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Govt mulls scheme to make lay-offs easier

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Suggests retrenchment insurance scheme financed by employers

In a significant move towards labour law reform, negotiations have been reopened on the hire and fire policy with the government offering a unique scheme of insurance coverage for retrenched workers to overcome objections from trade unions.

Difficulties in retrenchment have long been a sticking point with employers and are widely regarded as a hindrance to more foreign investment in the country.

To make the amendment acceptable to the trade unions, which have steadfastly refused to accept any relaxation of the hire and fire rules under the Industrial Disputes Act, Labour Minister Oscar Fernandes has suggested a new formula to industry.

The industrial unit will make an advance calculation of the size of the work force required to be retrenched every year. Compensation per head, instead of being disbursed individually, will be handed over to the government as an accumulated amount. The corpus will serve as the premium for an insurance scheme that will guarantee a better package for retrenched workers.

To work out the details of this



LABOURED POLICY: The current law enables units employing up to 100 workers to close without government permission. The 2001-02 Budget proposal to increase the threshold to 1,000 workers has been strongly opposed by the unions

scheme, the labour ministry plans to set up a tripartite committee with government, employers and trade union representatives.

Employers have agreed to provide compensation amounting to 45 days' wages per year of service to the workers — which is industry's best offer so far. Under the Industrial Disputes Act, 15 days' wages per year of service is to be given to every retrenched worker. The second National Commission on Labour in 2002 had recommended 30 days' wages per year of service.

The government would like

the employers to provide 60 days' wages but is realistic. Said Fernandes: "Labour wants something in hand when it leaves. Employers are willing to spend only up to a limit. This insurance will try to find a match between the two ends."

However, trade unions are strongly opposed to the scheme. "There can be no question of raising the limit of workers in loss-making units," says Tapan Sen, national secretary of the Centre for Indian Trade Unions (CITU).

"We welcome the government move to discuss better retrenchment

packages. But it can't be a barter deal for amendments in the Industrial Disputes Act," he added.

"Clubbing the insurance scheme and the amendment of the Industrial Disputes Act will be disastrous for workers. Moreover, we need to see what the scheme can really deliver," said Gurudas Dasgupta, general secretary of the All India Trade Union Congress (AITUC).

Trade unions have steadfastly refused to countenance any changes to the Industrial Disputes Act for easier closure of loss-making units.

In 1978, in the teeth of opposition from the unions, the government amended the law to enable units employing up to 100 people to close without taking permission from the government. The earlier limit was 25.

The Union Budget 2001-02 proposed increasing this limit to 1,000 workers. However, this was never implemented as both the union and the state governments are allowed to legislate on labour issues.

Trade unions feel that if the threshold limit for easy closure and retrenchment is extended to more workers, 80 per cent of establishments in India will become vulnerable.