Golden Shake Hand and Exit Policy under Globalization and Its Impact on Indian Industries

Shalini Gupta

Indian Industries have a significant role to play in the socioeconomic upliftment of developing countries like India. Industries occupy a unique position in the Indian economy for its contribution towards employment generation. Foreign Direct Investment, earning foreign currency etc. India initiated the economic reforms in 1991 (Globalisation) with the objective of faster economic growth. Since the liberalization process has been in vogue for the last 17 years it becomes essential to analyse whether the new economic order has had a positive impact on the performance of industries in India. The present is an attempt in this direction.

Keywords : Exit Policy, Globalization.

Introduction

The term "Globalization" was first coined in the 1980s, but concept stretches back decades, even centuries, if you count the trading empires built by Britain, Holland, Portugal and Spain. Some would say the world was as globalize 100 years ago as it is today, with international trade and migration.

But the 1930 depression put paid to that, National states drew back into their shell on realizing that international markets could deliver untold misery in the form of poverty and unemployment.

The resolve of western states to build and strengthen international ties in the after math of world war second laid the groundwork for today's globalization.

It has brought diminishing national borders and the fusing of individual national markets. The fall of protectionists barriers has stimulated free movement of capital and paved the way for companies to set up several bases around the world.

Indian Industries

Since 1991, the Indian economy has been running under mantra of "Globalisation" while there has been almost unanimous approval amongst the move affluent sections of the population for liberalizing the consumer goods sector from the "Licence Raj" of the previous decades, external liberalization has been subject to far more scrutiny and has generated considerable controversy and debate. The extent to which the economy should be decontrolled with respect to the global sector is not only of economic relevance but goes to the whole issue of national sovereignty and security.

Mergers And Acquisitions

The concept of Merger and Acquisitions is very much popular in the current economic scenario. It is a significantly popular concept after 1990s in India on the birth of economic liberalization and globalization. The basic premises for Merger and Acquisition Viz. 'Consolidation process of survival of existing undertakings, large groups observing the small entities, cooperation of international
business units welcoming to participate the development of the nation's economic growth and prosperity, to eliminate industrial sickness, to take the tax advantages, to free from the stringent formalities of official procedures and red-tapism, free from the clutches of the existing law of land like Indian companies Act, Income, Income Tax, MRTP etc. and corporate restructuring and reorganization to meet challenges in the stiff competitive open market economy demand such a task of merger and acquisitions.

The concept of merger and acquisition is very popular in the current economic scenario. More so, it is a significantly popular concept after 1990s in India on the induction of economic liberalisation and globalisation.

Panchal and Cartwright (1989, 2001) carried out an empirical research, results of which support the assertion of elevated stress levels following merger and acquisitions.

The employees of the acquired firms, finding themselves "sold" as a commodity, may suffer from feelings of worthlessness and also feel inferior because of loss of autonomy and status. Coven et al. (1997) in their study indicate the employees of an acquired firm will feel the impact of a merger more strongly and that this impact will be associated with specific attitudinal and behavioral outcomes. Cartwright & Cooper (1993) state that even through the acculturation process might have been smooth, the merger induced a higher level of stress and deterioration in the mental health of employees.

**Downsizing & Retrenchment**

Unemployment and the loss of jobs in developing countries is quite commonly associated with globalization. The main arguments that the impact of globalization as negative are the increased application of new technology, generally in any company, can reduce the use of and dependence on labour.

Earlier Tata Steel proudly used to assure an employee that if he worked for 25 years, his son or nominee would be given employment in Tata Steel irrespective of whether we need that person or not. As per the statement by Mr. J. J. Irani (2004) " I gave them assurance that every vacancy we have will be filled by your child. It ment only our people will be employed, but we will make them only if there is vacancy."

Many industries has retrenched thousands of employees recently. The retrenchment of an employ in the organization. The retrenchment of a worker who happens to be the only earning member of his family lead to drives the family to financial crisis. It leads to conflict between social classes.

**Golden Handshake & Exit Policy**

There are two very vital issues related to industries in India after liberalization of economy (1991) under the threat of Globalization. One of them is tackling the problem of surplus staff through "Golden Handshake" policy of Voluntary Retirement Scheme (VRS). Another Important as well as baffling issue is related to the declaration of "Exit Policy" by the Government. In recent years industries has been trying to implement various reforms in India. One of the major objectives of these reforms is to rationalize the workforce in industries. This attempt got a momentum in 1991 with the economic crisis. Under this scheme, workers get a handsome amount from their employers at the time of pariting generally termed as golden handshake.

**Voluntary Retirement scheme**

The VRS, as circulated among Public Enterprises, has following salient features: (1) According to DPE guidelines, the main objectives of VRS is to reduce surplus manpower. (2) Eligibility of an employee who would be opting for voluntary retirement is one who has completed 40 years of
The terminal payments available to an employee according to memorandum who seeks voluntary retirements are as follows: (i) The balance in his provident fund account payable as per the Contributory Provident Funds regulation; (ii) Cash equivalent of accumulated earned leave as per the rules of enterprise; (iii) Gratuity as per Gratuity Act or the Gratuity Sum applicable to the employee; (iv) One month/three months, notice / pay (as per the conditions of service applicable). (4) There is also provision for payment of higher ex-gratia payment subject to approval of the concerned legal authority. (5) The PE management reserve the right to decide whether or not to grant voluntary retirement. Private Sector's VRS are more attractive than those of Public sector, for example, Hindustan Lever Offers 2.25 months wages for every year of remaining service.

Moreover, under Mangal Bhavishy Yojana of its VRS every 10 VRS accepts get a computer or Xerox machine. It also distributes, through draw of 10 + 5, 15 trucks and 8 minibuses for each group of 500 retiring employees through 500 VRS. Escorts offers pension of Rs. 450-500 per month for VRS acceptor's life time and 1.5 months' wages for each completed year of service or balance of service left, which ever is less; As Swaminathan S. Aiyar points out, "the answer is that VRS is not a financial burden, it is an immensely profitable investment golden handshakes typically amount around 1.5 to 2.5 years if pay plus fringe benefits. If a company pays Rs. 500 crore in VRS, it saves Rs. 200 crores annually in its wage bill, meaning, it is getting a whopping return of 40 percent of its outlay. No other outlay can yield such a high return". Therefore, companies short of cash for VRS should float bonds offering attractive rates of interest up to 18 percent. Since they are getting an internal return of 40 percent, this will still leave them with a surplus of 22 percent which can be put in bond reduction reserves.

Within 5 years, the reserve fund will be larger enough to redeem loans. Thus, VRS will pay off itself in a very short time.

Why do workmen accept VRS, even when they know that the consequences could not be good? The reasons in general have been:

- Fear of loss of job consequent on closure,
- Reluctance to acquire further skills due to old age,
- Possibility of new job,
- Wanting to concentrate on side business or new business
- Ill health,
- Need money for spending for marriage, education of children, and
- Wanting to concentrate on home, especially if spouse is working.

Implication & Effects Of Voluntary Retirement Scheme IN H.E.C.

There are two very vital issues related to PES in India specially after liberalisation of economy in 1991. One of them is tacking the problem of surplus staff through "Holden Handshake" Policy or Voluntary Retirment Scheme (V.R.S.). Another important as well as baffling issue is related to the declaration of "Exit Policy" by the Govt.

At present the public sectors in India are overmanned by four to ten times for a given job, resulting in ill shaped dull working of public sectors. The overmaning of PSUs have created the increase & influence of establishment cost. So, the need of reducing man power become a necessity.

Now, they have to do their business on own resources, to generate own market avenues, profit &
resource mobilisation to service in this cut throat competition and budgetary taxes, It was necessary to reduce man power & establishment cost without hampering the production & interest of the employees. It can be achieved by several means. One of them is V.R.S.

V.R.S. is promulgated by Govt. of India & accepted by several labour organisations including H.E.C. To-day it is more lucrative & employee friendly. It is a 'Golden Handshake' & not a punishment. The employee offers himself for retirement, for several reasons. It is quite Voluntary & provides prompt & adequate compensation. Though the term "Adequate Compensation" is subjects, it is the best suites and largely accepted. It needs to be implemented carefully, otherwise may lead to court disputes.

V.R.S. was implemented in different companies in different years. It was first implemented in SAIL & HEC in 1988 and got momentum in 1991. Under the Industrial disputes Act 1947 and subsequent amendments there are certain restrictions on retirement.

Present paper is an evaluation of VRS scheme in HEC for this purpose primary date has been collected through questionnaire and personal Interview. A Random sample consisting of fifty VRS beneficiaries covering the different sections was taken for analysis.

A model question set pertaining the various aspects of study was given to subject and allowed sometime to go through it & respond. After sometime the circulated questionnaires were collected & extensive informations documented under the different headings. Data was collected & Compiled for the study & conclusions were drown.

There were different categories of analysis and findings of sample survey conducted on different types of people who opted for V.R.S.

<table>
<thead>
<tr>
<th>Table - I</th>
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<tbody>
<tr>
<td><strong>Different Respondents To V.R.S.</strong></td>
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<tr>
<td><strong>Designation</strong></td>
</tr>
<tr>
<td>7. General Manager</td>
</tr>
<tr>
<td>6. Sr. Dy General Manager</td>
</tr>
<tr>
<td>5. Senior Manager</td>
</tr>
<tr>
<td>4. Manager</td>
</tr>
<tr>
<td>3. Deputy Manager</td>
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<tr>
<td>2. Asst. Manager</td>
</tr>
<tr>
<td>1. Jr. Manager</td>
</tr>
<tr>
<td>Worker</td>
</tr>
<tr>
<td>Total</td>
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</tbody>
</table>

This table shows that the consideration is more of junior Manager this constituted the persons of worker group who after getting promotion have come to.
This table says that the maximum percentage to opt V.R.S. was in the age group of 45 - 50. They were neither too old to be called invalid nor too young. The minimum percentage group was of 35-40. Below 35 yrs. They didn't qualify. The reason for persons above 55 yrs was mainly the pressure for need for family liabilities. The retirement age in H.E.C. is 60 years comparatively younger people wanted to move to some safer place but olders had to remain tagged with the desting of the corporations.

From the findings of the above table we see that the V.R.S. participation for Executives is gaining higher gradually. Supervisory class was always on bottom. They were reluctant to move outside. Even when V.R.S was not popular among Executives, workers availed it in large number. Inspects of not well acquainted, they were move conscious and ready to take risk. The percentage of workers participation fluctuated between 58 and 40%.
TABLE - IV

The Reasons for Choice Of V.R.S.

Thus, maximum persons were afraid of sickness & sinking of the company. Next reason was family liability followed by health & switching over to new job.

Most of the persons were satisfied with the returns and the experiences they gained here. They were satisfied with the promptness of V.R.S. benefits also. Strangely enough 72% people were dissatisfied with its manner of implementation. They wanted more handsome returns & continued medical facilities. They observe it partly successful.

Majority of the people, 54% who were left with very less service wanted to lead a normal retired peaceful life. 25% people wanted to start business. 18% persons who took V.R.S. in early age wanted to join new job or service sector.

Effects

Though, the acceptance of V.R.S. is expensive initially, but is soon in long term for employers. On the other hand, it has always been painful to workers. In past three years companies has reduced labour & production costs. Many workers could not invest their savings well, resulting in bakjrupty & penury. Many of retired illiterate & unskilled workers squandered their retrial benefits & were reduced to paupers. The more ambitious & hard working could manage better. Elderly workers invested in small saving schemes. Even when they knew that the consequences could not be good, they opt V.R.S. due to unavoidable circumstances.

Sometimes workers have refuses V.R.S. due to inadequate compensation or what to do after retirement? This issue has minimised the tension of unions. Though, they can agree to overall V.R.S. plans, they find it difficult to agree on specifies.

V.R.S. has effected country's Economy also such as

1. Shifting of employment from organised to unorganised sector or to small scale units and to self employment.
2. Need for mixed or greater training.

<table>
<thead>
<tr>
<th>Reason</th>
<th>No. of Samples</th>
<th>%</th>
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<tbody>
<tr>
<td>Sickness of the Company</td>
<td>17</td>
<td>24</td>
</tr>
<tr>
<td>Family Liability</td>
<td>16</td>
<td>32</td>
</tr>
<tr>
<td>Health</td>
<td>9</td>
<td>18</td>
</tr>
<tr>
<td>To Start New Business</td>
<td>5</td>
<td>10</td>
</tr>
<tr>
<td>New Job</td>
<td>3</td>
<td>6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>50</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>
3. Need of counselling facilities for best investment.
4. Role of unions.

**Industrial Relations**

The second National Commission on Labour 2002 has made the following observation about the industrial relations scenario in Indian Industries:

It is increasingly noticed that trade unions do not normally give a call for strike because they are afraid that a strike may lead to the closure of the industry. The attitude of the government, especially of the Central Govt., towards workers and employers seems to have undergone a change. New, permissions for closure or retrenchment are more easily granted. The conciliation machinery are not too serious in implementing the awards of labour courts awarded long back after protracted litigation against employers wherein reinstatement or regularization of workers was required. The industrial relation machinery is not pursuing seriously the recovery proceedings against employers who could not pay heavy dues of workers.

**Trade Union**

In the process of globalization the power of trade unions, as measured by trade-union density, has declined almost everywhere around the world, as well in India. The structural changes in the economy and the accompanying changes; failing employment, the increase in part-time and casual worker, contractual workers; the changing gender composition of the workforce; and the management endeavors to reduce labour costs have generally been described as the factors responsible for the decline of unions.

The decline in the role of the trade unions has led to a simultaneous decline in collective bargaining. The growth of non-union enterprises, cooperation of management outside the traditional area of collective bargaining, and the growth of management aggressiveness in labour relations have also affected union activity. Nevertheless, globalization as such has an impact on labour and labour relations, which has contributed considerably to the significant decline of trade-union density in general.

**Conclusion**

There may be a case for globalising the Indian economy but there are serious reservations regarding the manner it being accomplished. Attention has not been paid to the requisites of successful globalisation-fundamentals not strengthened and need to go slow ignored. Reckless entry into foreign collaborations even in areas where there are sufficiently developed domestic capabilities has begun to show the disastrous impact on domestic industries, capabilities, production priorities and self-reliance, and it is unlikely to realize the expected benefits of the DFI policy. Last but not the least, in the name of globalisation we are departing from our declared objective of social justice by opting for a highly exploitive inequitious and entirely unconcerned for the poor type of elitist growth.

**Reference**


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