

# **PUBLIC SECTOR AND CHALLENGES**

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# Public sector and challenges

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At the outset I wish to thank the BSNLEU leadership for organizing this workshop and also for giving me this opportunity to share a few thoughts with you.

We are meeting here at a crucial juncture when public sector is under severe attack and a schematic strategy by imperialists and national capitalists is being implemented to swallow the PSUs as fast as possible. After 2009 May elections a Government without Left support came into power at the centre and is on its feet to complete the task of handing over public sector to private capitalists in one or the other form.

At the same time, government is making all out efforts to create hurdles in the ongoing wage negotiations through ambiguous guidelines for executive and non executive employees. In broad perspective, these are the two major challenges before the public sector and working class in the-present context.

To elaborate on these challenges. The first challenge, the threat to survival of public sector, though it is not a fresh challenge, but it is at its peak stage at present is to be noted.

After independence, there was much emphasis laid in 1948 and 1956 Industrial Policy Resolutions on building and expanding public sector undertakings in the Indian economy and big phrases of developing socialist pattern of society was focused as objective of "Nehruvian" policies. Many of us quote Nehru's statement that "public sector industries are modern temples of India".

It is necessary to examine why Nehru government emphasized on public sector strategic importance and why now the government led by his granddaughter and congress party are very keen to denigrate public sector undertakings.

Even before independence, the British rulers had few state owned industries such as Railways, Posts and Telegraphs, Port Trust, Ordnance factories, All India Radio, Salt and Quinine factories etc. So, public sector is not emanated from Nehruvian policies. Telecommunications industry was in public sector even before independence. It was necessary for the then ruling classes and their state to keep control over certain core sectors like these. After World War I and

II, there was a churning of economic thoughts to overcome the economic crisis which shook the economies across the globe. And one most important development during this period which made the whole world to look at was successful working class led revolution and emergence of USSR as a strong economic power.

World economic powers led by UK and US initiated a process for reconstruction of global economy and finalized their documents in 1944 July 1-22 in the name of United Nations Monetary and Financial Conference. This conference gave birth for two world institutions, IMF and WORLD BANK, where John Maynard Keynes, who played key role in drafting one of the important documents of the conference, strongly advocated deficit financing, state intervention to stimulate economies and to strengthen capitalists. Amongst 730 delegates participated in Bretton Woods conference Shri A.D. Sharaff, an industrialist of India was also one.

The same A.D. Sharaff was also one of the signatory of "BOMBAY PLAN", prepared and proposed by Indian Capitalists for the future independent Government of India, by TATA, BIRLA and 4 others. The Bombay Plan which proposed serious state intervention in industrial development of Free India suggested 15 years target period.

Indian Capitalists JRD Tata, GD Birla etc proposed active role for state in building Indian economy and in transforming from Agriculture based to Industry based economy. It is obvious that the Indian Capitalists did not had economic strength and entrepreneurship, hence suggested to create infrastructure and core industries for their steady growth and development. Further the Bombay Plan suggested for handing over of core sector industries to private sector after 15 years of Government building and nursing. Former Governor of Reserve Bank of India Mr. H.V.R. Iyengar said "It seems that there is no much difference between 1956 Industrial policy, First Five Year plan and Bombay Plan in their approach."

This clearly reveals that post independent Industrial policy resolution of 1948, 1956 are nothing but implementation of Tata, Birla plan by the central Government and began its efforts to build core and strategic industries to provide infrastructure to the Indian Capitalists by investing common peoples tax money from the treasury. Accordingly government had invested in industrial development through PSUs i.e. in 1951, 5 CPSUs amounting to Rs.29 crores. By 2007 247 CPSUs amount of investment of Rs. 4, 21,089 crores. CPSUs have contributed to government treasury increasingly from Rs. 19,951 crores in 1991 to Rs. 1, 65,993.80 crores in 2008.

Industrial policy 1956 classified industries into 3 categories and reserved 17 core, strategic industries such as Arms and ammunition, Atomic energy, Telephones and Tele cables, Electricity, Heavy Plants Iron and steel, Railways etc.,

***Constitution of India directed state policy as below:***

"The ownership and control of material resources of community are so distributed as to sub serve the common good. Operation of economic system does not result in the concentration of wealth and means to common betterment."

But the policy makers under the leadership of capitalists are consciously violating the spirit of the constitution of India. Further, through 1991 industrial policy onwards the directions of "Bombay Plan" are more or less implemented as a course of handing over the wealthy PSUs to private owners. Because, in the course of time, Indian capitalists were able to accumulate capacity to acquire the hard built public sector industries.

For this purpose, several methods are being adopted such as redefining the category of industries. By 2008 the industries reserved for PSU has been cut down from 17 core, strategic to only 3. Latest in the President's address and Economic Survey made it clear that out of 3 categories of industries reserved for PSU, Railways will be brought out of it in the name of PPP projects. Now remaining in the PSU reserve category are (1) atomic Energy and (2) Substances specified by atomic energy department notification.

In the present scenario of global melt down, the MNCs located in North America, Europe, Japan are seriously waiting for parking their available funds in assets where there will be no risk and also assured returns. As advanced countries' economies are in bad shape, the imperialist MNC capitalists are presurising many developing countries to open up their core industries for their unhindered operations. In this direction FDI flows into India may want to flood in. In Indian economy for historical reasons, PSUs are having predominant role in major core Industries. That has created a situation of strong fundamentals of economy on the one hand and political sovereignty is also strong. As the Indian capitalists want to acquire the large wealth of PSUs in collaboration with MNCs, in this direction initially FDI was allowed in SEZs only. Whereas now FDI is prohibited only in 8 industries, which are of minor importance in the economy and permitted in rest of sectors including core sectors.

The disinvestment policy is one form of creeping privatization of PSUs. Latest is the resounding words of President's address to parliament which states "Our

fellow citizens have right to own part of shares of PSUs, while government retains majority share holdings and control. My government will develop a road map for listing and people ownership of PSUs, while ensuring the government equity does not fall below 51 %." It is obvious that how sweet coated venom is given to the people of India to swallow. The so called people referred in the president's address are the stock market players who are less than 0.05% of Indian population. This disinvestment policy initially wants to sell minority share holdings and later the policy was revised as strategic sale i.e. sale of large block of shares along with transfer of management control to a strategic partner. Already 45 PSUs are listed and further the government in their fresh initiative wants to list over 40 CPSUs in which it is planning to divest part of its share holding through stock market. The list includes BSNL, HUDCO, Export Credit Guarantee Corporation, RINL-Vizag, Coal India, BHEL, RITES, Indian Railway Finance Corporation, NEE Power Corporation etc. The government objective according to them is to accrue funds for nation building through sale of PSUs. But PSUs contribution in the form of tax, dividend etc. amounts to Rs.1,65,993 crores in 2008 which is almost 1/3 of U<sup>n</sup>ion Budget. That means by disinvestment, government will forego the dividends and income from the PSUs in future. So, selling of shares when profits are booming makes no economic sense at all.

Further, the government is adopting a policy of encouraging competitors and also appointing competitor company representatives on the boards of the PSUs in the name of independent directors. The private players are preferred over the PSUs in business orders. Even defense sector in BEL, HAL etc, are denied the projects which are developed by investing large amount of money for Research and Development. Kelkar committee was appointed for suggesting deregulating the defense sector and private sector is being accredited with Rakhsha Utpadak Ratna (RUR) for acting as nodal agency in defense procurement. Already 13 private players are listed for RUR status including TATA, Infosys, Wipro, Godrej, L&T etc. As you are aware, BSNL in spite of its large infrastructure in the form of land, buildings, skilled manpower has been pushed to 2<sup>nd</sup> position in the market.

There is a policy of accrediting PSUs with Navaratna and Mini Ratna. Now Maha Ratna is about to be notified. All these crowning of PSUs is meant mainly forgiving more discretion to the boards of respective companies to sell as early as possible; rest of the powers are for eye washing only.

Some protagonists may argue that PSUs are inefficient and ineffective. The fact shows that out of world top 500 companies that appear in 1957 Standard and Poor's index, only 74 companies were alive in 1997, i.e. more than 426 top world companies disappeared from the market. It is obvious that private

ownership of companies is not a panacea for development. Hence the first and foremost challenge before the PSU employees is to combat anti people policy of privatization. This battle can be successful only with active support of the common people who are the real owners of public sector under takings.

### ***Wage policies - Negotiations:***

Department of Public Enterprises (DPE) is the nodal agency to guide the PSUs on their wage and management policies. DPE had issued guidelines for wage revision with conditions, that without increasing output cost and without government support, revision can be done for 10 years term. These retrograde guidelines were fought by CPSU employees under CPSTU leadership prepared for All India Strike on 7<sup>th</sup> May 2008, then government modified its guidelines referring the demand by CPSTU that the tenure can be not less than 5 years and not more than 10 years. This ticklish modification is a deliberate act of delaying and creating a situation of frustration among the employees to accept more than 5 years. Notwithstanding, CPSTU reaffirmed its commitment for 5 years tenure only for long term settlement.

As already % of the period is over, government implemented wage revision in various PSUs for executives without specifying the periodicity. This is another conspiracy to create pressure on workers and negotiating Trade Unions. As the heroic struggle of Coal workers has yielded result of 5 years settlement signed on 24-1-09 (for second time) with a minimum guaranteed benefit of 24% (both settlements together 52%) and further coal workers were compensated with one LPG cylinder per month in lieu of CCA. (Now economic survey suggested for limiting subsidy for 6-8 cylinders in a year). The coal workers in sick units are also entitled for the pay revision.

The executives pay revision is projected as 78.2% + 30% fitment but the fact is that executives are eligible for PRP of 40% to 200% which approximately amounts to minimum of Rs.52000/- and maximum of 19 lacks payable per annum. However CPSTU meeting held on 27th June has called for united struggle and campaign to rouse the consciousness of the employees and people at large.

Another important factor to note is that the permanent employees were 19,92,000 in 2001 but have been drastically cut down to 15,70,000 employees. This is a very dangerous trend. Further, outsourcing and contractorisation is rampant. Poor workers are exploited by paying very less wages. It is not the concern of those less paid employees only. Because contract workers numbers are ranging 40% to 70% in various industries. That means the permanent

employees' bargaining capacity will be diluted seriously. In the best interest of permanent employees, contractor workers issues shall be considered vigorously. Pension reforms ordinance was promulgated on 23-12-03 by the then NDA government and came in to effect from 1-1-2004. Pension Bill is already under consideration of parliament which was introduced on 21 March 2005. Its application was made to new entrants who are appointed on or after 1-1 -2004 of Central government at the first instance, later several state governments also adopted the same. It is a fact that PFRDA law is an all encompassing Act. Section 13 of the Act empowers the Government to apply the provision to any sector at any time. It is to be noted the in the course of negotiations ISA (Indian Bankers Association) had put a condition that the Bank employees should accept the New pension Scheme for further progress in the negotiations.

These are the major challenges before the PSU trade unions. Wage and service related issues are serious in nature and needs united fight to achieve expected results. Combating the privatization policies and achieving the progress in wage negotiations can be possible only with united struggle of all PSU employees. Working class has no more powerful weapon in their armory than UNITY and DISCIPLINED ORGANISATION to protect itself from all the onslaughts and to combat anti workers and anti peoples policies.

**PRIVATISATION ANTI NATION**

**WORKING CLASS UNITY ZINDABAD**

<b>CPSE Performance (242 PSES)</b>			
	<b>Survey on 2006-07</b>	<b>Percentage</b>	<b>Survey on 2008-09</b>
<b>Paid up Capital</b>	<b>Rs. 131629 Cr.</b>	<b>2.05%</b>	<b>Rs. 134322 Cr.</b>
<b>Total Investment</b>	<b>Rs. 420476 Cr.</b>	<b>8.31%</b>	<b>Rs. 455409 Cr.</b>
<b>Capital Employed</b>	<b>Rs. 660667 Cr.</b>	<b>15.61%</b>	<b>Rs. 763815 Cr.</b>
<b>Total Turnover</b>	<b>Rs. 964896 Cr.</b>	<b>12.13%</b>	<b>Rs. 1081925 Cr.</b>
<b>Profit (profit Making PSEs)</b>	<b>Rs. 89578 Cr.</b>	<b>1.69%</b>	<b>Rs. 91083 Cr.</b>
<b>Loss (loss Making PSEs)</b>	<b>Rs. 8457 Cr.</b>	<b>33.31%</b>	<b>Rs. 11274 Cr.</b>
<b>Reserves &amp; Surplus</b>	<b>Rs. 416601 Cr.</b>	<b>16.56%</b>	<b>Rs. 485577 Cr.</b>
<b>Net worth</b>	<b>Rs. 454279 Cr.</b>	<b>14.66%</b>	<b>Rs. 520855 Cr.</b>
<b>Contribution to Central Exchequer</b>	<b>Rs. 148789 Cr.</b>	<b>11.56%</b>	<b>Rs. 165994 Cr.</b>
<b>Foreign Exchange earnings</b>	<b>Rs. 70906 Cr.</b>	<b>4.76%</b>	<b>Rs. 74283 Cr.</b>
<b>Foreign Exchange outgo on imports</b>	<b>Rs. 313161 Cr.</b>	<b>16.45%</b>	<b>Rs. 368196 Cr.</b>
<b>Employed</b>	<b>15.70 lakh. (excluding Casual &amp; contract workers) (1/4 belong to executive/ managerial )</b>		

(Courtesy : Public Enterprises Survey 2007-2008)