Chapter III

LIBERALIZATION, PRIVATIZATION & GLOBALIZATION, SOCIAL EXCLUSION AND JOB LOSS IN PUBLIC SECTOR ENTERPRISES
Liberalization Privatization, Globalization and Social Exclusion

In the last quarter of 20th century, most countries have followed the Liberalization, Privatization and Globalization (LPG) policies. These nations have removed the restrictions on economic policy particularly on the trade and capital market. Which lead to the change of government policy to reduce budgetary support for the Public Sector Enterprises (PSEs) and gradual pull out of government’s role in commercial areas of PSUs. Following are the explanation of the terms liberalization, privatization and globalization.

The Concepts:

Liberalization:

Liberalization refers to relaxation of restrictions imposed by the government, usually in areas of economic and social policy. Liberalization of autocratic regimes may lead to democratization. Economic liberalization refers to the liberalization of trade and capital market.

Privatization:

The term “Privatization” has got a wide range of circulation in politics in early 1980s. And various nations have followed the privatization of Public Sector Enterprises. The term “Privatization” denotes a wide range of ideas.
Therefore, it would be appropriate to understand the meaning of the term "Privatization".

In a narrow sense, Privatization means the induction of private ownership in PSEs, where as in the broader sense, it means besides private ownership (or even without change of ownership) to introduction of private management and control in PSEs. Basically, Privatization means the sale of Government owned equity in Public Sector Enterprises or other Commercial Enterprises, with or without the loss of government control in these enterprises.

According to Barbara Lee and John Nellies (1990), “Privatization is the general process of involving the private sector in the ownership or operation of state owned enterprises. Thus the term refers to private purchase of all or part of a company. It covers ‘contracting out’ and the privatization of management - through management contracts, lease, or franchise arrangements.”

Thus privatization covers three sets of measures

a. Ownership measures,

b. Organizational measures and

c. Operational measures

Globalization:

The term 'globalisation' refers to the spread of communication, commercial and transportation networks across the world and the increasing rapidity with which they can move people, capital and produce, and relay information.
In recent times, Globalization is considered as a complex economic, political, cultural, and geographical process in which the mobility of capital, organizations, ideas and peoples has taken on an increasingly global or transnational form.

According to IMF (1997) Globalization is defined as ‘..... as the growing economic interdependence of countries worldwide through increasing volume and variety of cross border transactions in goods and services, free international capital flows, and more rapid and widespread diffusion of technology’.

Branko Milanovic, an Economist at the Carnegie Endowment for International Peace, defined “Globalisation as free movement of capital, goods, technology, ideas and people. Any globalization that omits the last one is partial and not sustainable.”

According to Stiglitz (2002), “Globalisation is the closer integration of the countries and peoples of the world which has been brought about by the enormous reduction of cost of transportation and communications, and the breaking down of artificial barriers to the flow of goods and services, capital, knowledge, and (to a lesser extent) people across borders.

Jagdish Bhagwati(2004) defined globalization in the following words: “Economic globalization constitutes integration of national economies into the international economy through trade, direct foreign investment (by
corporations and multinationals), short-term capital flows, international flows of workers and humanity generally, and flows of technology” (Bhagawati).

**Globalization comprises three core elements such as** the expansion of markets, challenges to the state and institutions and the rise of new social and political movements.

**Privatization, Globalization and Social Exclusion:**

**Privatization and Social Exclusion:**

The Public Sector Enterprises of several countries have overstaffed, which is not feasible for the state budgets. Sometimes the over staff is about 80 per cent in Egyptian steel companies in 1991. In India and Turkey, Public Sector Units were overstaffed by nearly 35 percent in the early 1990s. Sri Lanka’s PSEs was about 40 to 50 percent are estimated to be redundant. PSE’s of Ghana and Uganda of African continent had redundant staff of 20 -25 percent. These redundant staff is significant in Administrative and clerical staff, which requires less technical skills.

When the public sector undertakings are privatized largely to reduce the fiscal deficit, there is bound to be a tendency to focus on off loading heavily loss making enterprises as quickly as possible without much regard to long term consequences to such privatized units.

Studies indicate that 40 to 50 percent of the privatized units in Bangladesh closed down after privatization. Due to the closure of four units after privatization in Nepal, 3,200 jobs were lost.2 Similarly, six public sector
units closed subsequent to privatization in Sri Lanka. When the employment in organized sector is limited and private initiatives are few in developing countries such as in South Asia, failure of such privatized units to continue to provide employment or even large scale worker redundancy can be catastrophic. Thus, the social effects of privatization have been presumably much greater than what would be the case, had the privatized public enterprises not been loss making.

Since the employment in organized sector is stagnated or declining in the South Asian countries, growing trends of casualization and informalization of labour are evident. It has been estimated that 20,000 jobs have been contractualized in Navratnas (nine top performing enterprises) in India. Even the retrenched workers are being recruited back in Nepal on a contractual basis, thus denying them the normal benefits available in regular employment. On the other hand, governments are seeking to promote self-employment, mostly in the informal sector to combat the situation of growing unemployment.

The social effects of privatization in South Asia have been manifested by the following:

- Worker redundancy
- Retrenchment of workers
- Stagnation of employment in organized sector
- Growing casualization of labour
Broadly speaking, the consequences of privatization can be grouped under two categories. One, the immediate problems which relate to (a) mechanisms for restructuring of ownership, management, control and other operational policies, (b) problems relating to resettlement of surplus labour, the establishment of social safety-net to reduce the hardships for retiring public sector employees and (c) provision of adequate resources and other support to make loss making enterprises become profit making enterprises. The problems are well recognized. The second set of problems would come up after the initial transfer of PEs has been affected and CPSEs start operating as independent enterprises with or without change of ownership. These are problems emerging from operations of large sized enterprises, with the probable monopolistic situations.

According to United Nations Economic and Social Council, in most countries, because of the Privatization of Public Sector Enterprises, governments noted that disparities in wealth and opportunities. The downsides of the trends highlighted by the council as follows:

- Dramatic rise in poverty;
- A widening gap between the rich and poor, the powerful and the weak, the skilled and the unskilled, the networked and the isolated;
- A rise in organized crime and corruption; and
- A deteriorating global environment.
Globalization and Social Exclusion:

The impact of globalization is discussed widely.

On one side those economists who are, in conformity with the governments of most rich industrialized countries, multinational corporations, international financiers, the International Monetary Fund (IMF), the World Bank (WB) and the World Trade Organization (WTO), claim that globalization is the imperative of our time, and that developing countries can only benefit from trade liberalization and greater openness (Dollar and Kraay, 2004; Krueger, 1998; Sachs and Warner, 1995).

On the other side there are those economists who point out the various pitfalls in this argument, citing the asymmetrical character of globalization, especially the fact that no less than some 60 countries in different parts of the world simply got poorer over the last decade (Ocampo and Taylor, 1998; Rodrik, 1999; Storm and Rao, 2004; Storm, 2005; UNDP, 2003).

United Nations Development Programme (UNDP, 1996) has mentioned the following are the several demerits or pitfalls of the globalization.

- The process of globalization seems to be driven by a few in a uni-polar world whereby it is benefiting few and hurting many.
- It is another form of imperialism.
- It is leading to growing inequalities between the rich and the poor, both at the level of individuals and among countries.
- It is destroying jobs and local communities.
• It is ruthless, root less, jobless, fruitless… (UNDP, 1996).

Briefly stated the merits and demerits of the globalization are as follows:

**Merits:**

- Increase Economic Growth
- Increase the Efficiency of Business
- Benefits to consumers
- Gains to the owners of multinational enterprises
- Higher Living Standard
- Capital inflow to poor economies; increase total export of developed countries

**Demerits:**

- Reduction in Economic Growth
- Widening of Income Inequality
- Job Losses
- Downward Pressure on Wages.
- Supervision from international organization
- Tax Avoidance and the Reductions of Social Protection
- De-regulation
- Threatening Environment
In other words, broadly speaking Globalization ushered the following changes:

- In most countries, the retreat of the State greatly accentuated disparities in wealth and opportunities. The downsides of this trend, as highlighted by the Economic and Social Council are:
  - Dramatic rise in poverty;
  - A widening gap between the rich and poor, the powerful and the weak, the skilled and the unskilled, the networked and the isolated;
  - A rise in organized crime and corruption; and
  - A deteriorating global environment

To sum up the following are the major impacts of globalization in the world:

- Privatization
- Enforcement of Global Rules and Regulation
- Human Rights and Democracy
Public Sector Enterprises:

Working in the PSEs is attractive because of so many factors. "For instance, public sector employees are often paid better than their private sector counterparts, particularly at the lower skill levels, and often receive tangible and intangible benefits—such as job security, seniority rights, special pension arrangements, subsidized housing, and health and educational services—that private firms do not provide. (Assaad 1997; Panizza 1998). All these factors have led to a public sector wage premium in many countries".

The Public Sector Enterprises of different countries have overstaffed, which is not feasible for the state budgets. Sometimes the over staff is about 80 per cent in Egyptian steel companies in 1991. In India and Turkey, Public Sector Units were overstaffed by nearly 35 percent in the early 1990s. Sri Lanka's PSU s was about 40 to 50 percent are estimated to be redundant. PSU's of Ghana and Uganda of African continent had redundant staff of 20-25 percent. These redundant staff was usually take place in Administrative and clerical staff, which requires less technical skills.

Three broad reasons why privatization is being pursued are greater economic democracy through increased private initiatives in economic activities, achieving higher levels of economic growth and employment, and reducing budgetary deficits. In other words, privatization, basically, refers to
removal of administrative controls and regulations and transfer of public enterprises to private sector.

Whatever form it takes social effects of privatization or restructuring will be as follows:

- Initial overstaffing will lead to rationalization, retrenchment and displacement of labour
- Informalisation of the economy
- Stagnation of employment in organized sector
- Growing casualization of labour

**Restructuring of Public Sector Enterprises:**

Rather than create large-scale redundancies and deal with the requirements of retrenched workers stretching the limit of the public resources, it would be more cost effective to restructure the public sector enterprises and attempt to turn them around before privatization. There may be restructuring before privatization, and additional restructuring may take place during and after privatization. Several approaches have been tried for restructuring public enterprises. These are
- Management Contract
- Performance Contract
- Unbundling of public sector undertaking
- Consolidation of activities
Options for Dealing with Restructuring

There are several options for dealing with large-scale labor restructuring. The options be divided into three broad groups:

"Soft" options: These options do not introduce elements of incentive or compulsion but rely on the application and enforcement of existing workplace regulations. They include hiring freezes, payroll management, and the transfer of staff to other government departments.

Restructuring the Workplace: Options in this group generally fall short of voluntary or involuntary departure and include such measures as administrative leave, job sharing, part-time work, and, in some cases, the shedding of noncore businesses.

Retirement and Redundancy: These steps can involve

- Voluntary departure options that provide incentives for people to leave, either through an early retirement program or the provision of generous severance packages. Acceptance of these options is not forced (although in cases where worker's future prospects are very poor, workers may feel that they have little choice); or

- Compulsory redundancy options, where workers are required to leave employment without their consent.

Government's overall new economic policy lays special stress on an increased role of the market forces, and consequently a reduction in the role of the state. The PSEs are being considered to be a drag on the government
budget. An important component of PSE reform is the decision to close down the chronically sick enterprises. The workers thus retrenched are to be retrained and re-deployed using the National Renewal Fund (NRF); others are to be given a ‘golden handshake’ through the ‘Voluntary Retirement Scheme’ (VRS).

**Approaches for Right sizing:**

One of the major drawbacks of the Globalization is job loss. When governments are planning for the retrenchment of the employees it is better to look at the social problem of employees. World Public Sector Report (2005) ‘On Unlocking the Human Potential for Public Sector Performance’, have mentioned three principles to keep in mind while implementing the rightsizing. They are: Be strategic, that is, it will start from a strategic view of where government or an individual department is going and a sense of the implications of strategy for staff employment; actually deliver savings, and not merely a crude reduction in the number of employees; and Minimize hardship to employees

**Loss of Down Sizing:**

In Public Sector Downsizing the following three losses form the separation are noted (Martin Rama, (1999)). They are:

1. The Present value of the resulting change in earnings, including bonuses and other cash benefits.
2. The present value of the loss in non-wage benefits like Health coverage and old-age pension etc.,

3. Intangible losses from separation like efforts levels tend to be lower in the public sector than out of it, where as job security is almost invariable higher. In addition to above, the possibility of taking bribes or using government facilities for private purposes also falls into this category.

Various studies have pointed out the following Myths and facts about downsizing:

**Myth**

- Downsizing boosts profits
- Downsizing boosts productivity
- Downsizing is a last resort
- Downsizing has no adverse effects on work load, morale, or commitment to a company
- Downsizing victims suffer no long-term income losses as a result of structural shifts in the economy

**Fact**

- Profitability does not necessary follow downsizing
- Productivity results after downsizing are mixed
- Data indicate that downsizing is a first resort for many companies
• In most companies downsizing has adverse effects on work load, morale, and commitment

• Downward mobility is the rule rather than the exception

Privatization in South Asia:

South Asia countries like India, Pakistan, Nepal, Sri Lanka, and Bangladesh have implemented the Restructuring of PSEs.

According to employment of PSEs in this region, India was top in employment of PSEs. Indian PSEs were able to provide total employment of 9.8 millions, in Nepal it was 46.7 thousands, in Pakistan it was with 34.6 thousands, in Sri Lanka 120 thousands, and in Bangladesh 240 thousands.
PUBLIC SECTOR ENTERPRISES IN INDIA AND JOB LOSS

Public Sector Enterprises in India:

Before the Independence of India, during the British Government, there were almost no public sector units except in transport and communications sectors, ordnance sector like Railways, the Posts and Telegraphs, the Port Trust, the Ordnance and Aircraft factories and few more units like salt factories, quinine factories etc., were managed by the Government.

India, after attaining the independence in 1947, have followed the "MIXED" economy policy i.e. Public and Private sector. Public Sector has been playing a vital role the development of country by establishing the industries in different regions and providing the mass employment opportunities to the citizens. It will be helpful for us if we go through the different Industrial policies adopted in different periods.

Large-scale government ownership of firms in India was originally justified by concerns that the private sector would not undertake projects requiring large investments with long gestation periods. Starting in the late 1960s there was a period of rapid nationalization of firms in all sectors, so that by the mid-seventies the public sector accounted for one-fifth of GDP and two-thirds of the total fixed capital invested in the economy (Goyal, 1999).

Public sector has been an important employer, especially in the organized labour market. The sector accounted for 56.84 per cent of the total number of 14.3 million employees in the organized sector in 1980-81. From
about 8.1 million in 1980-81, those employed in public sector manufacturing increased to 9.8 million by 1990-91. In spite of the efforts at downsizing workforce by public sector during the nineties, the number of employees remained at 9.8 million at the end of 1996-97. During the nineties, its share in total hovered around 60 per cent. (Figure 3.1)

Public sector, in general, provides a larger share of employment to women employees.2 Central PSEs employed 110,134 women who accounted for 5.72 per cent of the total employees in 1997-98. (Table 3.3) Women employees are more prominent in clerical and unskilled categories. Coal & Lignite group employs 64.2 per cent of the unskilled women employees. Telecommunication Services and Coal & Lignite account for 38 per cent and 21.26 per cent respectively of the clerical category employees.

There is 15 per cent reservation for Scheduled castes, 7.5 per cent for Scheduled Tribes, 27 per cent for Other Backward Classes, and three per cent for Physically Handicapped persons, making a total of 52.5 per cent. These percentages are applicable to all categories of employment. In addition, in Groups C and D, there is a provision for reserving 14.5 per cent and 24.5 per cent respectively for Ex-servicemen and dependents of those killed in action (DPE, PES: (1997-98) Volume I).

The Indian public sector consists of departmental enterprises that are run directly by government ministries, such as the railways, the postal service, telecommunications, irrigation, and power, and enterprises that have separate
boards of directors. At the end of 1992 there were 1180 firms in which the government was the majority owner, 941 of which were owned by state governments. However, firms owned by the central government account for nearly 85 per cent of the overall assets of state-owned companies. Over 42 per cent of the firms owned by the central government are in manufacturing, 28:62 per cent in mining, and nearly 20 percent are utilities, while a third of state government firms are in manufacturing, with the remaining firms primarily concentrated in agriculture and finance (Goyal, 1999). Public sector firms are large employers, with 2 million workers employed in central government firms in the nineties, accounting for 10 percent of the total workforce in the organized sector. (Fig.3.1) (Table 3.2).

The Department of Public Enterprises acts as a nodal agency for all Central Public Sector Enterprises (CPSEs) and assists in policy formulation pertaining to the role of PSEs in the economy as also in laying down policy guidelines on performance improvement and evaluation, financial accounting, personnel management and in related areas for the PSEs. It also collects, evaluates and maintains information on several areas in respect of PSEs. DPE also provides an interface between the administrative Ministries and the PSEs.
Table 3.1
Representation of various communities in CPSEs as on 1.1.2007
(Based on information furnished by 210 enterprises)

<table>
<thead>
<tr>
<th>S.No</th>
<th>Group</th>
<th>Total No. of Employees</th>
<th>Representation of SC/STs/OBCs</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>SCs</td>
</tr>
<tr>
<td>1</td>
<td>Executive level</td>
<td>1,91,299</td>
<td>25,058</td>
</tr>
<tr>
<td>2</td>
<td>Supervisory level</td>
<td>1,69,191</td>
<td>22,860</td>
</tr>
<tr>
<td>3</td>
<td>Workmen / Clerical level</td>
<td>6,65,996</td>
<td>1,28,352</td>
</tr>
<tr>
<td>4</td>
<td>Semi – Skilled /Un Skilled labour(excluding Safai Karamcharis)</td>
<td>2,31,640</td>
<td>50,142</td>
</tr>
<tr>
<td></td>
<td>Sub – total</td>
<td>1,25,812</td>
<td>22,6412</td>
</tr>
<tr>
<td>5</td>
<td>Semi – skilled /Unskilled labour(Safai Karamcharis)</td>
<td>14,553</td>
<td>11,509</td>
</tr>
<tr>
<td></td>
<td>Grant total</td>
<td>12,72,679</td>
<td>2,37,921</td>
</tr>
</tbody>
</table>

(Source: Annual Report, 2007-2008, Ministry of Heavy Industries and Public Enterprises, GoI, P.96)

Based on the information furnished by the PSEs the position regarding representation of Scheduled Castes, Scheduled Tribes and OBCs in respect of 210 Public Enterprises as on 1.1.2007 is given in table 3.1:

Figure 3.1
Public sector employment*

(Source: Privatisation in South Asia, International Labour Organization (ILO) New Delhi, India, 2000)
The total manpower in the DHI is decreasing from 2002 to 2006. But slight increase in the manpower increased in 2007. i.e. decreased from 1,17,985 to 94,612. Year wise total manpower under DHI is shown in Table 3.2

Table 3.2
Year wise details of Manpower in PSEs under DHI

<table>
<thead>
<tr>
<th>S. No</th>
<th>Year</th>
<th>Total Manpower</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>31.3.2002</td>
<td>117985</td>
</tr>
<tr>
<td>2</td>
<td>31.3.2003</td>
<td>105698</td>
</tr>
<tr>
<td>3</td>
<td>31.3.2004</td>
<td>100155</td>
</tr>
<tr>
<td>4</td>
<td>31.3.2005</td>
<td>97673</td>
</tr>
<tr>
<td>5</td>
<td>31.3.2006</td>
<td>93,714</td>
</tr>
<tr>
<td>6</td>
<td>31.3.2007</td>
<td>94,612</td>
</tr>
</tbody>
</table>

(Source: Annual Reports, 2005-06, 2006-07, 2007-08, Ministry of Heavy Industries and Public Enterprises, GoI)
INDUSTRIAL POLICIES AND PUBLIC SECTOR ENTERPRISES

Evolution of Public Sector Enterprises:

The basic aim of the Industrial Policy (1948) was to bring economic stability and establish the mixed economy framework in India.

Statement of First Industrial policy of India which is called as “The Industrial Policy of 1948” as follows:

1. Mixed economy for India in which the public and private sector can co-exist.

2. The resolution announced nationalization for next 10 years’. Later, if nationalization is considered necessary, compensation would be paid.

3. The resolution recognized the need for foreign capital, but instead that majority interest in ownership and management will remain in Indian hands.

The Industrial Development and Regulation Act (IDR) 1951. According to this Act Private Sector was restricted to certain sectors. As the private enterprise may not be either willing or capable of investment in certain sectors, due to lack of resources or the magnitude of risks.

Second Industrial Policy was proposed in 1956 as Industrial Policy Resolution 1956 (IPR, 1956). The main future of the policy was that socialistic pattern of society demanded that “the commanding heights of the economy” should be controlled by the state. For the achievement of the goal this plan proposed massive industrialization with emphasis on heavy industries in the
public sector, where the public sector had the primary responsibility for the rapid industrialization in key sectors, private sector had to play the complementary and supplementary role.

**The main objectives for setting up the Public Sector Enterprises as stated in the Industrial Policy Resolution of 1956 were:**

- To help in the rapid economic growth and industrialisation of the country and create the necessary infrastructure for economic development;
- To earn return on investment and thus generate resources for development;
- To promote redistribution of income and wealth;
- To create employment opportunities;
- To promote balanced regional development;
- To assist in the development of small-scale and ancillary industries; and
- To promote import substitutions, save and earn foreign exchange for the economy.

"The State will progressively assume predominance and direct responsibility for setting up new industrial undertakings and for developing transport facilities."


Thus, in the interest of common people, Government of India (GoI) decided to give a major role for the public sector to reduce the inequality of income and wealth, and advance the general prosperity of the nation. The series of socialist policies includes Nationalization of Bank continued till 1969. For
the first time the concept of joint sector was recognized in the Industrial Policy Statement 1973.

The main objective of creation of Bureau of Public Enterprises (BPE) in 1965 was to act as centralized coordinating unit and which also make continuous appraisal of the performance of public enterprises. As a result of the reorganization of the Ministries/Department of the Union Government of India in September 1985, BPE was made part of the Ministry of Industry. Further in May 1990, BPE was made a full-fledged Department and was known as the Department of Public Enterprises (DPE). Presently this department is part of Ministry of Heavy Industries and Public Enterprises.

After completion of four decades, Government of India had taken a 'U' turn from Public Sector. Major reasons for not encouraging the Public Sector are Government is left with hardly any surplus for the capital expenditure on social and physical infrastructure after the expenditure on items such as interest payments, wages and salaries of the employees and subsidies. Government is not in a position to spend revenue resources on education, health and family welfare because of large amount of resource are blocked in non-strategic sectors like hotels, trading, chemical, textile etc.,

Further, these PSEs are not in a position without the financial support from the Government, which puts the taxpayers money at risk and it can be avoidable. Thus it leads to the reforms in PSEs in India. Thus, the Department
of Heavy Industries and Public Enterprises have implemented VRS policy in all enterprises.

In the process of right sizing of manpower in CPSEs to protect the interest of employees, VRS compensation package initially announced in October, 1988 for first time and later with modifications a comprehensive package was notified in May 2000 so that CPSEs can meet their objectives of CPSEs as well as to protect the interests of the workers, who were going to affected by the various restructuring models.

Privatization in India:

India's privatization program too has proceeded slowly with an average of 16 percent of equity in 44 of 258 centrally-owned firms sold in the ten years following the adoption of the privatization policy in 1991. Through 1999 the government had raised only about $4 billion according to the Department of Disinvestment (2001), and South Asia's share of total privatization revenues raised by developing countries was just 4 percent in 1999, while Latin America and the Caribbean accounted for 54 per cent (World Bank, 2001). The pace has picked up slightly in recent years with five firms being sold to strategic partners in the last two years, but sale of non-controlling shares remains the primary method of privatization.
Restructuring of Public Sector Enterprises:

Public sector in India has two main forms. One, the departmentally owned and managed establishments like railways, posts, telecommunication, irrigation, and power projects; and two, enterprises established under the Companies Act, 1956 and under special statutes. At the end of 1992, there were 1,180 undertakings in which government owned majority equity capital and which were categorized as government companies. Of these, the Central government undertakings numbered 239. While in numbers the Central PSEs accounted for only a fifth of the total, these accounted for nearly 85 per cent of the overall risk capital and assets of the PSEs organized as joint stock companies.

Table 3.3
Extent of variation in average compensation in CPSEs

<table>
<thead>
<tr>
<th>S. No</th>
<th>Average Compensation (Rs. Million)</th>
<th>No. of undertaking</th>
<th>No. of Employees in %</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Up to 0.05</td>
<td>6</td>
<td>1.7</td>
</tr>
<tr>
<td>2</td>
<td>0.05 - 0.10</td>
<td>19</td>
<td>32.0</td>
</tr>
<tr>
<td>3</td>
<td>0.10 - 0.15</td>
<td>51</td>
<td>24.2</td>
</tr>
<tr>
<td>4</td>
<td>0.15 - 0.20</td>
<td>37</td>
<td>19.0</td>
</tr>
<tr>
<td>5</td>
<td>0.20 - 0.25</td>
<td>20</td>
<td>9.5</td>
</tr>
<tr>
<td>6</td>
<td>0.25 - 0.30</td>
<td>8</td>
<td>3.2</td>
</tr>
<tr>
<td>7</td>
<td>0.30 - 0.40</td>
<td>6</td>
<td>0.07</td>
</tr>
<tr>
<td>8</td>
<td>0.40 - 0.50</td>
<td>1</td>
<td>-</td>
</tr>
<tr>
<td>9</td>
<td>Above 0.50</td>
<td>1</td>
<td>0.07</td>
</tr>
<tr>
<td>10</td>
<td>NA</td>
<td>21</td>
<td>9.0</td>
</tr>
<tr>
<td></td>
<td><strong>Per cent</strong></td>
<td></td>
<td><strong>100</strong></td>
</tr>
<tr>
<td><strong>TOTAL:</strong></td>
<td>169</td>
<td>227,103</td>
<td></td>
</tr>
</tbody>
</table>

Source: Privatization in India: The paper was presented by Prof. S.K. Goyal on behalf of Institute for Studies in Industrial Development, New Delhi. P 52
The Public Sector Retrenchment project used three empirical strategies to assess the workers' welfare loss and to link it to a variety of observable characteristics of the workers. These characteristics include salary and seniority in the public sector, which are the two variables most commonly used when designing severance pay packages. But they also include gender, age, education level, and province of residence, among others.

In dealing with the redundant workers, several options are available though not all are equally attractive in solving the problem of unemployment. These are:

- Voluntary retirement scheme (VRS)
- Cash compensation or golden handshake
- Retraining of workers
- Redeployment
- Counselling
- Eventual Rehabilitation
- Creation of unemployment benefit and social security. One of the major drawbacks of the Globalization is job loss.

Restructuring and Job loss:

While employment conditions in the informal sector have not changed significantly and, indeed, could hardly have got worse than they were to begin with - the formal sector, which was characterized by high levels of job security, union density and collective bargaining up to the 1970s, suffered a catastrophic erosion of job security from the 1980s onwards. Textile mills, for example, went through a spectacular decline in employment. It is estimated that the
Bombay textile strike of 1982-83 was followed by the loss of roughly 75,000 jobs due to closures and downsizing, excluding jobs where older workers were replaced by new recruits (see van Wersch 1992: 234-44). By the end of the 1990s, this number is estimated to have climbed to 100,000 jobs. In Ahmedabad, another textile centre, the decline started in 1982, with the closure of 50 private mills and 20 government-owned mills and the loss of almost 100,000 jobs over the next fifteen years, the majority in the 1980s (Patel 2001:6). Other textile centres like Kanpur witnessed a similar decline. The vast majority of these job losses were not due to natural wastage or voluntary early retirement: they were involuntary and sometimes bitterly resisted.

Most of the trade unions have opposed the policy of globalization, economic reforms, privatization and disinvestments. They attempted to demonstrate unity in such opposition and organized nation-wide strikes and bandhs. The marked feature of post globalization is that the unions in the private sector hesitate to go on strike. The public sector undertakings viz. Coal India, Singareni Collieries Ltd., Indian Airlines, Air India, ports and docks, banking and insurance sector, telecom, power sector continued to be plagued by industrial unrest. Impact on Industrial Relations including in the newly emerging Service sector.
In India from the introduction of the Voluntary Retirement Scheme initially in October 1988 to March 2007, approximately 5.37 lakh employees have been released under VRS. A voluntary retrenchment program in the sick public sector textile firms separated about 70,000 workers in 1993–94.

Broadly speaking, the consequences of privatisation can be grouped under two categories. Firstly, the immediate problems which relate to (a) mechanisms for restructuring of ownership, management, control and other operational policies, (b) problems relating to resettlement of surplus labour, the establishment of social safety-net to reduce the hardships for retiring public sector employees and (c) provision of adequate resources and other support to make loss making enterprises become profit making enterprises. The problems are well recognized. The Secondly, the problems would come up after the initial transfer of PEs has been affected and CPSEs start operating as independent enterprises with or without change of ownership. These are problems emerging from operations of large sized enterprises, with the probable monopolistic situations.

It has been accepted in principle by the government to pay cash compensation to job loss work force under the Voluntary Retirement Scheme (VRS). While one-time cash compensation may appear to be an attractive proposition, it may not solve the long-term problems of the workers. The emphasis should be in seeking alternatives, which provide an effective safety net that can ensure regular incomes to the retirees. The alternatives may be in
(a) award of pension, (b) regular full-time or part-time employment, or (c) helping them establish independent service or manufacturing establishments.

**VRS in Department of Heavy Industries (DHI):**

The Department of Heavy Industries administers 48 PSEs. Out of 48 PSEs, 14 have either been closed or are not in operation. At present, there are 34 PSEs under control of the Department of Heavy Industries (DHI). From 1992-93 up to 2004-05 in a period of twelve years about 90,000 employees have availed the VRS in DHI. Expenditure incurred for the same is Rs. 3000/- crores (DHI, 2005-06). A Board for Reconstruction of Public Sector Enterprises (BRPSE) has been set up to look after the matters related to Counselling, Retraining and Redeployment (CRR) of rationalized employees of CPSEs.

The employment opportunities in DHI are gradually decreasing year by year. As on 31.3.1998 the total strength of employees is 1,83,818 in 48 PSEs and where as the strength of employees as on 31.3.2007 are 94,612. It clearly shows it's nearly half of the employee opportunities are reduced in a decade. It might be because of vacancies are not filled or automation or closer or privatization of the industries have been taken place in the industries within a decade.
Job loss in Central Public Sector Enterprises:

The Department of Public Enterprises acts as a nodal agency for the Central Public Sector Enterprises (CPSEs) and assists in policy formulation pertaining to the role of PSEs in the economy as also in laying down policy guidelines on performance improvement and evaluation, financial accounting, personnel management and in related areas for the CPSEs.

During the first 5-year plan (1951-56) only five Central Public Sector Units were established. And at the end of eighth 5-year plan (1997) total no of Central Public Sector Units were 246. Then, these units were 247 as on 31.03.2007. Out of 247 units, 217 were in operation and 30 were under construction. (Annual Report 2007-2008, MoHI&PE,GoI)

These 242 Central Public Sector Enterprises, excluding Banks, Insurance companies and Financial Institutions, under control of the Government of India. And these CPSEs are providing the employment to 17.67 lakhs workers, clerical staff and executive cadre.(Annual Report 2005-06, MoHI&PE,GoI ). According to the information of 210 CPSEs there were 12, 72,679 employees as on 1.1.2007.

From the introduction of the VRS scheme in CPSEs from October 1988 to March 2007, approximately 5.37 lakh employees have been released under the VRS scheme in CSPEs.
VRS in Banking Sector:

There are 27 nationalized banks in India. VRS in banking sector was implemented in 26 banks in the year of 2000 except Corporation Bank. Overstaffing was estimated based on the Business Per Employee (BPE). VRS implemented between November 1999 and March 31, 2001. According to a study on VRS Published in an IBA Bulletin, Out of the total 8,63,117 employees in the 26 public banks, around 1,00,810 employees opted for the VRS. VRS opted employees were about 11.7%. These banks offered very good compensation to the employees. It ranges between Rs. 8 lakh to Rs.10 lakh per employee. Thought VRS amount was high, most of the employees would preferred a monthly pension scheme. (Shweta Jain and Gouri Shukla, 2002)
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