

**Chapter 9**

**Role of Government with regard to Voluntary Retirement Schemes**

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Chapter 9

Role of Government with regard to Voluntary Retirement Scheme

9.1 Role of Central Government:

The present government has encouraged Voluntary Retirement Schemes by laying down guidelines under which Scheme can be approved by the Income Tax Department. So that the beneficiary does not get taxed and the management of the enterprises has to ensure no replacement. While the government has not amended Chapter VB and Section 25 (0) of the Industrial Disputes Act, it has given a methodology to enterprises to reorganize their manpower strength provided they can do it through a Voluntary Retirement Scheme.

9.2 New Industrial Policy, 1992-93:

The Government will ensure that the public sector plays its rightful role in the evolving socio-economic scenario of the country. Government will ensure that the public sector is run on business lines as envisaged in the Industrial Policy Resolution of 1956 and would continue to innovate and lead in strategic areas of national importance. In the 1950s & 1960s, the principal instrument for controlling the commanding height of the
economy was investment in the capital of key industries. Today, the State has other instruments of intervention, particularly fiscal and monetary instruments. The State also commands the bulk of the nation’s savings. Banks and financial institutions are under State control. Where State intervention is necessary, these instruments will prove more effective and decisive.

Government will fully protect the interest of labour, enhance their welfare and equip them in all respects to deal with the inevitability of technological change. Government believes that no small section of society can corner the gains of growth, leaving workers’ to bear its pains. Labour will be made an equal partner in progress and prosperity. Workers’ participation in management will be promoted. Workers cooperative will be encouraged to participate in package designed to turn around sick companies. Intensive training, skill development and upgradation programme will be launched.

Government will continue to visualize new horizons. The major objectives of the new Industrial Policy package will be to build on the gains already made, correct the distortions or weaknesses that may have crept in, maintain a sustained growth in productivity and gainful employment and attain international competitiveness. The pursuit of these objectives will be
tempered by the need to preserve the environment and ensure the efficient use of available resources. All sectors of industry whether small, medium or large belonging to the public, private or cooperative sector will be encouraged to grow and improve on their past performance.

9.3 Rehabilitation / Redeployment of the Employees affected by VRS:

There has been very little attention paid towards rehabilitation of the employees who have opted for VRS either by the government or by the Industry. Though, a few companies have done some work in this behalf, it is difficult to say that they have done a lot in this behalf. A few of the companies have conducted training programmes on investment portfolio and some companies have given contract job works to some of its VR employees.

9.4 National Renewal Fund:

In the year 1992, the Finance Minister had made a provision of Rs. 200 crores for the creation of National Renewal Fund for reviving / restructuring some of the sick public sector undertakings. For this purpose, the World Bank also extended loan for augmenting the National Renewal Fund. However, experience has shown that the NRF has been mainly used for paying compensation under the voluntary retirement
schemes introduced by many of the public sector undertakings and very little towards the restructuring or rehabilitation of the employees under the voluntary retirement scheme. Hence, it is jocularly called as a National Removal Fund as a major portion of the fund has been used only for removal of the surplus manpower. Very little effort is being made in terms of retaining and/or redeployment of the surplus manpower. The Government had appointed two nodal agencies for undertaking the task of redeployment or retaining of the employees retiring under the scheme. These NRf amounts are available only to the organized sector and that too mainly to public sector undertakings.

In a recent seminar held by the MILS, Mumbai, it is understood that hardly 7 to 8 employees were benefited by the scheme of redeployment/retaining which is not even a very small fraction of the magnitude of the problem. It is high time that both the public and private sector employers sit together and try in an organized and combined fashion to provide need based facilities for retaining these employees who have retired under the voluntary retirement scheme subject to their health/skill and age permitting.

Although, Golden Handshake as a means of reduction of the manpower is an economic and business necessity, it has a social and human angle apart
from the industrial relations point. The Voluntary Retirement Scheme has to be introduced and implemented with a human touch and with full sense of social responsibility of doing their best for rehabilitation/redeployment or retaining of the persons so rendered on account of Voluntary Retirement Schemes. The human touch my be necessary to make this obviously bitter pill less bitter if not a sweeter one.

9.5 Role of State Government:

Maharashtra government has unveiled a new policy on development of land belonging to 58 city based textile mill workers interests and simplifying development control rules of mill lands. As per the government sources, the new policy stipulates setting up of a tribunal to be headed by a retired Bombay High Court judge to look after modernization/migration of the mills. by raising funds through selling the mill land, said the chief minister. The committee will comprise of representatives from the government, mill owners and mill workers. he said. The amount generated by the sale of mill land will be accrued in an escrow account and it will be ensured that the dues of workers are settled first. he said. Similarly if a mill owner wishes to develop an existing chawl in his compound. he will have to rehabilitate the chawl residents by giving 225 sq feet flat free. The mill owner, wishing to start a diversified
industry, must provide employment opportunity to an eligible family member of a mill worker retiring after January 2000, he said.

Similarly the policy provides for a voluntary retirement scheme (VRS) based on ‘Gujarat pattern’, by which mill workers will be paid 35 days of salary, as compensation, for every year of service they put in, the chief minister said. Recently, the state set the ball rolling when it announced its decision to permit the sale of land with mills belonging to National Textile Corporation (NTC). Out of 54 mills in the city, the NTC has 25 mills with them. However, property market sources estimate that around 42 acres or 30 lakh sq feet of developed property in mill premises has already come into the commercial market from the back door, mostly through the leasing route.

9.6 Ex-gratia hike for VRS optees:

Public sector employees who have opted for VRS got a bonanza with the Union Cabinet recently modified in the VRS scheme for central public sector enterprises. The modification would enable the retired employees to get up to 100 percent increase in the computation of ex-gratia payment.
While those retiring employees, whose ex-gratia payment has been calculated as per the '87 pay scale, the increase had been affected, as PSUs pay scales had not been revised for a long time

9.7. Government to offer PSU with life insurance:

The Voluntary Retirement Scheme (VRS) for employees of public sector enterprises (PSE) are going to be more attractive. The government is planning to reinforce VRS compensation by introducing, among other things, a ‘life security cover’. As per a plan being formulated by the department of public enterprises (DPE), the PSE management’s that implement the VRS scheme would be required to provide a health care insurance coverage for the VRS optees under liberal terms, if not free of cost. Also under consideration is giving employees the option of part-payment of the compensation as monthly installments, heavy industries minister Balasaheb Vikhe Patil said. all categories of PSEs – profit making marginally profit –making, loss making would be covered under the new scheme.

The DPE, which is currently preparing the contours of the new Scheme, would consult the department of revenue, the department of insurance and the ESI Directorate, before finalizing the scheme. “We will come out with the scheme by end-June.” the minister said.
The details of the scheme are yet to be worked out. Chiefly, the government has to assess the cost of the new health insurance scheme and decide whether the PSEs would bear part of this additional burden. The move to introduce a healthcare insurance system and the part-payment option is promoted by the fact that in the absence of regular income, the employees separated through VRS don’t invariably live a respectable and comfortable life, “the minister said. PSEs are implemented VRS as per DPE guidelines.

In November ’01 the DPE had modified the norms, incorporating 100 % additional compensation for employees for whom the 1992 wage revision could not be effected and 50 % additional compensation for employees for whom the wage revision of 1997 was not operational.

Sticking to these guidelines, profit making PSEs are allowed to frame their own VRS, taking into account the employees’ preferences. While downsizing, PSE management’s have the prerogative to fix the number of VRS applications they approve each year and also deny any individual applicant the option of VRS during that year.
9.8. Worker not hit by privatization as per the survey:

This should be music to disinvestment minister Arun Shourie's ears. The Survey has certified his claim that employees were not adversely affected by the privatization move of the Centre. In fact, retrenchment of employees after disinvestment has been marginal compared with the net reduction – in employment seen in the PSUs during the decade up to 2000-01. Between 91-92 and 00-01, the number of people employed in PUCs declined 20% to Rs.1.74 crore from Rs.2.18 crore. Part of the reduction 3.69 lakhs workers has been due to people opting for voluntary retirement schemes. In contrast, 2,119 employees were retrenched through VRS and another 910 for other reasons in the eight PSUs and five ITDC hotels.

The Survey also notes that against the 3,029 post-disinvestment separations, 855 fresh recruitment were made, thereby resulting in net reduction of 7.8% or 2,174 employees in the privatized companies. In order to provide adequate protection, the government has been inserting clauses in the shareholders' agreement to ensure that there is no retrenchment for a year after privatization.