SOCIAL INCLUSION

What is Social Inclusion:

Social inclusion is about equal opportunities and equal conditions for all, i.e. for every individual. Equality of opportunities is only possible when there is a constant effort to reduce the inequality of conditions.

Social inclusion is a process whereby individuals and communities gain the opportunities and resources necessary to participate fully in economic, social and cultural life and to enjoy a standard of living and well-being that is considered normal in the society in which they live. It ensures that they have greater participation in decision-making which affects their lives and access to their fundamental rights (European Union).

For Raphael (2004), the value of the concept is that it recognizes that exclusion from society is more than an individual characteristic, but results from societal changes (such as economic or demographic changes) and government policy.

Kunz (2003) has outlined how exclusion impacts the individual by identifying the determinants of exclusion in four broad categories called 'capitals.' The amount of any of these capitals that an individual possesses will determine the extent to which she or he is able to participate in society. (see Table 4.1)
Table 4.1

Dimensions of Social Inclusion

<table>
<thead>
<tr>
<th>Financial Capital</th>
<th>Human Capital</th>
<th>Social Capital</th>
<th>Physical Capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>Earnings</td>
<td>Education</td>
<td>Family and Friends</td>
<td>Housing</td>
</tr>
<tr>
<td>Wealth</td>
<td>Skills</td>
<td>Community life</td>
<td>Infrastructure</td>
</tr>
<tr>
<td>Income Sharing</td>
<td>Credential recognition</td>
<td>Political empowerment</td>
<td>Geographic location</td>
</tr>
</tbody>
</table>

Social inclusion has dimensions of both content and structure. In terms of content, it is about supportive relationships, involvement in group activities and civic engagement. Its structural dimensions are about a socially inclusive society ‘where all people feel valued, their differences are respected, and their basic needs are met so they can live in dignity’ (VicHealth 2005a, 1).
JOB LOSS AND INCLUSIVE POLICIES

Job loss in India:

**Several** States in India have taken up the task of privatisation and found the “Policy and Procedures” of the Ministry of Disinvestment a useful guide. Some states like Andhra Pradesh & Orissa have even held seminars and interactions for guidance and education of all affected parties, like employees, their families etc.

State finances have been under stress and most of the states have undertaken a Public Sector Restructuring Programme, while Karnataka has set up a Department of Disinvestment, Punjab a Directorate of Disinvestment and Uttar Pradesh has a Disinvestment Commission in place. As part of the Reforms, they have paid special attention to employee concerns and given VRS to as many as 37000 employees, trained the retirees and assisted them in obtaining re-employment in many cases.

Orissa and Andhra Pradesh have made films to educate the concerned people and help them adapt to the change. Punjab Government has put on fast track privatisation of Punjab Communication Ltd., Punjab Tractors Ltd., Punjab Alkalies & Chemicals, and Punjab Tourism Corporation. The process is likely to be completed by June 2003 in most of these cases. Andhra Pradesh is going ahead with great speed and privatising their sugar and spinning Cooperatives. Other neighbouring states are also seeking guidance from Andhra Pradesh.
Delhi Government has taken their first step forward and privatised distribution of Power. They have also expressed interest in privatising Delhi Transport Corporation. Gujarat has privatised Gujarat Tractor Corporation Ltd. in 1999 and is in the process of selling the remaining equity. Karnataka and Kerala Government have taken keen interest in the process. Madhya Pradesh has advertised Intel Telecommunications for 65% stake sale.

Orissa has sold Orissa Leather Industry Ltd., Orissa Pump, Engineering Corporation Ltd. & Orissa Ferro Chrome and has signed an MOU with Central Government for privatising 27 Government Corporations. A number of States have closed unviable and loss making units as it was not feasible to keep them running.

"In Hindustan Steel Construction Limited, (HSCL) even intimidating tactics have been employed to compel the workers to take VRS. They have been told either they take VRS or lose it altogether". The voluntary nature of VRS should be restored.(Ruddar Datt). For the “core” group, the Commission advocates selling government equity up to 49%, that is, the government would retain 51% of equity. In the “non-core” group, the Commission advocates sale of up to 74% of government equity (T. T. Ram Mohan).
JOB LOSS AND INCLUSIVE POLICIES IN INDIA

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). After the implementation of the VRS scheme, various nations have taken up Social Safety Net Programmes to mitigate the labour problems. For instance, India’s Counselling, Retraining and Redeployment (CRR) programme, Sri Lanka’s Skill Development Fund, Bangladesh’s Special Workers Fund.

In dealing with the redundant workers, several optional inclusive policies are available. Not all are equally attractive in solving the problem of job loss. Some of these have been tried in South Asia. These options are given below:

- Voluntary Retirement Scheme
- Cash Compensation or golden handshake
- Retraining of the workers
- Redeployment
- Creation of unemployment benefit and social security
Social Protection:

Social protection is defined as the set of policies and programs designed to reduce poverty and vulnerability by promoting efficient labor markets, diminishing people's exposure to risks, and enhancing their capacity to protect themselves against hazards and interruption/loss of income. The policies and procedures included in social protection involve five major kinds of activities: labor market policies and programs, social insurance programs, social assistance, micro and area-based schemes, and child protection.

"Social safety net" and "social security" are sometimes used as alternative terms to "social protection." The Asian Development Bank Interdepartmental Working Group on Social Protection found that in describing the range of concerns with which this strategy is dealing, the term "social protection" was the more common in international usage and decided to use that term. The term "social safety net" appears to have a less precise meaning. Some people use it to mean the whole set of programs and policies discussed in this strategy, while others use it to refer only to welfare and targeted programs for the poor. On the other hand, the term "social security" is used to refer to the comprehensive mechanisms and coverage in developed countries and is less applicable to new areas such as community, micro, and area-based schemes.

Severance of Pay:

Severance pay is a part of social protection system which is usually designed to address economic and financial risks faced by individuals or their
families. In more developed systems, some form of social risk pooling in the form of unemployment insurance has either replaced the lump sum payment, or has become an additional benefit. The recent years have witnessed several innovations in unemployment benefits (e.g. unemployment savings account). From a labor market perspective, severance pay and gratuities along with compliance costs of labor laws, represent one of the statutory costs which businesses need to incorporate in their decision-making. In any country, these costs of preservation of existing jobs and providing risk-protection to existing employees need to be counter-balanced against the need for creating jobs in the economy facing globalization and other challenges. The later requires a shift towards greater labor market flexibility and rationalization of statutory costs of adding and retrenching of workers.

Severance Pay (called retrenchment benefits in much of Asia) is a lump-sum payment usually in the form of gratuity, made to laid-off workers, either voluntarily by employers (through collective agreements or as a part of firms' policy), or as mandated under statutory provisions. The burden of financing is usually on the employers. Prefunding of such benefits is not common, though some employers do utilize the services of asset management companies and life insurance companies for this purpose.

The government as an employer is also often subject to statutory provisions for severance pay or gratuity. In many Asian countries, the practice of VRS has been growing as a part of rebalancing the role of public and
private sectors, and as a part of restructuring of business enterprises to meet the challenges of liberalization, deregulation, globalization, and technological changes. Usually, workers retrenched under the VRS receive greater than statutory severance pay benefits.

**Severance pay** programs mandate that employers provide workers who are terminating their employment with a sum of money that is related to past periods of employment and pay. They usually are a liability of the employer for which separate provision has to be made.

**Retraining and redeployment support**

Governments have often combined severance packages with retraining and redeployment support (counseling, job search assistance, small business support) to help laid-off workers reenter the labor market or become self-employed. Systematic evaluations are lacking in developing countries, but anecdotal evidence shows that retraining programs in particular often founder because of timing delays, weak institutional capacity, and low education levels. In Bangladesh, Brazil, and India, for example, the demand for retraining was far lower than expected (with less than a 20 per cent take up rate), and most surplus employees had left their jobs well before the retraining programs became operational. But if properly designed, retraining can have important social and economic benefits by ensuring that workers with several remaining years of productive life are equipped with the right skills to become gainfully employed elsewhere in the economy. Better results can be achieved by
ensuring that retraining is demand-driven, not supply-driven (for example, by giving workers a choice between training and severance and building in a cost-sharing element), that it is targeted to those for whom it is most cost-effective, and that nongovernmental and private institutions are involved in the delivery of services.

One way to redeploy redundant workers is to help them set up cooperatives or small businesses to subcontract with the newly privatized company for activities previously carried out by the state entity (for some types of jobs service contracting improves performance incentives). In Guinea, for example, the privatized water management company (Société d'Exploitation des Eaux de Guinée, or SEEG) helped the 250 or so laid-off workers establish cooperatives to provide such services as new connections, canal maintenance, and landscaping. About twenty small enterprises have been formed, all of which subcontract with SEEG. In Argentina the privatized oil company entered into about 200 service contracts involving some 5,300 former employees. But putting this approach into place and ensuring that employees can compete effectively with other service providers requires the provision of support services, including business incubators, training for business start-up, access to initial working capital, and technical support in preparing bids and contracts. Such support should be temporary to ensure that competition is not crowded out. In regions or towns where a state enterprise dominates the economy, contracting, retraining, and job search assistance are not enough. Broader
regional development programs involving self-employment and enterprise
development support—as well as temporary public works and subsidized
private sector employment programs—are important.

Having relatively large amount of money does not necessarily guarantee
that the retrenched workers would be economic contributors to the society in
the long run. India has launched VRS for compensating redundant workers and
has established National Renewable Fund (NRF) for their retraining. Although
over 129,000 public sector employees received benefits from such funds, NRF
was largely used for retirement benefits rather than retraining or redeployment.
Only 36,889 workers were retrained, and 11,623 were redeployed. Similarly, a
Special Workers’ Fund was created in Bangladesh with Tk 150 million
(equivalent to $3.0 million); however, there is yet no evidence that the fund has
been used for retraining and redeployment.

Social Safety Net Programmes:

To mitigate the some of the adverse effects of the job loss trauma among
the retrenched works, some governments have launched Social Safety Net
Programmes (SSNP). These programmes are helpful in conduct counseling, up
gradation of skills, acquiring new skills, and improvement of redeployment
chances. Generally, these kind of programmes are financed by the international
organizations like World Bank, International Monetary Fund (IMF),
Department for International Development Fund (DFID) and some time by the
concern governments.
These kinds of programmes were launched first in Ghana and Bolivia. In Ghana, these programmes have reached to only a fraction of people, but where as in case of Bolivia for the betterment of households a significant proportion of the jobs created.(C. S. Venkataratnam).

Safety Nets have been described as being compensatory measures for balancing the social costs which are associated with Structural Adjustment Programmes. Social Safety Nets may cover a set of programmes for the job loss employees that benefit the least economic growth, including the counseling, retraining and redeployment etc.,

They are designed to accomplish the following objectives:

- Growth of employment
- Reducing Poverty
- Structural Adjustment Programmes implemented in better way
- To give the room for the infrastructure and new social institutions to improve the effectiveness of the services provided and their impact on beneficiaries.

The component of Social Safety Net includes financial, psychological and rehabilitation counseling, up gradation of skills for reemployment of retrenched employees or to unemployed dependent son/daughter is eligible for the training instead of parent.
A SALIENT FUTURE OF THE SOCIAL SAFETY NET

- Group insurance includes Health, Accidental or disability coverage.
- Training period may be for 14 to 16 weeks
- Training fee about Rs.5000/- per trainee
- The trainee will be provided daily Rs. 30/- on fortnightly to meet out of pocket expenses.
- In addition to above, an incentive shall be payable to the training institution based on the following conditions
  a. If the redeployment rate is less than 50% there will no incentive paid.
  b. If the redeployment is between 50% to 60% within 6 months after completion of the training Rs. 500/- per trainee will be paid.
  c. If the training institute is able achieve 60% and above within 6 months after the training, Rs.1000/- per trainee will paid.

National Renewal Fund:

The concept of the NRF was announced by the Government, as a part of the New Industrial Policy, 1991, to protect the interests of the workers likely to be affected by technological up-gradation and modernization in the Indian Industry.
The overall aim of the NRF is to provide a social safety net for labour. The Government formally established the NRF by a Government of India resolution on 3rd February, 1992.

OBJECTIVES OF NRF

The objectives and scope of the National Renewal Fund are:

- To provide assistance to cover the costs of retraining and redeployment of employees arising as a result of modernization, technology upgradation and industrial restructuring.

- To provide funds, where necessary, for compensation of employees affected by restructuring or closure of industrial units, both in the public and private sectors.

- To provide funds for employment generation schemes both in the organized and unorganized sectors in order to provide a social safety net for labour needs arising from the consequences of industrial restructuring.

The fund, to begin with, is of a non-statutory nature and may include contributions from, inter-alia, the Government of India, State Government, Financial Institutions, Insurance Companies and Industrial Undertakings.
India - National Renewal Fund (NRF):

To mitigate the job loss trauma among VRS employees of CPSEs, Government of India (GoI), have initiated the safety nets for the benefits of workers in the name of National Renewal Fund. NRF was started in February, 1992. However, in the backdrop of on-going structural adjustments, this programme was abolished in February, 2000. This was replaced with Counselling, Retraining and Redeployment programme since the year 2001.
The salient futures of the NRF and CRR programmes shown in the following table.
Table 4.2

SALIENT FEATURES OF GoI RETRAINING PROGRAMMES

<table>
<thead>
<tr>
<th>Features</th>
<th>National Renewal Fund</th>
<th>C R R</th>
</tr>
</thead>
<tbody>
<tr>
<td>Programme started</td>
<td>1998</td>
<td>2001</td>
</tr>
<tr>
<td>Target group</td>
<td>Broader. Central/ State PSUs Private Industries and other service sector. There was no strict monitoring.</td>
<td>Closed/ Limited. Exclusively CPSUs</td>
</tr>
<tr>
<td>Approach</td>
<td>Predominantly EDP and Skill Up gradation</td>
<td>Only Entrepreneurship Orientation/ development Programmes</td>
</tr>
<tr>
<td>Duration of Training Programmes</td>
<td>25 days</td>
<td>20, 30 or 40 days. Flexible to suit the requirements</td>
</tr>
<tr>
<td>Time for Market study &amp; project preparation</td>
<td>Limited. Not adequate time is available for detailed study and project design</td>
<td>One or two weeks could be allocated for the purpose</td>
</tr>
<tr>
<td>Batch Size</td>
<td>30 to 40 persons</td>
<td>30 to 40 persons</td>
</tr>
<tr>
<td>Stipend to trainees</td>
<td>Rs 60 per day</td>
<td>Rs 60 per day</td>
</tr>
<tr>
<td>Redeployment emphasis</td>
<td>Low</td>
<td>High. Redeployment status of EDP trained persons is monitored by a special team</td>
</tr>
<tr>
<td>Budget for training including administrative costs for pre-VRS workers</td>
<td>Rs 6000 per candidate trained</td>
<td>Rs 4600 (20 days), Rs 5900 (30 days), Rs 7200 (40 days)</td>
</tr>
<tr>
<td>Budget for training including administrative costs for post-VRS workers</td>
<td>Rs 6000 per candidate trained</td>
<td>Rs 5300 (20 days), Rs 6600 (30 days), Rs 7900 (40 days)</td>
</tr>
<tr>
<td>Training Cost rationale</td>
<td>Per day cost is fixed for any type of training</td>
<td>Fixed coats per day irrespective of the nature of training</td>
</tr>
<tr>
<td>Counselling</td>
<td>Mass counselling for a batch</td>
<td>3 day counselling for a batch of workers</td>
</tr>
<tr>
<td>No of VRS employees trained in skill promotion</td>
<td>Very few</td>
<td>Very few</td>
</tr>
<tr>
<td>Area of Operation</td>
<td>State capitals. One nodal agency per state</td>
<td>Several Nodal Agencies per state</td>
</tr>
</tbody>
</table>

Source: M Bharath Bhushan (2006), Comparative Analysis of Retraining Programmes in India
PROGRAMME

The National Renewal Fund has two constituents:

(A) National Renewal Grant Fund (NRGF)

(B) Employment Generation Fund (EGF)

(A) National Renewal Grant Fund (NRGF):

The NRGF deals with the immediate requirements of labour arising from the revival or closure of sick units. The funds are disbursed in the form of grants for funding approved schemes relating to retraining, redeployment, counselling and placement services of employees affected by technology upgradation, modernization, restructuring and revival of industrial undertakings. These funds are also utilized for compensation payments to employees affected by rationalization in industrial undertakings and parts thereof.

(B) Employment Generation Fund (EGF)

Under this scheme the fund were proposed to be disbursed in the form of grants for approved employment generation schemes for both the organised and unorganized sectors. This may include schemes such as:

a. Special programme designed to regenerate employment opportunities in areas affected by industrial restructuring.

b. Employment generation schemes for the unorganised sector in defined areas.

The NRGF and EGF will be in operation for a period not more than ten years from the date of their inception.
INSTITUTIONAL STRUCTURE (NRF)

A high level Empowered Authority has been set up in the Department of Industrial Development, Ministry of Industry, with its Secretary as Chairman, to administer the National Renewal Fund. The Authority has as its members, Secretaries of Department of Expenditure, Department of Public Enterprises, Department of Company Affairs, Ministry of Labour, Department of Education, as also Economic Adviser, Ministry of Industry, one labour representative nominated by Ministry of Labour, one employers' representative nominated by the Department of Industrial Development and two persons from outside the Government with professional experience. Joint Secretary, Department of Industrial Development is its Executive Director. A Secretariat for Industrial Renewal has been set up to receive and process applications for assistance from the National Renewal Fund. 16 meetings of Empowered Authority have already taken place.

At the State Government level, a Steering Committee for NRF has been set up with the Secretary (Industries) as Member Secretary. At the location of worker outflow, Employee Assistance Centres have been envisaged for worker retraining. At city level, Area Regeneration Councils take up the task of urban economic rejuvenation. At the unit-level, Employee Resource Centres have been proposed.

Employee Assistance Centres have been envisaged to undertake programmes for worker retraining and redeployment. These centres undertake...
retraining schemes so as to enable rationalized workers to re-enter the job market or to take up self-employment ventures. They also act as facilitators for providing access to credit, raw material, marketing and business advice.

**Counseling, Retraining and Redeployment (CRR):**

In the place of NRF, Government of India (GoI) introduced the new scheme for Counselling, Retraining and Redeployment (CRR) for the CPSEs VRS employees in the year 2001 under the Department of Public Enterprises. The CRR Scheme intended to provide for effective utilisation of the internal resource for Self-employment and redeployment of VRS employees.

The Silent futures of the CRR are as follows:

- To provide Opportunity for Self-employment, to reorient rationalized employees through short duration programmes.
- To equip them for new avocations
- To engage them in income generating self-employment.
- To help them rejoin the productive process/

The Main elements of the CRR programme are:

- Counselling
- Retraining
- Redeployment and
- Sensitization
National Renewal Fund Activities and Issues:

NRF Activities:

So far only two components of NRF have been operationalised i.e. VRS and counselling, retraining etc. VRS assistance has so far been restricted to Central PSUs only. NRF assistance has not yet been extended to State, Co-operative and private sector.

ACTIVITIES UNDERTAKEN

So far, assistance from NRF has been restricted to VRS in Central Public Sector Undertaking and for counseling, retraining and re-deployment of rationalized workers in the organized sector.

This Department had moved a Cabinet Note in November, 1995 regarding “operational modalities for assistance from the National Renewal Fund” which also included operational modalities for Area Regeneration Scheme, VRS in State PSUs and private sector. The Note was considered in the CCEA meeting held on 28.11.95 and deferred. In the absence of requisite Govt. approval, the scope of NRF assistance has not been extended to areas other than mentioned against sub-paragraph No.5.1 above.

Progress of activities under NRF since inception is indicated below:

Voluntary Retirement Scheme

According to the information available, 1,33,376 workers have availed of Voluntary Retirement Scheme as on 31.12.99. The year-wise details of workers separated and funds released are as under:
Table 4.3
Year-wise Number of Workers Relived under VRS Scheme in CPSE

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Year</th>
<th>No. of workers</th>
<th>Fund released (Rs. crore)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1992-93</td>
<td>39,751</td>
<td>566.72</td>
</tr>
<tr>
<td>2</td>
<td>1993-94</td>
<td>34,232</td>
<td>478.06</td>
</tr>
<tr>
<td>3</td>
<td>1994-95</td>
<td>16,206</td>
<td>250.81</td>
</tr>
<tr>
<td>4</td>
<td>1995-96</td>
<td>12,583</td>
<td>209.58</td>
</tr>
<tr>
<td>5</td>
<td>1996-97</td>
<td>6,980</td>
<td>188.00</td>
</tr>
<tr>
<td>6</td>
<td>1997-98</td>
<td>14,815</td>
<td>326.67</td>
</tr>
<tr>
<td>7</td>
<td>1998-99(Prov.)</td>
<td>4,500*</td>
<td>387.74</td>
</tr>
<tr>
<td>8</td>
<td>1999-2000(upto 12/99) (Prov.)</td>
<td>4309</td>
<td>123.44</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>1,33,376</td>
<td>2531.02</td>
</tr>
</tbody>
</table>

* Coal PSUs not included.

Counseling of workers

Central Public Sector Undertakings implementing Voluntary Retirement Scheme (VRS) have been directed to set up Employees Resource Centre (ERCs) at plant level for extending counseling services to workers opting for VRS. The objective of ERCs is to provide them psychological counseling as well as counseling in the matters of finance, job opportunities, training facilities etc. As on 31.12.99, counseling services were provided to 19,905 workers.

Workers retraining

Under the NRF, Employee Assistance Centres (EACs) have been envisaged to provide counseling, retraining of rationalized workers to facilitate their re-deployment. From initial 5 locations identified and retraining of workers, EACs are now operational in 57 locations and permission has been given to set up EACs at nine new locations during 1999-2000. As on 31.12.99,
workers surveyed are 98,333. counselled – 58,244. Retrained – 40,633 and re-deployed – 12930.

Under the CRR programme during 2006-07, 31 nodal agencies with 102 Employees Assistance Centres (EACs). Since 2001 to 2007 a total of 1,26,823 job loss workers retrained. The details of number of retrained job loss workers provided in the Table 4.4

<table>
<thead>
<tr>
<th>S.No</th>
<th>Year</th>
<th>No. of job loss workers retrained</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2001-02</td>
<td>8064</td>
</tr>
<tr>
<td>2</td>
<td>2002-03</td>
<td>12066</td>
</tr>
<tr>
<td>3</td>
<td>2003-04</td>
<td>12134</td>
</tr>
<tr>
<td>4</td>
<td>2004-05</td>
<td>28003</td>
</tr>
<tr>
<td>5</td>
<td>2005-06</td>
<td>32158</td>
</tr>
<tr>
<td>6</td>
<td>2006-07</td>
<td>34398</td>
</tr>
<tr>
<td></td>
<td>Total:</td>
<td>1,26,823</td>
</tr>
</tbody>
</table>

(Source: Annual Report 2007-08, Ministry of Heavy Industries and Public Enterprises, Govt, P108)
Counseling and Retraining etc.

Employment Assistance Centres set up under NRF are managed by 12 nodal agencies spread all over India have retrained 40,633 rationalized employees from organized sector out of which 12,930 have been redeployed.

Figure: 4.1

(as on 31-12-99)

<table>
<thead>
<tr>
<th>Number of workers surveyed</th>
<th>98,333</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of workers counselled</td>
<td>58,244</td>
</tr>
<tr>
<td>Number of workers retrained</td>
<td>40,633</td>
</tr>
<tr>
<td>Number of workers redeployed</td>
<td>12,930</td>
</tr>
</tbody>
</table>

It may be stated that success or other wise of this scheme must be judged from the proportion of retrained workers gainfully redeployed. Approximately 31% of the retrained workers have been redeployed according to figures available as on 31-12-99.
Major factors responsible for such a low redeployment figure are:

i. Tight labour market;

ii. Absence of soft loan facility for starting a self employment venture:

iii. Relatively higher age group of VRS employees;

iv. Low education level;

v. Short duration of training courses;

vi. No viable support from State Government in the form of preferential treatment for plots/sheds/financial assistance.

NRF Issues:

1. Unemployment Insurance

   Employment Insurance scheme may be operationalised in place of NRF which was to be operative for a period of 10 years and already more than 7 years have passed since its coming into force. The reasons for this are as under:-

   i. The main component of NRF is VRS, the success of which in reducing wage bills of beneficiary PSUs has been far from being unequivocal as shown by a sample study conducted by this department.

   ii. Due to resource constraints, budgetary support to NRF has been stagnating whereas the demand of funds for VRS has increased due
to wage revision. As a result, the coverage of VRS has drastically come down.

iii. Insurance Fund for Employees (IFE) with contributions from state and central governments, employers and employees can provide a social safety net with participation of the stakeholders with a mutual gains perspective.

2. Credit Line

Similarly, one of the causes of low redeployment among retrained, rationalised workers has been the absence of a soft loan facility. A bridge loan facility by banks to retrained/rationalised workers for self employment can go a long way in ensuring better re-deployment.

It was stipulated in the resolution of 1992 that NRF will be maintained in the Public Account of India.(para 11). From 1999-2000, however, no funds has been provided for “Transfer to NRF”. Technically, NRF has ceased to exist. However, Ministry of Finance continues to use the term NRF in their communications to this Department on allocations for VRS.

VRS Issues:

It has been accepted in principle by the government to pay cash compensation to workers 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

Trade Unions (TU) opposition to the new economic policies is essentially due to the expected adverse effect on employment. Retrenchment or voluntary retirement in the Indian context implies, on the one hand, absence of unemployment insurance, and on the other lack of alternative jobs. Public sector employment gives them, particularly those in the lower rungs, the opportunity to lead a life of dignity and self-respect. The restructuring of PSEs is forcing them to choose a different vocation and that too unexpectedly. In most cases those who accept VRS are in their mid-life when adjustments at the personal and family levels are extremely difficult to make.

A few employees, who were young in age, and possessed engineering degrees, opted for VRS and were able to get jobs in the private sector. A small proportion of the retrenched workers did eventually get jobs in the small-scale private sector, since this sector is labour intensive. These jobs, however, meant half the earlier income with annual insecurity, as small-scale sector is prone to high degree of mortality. Practically, all of them were critical of the way VRS is being implemented. Their response is best summed up in one of the studies of Maniben Kara Institute as "...vast majority of the workers who opted for VRS and resigned their jobs are having a bad time. Many of them were left
with only a small portion of the lump sum, the major portion having gone in repayment of loans or expenses on marriages or having spent on petty unnecessary items.”

Inadequate VRS amount

Not only the VRS amounts are small, they get smaller when adjusted against loans already availed, like house building advance, etc. It is an unfortunate reality of the Indian system that employees face a variety of social pressures once they receive the severance payment. Moreover, not having used to handling relatively large amounts, they fall prey to spending on durables or end up extending sticky loans to friends and relatives or invest in unproductive and risky investments. Unlike in the West, ordinary people are not at all aware of the way stock markets function and often get lured by sudden booms in share prices.

The VRS amount is measly and needs to be increased in multiples. At the least, the VRS benefits should be calculated at the rate of 90 days salary for each completed year of service. This was attempted by Air India and some quasi-government institutions like the Coffee Board. It would perhaps also be appropriate for the VRS benefits to take the form of pension in entirety. A government organization could be associated with administering the pension scheme for all PSEs. This is because there have been cases in PSEs where persons who retired have altogether not received their pension payments.
Non-payment of VRS amount

It was pointed out that there was no guarantee that the promised amounts would be paid-out and gave the instances of NTC and IDPL, where workers were retrenched but did not receive the full VRS payment. “In Cement Corporation of India and Hindustan Steelworks Construction Limited, workers and officers opted for VRS but they were not paid the VRS amount. Now, while they continue to be in employment, they are not getting salaries.” Further, in the sick industries, those who opted for VRS did not receive their provident fund dues and gratuity payment. “The concerned PSEs do not have the funds to make the payments”, they say. This led the TUs to underline that organisations should not be allowed to offer VRS unless they have adequate funds.

Non-voluntary dimension of VRS

TUs point out that in a good number of cases VRS has become non-voluntary in nature because in the new scheme, where the PSEs would be given loans by banks to fund the VRS and the loans would be guaranteed by the government, those who opt for the VRS in the stipulated time period get 45 days salary for each year of service that they put in. After the stipulated period they get only 15 days salary, as then the Industrial Disputes Act becomes applicable. This forces employees to apply within the time limit set by the organisation. “In Hindustan Steel Construction Limited, (HSCL) even intimidating tactics have been employed to compel the workers to take VRS.
They have been told either they take VRS or lose it altogether”. The voluntary nature of VRS should be restored.

Much less can it claim or exercise a veto over the new policies or changes. “Even a government servant, having the protection of not only Articles 14 and 16 of the Constitution but also of Article 311, has no absolute right to remain in service,” the court points out.
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