Chapter I

JOB LOSS WORK FORCE AND SOCIAL SAFETY NETWORK PROGRAMME: A STUDY OF SOCIAL EXCLUSION AND INCLUSIVE POLICIES IN PUBLIC SECTOR ENTERPRISES.
INTRODUCTION:

In the last quarter of 20th century most of the nations i.e. developed and developing nations have followed the Liberalization, Globalization and Privatization (LPG) policy. This policy was initially adopted in developed countries and then developing countries.

In the context of Liberalization, Privatization and Globalization (LPG), various nations have followed the privatization of Public Sector Enterprises (PSEs) because of growing competition in the world market forces compelling the state governments to either make state run enterprises to become effective so as to survive in changed marked scenario or withdraw from units that do not have any relevance and justification to be run with public funds which are scarce and invaluable. LPG forced both public as well as private, the enterprises, both Public as well as private, to cut down the expenses and provide their services or products on competitive basis to withstand the pressures of intensified competition, which led to reduction of costs on labour and administrative costs, which is called by varied names – Pink slip, downsizing or right sizing, resulting in job loss to the workers.

This policy given a new facet to the unemployment problem, where the labour section was reduced in the name of Retrenchment, Voluntary
Retirement or Early Separation Scheme or Rationalized employees or merely job loss affected employee. Though Layouts, closing of down of enterprises was not a new concept to the labour world. But LPG led policies necessitated various governments to taken a "U" turn in their policy from the establishment of Public Sector Enterprises to closer of public sector in the recent past. The decade of 1980 – 1990 was a big blow to the labour world particularly in public sector enterprises.

By the end of 1992 some 7000 Enterprises have been privatized world wide (World Bank, 1995), of which some, 2000 are in developing countries. For example 146 Public Sector enterprises were privatized in Nigeria in 1988 (Zayyad, 1992). This shows the severity of the job loss problem due to privatization or restructuring in world.

Under the LPG policy, most nations have removed the restrictions on economic policy particularly the trade and capital market, which lead to the change of government policy to reduce budgetary support for the Public Sector Enterprises and gradual pull out of government’s role in commercial areas.

Thus, this policy lead to a new facet to the unemployment problem, where the labour section was reduced in the name of Retrenched, Voluntary Retirement or Early Separation Scheme or Rationalized employees or merely job loss affected employee.

The emergence of the new framework coincides with significant changes in the employment structure throughout Europe. There were major
losses in the industrial sector affecting the traditional manufacturing industry and unskilled labour (Bynner, 1998). The emergence of new methods of organizing work around flexible, "just-in-time" production resulted in lowered wages as well as the undermining of traditional forms of career progression (Ebersold, 1998; Kloprogge, 1998; Mierendorff, 1998). Also, increasing weight was given to educational qualifications and adaptability to new methods of production that disqualified whole sectors of the population from the possibility of good employment or career progression as well as dramatically altering the traditional male life-cycle (Ebersold, 1998).

SOCIAL EXCLUSION/INCLUSION

As originally conceptualized in Europe, social exclusion referred to the exclusion of citizens by the State from the social contract and, more specifically, from standard secure employment.

The literature on social exclusion includes studies on specific problems (e.g. long-term unemployment, social networks, etc.), which are taken to be instances of social exclusion, as well as studies tending to develop a general conception of social exclusion. There are also few studies stressing on the average number of years at which the individual is excluded (e.g. Burchardt 2000, Burchart et al. 2002).

REVIEW OF JOB LOSS

Problem of job loss is a growing problem without the discrimination whether it is developed country or developing or under developing. It is natural
outcome of the competition demanding enterprises, public as well as private enterprises to provide their products, service for the cheaper price. The enterprises have taken various measures to cut down expenses, particularly in areas of Technological up gradation, structural adjustments programmes for the reducting of cost of the product.

To achieve above objectives, different countries have implemented the various structural adjustment programmes like Voluntary Retirement Programme (VRS) in State Owned Enterprises. Job loss is a social and psychological problem to a VRS employee. It is one kind of trauma, which shows the impact on their family and living conditions like family relations, low income, disturbance in family, impact on health and education etc.,

There is a debate on job loss and health issues. A few studies show that job loss has significant impact on health. When the Public Sector Enterprises are sold or privatized, it brings in massive dislocation among the lives of employees. Both uncertainties associated with the event and the actual changes it brings about cause fear, anxiety and stress. Such stresses include loss of identity and job security, changes in personnel and work practices (Cartwright and Cooper, 1993). The long term stress may reduce the physical ability and performance of the job loss affected employees.

On the other hand Morris and Cook (1991), based on review of number studies reveals “conclusions that can be drawn from the health effects of factory closure are limited”; and that is, there is not much conclusive evidence,
one way or the other, of a link from plant closure to health outcomes” (Irene Krauss, 1998).

Research on job loss reveals that in initial stage of the job loss, spouse generally supported, caring and sympathetic. Some times VRS employees discuss with their spouses while taking the VRS. ‘A joint decision to opt for VRS was made by both the spouses in most instances. Both spouses would discuss their predicament and the options available to them. Wives here were convinced of the benefits of taking VRS and reported no misgivings’ (Premilla D’ Cruz, 1998).

But as the length of unemployment increases, the spouse and children become worried, less tolerant, more critical, and less encouraging (Lobo & Watkins 1995:106).

And further it is found that unemployment disrupted the customary ways of living and behaviour, created family tensions and had an adverse effect on living standards (Lobo & Watkins 1995).

Job loss has shown its adverse impact on their children for the economically disadvantaged as well as economically advantaged. Reduced income often meant fees at private schools were no longer affordable and working children bought things for the house, which were previously bought by the working parent (Lobo & Watkins, 1995).
Job losses have showed lowering of income which deteriorates the financial situation, tough budgets and lowering the living standards. In most cases, sacrifices have to be made. Hardships experienced by families include: reducing mortgage payments, cutting off all holidays and travel, stopping outings and hobbies, needing to budget carefully, less income in retirement, curtailment of home building, cancellation of superannuation and health insurance. The most serious result is the loss of a house (Lobo & Watkins 1995).

There are positive as well as negative impacts of redundancy on family and marriage relationships and lifestyles. In a substantial number of cases studied, relationships had deteriorated after unemployment (Lobo & Watkins 1995). However, in some cases, job loss had brought retrenched employees closer to their partner and family (HR Monthly 1996).

Bishop and Kay (1988) compared the performance of a number of divested enterprises in the shipping, airline, gas, telecommunications, oil and automobile industries with that of un-divested enterprises in the coal, rail, steel, and postal sectors in the United Kingdom, using indicators such as revenue, employment, profits, profit margins and TFP. They found an improvement in enterprise performance in both sets of firms. They concluded that the business cycle and the very threat of divestiture could explain the improvements in performance.
The broad conclusion of the Boardman and Vining (1989) study is, however, not shared by other studies. Caves and Christensen (1980) found that two railroads, one in the public sector and the other in the private sector, had almost the same levels of total factor productivity - a conclusion that appears to be in accordance with the caveat expressed by the Boardman and Vining study cited above.

In its review of privatization programs, the World Bank (1992) noted, "Most privatization success stories come from high- or middle-income countries. It is harder to privatize in low-income settings, where the process is more difficult to launch", although the study was quick to add, "But even in low-income the results of some privatizations have been highly positive...". It is interesting to note that the study by Megginson et al (1994), cited above, while finding improvements in profitability in developing countries post-privatization, found increases in efficiency only in companies headquartered in OECD countries. One of the earlier surveys of Millward (1988) noted quite emphatically: "There is no evidence of a statistically satisfactory kind to suggest that public enterprises in LDCs have a lower level of technical efficiency than private firms operating at the same level of operation."

The findings of LaPorta and Lopez-De-Silanes (1998) are diametrically opposite. Their study covered 218 firms in 26 different sectors, privatized between 1983 and 1991. They found that profitability, measured by the ratio of operating income to sales, increased by 24 percent points. The authors
decomposed the gains into three components: increase in prices, reduction in workers, and productivity gains. They found that 57 percent of the gains were on account of productivity increases. The authors also compared competitive and non-competitive markets and found that the former had higher gains in profitability than the latter.

Fundamentally, welfare programs constitute rules establishing and governing general entitlements to public benefits. This conception of welfare, which might be thought of as a "rights based" view, focuses on conditions for people to make these claims. The rules can be set to emphasize different objectives: insurance against risks, promoting economic growth, redistribution, poverty relief. Changes in the rules impact the achievement of these broader goals, and will, to varying degrees, alter individual expectations and hence the "character" of the welfare state. Such changes can also have an impact on the distribution of resources in society. This type of rights-based conception is promoted by sociologists like Korpi (1989) and Esping-Andersen (1990), and also embraced more broadly in sociology and political science (Castles 2002, Green Pedersen and Haverland 2002; Hicks 1999; Kitschelt 2001).

In this perspective, "retrenchment" or "roll back" is properly conceived as a reduction in the expected generosity of welfare benefits for individuals, not (necessarily) as a reduction in aggregate spending (Korpi and Palme 2003; Allan and Scruggs 2004). What constitutes generosity is multidimensional. Generosity can entail: a) level of a benefit (in absolute or relative terms), b) the duration for
which one can receive the benefit, c) the conditions necessary to qualify for the benefit, including conditions for continuing to receive a benefit (e.g., a job search requirement for unemployment insurance), or d) simply access to the benefits defined in a-c. A retrenchment in expected benefits can be viewed as a withdrawal of social rights.

STATEMENT OF PROBLEM

The brief review reveals the effects of job loss on the workers and their family. Further the review of literature on job loss on account of LPG reveals that the studies were made at macro level focusing on the methods of restructuring the PSE at the national level and its impact on economy at national and global level. Very few studies were made at the state level

The review reveals the following trends:

It may be pointed out here that not many studies were reported on the implementation of inclusive policies at state level (Provincial). Hence, it is necessary to examine the provincial level implications to understand the impact of reforms as well as the inclusive policies adopted and their efficacy.

Reforms in Public Sector Enterprises were initiated in 1995 by Government of Andhra Pradesh. It is almost 12 years completed from the beginning of reforms. The safety welfare measures for job loss employees were stopped in 2005. But not many studies were made. Hence an attempt is made to understand social exclusion and inclusion of the workers affected by the reforms in the state of Andhra Pradesh.
METHOD OF STUDY

Objectives of the study:

To

- Review the concept of Social Exclusion;

- Examine the Job loss due to Liberalization, Privatization, and Globalization with reference to Public Sector Enterprises in India;

- To review the Social Inclusive policies in relation to the Job loss workers in Public Sector Enterprises in India;

- To examine the inclusive policies for job loss workers implemented in Andhra Pradesh State;

- To analyze the socio-economic profile of job loss workers in Andhra Pradesh; and

- To examine the efficacy of inclusive policy for job loss workers implemented in Andhra Pradesh.

Universe:

The study is carried out in the context of Andhra Pradesh. The state of Andhra Pradesh comprised 128 numbers of enterprises. The Public Enterprise reforms were carried out in 77 enterprises. A total of 22,966 numbers of workers were affected.

Sample:

The study is based on a sample of 9482 workers. This constitutes to 41.287% of the total job loss affected workers in Andhra Pradesh. The
sample was drawn randomly from the list provided by Public Enterprises Department, Andhra Pradesh.

**The method:** The study is based on secondary data, which is available with the Public Sector Enterprises, Government of India (GoI), and State Level Public Sector Enterprises of Andhra Pradesh.

**CHAPTERIZATION**

The dissertation is presented in six chapters.

First Chapter presents introductory part of the study, review of job loss, statement of the problem, objectives of the study, methodology of the study.

Chapter two examines about the concept of social exclusion, its meaning, definition, paradigms in relation to job loss or unemployment workers in general.

Chapter three discusses about Liberalization, Privatization, Globalization and Social Exclusion and Job loss in Public Sector Enterprises.

Chapter four present the job loss and inclusive policies in Public Sector Enterprises.

Chapter five describes about the Public Enterprises Reforms, Social Exclusion and Inclusive Policies in Andhra Pradesh State.

Sixth Chapter briefly discusses about the findings and conclusions of the study.
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