# Coal is just not black gold

Literature, Russian Literature



Drawing upon the organisation in which author is familiar – Coal India Limited, largest coal producing company in the world, In this paper he critically analyses few existing policies implemented by Government of India and Coal India Limited in mining industry from past few decades, works through the complex problems around Coal mining in India and identifies few human resource management related problems and how they have contributed for the company's stagnation in recent years. The author then critically analyses the issues, compare it with relevant literature and evaluate the limitations.

Based on the literature and observations, he then proposes few strategic recommendations to improve organisational effectiveness both to Law makers and to company.

#### INTRODUCTION

Coal India Limited (CIL) is a Government of India Undertaking, Maharatna (Country's Jewel) company which employees 400, 000 people approximately as of April'12. In ended last financial year, with net annual sales of 15 billion dollars, and a net annual operating profit of 3 billion dollars approximately by producing coal from its 466 Coal mines across India and selling it to Power generation companies.

It is the biggest and only listed company in the sector, where private companies are not allowed to compete, Thus accounting to 80% of Annual national production of Coal in India. CIL has five unions, which represent all the employees in the company. Since the company is only major coal producer and acts more like a monopoly in the sector, wages are low

compared to Industry average in other countries. Coal India apart from producing coal on its own also gives few coal mines to private third parties for contract.

These mines are smaller in size and remote for the company to allocate resources, hence they are contracted. This strategy of contracting coal mines and not having enough regulations around Coal production has led to few private contractors preferring illegal means of employment in these coal mines and not allowing private competitors to compete with Public sector companies COAL IN INDIA Indian Coal Industry currently occupies third position by producing 400 metric tons per year ( mtpy), after US (1100 mtpy and China 2400 mtpy.

Within the country Coal mining is nationalized and accounts for 60 per cent of electricity production. Coal being crucial resource for economic growth, it is safeguarded by government by passing many acts, Indian Mines Act of 1952, Mines and Minerals Regulation and Development (MMRD) act are the key legislative act meant for protecting labour working in mining industry and governing mining and exploration in India respectively.

After further revision in 1993 and 2002, National Mining Policy was outlined by Government of India whose objectives are mineral development through exploration in both Onshore and Offshore fields. Policy is meant to promote mineral industry standardize training and research, considering future needs of the country with minimal impact of nature and ensure safety andhealthof all people involved in the industry. These objectives do make a progress in standardizing the rules, however it has to clearly describe how the law handles informal mines and how to deal with illegitimacy under current law.

According to a Journalist expert of small mines Chakravorty (2002), Illegal mines in India constitute of 88 per cent of the total reported mines in count, producing approximately 10 per cent of the total value of mineral production of the country. This number has increased in the last decade, where 30 per cent of illegal mining. These mines comprise of poor people toiling for lowest wages and almost negligible security, health and safety conditions. According to MMRD Act, Mines Act and other Environmental Acts, all minerals are broadly classified into "Major" and "Minor" and rest theresponsibility of mining with the state.

MMRD has further classified mines has Class A or Class B determined based on the mechanical equipment used and Labour employment the mine generates. Based on financial investment, Labour work, Depth of deposits andtechnologydeployed, mines are simplified to different Classes and given for contract. Typically Class B mines are given for contract to subsidiaries by CIL, One such example is Eastern Coal Fields, in state of Meghalaya, where even though they mines are Small, they are labour intensive and needs to have high security and health standards.

National Institute of Small Mines (NISM), a governing body has classified mines based on the production amounts. From various acts above, it can be understood that legal definitions hinge on physical dimensions of mine, which is in turn is used to determine the effort and time required to mine. However for a complex economic activity like mining with close social linkages and unique to the nature of the mine, such reductionist approach and simplifying mines obscures the diversity of mining practices across scales.

As large formal processes of mineral extraction, processing and use cannot be applied to such small mines they tend to be rejected and Illegitimated. Clearly, existing laws have loopholes which are inadequate in handling perennial Informal and Illegal mining. Also Illegal miners cannot lobby for recognition, since current structure of the sector is monopolistic with over 80% reserves under CIL. This situation has resulted in dire consequences and well-being of Local society around colliery areas andenvironment.

## COAL INDIA A MONOPOLY

Coal India Limited (CIL) established in 1970, is responsible for mining the coal, while the ownership of which is vested with the state. Consequently the organization has played a critical role in meeting state's growth plans. The decision making on mineral resources is influenced by engineers, geologists, bureaucrats and political groups and governance is solely vested with CIL. The Coal Mines Nationalisation Bill, 2000 allows state governments to mine coal only if CIL certifies with no Intention to mine certificate.

The Ministry of Coal (MoC) has awarded CIL a near monopolistic power, giving rise to tight control on its country's reserves and lack of transparency in many areas. Because of lack of more advanced technology for procuring coal and other social costs, it is also noted that mining cost of Coal in India is 35% higher than other exporting countries like Indonesia, Australia, because of poor productivity (3 tonnes / man shift) as compared to 12 tonnes / man shift in Australia.

As a solution privatising of coal sector is attempted, however it is still in preliminary stage. The challenge to policy makers in this regard is to ensure how to safeguard the wealth from illegal mining and environment within the region, at the same time benefit people in mining areas by making laws that do not outcaste people and their livelihoods as illegitimate also ensure greater transparency and standardization in pricing of coal.

In coming years, demand for coal in the country is expected to increase multi fold, according to IEA 2006, Reuters 2007, hence the need for government to restructure the sector is critical to not only to answer many global implications concerning climate changes and Kyoto Protocol and but also streamline the definite increase in informal collieries which will continue to meet the demands of local consumers and ensure they meet minimum security and health standards of living.

#### **SOCIAL IMPACT**

Coal India Limited has destroyed environment in many coal traces with no or little concern for social implications, Inspire of Forest and environment controls. This behaviour can be attributed to sole monopoly power vested with one company on nation's coal production. There were other instances of violation ofhuman rightsnoticed while employee people at Coal mines One such example, It was noted that at Janita Hills, Meghalaya, India. 5000 children less than age of 18 was trafficked from Assam, Nepal and Bangladesh and employed by coal mines in Meghalaya which are contracted to private contractors by CIL.

Many such instances were noticed not only in eastern part of India but also across many nations' coal traces in West Bengal, Andhra Pradesh, Karnataka states. Inspite of the Mines Act, 1952 which doesn't allow bonded labourers

or people below the age of 18 to work. Sometimes even without environment degradations, large mining projects have impacted social lives with serious implications for the livelihoods of local communities around in and around coal traces, where people were forced to leave their traditional occupations for scavenging in left over coal traces, which are not economically viable for contractors.

Such instances were noticed in Jharkhand, where government and company officials have neglected social and cultural issues around the mining areas for years impacting the livelihoods of people living in these areas. This has created a need for extreme leftist or Maoist Movements to resist such acts-as observed by Chandra Bhusan, Associate Director of Centre of Science and Environment. According to him Indian Mineralised tracts are mostly in conflict Zones, since Company officials, technical experts and governing bodies never seriously engaged with social issues.

Current legal instruments are anti-poor and of colonial vintage and unable to deal with today's realities. Many Civil Non-Governmental Organisation groups have taken a non-violent approach to use existing judicial mechanisms such as filing Public Interest Litigation(PIL) to bring justice to local communities whose daily lives are impacted. Ex: PIL filed against Eastern Coalfields Limited by Mazdoor Sabha in Country's Apex court. Although Supreme Court Panel has lashed against CIL, It remained unresponsive SOCIAL LICENSE TO OPERATE

Over the past 2 decades many changes were noticed in global mining industry. There is increased and concerted global efforts where nine major global companies supported a global scale project called Mines, Minerals and

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Sustainable Development (MMSD) Project, whose direct outcome is to the increasing charges of environmental destruction and irresponsibility on coal mining companies to care socio-cultural changes caused by them in areas of operation are laid out and followed globally.

MMSD group of companies agreed that Mining Company in developing countries not only needs Legal license to operate but also Social License to Operate. Under this backdrop At CIL, mining engineers who make all the plans, mining project itself assumes more importance over people living in these mining operations. This view was observed from many bureaucrats in India, CIL uses their rationale that Land Acquisition Act or Coal Bearing Areas Act does not provide assistance for Local people around the impacted areas, thus ignoring local needs and perpetuating illegal mining under its belt.

## ILLEGAL COAL MINING AND UNSAFE WORKING CONDITIONS

In energy-hungry country like India, demand for coal has increased in the last 2 decades, coal production remained fairly stable, causing coal prices to surge in recent years. The lack of reform and rising demand have spawned a seedy underbelly of "Coal Mafia" and a class of workers that illegally scavenge the mines for coal. The Coal Nationalization act in 1952, revised in 2000 has made it legal for just the centre or state governments to authorize coal mining, i. . , only government owned companies, its subsidiaries and contracted third parties. Apart from illegally mining, scavenging from abandoned mines is another source of obtaining coal. In West Bengal state for instance Raniganj-Jharia region there are many abandoned mines by CIL

subsidiaries which have neglected filling up the mines with sand, as per regulation, consequently villagers have ready access to scavenge.

It was also observed that open abandoned underground mines release hazardous gases like Carbon Monoxide which are hazardous and can kill people who go to scavenge left over coal. Scavenging can occur in both underground and open cast mines. The later assumes greater significance. In these areas Poor Security of mines storage and transportation was observed where coal is transported with head baskets into awaiting trucks. Coal India also delivers coal to local sale dumps located near the mines and big dumps, pilferage takes place regularly on major highways from long distance.

In eastern India, It's not unusual to see women and children work the unsafe mines with the most rudimentary tools. Most are drawn to it in the hopes of earning a better income. According to World Bank, over 20 million people depend on mineral resource extraction for living. When this number is compared with formal mining industries it is immensely large. PAUPERIZATION IN COAL MINING AREAS IN INDIA In colliery areas where CIL operates, significant amount of social and environmental transformation takes place over a period of time.

Within bureaucratic and political circles the notion that Coal as a commodity is being excavated for greater common good by a Central government owned body like Coal India Limited, represents lack of attentions to people's interests and social impacts of mining coal. Decay of social fabric, erosion of traditional livelihood, rising levels of urbanisation are some of the socio impacts which vary according to physical proximity of the mine to livelihoods.

Between 1971 and 2001, people in Ranijang region in west Bengal have slowly moved away from agriculture as an occupation to mining and scavenging, even in non-colliery areas. Women especially from downtrodden caste and belowpovertyline are most impacted by this migration. In areas of Jharkhand gradual pauperization of people around coal mining areas have taken place in which traditional land and water rights in the region in which they live are lost and few negligible short term benefits of mining are accrued which will is leading to steady extinction of tribal people in remote coal mining areas.

In most of the cases, links between the legal and illegal coal mines are more complex than above example. Both the groups either co-exist or coal mining company complains against scavenging to local authorities as law and order problem, however bureaucratic reply is usually pointing the company should take care of its resources. Hence in the existing legal setup both parties formally or informally will try to co-exist peacefully.

Similar setup exists between large scale and small scale transportation in centralized control manner controlled by mafia group. Part of the root cause for such inefficient maintenance, transportation and distribution systems lies with CIL and its subsidiaries where they are not standardized and do not consider domestic consumer, In the entire eastern region CIL doesn't have large depot to cater the needs of domestic consumers. Hence often industry owner applies for a license to grant coal to fire the furnaces or generate power.

This permission is difficult to get and consumer need to bribe any intermediate parties from company officials, bureaucrats and politicians

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leading to significant overhead cost for the company, there by preferring a shorter and simpler coal extracting methods by joining hands with mafia system or illegal mining.

## STRATEGY MAKING PROCESS FOLLOWED BY GOVERNMENT OF INDIA AND COAL INDIA

In the above sections, various issues faced by the community, company and the system at large are explained.

To understand the issue in hand better and to analyse the issues lingering the sector better, Government's and Company's behaviour with larger society is compared with few Strategy making processes. According to author, current system has a predefined set of objectives and is thriving to achieve that without considering other subjects involved in entire scenario. This behaviour aptly fits into Classical approach highlighted by Grant (2008).

The reductionist approach by MMRD and other acts by the Government can be mapped to this approach Government trying to oversimplify the complexities involved in various mines based on certain factors like Size, productivity etc., such approach leads to formation of cleargoalsto the Company and doesn't allow the company to recognize the emergent behaviour of the employees, people livelihoods in affected areas. Below is a modified representation of Grant's Classical approach of Strategic Human Resource Management.

Figure 1: Common elements in successful Strategies, Adopted from Grant (2008: 7) Author notices that because of monopolistic nature of coal mining sector in India and sufficient support from political circles, there isn't

sufficient pressure on the company for Profound understanding of all the groups involved. In Most of the cases, Long term agreed objectives takes more priority over other priorities mentioned like Profound Understanding of all groups involved, Regular Appraisals of employees involved and Environmental awareness.

Hence the company will focus on financial targets to achieve more than Social Impact it creates in thousands of people it impacts. Thus it can be stated that Classical approach readily doesn't fit in or help in solving the issue. Current Intended strategy of Government of India, behind Nationalization of Coal mining in 1952 is to protect the reserves from exploitation by private parties is well understood, however with the changing times, growing demand and involvement of various other socio-political and technological factors, Intended Strategy is not being completely realized.

There is a deliberate effort on its part, to ensure current intended strategy works by allowing illegal mining and scavenging by local people in coal mining areas in order to peacefully co-exist and continue to mine in coal traces. However by comparing the number of court petitions filed by local tribes in Jharkhand, WestBengal living nearer to various collieries, comparing the productivity / person and high cost of mining compared to other export countries it can be understood that, slowly they are moving towards an unrealized strategy where focus is only on net volumes realized and not considering environmental impact.

## EMERGENT STRATEGY OF STRATEGIC HUMAN RESOURCE MANAGEMENT

In practice organization approach can be explained by Emergent Strategy approach as suggested by Mintzberg (1987) are relevant. According to March (1976) and Mintzberg (1987), planned strategies are not always realized; strategies can often emerge and evolve over a period of time. The Strategy should be moulded over action . Similar such fluid approach can be applied, where an additional dimension as mentioned below in Emergent strategy is required to recover from unrealized strategy and to streamline the company's goals.

Privatization of coal mining along with a holistic review of existing mining policies impacting the sector is the emergent strategy to improve the productivity, transparency of coal production and livelihoods of people involved. However its application remains a challenge. Figure 2: The Emergent Strategy, source from the strategy concept, California Management Review, Mintzberg. H, 1987. Systemic Approach of Strategic Human Resource management

On similar lines to Emergent Approach of Strategic Human resource management, Whittington(1993, 2001) systemic approach provides more answers to the issue, where Strategy is shaped by the social system the company operates within. This strategy is shaped by cultural and institutional interests of broader society, since organisations and decision makers are embedded in network of social relations, hence adept understanding of the needs of the society at large and acting accordingly should be key. OUTCOMES Profit-Maximising PROCESSES

Deliberate Emergent Pluralistic Classical Evolutionary Systemic Processual OUTCOMES Profit-Maximising PROCESSES Deliberate Emergent Pluralistic Classical Evolutionary Systemic Processual Figure: 3Whittington's (1993) generic perspective on strategy Author believes Emergent and Systemic approach to planning a strategy is apt and required by all parties involved( both policymakers and industrialists ) in order to operate in complex world with various socio-geo political limitations. This it can be concluded that to effectively manage human esources and to improve organisation performance , integration between human resource management and business strategy holds key for its success. (See Holbeche, 1999; Schuler and Jackson, 1999).

#### EMPLOYEE RELATIONS IN COAL INDIA

Coal India has both union and non-union based workers. Starting from 2009, it has been recruiting more than 1000 employees every year from premier management and technology schools across India. This is one of management initiatives taken to inject fresh blood and reduce the average age of its labour force.

While the decision to recruit young highly talented workforce as change agents is appreciable, 30 to 40 per cent of these employees quit every year for below reasons. 1) Staff felt they were demoralized by senior staff from the beginning. 2) Apart from salary issues, the staffs were under-utilised and faced hostility from seniors. 3) While recruitment, the staff were promised a grade above engineers however not fully implemented even after raising the concern to top management.

Hence realized there are limited growth options. Treasurer of Coal Mines Officers Association of India partially accepted the conditions and commented this situation reflects the larger problem of stagnation within the organization It is understood, if the situation continues, the county's top coal producer is likely to grapple with unprecedented HR crisis across its executive cadre because of limited growth options and 6000 of their employees mostly from executive cadre getting retired every year.

Falling on relevant literature, Kochan. T, 2000 has stated that Asian model of employee relations is designed to support an economic strategy that emphasises human resources as a competitive asset- A strategy that requires a highly skilled and committed workforce and a cooperative labour management culture and system. In Coal India, it can be observed that there are required structures in place like Unions for labour management, since the company is too big, management of resources is challenging.

Since the company works in a monopolistic structure, there isn't healthy competition which will push the management to focus on current internal and external problems with more vigilance rather than its current laid back approach and bureaucratic functioning. It can be noted that HR strategies should operate consistently as is a vital part of the overall business plan (Stroh and Caligiuri, 1998).

Within the organisation senior management there should regularly conduct analysis regarding the kind of HR competencies needed in the future, and accordingly core HR functions (of procurement, development and compensation) should work together collectively to meet such needs. (see Holbeche, 1999). The 2 core aspects which organization has to focus is

Integration of HRM into the business and corporate strategy, and the devolvement of HRM to line managers instead of personnel specialists, thereby ensuring company doesn't have power blockages and allow it to function smoothly.

Brewster and Larsen (1992: 411–12) define integration as 'the degree to which the HRM issues are considered to formulate long term business strategy' and devolvement as 'the degree to which HRM practices involve line managers has responsible rather than personnel specialists'. Similarly (Budhwar and Sparrow 1997; 2002; Hope-Hailey et al., 1997; Truss et al., 1997; Sisson and Storey, 2000) also highlighted the concept of devolvement for quicker response in large scale organizations. This process, highlights the need of prioritizing the issues and developing/ training more motivated employees for effective control.

Instead of having a narrow hierarchy with in organization, there by leading to stagnation, it can be learnt from this theory that local problems should be resolved by local managers at grassroots level affording more time for senior management. Applying this theory to Coal India Limited, It can be understood that mine managers should be more proactive is liaising with local governments and bureaucracies to form an amicable solution for betterment of society as well as company. Company senior management should work closely and provide required assistance and authority to mine managers to perform their duties.

In this context, the Coal India Limited management can learn from other global peers to understand how to deal with employee relations related issues effectively. Below is the summary of one such example stated by an

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author Young-Kee Kim, in his report on Employee relations. LG group from its inception till 1987 achieved high rates of economic growth with support from Government by suppressing unions, however in the period of 1987-89 it has faced severe hostility and strikes from its workers because of which resulted in 740 million dollars of loss. Post 1990 till 2005, as a result of research and many extensive internal surveys the roup has laid importance to new group level policy that emphasis the promotion of human dignity for employees and the maximisation of customer satisfaction. Voluntary employee participation in workplace organisational improvements has been identified as a critical success factor. Consequently the rapid realisation of cooperative labour relations and enlightened ER practices has been recognised as tasks of major significance my member firms. \* Company has evolved gradually from Passive support of Management perception of union to active partnership with unions.. It gradually made a cautious move from not just maintaining a stable labour relations climate in order to avoid labour disputes, it has invited a voluntary participation of employees and union leaders in management activities. \* Unions characteristics of providing weak employee support to being professional in their activities and finally Employee Relations have moved from just dealing with basic issues to providing autonomy and participation of employees From the above example it can be understood that Firstly, without management innovation, cooperative Employee Relations cannot be achieved.

For Labour management relations to be a positive sum game, these innovations should enable the company to achieve superior performance and the capacity to provide employees with better rewards. Secondly, much time

and effort is required from top management to develop a constructive labour management culture. The Employee relations department cannot achieve the development of co-operative employment relations by itself. The labour management relationship should be viewed as a profit – creating relationship, rather than a cost –creating one.

Thirdly, the company should support increased independence and professionalism on the part of the union and provide education for union leaders. A union that lacks professionalism is unable to get a full support of its members and lacks effective management strategies for administering union business because of high turnover of union officials. Fourthly, to be successful all these activities should be conducted consistently and systematically over time. Many companies only seriously consider the labour management relationship when faced by a critical problem.

Such focused attention tends to fade when the strike is settled. As explained in the above example, LG group has chosen a different path and spent a year analysing its Employee relations.

## **CONCLUSION IS PRIVATISATION A SOLUTION**

Currently both globally and in India, demand for coal is on the rise, thereby increasing the prices of coal. Due to the volatile times passing through, similar to other commodity sectors like Iron, steel, Coal Mining industry will also undergo divestment and monopoly of Coal India Limited will break. However privatisation is not a panacea for all issues lingering the sector.

Time has come for Policy makers, bureaucracy and other parties involved come together to answer few critical questions while restructuring the

sector. 1) How to deal with thousands of people making their livelihood from illegal mining of coal? 2) Will the government able to accept few realities like people living in local region, have rights on mineral resources to strength the lower strata and provide a sense of security to their livelihood?

3) Can the government, restructure the sector with more robust, full proof, social informed laws protecting and respecting the rights and interests of all involved? ) With experience from privatising other commodities, after privatising coal mining, it can be estimated that mushrooming of small coal mining leases can be experienced in an open market scenario. Hence laws and policies safeguarding the interests should be more inclusive than before. Where policies and laws have to deliver sustainable benefits to local and global communities, unlike current laws that are focused only on mitigating the negative impacts of mining on the environment and marginalizing small groups over national priorities.

Government policies need to take a more holistic approach in understanding about production of "Illegal mines" as well as marketing and distribution chains through which legally mined coal is illegally distributed. It is vital to integrate local interests in mine management plans to provide access to resources for local people and co-exist peacefully for inclusive growth.

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