over in the country due to closure of the Unit keeping their livelihood in view. However, considering the health/critical domestic grounds, few of them have been transferred. The transfers are considered only against the need and requirement of the Units located at Hyderabad.'

**23. The Committee note that a proposal for merging HMT Machine Tools Limited with M/s Heavy Engineering Corporation, Ranchi is being explored and that a taskforce has been constituted for this purpose. The Committee desire to know the timeframe given to the taskforce to complete the evaluation process and finalise the recommendations on the merger. The**

**Committee hope that once the revival plan is finalized, DA merger and other wage related issues would be accordingly addressed.**

## **CHAPTER-II**

### **RECOMMENDATIONS/OBSERVATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT**

#### **Harmonious Industrial Relations**

##### **(Rec. Sl. No.2, Para 37)**

The Committee note that the industrial atmosphere in the units of HMT is far from being congenial. The harmonious relationship between the management and workers is the touchstone for purposeful working and peaceful existence of any industrial units. In reply to a question whether any discussions on industrial relations took place at the Board Meetings or at Ministerial Meetings during the last three years, the Ministry of Heavy Industries and Public Enterprises conceded that no such discussions took place in any of the meetings. Regarding review of industrial relations machinery HMT organization during the last three years, it has been evasively stated that consequent to formation of subsidiary companies, the IR machinery got reviewed and reorganized in the company. On being asked the reasons for not discussing the issues at board meeting, it has been replied that most of the IR issues are sorted out at the unit level. The left over issues are ultimately solved at the subsidiary company's level. The Committee feel that perhaps this is a unique case wherein no issues regarding industrial relations have been discussed during the last three years. The committee were apprised by the representatives of the various trade unions about the prevailing industrial atmosphere in the HMT organization. Inaccessibility of the top management and consequent lack of interaction between the management and workers representatives

were cited as the primary reasons for many avoidable and small problems of the workers. Undoubtedly, such a strained relationship between the management and workers is bound to impair invariably the efficiency and smooth functioning of any organization more so of one which is sick and struggling for its survival. Obviously, the responsibility for creating cordial climate of working relations in any industrial unit lies more on the management than on the workers. The Committee, therefore, strongly recommend that, despite demarcated and distinct responsibilities assigned to management and workers, it is incumbent upon both the sides, with a far greater responsibility on the management, to preserve and promote harmonious industrial relations in the larger interest of the workers, management, company and the nation as a whole. The Committee hopes all out efforts would be made by the Government in right earnest to achieve the objective.

In their action taken reply furnished to the Committee, the Ministry have stated:-

'The Committee's observation in this aspect is noted. Continuous efforts will be made to maintain harmonious industrial relations. The Management has already informed the Committee that Industrial Relation issues have been resolved at the appropriate level. However, the Committee's views are kept in mind and suitable measures will be taken in resolving all genuine Industrial Relation issues in future, involving both Management/Government. The creation and maintenance of cordial industrial relations is a joint effort and responsibility. However, the management is advised to adhere to the Committee's views and work on them.'

## **Other issues of importance**

### **(Rec. Sl. No.6, Para 41)**

The Committee, further recommend that in addition to the above recommendations, the following steps may also be taken urgently for fulfilling the aspirations of the workers and the health of the organization.

- (i). Merging of HMT Machine Tools unit with BHEL/ Defence organizations.
- (ii). Retaining age of superannuation as 60 years.
- (iii). Merger of 50% DA in the basic pay on par with other PSUs.
- (iv) Implementation of HRA applicable for “A” class cities by lifting or extending the ceiling.
- (v). Strengthen the tractor project at Hyderabad to meet the heavy demand of South India.
- (vi). Waiver of training period for junior employees, who worked for few years earlier and underwent training.
- (vii). Enhancement of conveyance allowance on par with PS cadre employees.
- (viii). Revision of pension scheme.
- (ix). Transfer of Ex-LMH employees back to Hyderabad who are working in various locations to HMT.

In their action taken reply furnished to the Committee, the Ministry have stated:-

(i) A proposal for merging HMT Machine Tools Ltd. with M/s Heavy Engineering Corporation, Ranchi is currently being explored and a Task Force has been constituted in the Department of Heavy Industry for this purpose.

(ii) As HMT Group of companies barring HMT International Limited have been incurring losses for the last many years, the superannuation age has been reduced to 58 years as per the policy decision taken by the Department of Heavy Industry in conformity with the DPE guidelines in respect of all loss making companies could be considered only after these companies start generating profits. The revision of superannuation back to 60 years

(iii) As HMT Group of companies except HMT (I) Limited have been incurring losses, the pay scales of 1997 and any further pay scales could not be implemented. However, provisions for implementation of 1997 pay scale are being considered in the revival plan proposals of individual companies. As per DPE guidelines, the merger of 50% D.A. with basic pay is possible in the companies which have already implemented the pay revision of 1997.

(iv) This has already been implemented.

(v) The company at its Board level would consider the issue for taking an appropriate decision as part of its marketing strategy. The company also plans to manufacture some exclusive tractor models at the tractor unit at Hyderabad. This would cater to the requirement of the coastal areas. Further, proposal is also there to develop infrastructure for manufacture of gensets. The plant at Hyderabad would accordingly be strengthened to take up the above activities.

(vi) This has been noted by the company for examining it further in accordance with the policy of the company.

(vii) This is to be considered only during wage revision.

(viii) This is to be considered only during wage revision.

(ix) The LMH employees are placed/transferred to various Units spread over in the country due to closure of the Unit keeping their livelihood in view. However, considering the health/critical domestic grounds, few of them have been transferred. The transfers are considered only against the need and requirement of the Units located at Hyderabad.'

## **Labour problems in various establishments of Government of India.**

### **(Rec. Sl. No.7, Para 42)**

The Committee observed that of late, most of the establishments (PSUs) of the Government of India are facing various kinds of problems relating to the workforce. Outsourcing of jobs, engagement of contract labour, drastic downsizing of staff, violation of social security statutes etc. have become rampant. Units of Defence, Telecommunications, Railways, Heavy Industries, Road Transport and Highways, Coal & Steel, etc. with whom the Committee have had interaction during various study tours undertaken by the Committee, have been found lagging in fulfillment of their statutory obligations towards the workforce. The Committee feel that the Ministry of Labour and employment should play a strong proactive role in identification and rectification of the problems of workforce in Government Sector. The Committee, therefore, strongly recommend that the Ministry of

Labour and Employment should devise a strategy wherein all the PSUs of the Government of India are brought within the labour scanner of the Ministry so that the problems of workers are identified before hand and necessary corrective measures applied in right earnest and direction.

In their action taken reply furnished to the Committee, the Ministry have stated:-

Ministry of Labour & Employment and organization of CLC(C) has been playing a pivotal role in the enforcement of applicable labour laws in industries where Central Government is the Appropriate Government. The Ministry has in its fold a very well designed and proactive dispute resolving machinery backed by competent officers to handle such specialized jobs. Besides, the Ministry of Labour & Employment has also chalked out awareness programme of industrial workers on labour laws and other welfare measures on a continued basis wherein workers have been educated about the impact of liberalization, privatization and globalization and statutory laws. It has also focused attention on changing the mindset of the employers towards a more humane relationship with the workforce and ensuring compliance to the various labour laws thereby safeguarding the interests of the workers. Such compliance to statutory provisions will promote healthy industrial relations combined with a proactive conciliation machinery to intervene in a timely and effective manner whenever the situation so warrants. Such a strategy will ensure that the labour problems of the workforce of PSUs are duly addressed'.



## **CHAPTER-III**

**RECOMMENDATIONS/OBSERVATIONS WHICH THE COMMITTEE  
DO NOT DESIRE TO PURSUE IN VIEW OF THE GOVERNMENT'S  
REPLY**

**NIL**

## **CHAPTER-IV**

**RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH  
REPLIES OF THE GOVERNMENT HAVE NOT BEEN ACCEPTED BY  
THE COMMITTEE AND WHICH REQUIRE REITERATION**

**NIL**

## **CHAPTER-V**

### **RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH REPLIES OF THE GOVERNMENT ARE INTERIM IN NATURE**

#### **Problems of workers in HMT Units**

##### **(Rec. Sl. No.1, Para 36)**

The Committee noted that HMT was set up in 1953 for manufacture of machine tools in collaboration with a Swiss company named CERLIKON. Over the years the company diversified its products into various kinds of machine tools, watches, printing machinery, presses, tractors, bearings and food processing machinery. As of now, the company has subsidiaries of machine tools, watches, bearings, HMT International and Praga Tools under the ambit of holding company, HMT Limited. At present the company has 8873 permanent employees and 1700 contract workers in its different units. The Committee find that the company is plagued with various problems which are having direct bearing on the workforce of the company. They vary from inharmonious industrial relations to lower wages and inhospitable working conditions. This has significantly eroded not only the confidence of the workforce but their numerical strength also. The inept handling on the part of the Government and management of the company has done irreparable damage to the interest of the workers and to the future of the company as well. Lack of foresight in the implementation of VRS resulted in sustainable depletion of staff strength leading to non-availability of even bare minimum staff to manage the affairs of the

company. Needless to say, the VRS of such a magnitude drained the much-needed finance which could otherwise have been made use of in a more meaningful way for the sustenance and growth of the company. Ironically, those who opted for VRS are at an advantageous position as they are being paid 150% of their remuneration whereas those who are working are not getting the revised wages. Even the arrears arising out of 1992 wage revision have not been paid to the workers who are working in different units of the company. The Committee, therefore, strongly recommend that issues regarding problems of workers be immediately addressed with specific attention to revision of wages, payment of arrears following wage revision of 1992 and suitable career avenues be charted out for the workers of HMT.

In their action taken reply furnished to the Committee, the Ministry have stated:-

‘Management has been advised to take appropriate measures to create confidence among the work force by addressing their problems. Apart from giving budgetary support and other financial help to the companies, Government has been giving revival packages to make the companies viable. But implementation of such packages is the prime responsibility of the management of the company. From time to time, performance of the companies is reviewed by the Government. The companies are asked to take corrective measures in cases where there is slack in performance. The policy for giving VRS is decided by the company with the approval of its Board and in conformity with the Department of Public Enterprises guidelines.

As regards revision of pay and wages, it may be stated that all the HMT Group of companies except HMT International Limited have been incurring losses over the years. These companies are not in a position to generate required resources to meet the additional expenditure on account of such pay/wage revision through improved performance in terms of productivity and profitability as required under the guidelines of Department of Public Enterprises. HMT Machine Tools Ltd. was given a revival package of Rs.880.80 crore in February 2007 but the company could not turn around towards the path of profit making. However, the proposal for implementation of 1997 pay revision has been envisaged in revival plans of HMT Limited and HMT Watches Limited which are under consideration of the Government. For HMT Bearings Limited the proposal for implementation of 1997 pay revision has been included in the Draft Rehabilitation Scheme. As regards HMT International Limited, a proposal for implementation of 1997 pay revision is under consideration.

As regards payment of arrears of 1992 pay revision, it may be stated that although the pay revision of 1992 was implemented, the company could not make payment of arrears due to financial constraints. The issue was raised before the Court of Law also and as per orders of the court, the company has been making payment of Rs. 50 lakh per month to the employees in the order of seniority based on their date of separation. However, provision for making payment of arrears on account of 1992 pay revision has been factored into the revival plan of HMT Ltd which is under consideration of the Government at present.

As regards charting out suitable career avenues for the workers of HMT Limited, the company has taken up activities pertaining to training/re-training/multi-skilling of its employees with a view to increasing their engagement levels as an essential ingredient for successful achievement of targets set under the revival plans. Further, the approved revival plans also include formation of JV in order to further the business prospects of the company and also to improve the career of the employees’.

**Low morale of existing depleted staff and need for corrective measures**

**(Rec. Sl. No.3, Para 38)**

The Committee observe that the morale of the workers of the HMT organization is at its lowest ebb. The major contributory factor in this regard is the issue of pending wage revision since January 1997. With low wages and uncertain future of the company, workers are de-motivated as they are more preoccupied with the economic costs and social status vis-à-vis their peers in the society. Educated and skilled workers with appropriate age profile desert the organization the moment they find greener pastures elsewhere. It is only the employees of higher age group who are forced to continue with their jobs with no or little option left. Such circumstances in their entirety take a heavy toll on the spirit and working capacity of the worker ultimately affecting the utilization of productive capacity and overall efficiency of the organization. Asked about the reasons for non-revision of wages, the Ministry replied that the issue of wage revision is pending since 1.1.1997 but further informed that various proposals have been submitted to the Government for consideration. Distressingly, till date, the issue has not been resolved due to non-

fulfilment of Department of Public Enterprises (DPE) guidelines and other reasons varying from units to unit of HMT organization. Consequently not only the workers but the executives are also not getting the wages that are due to them. To arrest further deterioration, emergent steps are the need of the hour to bail out the workable units of HMT. Moreover, there is no reason as to why the viable and profit making unit of the organization is not being given proper attention. The Committee, therefore, strongly recommend that an urgent, effective and time bound action plan be drawn up for implementation so that not only the morale of the staff is resorted but the functional and financial viability of all the units is guaranteed through such measures.

In their action taken reply furnished to the Committee, the Ministry have stated:-

‘The revival plans already approved/under consideration/proposed for the HMT Group of companies includes effective and time bound action plan for implementation. It is expected that with the approval/implementation of the revival plans the functional and financial viability of the Units will improve and consequently the morale of the employees would also improve’.

## **Reasons for sickness**

### **(Rec. Sl. No.4, Para 39)**

The Committee noted that HMT was established in 1953 with a view to meet our machine tool requirements and to manufacture and supply high precision automatic and hand wound mechanical watches to domestic and international markets. For five decades, HMT had achieved its objectives and was the market leader for a long time earning the title of 'Jewel in the Crown' and remained a brand in the country for long. HMT also contributed significantly to national exchequer with its profits and made forays in diverse fields of production/ manufacturing. The Company also served in other critical and strategic areas like defence, Railways, Aero Space, Nuclear Science, Automobile and General Engineering Industries. Even today, the organization has the capability to serve the nation in specialized fields particularly in the areas of space and atomic energy. However, due to lack of foresightedness and unimaginative handling of the situation, HMT continuously kept yielding its ground to their competitors in the private sector. On being asked about the reasons for present state of affairs of the organization, the Government replied that with the setting in of liberalization in 1990, HMT units faced a lot of problems in marketing of products, excess manpower, etc. liberalization, opening of global boundaries and import of second hand machinery are the other contributory factors, statedly, for the present status of HMT units. Lack of orders and non-adherence to time schedule coupled with inability of the company to acclimatize itself quickly in accordance with the new economic environment led to the decline in the fortunes of the company. Besides, vertically integrated and widespread manufacturing plants and assembly ancillaries have also contributed significantly to the current position of the organization. Other factors like increase in social overhead, costs, high interest have also added considerably to the erosion of the



company's worth. In view of the stiff competition from the market in the backdrop of liberalization and open economy, the company became unviable following its products becoming uncompetitive and non-remunerative. In this state of affairs, it became increasingly difficult to attract fresh talents to infuse competitiveness, quality production and aggressive market strategy in a significant manner. The Committee, therefore, strongly recommend that in order to make the company viable, it would be essential to integrate the various units of the organization with the other establishments of the Government of India like BHEL, HAL, NTPC, Railways, IAF, etc. wherein the technical requirements of these establishments are first invariably met by the products or HMT paving the way for strengthening HMT as an organization and also ensuring supply of high quality implements to the various wings of the Government of India.

In their action taken reply furnished to the Committee, the Ministry have stated:-

The proposals from the company seeking assistance from Department of Heavy Industry for promotion/generation of business are actively supported by Department of Heavy Industry. Such proposals have been taken up with respective authorities in the Central Government as also with the Public Sector Enterprises under Department of Heavy Industry. For example to promote the products of HMT Bearings Limited, Department of Heavy Industry has also taken up the matter with Ministry of Defence, Ministry of Railways and also Department of Supply. For the products of HMT Watches Limited, Department of Heavy Industry has taken up the matter with Department of Posts for institutional purchase for Commonwealth Games, 2010 and also Ministry of Railways. Apart from this, a proposal

for merger of HMT Machine Tools Limited with M/s Heavy Engineering Corporation, Ranchi is being explored. For increasing the business potential of HMT International Limited, Department of Heavy Industry has also taken up the matter with Bharat Heavy Electricals Limited’.

## **Need for revival**

### **(Rec. Sl. No.5, Para 40)**

The Committee noted that the HMT used to be the ‘jewel of the nation’ and it performed so well for about five decades as per its brand image. However, deterioration set in due to several reasons which is recorded elsewhere in this report. The diversified activities of the organization touch upon the significant sphere of our industry including Railways, Defence, Space, and other strategic areas. Prudence, therefore, demands that Government take essential and urgent steps for effecting a successful turnaround in the fortunes of all the units of HMT. The company prepared a plan during 1998 which tried to address the issues through organization restructuring, manpower streamlining, ensuring financial health of the company etc. The Government of India approved and implemented the plan in August 2000. The Committee are inclined to infer that this plan was a skewed one as it could not help in improving the finances of the company. Constraints like lack of working capital, unaddressed liabilities to the extent of Rs.374 crores, non-fructification of efforts for sale of NPAs, sale of stake to joint venture partner, inability to address issues relating to product development, diversification, technology upgradation and plant modernization, resources crunch remained as nagging as before. The disinvestments process initiated in respect of HMT Machine Tools Limited, HMT watches, HMT Chinar and HMT bearings during 2002-03 could not be completed as

requisite go ahead was not received from the concerned quarter of the Government.

The above reasons led to heavy losses and necessitated revival plans for the company and its subsidiaries. A restructuring package is currently under consideration of the Government. The Committee finds that even this plan is not comprehensive being laden with piecemeal approach. Instead of addressing the problems of HMT as an organization, a unit-wise revival plan will only delay the achievement of desired target. Inter segregation of the various units of HMT for the purpose of revival will adversely impact the welfare of workers and sustenance of the company as a whole. Even the revival package cannot be contingent and will have to be encumbrance free. No contingencies like loan from banks, raising of internal resources, sale of surplus assets, etc. should be the part of revival scheme. These are the negative appendices and smack lack of will power on the part of the Government to move seriously in the direction of revival. In the considered view of the Committee, the plan should be comprehensive for all the units of HMT and should *inter-alia* consist of working capital for each unit wherever necessary, retrospective wage revision of employees, payment of arrears, liquidation of liabilities, transparent methodology for infusion of fresh and skilled talent into the organization, a clear and well defined marketing strategy and firm tie up with other Government departments. The Committee are pained to note that revival plans are not time bound in nature and their implementation procrastinate indefinitely making revival plan a mockery. HMT bearings is a glaring instance of this kind of exercise wherein the company was referred to BIFR again due to the long time taken in the completion of various stages of activities regarding its revival. The Government is also not taking the revival plan in the proper perspective. Till the revival plan is formulated and approved by the Government, the support in terms of wages and statutory dues provided for every quarter. Money is provided to those PSUs which have already undertaken the revival plans are supposed

to stand on their own and have their internal generation of resources to support their activities. Consequently, the revival plan is not wholesome and one or the other aspects in the entire process goes out of tune crippling the revival plan altogether. Of late, the Government is infusing hundreds of thousands of crores in uncertain and grey areas in the name of reviving economy. The Committee feel that lacing the proposal of revival of HMT with impractical conditions for releasing a few hundred crores, particularly when the organization has paid handsome dividend to the nation continuously for five decades, amounts to self-defeat and leaving the workers in the lurch. The Committee, therefore, strongly recommend that a wholesome revival package for all the units of HMT be released immediately for being executed in a time bound manner so that not only the interest of the workers are well taken care of but the glory of the HMT organization is reinstated and it again becomes a pioneer in its activities.

In their action taken reply furnished to the Committee, the Ministry have stated:-

The Committee critically examined the revival plan prepared during 1998 for restructuring, manpower streamlining, ensuring financial health of the Company etc. and suggested various methodologies while implementing the Restructuring/ Revival Plan of the Company as a whole. Restructuring /revival plan are sanctioned to the loss making companies in consultation with BRPSE and other concerned Government authorities.

At present, the revival plans in respect of HMT Limited and HMT Watches Limited are under active consideration of the Government. In respect of HMT Bearings Limited, which stands referred to BIFR, a Draft Rehabilitation

Scheme is also under consideration of the Government. A revival package has already been sanctioned for HMT Machine Tools Limited in February 2007. In respect of HMT Chinar Watches Limited the proposal for handing over the Unit to the Government of Jammu & Kashmir is also under active consideration. It is expected that with the approval of revival plans/rehabilitation scheme HMT Group of companies would be able to turnaround and become financially viable’.

New Delhi;  
21 July, 2010  
29 Asadha, 1932 (Saka)

(HEMANAND BISWAL)  
CHAIRMAN,  
STANDING COMMITTEE ON LABOUR.