ANNEXURE: I

VOLUNTARY RETIREMENT SCHEMES IN TEXTILE INDUSTRY:

The government of India adopted a new economic policy whereby it relaxed and in certain cases removed restrictions on import and export. This resulted in significant changes in industrial and business sectors. One of the important aspects of the liberalized economic policy is the Exit Policy.

Under this policy the government has allowed business and industrial establishment, to reduce their excess staff and employees. The reduction of excess staff is a result of restructuring of organisation due to moderning, applying new technology and new methods of operation, so that the industrial organisation could operate economically and withstand the competition with companies and organisations which have accepted foreign collaborations, innovative methods and technology up gradation, rendering some employees surplus.

Since the procedure under Industrial Disputes Act 1947, for retrenchment involves a lot of legal hurdles and complex procedures, the government authorized schemes of voluntary retirement of employees after offering them suitable voluntary retirement benefits, and giving some tax relief on such payments to employees who are eligible to retire voluntarily under the guidelines issued by the government and income tax authorities.

In the Five Year Plans which were adopted and implemented by the government it had established and developed public sector undertakings to create employment and also to augment the increased demands of industrial goods, fertilizers and other core industries. The encouragement given to public sector was so significant that it created employment opportunities on a mass scale. Most of the public sector undertakings were not cost effective. The trade unions have been opposing retrenchment under the existing labour laws. The government, therefore, found a solution to the problem of surplus staff by allowing voluntary retirement both in public and private sectors. The
human resources in the industrial sector have become surplus on account of (a) existing level of technology (b) will become surplus with adopting of newer technologies and technological upgradation. If the textile industry adopts latest technology in manufacturing units, 15 million workers in the industry would be out of their jobs, around 2-4 million workers are found surplus in the various sick industrial units all over India. Similarly, millions have been found surplus in government undertakings.

Effects of Excess Manpower:
- Excess manpower results in high labour costs which increase the production cost and thus ending in high product or service costs.
- It reduces the competitive ability of the enterprise.
- Excess manpower in any business activity or industrial establishments reduces employee efficiency and labour productivity.
- Surplus human resources pose threat for technology upgradation which is essential in the competitive market.
- Surplus labour may result in poor industrial relations and unrest amongst labour.

Legal Hurdle for excess manpower and Solutions
As already pointed out earlier the Industrial Disputes Act, 1947 as it is existing puts restrictions on employers in the matter of reducing excess staff by retrenchment, by closures of establishment. The unions strongly oppose any plans of retrenchment and reduction of staff and workforce. The government had taken a decision to amend the labour laws, whereby the employers could trim its workforce legally after complying with the conditions of the labour laws. However, the unions in our country have been opposing such amendment of labour laws. For reasons which include political reason, the government has not implemented its decision to amend the Industrial Disputes Act, 1947. However, a way was found by allowing employers including those in the government undertakings, to offer voluntary retirement schemes to off-load the surplus manpower. The voluntary
retirement schemes were not vehemently opposed by the unions, because the very nature of its being voluntary and not using any compulsion.

EXIT POLICY

Voluntary Retirement Schemes – have been legally found to be giving no problem to employers, employees and their unions. The essence of the voluntary retirement scheme which is approved by the government involves voluntary separation of employees who are above the age of 40 years or have served the company or establishment for minimum 10 years. The company may offer different separating benefits to employees in different age groups subject to overall benefits which are tax exempted up to a limit of Rs. 5 lakhs. Public sector undertakings, however, have to obtain prior approval of the government before offering and implementing the voluntary retirement schemes.

Why VRS?:

- Recession in business
- Intense competition which makes the establishment unviable unless downsizing is resorted to
- Changes in technology, production process, innovation, new product line
- Realignment of business – due to market conditions
- Joint-ventures with foreign collaborations
- Takeovers and mergers
- Business re-engineering process.
- Product/Technology obsolescence.

Procedure for VRS:

The employer has to issue a circular communicating his decision to offer voluntary retirement scheme – mentioning therein.

(e) the reasons for downsizing
(f) Eligibility i.e. who are eligible to apply for voluntary retirement.
(g) The age limit and the minimum service period of employees who can apply

(h) The benefits that are offered.

It should be noted that employees who offer to retire voluntarily are entitled as per law and rules the benefits of provident fund, gratuity and salary for balance of privilege leave up to the date of their retirement, besides the voluntary retirement benefits.

a) The right of an employer to accept or reject any application for voluntary retirement.

b) The date upto which the scheme is open and applications are received for consideration by the employer.

c) The circular may indicate income tax incidence on any voluntary retirement benefits which are in excess of Rs. 5 lakhs, which is maximum tax free benefit under such schemes.

d) It should also indicate that those employees who opt for voluntary retirement and accept the benefits under such scheme shall not be eligible in future for employment in the establishment.