

**A COMPARATIVE STUDY OF THE IMPACT OF NON-SALARY
MOTIVATIONAL INCENTIVES TO THE INDUSTRIAL WORKERS AND
INDUSTRIAL HARMONY DURING THE PRE (1990 TO 2000) AND POST
ERA OF VRS (2000 TO 2010) : A CRITICAL STUDY WITH A SPECIAL
REFERENCE TO SELECT INDUSTRIAL UNITS IN MUMBAI AND
SUBURBAN INDUSTRIAL AREA.**

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Under the Board of Management Studies

Submitted by

Prof. Vinay Gajanan Bhole

Under the Guidance of

Dr. S. G. Bapat

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CERTIFICATE

This is to certify that the thesis entitled “A comparative study of the impact of non-salary motivational incentives to the industrial workers and industrial harmony during the pre (1990 to 2000) and post era of VRS (2000 to 2010) : a critical study with a special reference to select industrial units in Mumbai and suburban industrial area” which is being submitted herewith for the award of the Degree of Vidyapachaspati (Ph. D.) in Management faculty of Tilak Maharashtra Vidyapeeth, Pune is the result of original research work completed by Shri. Vinay Gajanan Bhole under my supervision and guidance. To the best of my knowledge and belief the work incorporated in this thesis has not formed the basis for the award of any Degree or similar title or any other University or examining body upon him.

Research Guide

Place : Pune

Date : 10th September 2014

Declaration

I hereby declare that the thesis entitled “A comparative study of the impact of non-salary motivational incentives to the industrial workers and industrial harmony during the pre (1990 to 2000) and post era of VRS (2000 to 2010) : a critical study with a special reference to select industrial units in Mumbai and suburban industrial area” completed and written by me has not previously formed the basis for the award of any Degree or other similar title upon me of this or any other Vidyapeeth or examining body.

Research Student

Place: Pune

Date: 10th September 2014

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CHAPTER NO.1.

INTRODUCTION

In the present days of globalisation and liberalisation the strength and soundness of an economy can be taken into account in the form of economic development and prosperity. In developing countries like India it depends upon agricultural development and Industrial progress. The industrial growth and progress basically depends upon the availability of natural resources, govt. policies, the trends in market, market competition, the rate of inflation, availability of raw materials, availability of skilled, semi-skilled and unskilled manpower and the type of consumers. In addition, to the above factors the most significant factor is industrial peace and harmony.

Profit is the driving force behind establishment of the industrial organisations. All the industrial organizations have to keep themselves growing and developing. While developing the business all material resources can be managed easily by the managers and executives. However, human factor is most difficult to manage and organise.

It is the human resource which is of a great importance in the way to success of any organisation, because most of the problems in organisational settings are human and social rather than physical, technical or economic in nature. In this regard Rensis Likert rightly observes, "All the activities of an enterprise are initiated and determined by the persons who make up that institution, plants, offices, computers, automated equipment and all else that make a modern firm uses are unproductive except for human effort and direction of all

the tasks of management, managing the human component is the central and most important task., because all else depends on how well it is done.” 1

The managers have to maintain discipline and co-ordination with industrial harmony due to which concentration of employees do not get diverted. These managers concentrate on pre-determined goals and objectives. Gullick has given the famous terminology rightly called as PODSCORD which indicates the various functions of management say planning, organising, directing, staffing, co-ordination, reporting and directing.

Mary Parker Follet says,”Management is the art of getting things done through others.” The managers are assigned with the responsibilities of getting work done through the employees. For effective implementation of the idea of getting work done through workers, the managers have to keep the internal environment suitable to work. At the same time, the managers also have to study and understand changes in external environment as it affects work culture directly or indirectly. The elements like social, cultural, political, economic, ethical and technological directly or indirectly determine functional areas of an organisation.

‘Show must go on’ is the ideology for any type of business. To keep a business organisation ‘a going concern’ its organic objectives like survival, growth and recognition are to be taken care of. Growth is the need of every organisation. It has to grow continuously. It is expected to grow to produce more, to employ more, to explore and utilise maximum possible latent

resources and generate more and more assets. Profit is the nerve centre for all types of businesses. Though there is a controversy between profit and service objectives of business, profit is rightly treated as the indicator of success or failure of business.

Profit is essential for the progress of the organisation. Without profit no organisation can work and without the same no employer can employ employees. Absence of profit creates economic and social chaos. To earn profit consistently and regularly growth is necessary. Growth and development guarantees the stability and progress of business in long run.

Industrial peace and harmony and industrial growth and development are closely associated with each other. Industrial disputes affect the industrial growth adversely. The energy and intelligence of the managers and employees unnecessarily gets wasted. On the other hand, industrial peace and harmony channelises the process of growth and development. For the overall development and growth of the organisation cordial and harmonious relations between the management and employees are necessary.

According to Luthar Gullick, a manager has to ensure the availability of resources like men, money, machinery, methods and markets which are required by every organisation. Out of these resources 'Human Resource' is the most significant factor. It is the path finder and driving force behind the organisational success.

To quote Mamoria, C.B. and Gankar, S.V., “ ‘People at work’ comprise a large number of individuals of different sex, age, socio-religious groups and different educational and literacy standards. These individuals at the work place exhibit not only similar behaviour patterns and characteristics to a certain degree, but they also show much dissimilarity. Each individual has his own set of needs, drives, goals and experiences. Each one has his own physical and psychological traits. Each human being is not only a product of his biological inheritance but also a result of interactions with his environment. Family relationships, religious influences, racial or caste backgrounds, educational accomplishments, the application of technological innovations and many other environmental-experimental influences affect the individual as he works.” 2

Optimum and meaningful utilisation of all the available resources for the achievement of organisational objectives is rightly called as ‘Professional Management’. All the non-living resources are managed by the human beings but the human resource is difficult to manage itself as it has brain to think and emotions to express. For every manager “The Management of Man” is the most significant task. It is not only managing ‘men’ but Human Resource due to its unique nature is to be managed properly.

To quote Leon C. Megginson, “From the national point of view, the knowledge, skills, creative abilities, talents and aptitudes obtained in the population; whereas from the viewpoint of the individual enterprise, they represent the total of the inherent abilities, acquired knowledge and skills as exemplified in the talents and aptitudes of its employees.” 3

While quoting the importance of human factor Michael Jucius says, "a whole consisting of inter-related inter-dependent and interacting physiological, psychological, sociological and ethical components." 4

The superiority of Human Resource than the other non-living material resources creates an organisational problem. This problem arises as man is a social being and men have to work in a group and not in isolation. Managers are not expected to apply the age old techniques to treat the employees as if they are slaves. The British policy of 'Divide and Rule' or the American ideology 'Hire and Fire' is no more fruitful to manage the human resource. The managers have to integrate efforts of all human beings for the unification of efforts taken by employees to concentrate on accomplishment of objectives.

To quote Peter F. Drucker, "the carrot of material rewards has not, like the stick of fear, lost its potency." 5

The main characteristic feature of human resource is heterogeneity. The managers have to understand personality traits of each employee. They have to study uniqueness of each individual while on the job to observe and list out problems created by him while working in group.

When in any organisation people come together to work, their 'coming together' shows certain merits and limitations. Every manager has to understand human relations. He has to play the role of conciliation officer and

unite together all the individuals irrespective of individual differences for the collective benefits of organisation.

Though the view of Mary Parker Follett is correct and acceptable, practically speaking it is difficult to get the work done from people.

To quote Chitale, C.M., "Getting work done through managing the people is a complex task. Man is a 'self starting' and 'self stopping' machine." 6

In addition, to the inherent qualities and educational and technical qualifications possessed by employees, their attitude towards the work and their behaviour pattern play an important role in maintaining the internal environment of business conducive and harmonious. As per the idea of line organisation the hierarchy shows that the authority flows downwards and the responsibility goes up. There is highest authority and responsibility at the top. The superior and subordinate relationship plays an important role in achieving organisational objectives.

It is the prime duty of each manager to motivate and encourage employees to get the work done. He has to make the employees aware of their responsibilities and commitments for the organisational growth. But while doing that he has to take care that he is not adversely affecting any moral or democratic values of the workers.

On the basis of social equality though all the employees are treated equally, their work behaviour and job performance cannot be the same. It is definitely governed by social and psychological factors such as family background, education, personal likes and dislikes, emotions, job conditions, training given, involvement in the job, welfare facilities and privileges available to them as work recognition and appreciation of their work, the wages and salaries they receive and the job satisfaction and the material reward or punishment what they receive.

People are motivated by many factors. They are not only motivated by the element of money but they have personal goals and aspirations also in their mind. At the same time organisations also have their pre-determined objectives. It is necessary to have co-relation between these two sets of objectives. While concentrating on the organisational objectives to manage the employees or to deal with them is a very difficult job. The personnel managers have to handle the human resources with a great care who should be well versed with the art of 'Human Relations.'

The colloquial use of the term "Human Relations" is normally taken to mean being 'nice' to people. It is more correctly used to denote interest in work and group behaviour, which could in fact be emotional neutral. In the broader sense, human relations refer to the interaction of people in all walks of life. When a relationship exists outside it is known as 'Public Human Relations'.

In this context we can quote some definitions. To quote Derek French and Heather Saward, "It is an approach to the theory of management and of organisations that emphasises the individual worker's need for satisfactory relationship with other members of his work group and his need to participate in decisions that affect his work " 7

In the opinion of Mac Farland, "Human relations is the study and practice of utilising human resources through knowledge and through an understanding of the activities, attitudes, sentiments and inter-relationships of people at work." 8

Keith Davis says, " Human relations is an area of management practice in the integrating of people into work situation in a way that motivates them to work together productively, co-operatively and with economic, psychological and social satisfaction." 9

Scott says, " Human relations are a process of an effective motivation of individuals in a given situation in order to achieve a balance of objectives which will yield greater human satisfaction and help accomplish company goals." 10

Mee feels that, " Human relations are the medium through which both employees and the company mutually co-operate for the maximum satisfaction of the economic, social and psychological wants of all people

having relations with an organisation which has the objective of increasing productivity.” 11

These definitions of HR as quoted above stress factors like effective motivation of employees, satisfying different kinds of needs of employees and achieving effective balancing of objectives. Human relations is taken as an art of getting along with people either as individuals or as a group. It is the study of practical attempts to achieve the objectives like greater productivity and greater human satisfaction with the organisation. The idea of Human Relations is significant as many problems and conflicts are faced by many people in an organisation.

To quote Mamoria, C.B., “The purpose of human relations concept is not to enable you to discover clever techniques for winning friends and influencing people through personality development, not to enable you to manipulate people as though they are puppets, but to assist you in working more effectively with other people in organization.” 12

These needs of individuals cannot be the same. It is necessary for every manager to find such individual needs and fulfill them to the fullest extent possible to keep the employee satisfied. To raise the organisational goals, it is necessary to effectively motivate the employees.

Thus, human relations is the art of getting along with people either as individuals or as a group. It has two foundation stones, the one is higher

productivity, profitability and growth and other is satisfaction of needs of employees so as to utilise their efforts for achievement of organisational objectives. HR is more concerned with greater human satisfaction to the individuals and higher productivity to the organisation. Human behaviour in organisation and its relation to other system elements constitute a major part in the study of organisational behaviour.

The most significant feature of OB is 'people and their motivation'. Thus, OB is always challenging job for every manager.

Commercial organisations are commercial entities and their basic objective is to make profit through higher productivity. While attaining higher productivity whether they have been able to keep their workers satisfied, motivated, keeping the concept of human resource development and organisational behaviour in view.

It is the known fact that employees are self-centered. Besides their salary they expect more from their organisation in terms of rewards, incentives, non-salary benefits. It is the need from the side of managers to keep the pace of work cycle and productivity. Therefore, it is necessary to examine non-salary benefits given to the employees and their effect on the employee's satisfaction. But in the present days the trend has changed since the forces of liberalisation and globalisation are operating in such a way that workers are under tension of retaining their jobs. They are not bothered about such extra

benefits as they are afraid of loosing of their jobs. New trend of contract labour is coming up. It is the subject of continuous study.

There is every possible attempt to achieve effective motivation and satisfaction of employees in all organisations. The researcher has listened from managers that, 'we are providing good amount of money for which we want to purchase their services. We are not bound to take care of them till their retirement'. This opinion is contradictory to the world famous Japanese concept of life-time employment called 'Nenko'.

The researcher has observed that the outflow of wages, welfare, amenities and other things are considered as 'Cost' and overheads. It is the basic question that whether managements are really successful in maintaining their work force satisfied and motivated. They should change the attitude and look at their employees in the most positive manner.

The researcher has observed that in Voltas Ltd. in Mumbai, before the impact of VRS on the worker's community they had strike simply on the issue of uniform provided to them. They had strong feeling that the management should provide all the facilities demanded by them without any sacrifice. But now no strike or agitation is taking place as the same workers have developed an urge to retain the existing jobs first than getting various non-salary benefits. On the other hand, in Mahindra & Mahindra Ltd., Mumbai, due care was taken before announcing the scheme of VRS. Those who are financially well off and have become free from family responsibilities were offered with the scheme of

VRS initially. Due care was taken to announce and arrange the lectures of career counsellors and employment planners and investment consultants to guide the workers for their after-retirement life.

Whereas in Crompton Greaves Ltd., Mumbai, the major part of plant was shifted to Goa to avoid the problems created by workers. The management mercilessly implemented the scheme of VRS. It was not VRS in real sense, rather than it was a CRS.

These controversies have created a lot of questions in the mind of the researcher and this thought process influenced him to conduct research in the field of HR. It has become need of the time to study such cases.

It is the established fact that, an average industrial worker gets fairly good wages and other benefits as compared to the employees engaged in other sectors like Schools, Colleges, Govt. sectors etc. Though they have to work more, they get a quite handsome amount to enjoy all material things in life. Ultimately salary or wages play an important role in maintaining industrial peace and therefore the wage agreements are usually done after every three years which has vital importance in maintaining peace and harmony.

The wages include in general basic pay, dearness allowance, house rent allowance etc. Apart from this an industrial worker receives a lot of non-salary benefits like LTA, medical facilities, canteen subsidy, transport facilities,

educational allowance etc. These benefits can be classified as statutory, voluntary and mutual.

But nowadays, a pay package of consolidated amount is given which has ruled out the idea of such established principles. The researcher has therefore, decided to examine the relationship of non-salary benefits and industrial peace.

For the research work the concept of industrial peace and harmony is studied from a different way. The scope of industrial peace does not mean the absence of unrest in the industries but also the sense of belongingness, satisfaction and motivation are also given due weightage.

a) Changing Business Environment from Protectionism to Liberalisation:

The concept of 'Business Environment' includes both internal and external factors. They directly and indirectly affect the working of a business. The internal factors include the plans and policies, resources like manpower, capital, machines etc. The external environment consists of the micro and macro factors. The micro factors include customers, competitors, suppliers, etc., and the macro factors include economic, social, political, technical and other factors.

Systematic and scientific analysis of the internal environment helps a firm to identify its strengths and weaknesses. Similarly, the analysis of external environment helps to identify opportunities and threats. Thus, environmental analysis helps us to undertake the SWOT analysis of a business, i.e., strengths, weaknesses, opportunities and threats.

Environmental influences must be identified and studied individually as well as collectively. It is required to determine their real and potential effects on an organisation. An organisation is a part of this complex and competitive world. It does not exist in isolation. Therefore, it needs to study the environment in which it operates.

Business and its environment are like the two sides of the same coin. Business and its environment though look like independent they are interdependent on each other for the survival and growth. The link between

business and the various types of environment can be briefly explained as follows:

1. Business and Natural Environment: Each and every business firms depend upon natural environment for the supply of resources like raw materials, water, etc.

2. Business and Economics Environment: The working of a business is determined by the economic policies relating to taxation, import-export etc. A change in economic policy has many positive and negative effect of industry.

3. Business and Socio-cultural Environment: The social and cultural environment mainly determines business decisions. Its analysis enables the business firm to plan and promote its products and services effectively.

4. Business and Technological Environment: Technological progress benefits the firm by way of improvement in quality and quantity of goods. It helps the firm to come up with new, better and improved type of goods at lower costs of production.

5. Business and Demographic Environment: Demographic environment means the study of population. It influences business decisions. The business firms can take business decisions according to demographic features of the population.

6. Business and Regulatory Environment: The legal environment has complete influence on business decisions. Business firms are required to follow the provisions of various laws affecting their business decisions.

7. Business and International Environment: Business firms trading with foreign organisations are affected by international environment. It is directly influenced by international forums like WTO, trading block like NAFTA, ASEAN, etc.

8. Business and Political Environment: Political stability and one party rule is necessary for the smooth functioning of business activities. It brings regularity and consistency in government policies. This develops a sense of confidence in the minds of businessmen.

The above factors explain to us that how business environment governs the overall business conditions. In the post World War I era the weak financial position of Germany encouraged Frederick List, an expert in economics to propound 'the theory of protectionism'. The idea was to protect domestic economy and to make it sustainable.

Once the economy becomes strong enough to face global challenges, it can move for international trade. In simple words, till the attainment of self-sufficiency the economy should not go for international trade. It was a little conservative ideology. Many countries like India continued the same till 1990s.

After the inception of globalisation and liberalisation with the introduction of Industrial Policy of 1991, Indian economy accepted 'open door policy' by which entry of foreign institutions to India became very easy. Indian market was attractive to them due to large population i.e. a very big consumer base. Indian business houses also grabbed the opportunity to explore the foreign markets.

Thus, a change was observed in the business pattern which noticed open and progressive attitude amongst the businessmen.

b) Changing Role of Trade Unions in India:

The first trade union in India was founded by Mr. N. K. Lokhande in 1890. The name of this first trade union was 'Bombay Hill Hands Association'. Within few years many such unions came into existence such as Amalgamated Society of Railway Servants in India (1897), the Printers' Union of Calcutta (1905), the Madras and Calcutta Postal Union (1907) and the Kamgar Hitwardhak Sabha (1910). They were focused on welfare activities for the workers. They were social unions rather than trade unions. Their main aim was to develop sense of awareness amongst the workers about their rights.

During the World War I the trade union movement developed in its real sense. By the end of 1920 a large number of industrial workers became members of various labour unions. Some of them were the Indian Seamen's Union, the Madras Textile Labourers Union, the Jamshedpur Labour Association, the G.I.P. Workers' Union and the Colliery Employees Association of Jharia. Gandhiji also encouraged this movement and a new powerful union started named as Indian National Trade Union Congress (INTUC). It was set up in 1947.

Communists developed their own impact on the trade union movement by 1928. They were against the Whitley Commission. The idea was to send a delegation to the ILO Conference. It was under the able leadership of Mr. N. M. Joshi. After some time Mr. Joshi left the AITUC (All India Trade Union Congress). He formed another union named, All-India Trade Union Federation.

In 1931 another social leader B. T. Ranadive formed Red Trade Union Congress. Two years later the National Federation of Labour was formed. The AITUF and NFL merged afterwards and formed the National Trade Union Federation (NTUF). In 1935 the RTUC got assimilated with AITUC.

In 1940 the NTUF was closed and got merged into the AITUC. Within one year, it became the only representative of organised workers. By the end of the World War II, the Communists completely controlled the AITUC. As a result, radical change came about in the trade union movement. It made labour unions to participate in negotiations.

In 1947 socialist thinkers set up the Indian National Trade Union Congress. In short span they got separated from the Indian National Congress. Within few days they formed the Praja Socialist Party. The followers of this union established the Hindustan Mazdoor Panchayat (HMP). In 1949, a group of leftist established the United Trade Union Congress.

In 1959, members of the socialist party formed Hind Mazdoor Panchayat (HMP). In 1962 HMP became the part of Samyukta Socialist Party. In the same year, Confederation of Free Trade Unions (CFTU) was formed. It took support of Swatantra Party. They took interest in the formation of the International Confederation of Christian Trade Union.

In 1970 the Communists got divided into two groups. They established two parties as CPI and CPM. The AITUC came under the control of the CPI and

the CPM. AITUC started a new organisation named the Centre of Indian Trade Union (CITU).

In 1972 the Indian National Congress got divided in to two groups. The ruling Congress party continued its control on the INTUC. Congress formed a new union called National Labour Organisation (NLO).

In September, 1972 National Council of Central Trade Unions (NCCTU) was formed. It provided a common platform for the activities of various trade unions.

After 1975, during emergency INTUC, AITUC and HMS got united with employers' representatives. It resulted into establishment of National Apex Body.

Presently, there are five major central trade union organisations which are INTUC, BMS, HMS, AITUC and CITU.

The real structural change took place in the trade union movement after the emergence of globalisation and liberalisation. Workers were so tensed due to computerisation, automation, capital-intensive techniques that they were under mental and social pressure of retaining their jobs. Inception of 'golden shake hands' diluted the significance of labour unions as a liaison.

After the year of millennium i.e. 2000, the situation became more interesting. Trade unions have become more conscious about the real and practical aspects of collective bargaining. They started taking into account the cost-benefit analysis and completely kept away from discouraging workers from taking VRS.

Trade unions drastically changed the arrogant attitude and adopted co-operative policy to bring into existence the concept of 'collective bargaining'.

c) Changing Pattern of Industrial Relations:

“Industrial Relations” means the relationship between employers and employees. The ILO (International Labour Organisation) has considered ‘Industrial Relations’ as the freedom of association and the right to organise. The right of collective bargaining, arbitration proceedings and co-operation between the employers and employees was expected.

With the rise in wages, workers achieved a higher standard of living. They are educated, sophisticated and practical. They have greater geographical mobility. They have better bargaining power. Now they can legally fight to their employers. The government also wants harmonious industrial relations. But the long term permanent jobs have disappeared. It has developed new employment opportunities which are project based.

It has developed general labour unrest. The labour-management relations are now stretched. Neither employer nor employee is sovereign. Both have co-operate and support each other.

Prof. Dunlop defines an industrial relations system in the following way:

“An industrial relations system at any one time in its development is regarded as comprised of certain actors, certain contexts, an ideology which binds the industrial relations system together, and a body of rules created to govern the actors at the workplace and work community. There are three sets of independent variables: the “actors”; the ‘contexts’ and the ‘ideology’ of the system”.¹³

Thus, the study by Prof. Dunlop is the comparative and analytical study. It studies Industrial Relations on the background with management, workers and the government.

Industrial relations are always studied with inter-disciplinary approach. It is multi-dimensional in nature. They involve institutional factors and economic factors. Under institutional factors state policy, labour laws, labourers' organisations, social institutions, attitudes to work, systems of power and status, motivation, the system of industrial relations etc. are considered. Similarly, economic factors include economic organisations, capital structure, the nature and composition of the labour force and the sources of supply and demand in the labour market.

Dr. V. B. Singh observes, "A country's system of industrial relations is not the result of caprice or prejudice. It rests on the society that produces it. It is a product not only of industrial changes, but of the preceding total social changes out of which an industrial society is built and an industrial organisation emerges. It develops and moulds itself according to the institutions that exist in a given society, both pre-industrial and modern. It grows and flourishes or stagnates and decays along with these institutions. The process of industrial relations is intimately connected with the institutional forces which give a shape and content to socio-economic policies at a given time." 14

The development of industrial relations is not the result of any single factor. However, it is determined by the conditions related to on the Industrial Revolution. The economic changes which have taken places in different countries are not uniform in nature.

The State had good intentions to develop the economy. But the social imbalance resulted into chaos. The objectives of industrial relations are to enhance production, to safeguard the interests of labour and management, to co-operate with each other, to achieve a sound relationship between employers and employees.

According to Kirkaldy, “industrial relations in a country are intimately connected with the form of its political government; and the objectives of an industrial organisation may change from economic to political ends.” 15

Similarly, Yoder observes: “Industrial relationship is the designation of a whole filed of relationships which exist because of the necessary collaboration of men and women in the employment process of an industry.” 16

Shrivastva K.N., has added a new dimension to these inter-relations. He says: “Industrial societies necessarily create industrial relations, defined as the complex of inter-relations among workers, managers and government.” 17

Industrial relations means employer-employee relationships. It is the relationship which emerges from the day-to-day association of management

and labour. It includes the relationship between employer and employee in the course of the running of an industry.

An industry is a social world. As an association of various persons like workers, supervisors, management and employers constitute an industry. The relationship between them creates an industrial relationship. Thus, the industrial life creates a series of social relationships. It has an impact on the relations between employers and employees. Industrial relations may be classified under the following categories:

- Labour-management relations at plant and industry level.
- Group relations among various groups of workers.
- Community relations between industry and society.

Industrial relations have undergone drastic change in last few decades. The journey of such a change can be summarized as:

1. Prior to 20th Century: In the ending point of 19th Century a lot of unorganised efforts were taken to improve the people at work. To help the process of selection, training and health and safety issues help from experts was taken.

After 1760 the Industrial Revolution brought about large scale production and distribution of goods. It gave birth to factory system. It resulted into need for recruitment and selection as well as placement of workers.

Robert Owen (1771-1858) introduced the concept of motivation to improve productivity. He highlighted the importance of investment in human resources.

Charles Babbage (1792-1871) supported division of labour, mechanisation and profit sharing. The idea was to introduce continuous improvement in the organisation.

2. Early 20th Century: In the early stages of 20th century in Europe especially in UK and USA the idea of placement services emerged. It was expected to have “The right man in the right place”. A large number of organisations started giving importance to recruitment through placement agencies.

3. Scientific Management: F. W. Taylor is rightly called the ‘father of scientific management’. In 1911 F. W. Taylor published his world famous book “Principles of Scientific Management”. He stressed on need to set scientific performance standards. He also highlighted the need to maintain good relations between the employers and employees.

Hugo Munsterberg published “Psychology and Industrial Efficiency” in 1913. He propounded the improved methods of employment testing, training, performance evaluation and job efficiency. Here, Scientific management got another one dimension.

4. World War I: Personnel management got new dimensions in 1914 when World War I started. In Europe and USA selection tests were conducted in recruitment process of army officers. Many business houses started apprenticeship training and on the job training programmes to select, train and appoint quality personnel.

5. Human Relations Movement: Hawthorne experiments developed industrial relations movement in 1920s. Many experiments were conducted at Western Electrical Works in USA between 1924 and 1932.

The Human Relations movement developed in Hawthorne found the value of freedom at work to employees. It also highlighted welfare schemes to employees. Due importance was given to effective communication between the superiors and subordinates. The informal relations among workers and their overall performance was given due consideration.

6. Growth of Trade Union Movement: The trade union movement grew in India in most of the sectors. The unionism developed the ideas like paid holidays, vacations, sick leave as fundamental rights of workers.

7. The Great Depression: The first major retrenchment of workforce took place by the great depression of 1930s. The idea of paternalism of the 1920s remained on paper. It was necessary to downsize the workforce to reduce costs. Large amount of efforts were taken to eliminate unproductive activities.

8. World War II: World War II affected HRM practices. A lot of research work was undertaken in the area of selection procedures and training methods. Training was given to supervisors to work more efficiently. They were expected to train unskilled personnel for work in industries manufacturing war related items. This era made popular the use of motivational and educational films, group discussions and role playing techniques of personnel management.

9. Behavioural Science School: the Human Relations Experts had their own style of research which was little crude. But the research scholar's like Abraham Maslow and Douglas McGregor applied sophisticated research techniques. They became well known as 'behavioural scientists'.

Abraham Maslow published his theory on "Hierarchy of Human Needs" in the year 1943. After some time Fredrick Herzberg introduced his 'Two Factor Theory' by which new dimension was given to the idea of industrial relations. Douglas McGregor propounded his "Theory X and Theory Y" by which attitude of employees came under the focus of research.

These behavioural experts had certain ideologies like employees have several needs which they try to satisfy in a systematic hierarchy. They also narrated that individuals have their own values, perceptions, attitudes and needs to be considered by the employers. There should be a proper blending of personal goals and organisational goals in an organisation.

10. Quality Management: The concept of quality initially introduced by Deming and Juran in USA. After World War II in the early 1960s the ideas such as quality circles were introduced by Ishikawa Kaoru. By this emphasis was given on the quality factor. This resulted into quality consciousness and employee participation in the actual work. This helped to strengthen industrial relations.

11. Laws & Legislations: After World War II many laws and legislations were altered and modified which were required to improve industrial relations such as the Industrial Disputes Act, 1947, the Minimum Wages Act, 1948, the Factories Act, 1948, the Employees' State Insurance Act, 1948, etc.

12. The Era of Personnel Management: The concept of personnel management became more popular after 1970s. It had ideas like manpower planning, selection and recruitment, placement, training and development, and motivation of employees. It also stressed on retaining the best of talents by providing them various perquisites.

d) Challenges before management and trade unions:

The era of liberalisation, privatisation and globalisation introduced 'open door policy' by which foreign investments were attracted to India. The methodology to manage employees got changed and emphasis from Personnel Management was shifted to Human Resource Management. The view of employee management shifted from 'pay roll liability' to 'profit earning sources'.

All managers have now to be 'trained' to have their approach towards employee management and development. By participative style of leadership they are expected to utilise the available human resources in the best possible manner. They are expected to have the best productivity, profits and growth.

The days of autocracy have gone. Now with friendly and consultative way the things are achieved by providing necessary objectives. The role of personnel managers have changed due to sophisticated technology, reduction in manpower, quality consciousness, constant innovation to survive competition, need for job enrichment, recognition given to creative ideas, scope to individual talent, new promotion policy, career advancements, effort - reward system, continuous training, need for mutual faith, harmony, trust and joint ventures and collaborations.

After 1991 the need aroused for HR managers to reorient and renew their skills in the light of the modern trends in management. They are expected to maintain their knowledge updated with innovative methods. It is necessary to

integrate the human resources for the achievement of the organisational goals.

The HR Managers are now expected to show dynamism. They are required to acquaint modern concepts of management and administration. The areas to be revealed by them are optimum utilisation of human resources, channelising human resource to achieve needs of self-esteem and self-actualisation, encouraging creativity, innovation and dynamism, excellence by employees, contribution to the society through satisfying directly or indirectly the social needs like health and education of the employees and creating conducive work culture and relationship of mutual faith, trust and harmony.

The changing scenario of human resource management has created a challenge before HR executives. This has also created a challenge for trade unions. In the earlier decades HR managers were appointed to 'get the work done' in most profitable manner. The trade union leaders also were just fighting against management people for the benefits and welfare of workers.

But the cut-throat competition in this globalised economy has made the challenge more critical. HR managers and trade union leaders both have to mould themselves. The traditional 'Personnel Management' got converted into advanced 'Human Resource Management'. The new industrial relations philosophy has completely changed the nature of employment relationship.

Managing 'Human Resource' is one of the most important tasks assigned to the modern administrators. The traditional practice of personnel management has disappeared.

HRM in modern times indicates proper blending of 'Personnel Management' and 'Industrial Relation' which is directed to the achievement of organisational objectives.

HRM represents a new era in employment relationship. It expects developmental role for the individual employee. HRM has become a part of the strategic management function in the development of business policy. HRM explains the role of an individual employee in the organisation. It does not consider collective employment model.

HRM expects to utilise latent human skills without affecting strategic policies of the management. It considers mutual understanding between employers and employees. The modern HRM designs mutual goals, mutual influence, mutual rewards, mutual responsibility for the betterment of employers and employees both. It expects better economic performance and greater human development as the need of time.

The employees have now become very conscious. They want to understand the difference between personnel management and human resource management. In actual sense for a manager to apply HRM means to provide employees with fair and equitable treatment. They are to be given an

opportunity to use their skills to the utmost. There has to be open and cordial communication between employers and employees. While taking decisions employees are to be taken in confidence. Their advice also to be considered valuable. When need arises they should be given adequate for compensation with safe, healthy and conducive environment.

The above philosophy on part of the employers can convert employer employee relationship into a responsible commitment. Commitments can make miracles. The increased employee morale thus develops a sense of understanding. It is expected under modern HR ideas to help employers and employees to establish their values. Then the employees can be given guarantee about fair treatment. It establishes a workable grievance procedure. A better upward and downward communication is established at the managerial level. In addition, employees are given required security.

Thus, the employees have now developed the feeling to utilise and upgrade their skills required at work. They are thinking positively while accepting challenging jobs and tasks.

Kerr Steven narrates that "To those engaged in business management generally and in the personnel function particularly these prognostications have a special significance, because all these goods, all this knowledge, all these people will be the concern of a shrinking proportion of the population. The group from 35 to 55 will have dropped from 57 percent of the total

productive age group to 38 per cent by 1980. Roughly this means that three managers will be doing the work of that four that are doing today.” 18

In future, the HR managers will have to shoulder more responsibilities. Optimum utilisation of human capacity will be the personnel challenge in near future. The promotion of human resources development may be a global problem in time to come. The Human Resources Managers will have to lay a special emphasis on training and development of managers. The training department will play a key role in administrative set up in future.

The personnel administration in India will have to face three problems such as how to get quality personnel? how to retain quality personnel? and how to motivate them to achieve the organisational objectives? Therefore, it is necessary to revise and modify the personnel policies, programmes, tools and techniques.

The personnel administration was till date focused on blue collar workers. But in the present context in light of enormously growing service sector it has now need to focus on white collar executives. The personnel administration is now has to be more scientific and systematic.

Gadgil, D. R. a personnel expert points out that, “Decisions in the personnel area should be based on carefully throughout principles and on facts gathered and evaluated by the most modern techniques. Personnel methods have relied too long on hunches, guesses and past experience. It is time for the

scientific method to be applied. Scientific management implies decision-making based on facts. The new science of mathematical programming is an attempt to fulfill these objectives, and it can be applied in the various areas of personnel work.” 19

On the same path another personnel expert Dessler Gary, says, “A sound personnel programme is not merely sweet-talk, smiling and back slapping. It is realistic, firm, and in line with the objectives of good business, and it can and should be an integral part of company growth and development. To accomplish these goals we must first establish an awareness of objective data. Statistical tools of evaluation can be used on quantitative data only; feelings, emotions and bunches are not subject for such analysis. Second, personnel people must be willing to learn what the scientific method is, and what is implied in a coefficient of co-relation, in an analysis of variance, or even in a “T” test. They must know how to systematize procedures so that data may be collected over a given period of time for such analysis.” 20

Mr. R. S. Pande, former Managing Director of TISCO maintained that personnel administration is the most difficult area of management and winning the willing and enthusiastic cooperation of employee is a constant ever present challenge to management.

In addition to these drastic changes in the field of personnel administration certain factors are taken in to account such as:

1. The personnel administration will be completely involved in planning and policy-making in the areas of the manpower planning and organisation structure. It will not be only administering personnel activities but it will have to find new profit-making opportunities.
2. A large part of expenditures will be made for employee benefits, training and upgradation.
3. While making performance appraisal stress will be given on competence and relative compensation.
4. The personnel function will not remain mechanical but it will become more creative and challenging.
5. The personnel managers will encourage sound management practices by following concepts like (M.B.O.) management-by-objective.
6. In planning and developing human resources, the personnel managers will have to understand manpower requirement; to identify and select management talent; to appraise and reward performance according to the requirements of the business. .
7. The top management will become more cautious about the deployment and development of human resources.

Thus, in the present scenario the jobs in future associated with HRM will be challenging one. There will be a need for more technical competency. The HR managers will have to identify potential leaders. They must be aware of the latest management theories, tools and techniques.

They will always have to co-ordinate with workers, union leaders, supervisors and executives. They will have to face all the personnel challenges with courage and confidence. The real meaning of the term 'Human Resource' will be made applicable to handle the multi-faceted work force. Thus, in time to come HR managers though were side tracked by the function like production and finance will enjoy pivotal role in the business administration.

e) Motivation- a challenge to corporate managers and trade union leaders:

The term “Motivation” is derived from a Latin word, ‘movere’. It means “to move”. Motivation is a hypothetical construct which is defined in terms of antecedent conditions and consequent behaviour. Motivation is the driving force behind all human activities in this world. Motivation is an intervening variable. It cannot be seen, heard or felt. It’s a purely inferred from behaviour.

Berelson and Steiner mention that, “A motive is an inner state that energizes, activates, or moves and directs or channels behaviour toward goals.” 21

Lillis points out that, “It is the stimulation of any emotion or desire operating upon one’s will and prompting or driving it to action.”22

Dubin says, “motivation is the complex of forces starting and keeping a person at work in an organization.”23

The Encyclopedia of Management defines motivation as, “Motivation refers to the degree of readiness of an organism to pursue some designated goal, and implies the determination of the nature and locus of the forces, including the degree of readiness.”

Human behaviour is directed to achieve certain objectives. Motivation consists of needs, drives and goals. The objective of motivation is to create such an atmosphere in which people are willing to work with a great enthusiasm and a

sense of responsibility. Motivation also expects loyalty and discipline which automatically comes with motivated behaviour.

There can be a positive or a negative motivation. A positive motivation is generally based on reward. According to Flipppo, “positive motivation is a process of attempting to influence others to do your will through the possibility of gain or reward.” 24

Positive motivation includes praise and recognition, complete credit for work done; healthy competition; active participation; proper delegation of authority; wholehearted appreciation and handsome amount of pay. It also leads to team spirit, co-operation and responsibility management.

Negative motivation is based on fear. It has the element of compulsion. Its a human nature to avoid punishment out of fear without concentrating the designated work. Punishment breeds frustration, hostile state of mind and finally lower productivity.

In certain cases, management people have to take help of negative motivation. However, in recent years, the philosophy of management has undergone a drastic change. In most of the times positive motivation is used on a large scale. This way of thinking is developed due to a large scale unionisation, employee education and perennial research in the field of employee motivation.

The term motivation can also be classified as extrinsic motivation, intrinsic motivation, self motivation and group motivation. Extrinsic motivation is always associated with external motivators. They are job promotion, added status, fringe benefits, after retirement benefits, health insurance schemes, paid holidays etc. These motivators are closely connected with financial rewards.

Intrinsic motivation is concerned with appreciation and praise, authority with responsibility, due consideration and recognition, esteem, a large number of powers, status, competition and participation in decision making.

It is necessary to motivate ourselves to undertake the desired task. The process of motivating self is called self motivation. People with self motivation can achieve those objects which are treated as impossible in general.

By improving human relations and dealing with people in a humanitarian way a complete group can be motivated. It is necessary to develop the will to do by encouraging people for the attainment of common objectives. It creates feeling of involvement in their work by giving them an opportunity to improve their performance.

There are certain factors which directly and adversely affect motivation such as monotonous work, domination by boss, unhealthy physical conditions, dissatisfaction with work, continuous stress and strain, financial crisis, unwillingness to work and so on.

In corporate world it is necessary to study individual motivation in a systematic manner. Each and every individual is studied with his motives. The factors like observation, motivation related interview, attitude survey, assessment of previous objectives achievement etc. may be reviewed.

Motivation may be weak or strong in its nature. It all depends upon incentives offered to employees. Social and recognition needs and the feeling of participation in group efforts are the main needs of human beings. Surveys undertaken in Europe have revealed that the satisfaction of social needs ranks higher than wages or salaries.

The managers must give attention to provision of incentives that will be adequately rewarding to the worker if his performance is satisfactory. He should communicate the reward terms to the worker. He should not make any false promises. His role should be supportive, helping and not manipulative.

It is necessary to encourage workers to do those things which are within the limits of the worker. Unwanted and imaginary targets which are beyond the capacity of the worker leads to frustration. Co-operative work atmosphere, guidance and proper training from the superiors makes the employee motivated and prepared to provide the best performance.

The important factor in the motivation is to evaluate the workers' performance as per the standards set to find whether he is capable to fulfill the promised reward. Deserving employees are to be given the promised reward and

recognition immediately to encourage his future performance. If the worker is unable to deliver output as per the set standard it is necessary to find the reasons. Once the reasons for the inadequate performance are found, corrective measures should be suggested.

Managerial actions are necessary in motivating employees. There should not be favoritism while setting standards to be achieved and rewards to be given. Satisfaction occurs immediately and the motivational cycle begins again.

Managerial techniques to Motivate Employees: Managers generally use financial and non-financial motivational techniques to motivate their employees.

A. Financial Motivators: Financial motivators include wages and salary, bonus, profit-sharing, paid leave, medical allowance, etc. In this practical world where a large number of wants are satisfied by money, it is the most significant and essential motivator.

In addition to financial motivators there are some other motivators which are required in the personal development of the employee. On the same line Haskar A. N. quotes, "Theories of joint goals and identification have attracted wide attention. They have been highlighted in proposals for management by objectives. The common theme is that workers who help set their individual and group goals are strongly motivated to achieve them." 25

B. Non-Financial Motivators: The non-financial motivators are not at all concerned with the actual monetary rewards. When financial requirements get satisfied up to a certain level, the employee requires some other motivational factors.

On the same line Reynolds, L.G. observes, “non-financial incentives are the psychic rewards, or the rewards of enhanced position, that can be secured in the work organisation.” 26

The important non-financial motivational factors are:

1. Appraisal, Praise or Recognition: Human beings like appreciation and recognition which satisfies his ego. It satisfies his need for self-esteem. The praise and recognition can be expressed by an organisation in various forms. It may be shown in the form of rise in pay, promotion at the job, assignment of more interesting tasks, honouring in front of colleagues etc.

The employee may be appreciated and honored in front of his members of family. Awards may be given in the form of trophy, certificate of excellence, electronic articles, citations, certificates and plaques. Many organisations maintain a separate board of honour's to highlight the achievement of the employee.

2. Status and Pride: Status is the very unique psychological need of human beings. It satisfies social and ego needs of the employees. In various

organisations due care is taken to satisfy these needs. Royal and branded furniture, flooring with Italian marble or wood flooring with varnish, European carpets, artistic pictures on the wall, silk curtains, peons to provide prompt services, a personal assistant and so on are the examples of status factor. Many crazy and achievement oriented employees have niche for such amenities. They work hard to gain these status symbols. Once they achieve them, either they try to maintain the same or try for more such perquisites.

Pride is a personalised concept and difficult to define. It is regarded as a unique motivator by which desired level of individual and collective efficiency and productivity can be achieved.

3. Competition: It's a human nature to have competition to show individual qualities. It may be healthy or cut-throat in nature. The competition may be in regards to sales, production or safety measures. The person who wins the competition is entitled to a reward which motivates him to deliver his best. However, in most of the times competition generates element of jealousy and frustration on the part who loses the competition. All this adversely affects the team spirit.

4. Delegation of Authority: The delegation of authority means providing powers to the subordinates. By this delegation the superiors allow subordinates to work with proper blending of authority and responsibility. When anyone is provided with powers it is but natural that such employee automatically gets motivated.

5. Participation in Decision-making: When an individual is allowed to participate in decision-making, he develops physical and mental involvement in the same activity. Such involvement motivates that person.

6. Security of Job: Security of job means the continuation of job without any disturbance. It provides economic and social security to that person. This security also includes welfare programmes, medical cover against sickness, lack of unemployment, disability compensation, old age pension etc.

7. Job Enlargement: Monotony and boredom is the problem which is developed due to continuation of the same work without any change. Job enlargement is the process by which an employee is given varied tasks at the same level. His job profile and status remains the same but due to change in work monotony and repetitiveness is reduced. Thus, job enlargement increases efficiency and interest in work.

8. Job Rotation: Job rotation means assigning an employee another job other than his routine task so as to minimise boredom and monotony. Job rotation increases the skill and knowledge of the employee about the varied jobs. e.g. in a bank an employee is asked to work as a cashier, an accountant, a personnel in loan department and so on.

9. Job Enrichment: Job enrichment means improving a job. Job enrichment motivates the employees. It provides growth, recognition, prestige, career

advancement, growth and responsibility to an employee. Such an employee can have better control on his job profile.

10. Reinforcement: Reinforcement means to learn the desired behaviour. It is developed on two different angles. When positive results are given by some work, an employee likes to repeat the same whereas the negative result does not repeat the behaviour again. By providing scheduled task work of an employee can be controlled. The reinforcement can be observed in negative or positive manner.

11. Quality of Work Life: The concept of “quality of work life” means opportunity for better prospects. Various employees have various such areas by which they enjoy quality in their work life. It motivates them for better performance.

12. Job Sharing: It is a unique method by which two persons share the same job by dividing working hours. Both devote half of the scheduled time and concentrate on their priorities without any loss to the organisation.

e.g., out of eight hours job two student employees can share the task for four hours each.

It increases energy and enthusiasm of the employee. It is a need based method of motivation.

13. Flexible Working Hours: Flexible working hours allow an employee to select the time slot by which his convenience is taken into account. This improves morale, productivity and sense of creativity.

In short, human behaviour is difficult to understand. It is to be motivated depending upon the available resources. It can be motivated by clean and neat surroundings, sufficient lighting and ventilation, limited hours of work, conducive atmosphere and so on. All this improves the productivity and morale of employees.

Each and every manager should understand that there is no master formula to motivate all types of employees. Categorically employees are to be analysed and motivated. The methods of motivation in a bank or an IT corporation or a service department cannot be the same.

On this matter Prof. Shah who says, "The desolation, despair and disappointment enveloping organizations nullify even ideal motivational techniques. Repeat failures, obstructions and disturbances produce dislikes, agitation, annoyance and moroseness. These give birth to dejection and temperamental perversities. The consequences of this are that the behaviours which are rational and orderly in the beginning become messy and emotion-ridden later; the individuals so affected involve themselves into willful escapes and sabotages, rather than in goal setting".²⁷

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Chapter No. 2.

VRS: A TURNING POINT IN INDUSTRIAL RELATIONS

a) ILO and Trade Unionism:

The International Labour Organisation (ILO) was established in 1919. It was the result of the Treaty of Versailles that ended World War I. The basic idea behind its creation was to create the impact that universal peace can be established with common efforts.

The Constitution of ILO was drafted between January and April, 1919. It was the work done by the Labour Commission set up by the Peace Conference. The conference was first time held in Paris and then in Versailles.

The Labour Commission was chaired by Mr. Samuel Gompers. He was the head of the American Federation of Labour (AFL). It had representatives from nine countries such as Belgium, Cuba, Czechoslovakia, France, Italy, Japan, Poland, the United Kingdom and the United States.

The Constitution had ideas tested within the International Association for Labour Legislation. The driving force for ILO's creation was security, humanitarian, political and economic considerations.

There was a great appreciation of the importance of social justice in securing peace. It was against the exploitation of workers in the industrial nations of that time. There was also increasing understanding of the universal economic

interdependence. All nations felt the need for co-operation to obtain similarity of working conditions in countries competing for markets.

By considering the above ideas the Preamble of ILO states:

1. Universal and continuous peace can be established only if it is based upon social justice.
2. Improvement in the conditions of labour against injustice and hardship is urgently required.
3. The failure of any nation to adopt human conditions of labour is an obstacle in the way of other nations which desire to improve the conditions in their own countries.

The areas of improvement given in the Preamble remain relevant even today.

Some of the important points in that are:

1. Regulation of the hours of work. It explains about the maximum working hours per day and per week.
2. Regulation of labour supply, prevention of unemployment and provision of an adequate living wage.
3. Protection of the worker against sickness, disease and injury arising out of his employment.

4. Protection of children, young persons and women at large.

5. Provision for old age and injury, protection of the interests of workers when employed in countries other than their own.

6. Recognition of the principle of equal remuneration for work of equal value.

7. Recognition of the principle of freedom of association.

8. Organisation of vocational and technical education.

The ILO has made great contributions to the world of work from its early days. The first International Labour Conference held in Washington in October 1919. It adopted six International Labour Conventions. These conventions dealt with hours of work in industry, unemployment, maternity protection, night work for women, minimum age for work and night work for young persons in industry.

The ILO was located in Geneva in the summer of 1920. A capable leader from France Mr. Albert Thomas was the first Director of the International Labour Office. It was the Organisation's permanent Secretariat.

Under his strong leadership, 16 International Labour Conventions and 18 Recommendations were adopted in the period of less than two years.

This early enthusiasm was quickly came down because some governments felt there were too many Conventions. They also felt about the budget which was too high and the reports too critical.

But the International Court of Justice declared that the ILO's domain extended also to international regulation of conditions of work in the agriculture.

A Committee of Experts was set up in 1926 as a supervisory system on the application of ILO standards. The Committee, which exists today, is composed of independent jurists responsible for examining government reports and presenting its own report each year to the Conference. The great depression of 1920s had a lot of changes in the thinking pattern of ILO. Anyhow, at the international level ILO has created a sound background for the trade union movement in India.

In the early stages of Industrialisation after 1760 in advanced countries like UK and USA the need to provide additional benefits other than regular salary was not felt by any industrial organisation. The regular salary and wages paid by the employers were taken as favour made to poor and needy employees.

George Eliot, J. S. Mill and others who were always in support of humanitarian base of wage structure thought that the extra benefits are to be shared by the employees. The literature of socialists like Robert Owen of UK considerably moulded the philosophy of extra benefits. It has a great impact on welfare measures provided to employees in those days.

After the end of World War II International Labour Organisation (ILO) had a lot of impact on social security programme adopted by Govt. of US in 1930. The war had miraculous impact on thinking of employers who use to consider employees as their slaves. They started thinking on humanitarian ground and considered the idea to provide welfare measures widely known as 'Fringe Benefits'. The theory developed by Adolf Wagner regarding such benefits got popularity in Europe. In U.K. fringe benefits were accepted by the employers on large scale. But still the capitalist employers in U.S.A. were not much in favour of the same.

Definition and Characteristics of Trade Union:

The trade union is an association of employees or of independent workers. It is a need based association of workers. It has its long term existence having legal entity. The basic idea is to bring economic benefits for its members. The aims and objectives of trade unions keep on changing according to the needs of the members. Each trade union has its own ideology. Its growth, existence, social and political base market as well as standing depends upon stand taken by it on a particular matter.

According to Section 2 (b) of the Trade Unions Act of 1926, "a trade union is any combination of persons, whether temporary or permanent, primarily for the purpose of regulating the relations between workers and employers, or between workers and workers, and for imposing restrictive conditions on the conduct of any trade or business, and includes the federation of two or more trade unions."

Thus, a trade union is a media by which employees can collectively bargain with employers on the issues like pay package, working hours, fringe benefits, VRS or CRS and other individual issues. These unions work on economic factors. It's a shield for the employees to fight against exploitation. However, this defense mechanism is used by the employees for wrong purposes.

The trade union movement though emerged in India in 1890, it took its real pace after World War I. The Trade Unions Act was passed in 1926. There were few registered trade unions in those days. The Act gave legal status to them. The Act gave legal status to the registered trade unions and the status in general public and the employers.

Trade Union Movement in Post Independence in India

Year	No. of Registered Trade Unions	No. of Unions furnishing information	Membership of Unions Submitting returns (in lakhs)
1951 – 52	4,623	2,556	20
1961 - 62	11,614	7,087	40
1971	22,484	9,029	55
1981	35,539	6,082	54
1987	49,329	11,063	79
1990	52,016	8,828	70

(Source – *Indian labour year book* 1987, 2002 & 2003)

The above table reveals that, in each decade a large number of trade unions got registered as a need of the time. There were many causes responsible for the same. After independence due to partition of India unemployment

increased. The trade union movement gave confidence to the working class that they can demand welfare facilities through collective bargaining. But the poor illiterate workers were unable to understand the cost-benefit analysis of the organisations in which they were working. They were expecting higher wages, better service conditions and extra amenities. This resulted into a large number of strikes and gheraos.

Limitations of the Trade Union Movement: Though the trade union movement gained its importance in Indian industrial sector, it was handled in a haphazard manner by most of the union leaders. In many cases, the unions were dominated by local gundas and dadas. Such people with criminal background were unable to handle the element of collective bargaining in its true sense. An expert in trade union movement and the area of trade union movement Shri. V.V. Giri has also noticed some of the defects in trade unionism. These defects can be mentioned as:

1. Low Membership: The membership of trade unions in India has low response. When employees are in need, they like to have support from unions.

However, when they are fully satisfied with the policies of employers or individually they are not in need of any grievance to be solved they do not favour any trade union. The following table shows a panic membership review of the unions.

% distribution of trade unions according to membership.

Membership	1957-58	1968	1970	1957-58	1968	1970
Below50	22.2	21.5	21.3	1.1	1.1	1.1
50-99	20.1	19.2	19.0	2.6	2.4	2.2
100-299	29.4	31.4	31.1	9.5	9.8	9.3
300-499	9.3	9.5	9.2	6.6	6.4	5.8
500-999	9.6	9.3	9.8	12.6	11.2	11.4
1000 - 1,999	5.1	4.6	4.6	12.9	11.2	10.4
2000 - 4,999	2.9	2.9	3.1	16.1	15.0	15.6
5000-9,999	0.5	0.8	1.1	6.6	9.9	12.4
1000-19000	0.6	0.5	0.5	14.4	11.4	10.2
2000 and above	0.3	0.3	0.3	17.6	21.6	21.6

(Source: *Labour Welfare, Trade Unionism and Industrial Relations* by –
Punekar, Deodhar, Saraswati Shankaran)

2. Poor Financial Position: The lower amount of membership results into poor financial position of trade unions. There is no other source of funding for the trade unions. When the union is unable to collect the required amount of funds, it cannot provide required facilities to its members.

For instance, to file a legal suit in supreme court the expenses required are huge and beyond the capacity of unions.

The following table explains the financial scenario of these trade unions.

Low Income in Percentage From different sources

Source of Income	Percentage		
	1957-58	1968	1970
Membership fees	70.0	67.7	65.7
Donation	18.1	16.2	17.6
Sale of Periodicals, Books, etc	0.4	0.5	0.5
Interest on investment	10.9	13.6	14.3
Miscellaneous	10.9	13.6	14.3
Total	100.0	100.0	100.0

(Source: *Labour Welfare, Trade Unionism and Industrial Relations* by –
Punekar, Deodhar, Saraswati Prakashan)

3. Absence of full time office bearers: The trade unions are unable to appoint full time office bearers due to weak financial positions. The part time office bearers who devote their limited time for the administration of unions are not professional in nature. They do not have capacity to understand the value of collective bargaining. They are unable to put forth the exact issues of the unions in right direction. This all adversely affects the strength of the unions.

Thus, the trade unions face many fundamental problems.

Measures to improve the trade union movement: The trade union movement does not work efficiently without understanding the loopholes in its way to progress. The following are some of the measures to improve the trade unionism:

1. Strength lies in Unity: 'United we stand' is the principle to be followed by the trade unions. There should be a single union to fight against exploitation. If not the different unions should come together for a common objective. If such collective efforts are directed towards the desired direction, it results into achievement of objectives.

2. To remain free from unwanted politics: The trade unions are generally controlled by some or the other political party. Such control is out vested interests which are against the true welfare of employees. All the unions are therefore, expected to remain free from political control to have independent entity.

3. Leaders from members: The Unions are basically formed for the welfare of workers. But the political leaders by leading the unions utilise the united power of workers for their personal benefits. They misguide the poor and illiterate workers for the personal benefits. Therefore, the union leaders should not be the political leaders. On the other hand, the union leaders should be selected from the worker members only.

4. Single union policy: When the number of unions are more the power collective bargaining gets divided. The collective strength is diverted and the confused workers find it difficult to support a particular union. Therefore, the various unions should be assimilated. At least for some common objectives they should come together.

5. Responsible workers: The trade unions always look into the matter of collective bargaining from the view point of workers. They always feel that, the managers are wrong and the workers are right. But the workers are expected

to change the attitude and making the thinking positive they are expected to concentrate on progress of the organisation. in that case they become more responsible and they deserve to fight against the management if any wrong happens to them.

Industrial Disputes in India: When the employers and employees are unable to settle the disputes amongst them, the employees go for strikes, go- slow, gheraos, demonstrations, pen-down strike etc. The annoyed employers always like to teach lessons to the employees. They go for lay-offs, retrenchment, dismissals, lockouts, shifting of plant to other states etc. These industrial disputes create tension and social problems by disturbing harmony and peace in society at large.

Causes for Industrial Disputes:

1. Higher Wages: Indian business houses do not like to pay wages in proportion to profit made by them. They earn enormously but pay very less. Similarly, employees once start getting huge amount of salaries and wages, they go on demanding endlessly. Thus, the demand for higher wages from the workers is the basic reason behind the industrial disputes.

2. Demand for bonus: Employees always feel that they have right on the profit of the organisation in the form of bonus. They do not accept the fact that they are given with sufficient amount of salary and other perquisites. For the demand of bonus they enter into conflict with the management. It is the another important cause behind industrial disputes.

3. Demand for good working conditions: Demand for good working conditions like welfare measures is to be satisfied by the employers. It is the provision given in the Factories Act, 1948. The said Act suggests reasonable working hours, necessary safety measures, paid leave and good quality canteen etc. In most of the cases these facilities are not provided in proper condition due to which industrial unrest arises.

Industrial Dispute in India due to various causes.

Year	Wages & Allowances	Bonus Others	Personnel Retrenchment	Indiscipline Violence	Others
1961	30.4	6.9	29.3	--	33.4
1971	34.3	13.1	23.0	1.4	27.2
1976	23.0	14.0	22.7	3.5	25.8
1981	28.1	8.0	21.3	9.4	33.2
1990	24.2	4.0	15.9	15.6	40.3

(Source: **Pocket book of Labour Statistics** (1979) & (1985) & Indian Labour Year Book (1996))

From the above table it can be observed that, during the period 1966-1971 the industrial disputes were maximum out of the conflicts arising out of issues related to wages and bonus. Due to emergency in 1976 industrial disputes due to economic demands declined. In the year 1981 wages and bonus stood for around 30% of total industrial disputes.

Retrenchment means to remove workers from the job mercilessly. In the year 1961 around 32% of the total industrial disputes took place only out of the

matter of retrenchment. The percentage of this problem kept on changing but it was only 16% in 1981.

The other causes like work pressure, demand for amenities, labour laws etc. were the other reasons for industrial unrest. It was 22% in the year 1961. But due to wars and draught it became 40% during the year 1972. It was 22% in the year 1981.

Industrial Disputes Act:

When the difference of opinions goes on increasing on a large scale it is difficult for government machinery to react on its working. Disputes between employers and employees adversely affect the required quantum of production. Finally, it slows down the growth rate of national income and the overall growth of the economy. To provide a permanent solution on this matter the government of India passed a special act named as the Industrial Disputes Act in 1929. It is highly essential to know about the provisions given in the said law.

Amendments in Industrial Dispute Act:

The Industrial Disputes Act was passed with a view to solve the industrial disputes. Initially it had impact of British Rule. After independence the government of India found many changes to be made in the said act. Therefore, it was amended in the year 1956.

The law has provided various elements to solve the industrial disputes such as:

1. Works Committees: The establishment having 100 or more employees can form such a committee. It has representatives of employees on its board. The committee tries to solve the dispute amicably. The idea is to settle the matter in a win-win situation. The role of committee is always to solve the conflict without keeping any of the concerned party dissatisfied.

2. Conciliation officer: Conciliation officer plays pivotal role in the process of settlement of Industrial Disputes. He is appointed by the government for a specific region. He may be appointed for a particular industry. He is expected to bring together employers and employees on the same platform to express their views. By open discussion method with the element of compromise he is expected to resolve the matter under dispute. Whatever may be outcome of the settlement procedure, he has to report to the government i.e, the settlement may be successful or not. He has to give valid reasons to government to settle the issues.

3. Board of Conciliation: The board of conciliation is appointed by government to settle disputes. The board has in its panel one chairman and two or four representatives of employers and employees. The Board has to analyse the dispute and try to resolve it. The report to concerned authorities is a must for the chairman of the board. The outcome of the efforts may be positive or negative.

4. Labour Courts: The labour court is set up by the state governments to solve industrial disputes at the state level. The general matters taken up by such courts are suspension of employees or any such problem. They are

expected to resolve the matter very fast. The verdict given by the judge is reported to state government.

5. Industrial Tribunals: The industrial tribunals are set up to solve the industrial disputes between employers and employees. They are set up at two different levels. Their jurisdiction is different. They can be classified as the national tribunals and State tribunals. The state government is expected to appoint its representative in industrial tribunal. His rank is of 'High Court Judge'. Similarly, the same type of representative is appointed by the Central Government. The biggest advantage of such tribunals is, the final verdict given by them is to be accepted by both the parties in dispute. They have to follow the procedure given by the tribunal as a solution on their problem.

6. Court of Enquiry: Generally, it is expected that the disputes are to be settled by the concerned parties amicably. When by using the conciliation procedure the disputes remain unsolved, the same is send to the court of enquiry. Here, the root cause of the dispute is found again to resolve the same.

7. Joint Management Council: The joint management council is the most practical way to make workers to participate in the decision-making activity of the management. By this workers come to know the problems faced by managers and administrators. The saying, 'grass is always greener on the other side', is applicable here.

Once the workers' representatives actively participate in the process of decision making, they become much co-operative with the management staff. They help in making the industrial relations much cordial and conducive. It

reduces the wastes, increases the productivity and finally results into higher profits and good understandings between the parties.

8. Code of Discipline: The Code of Discipline is the media for the settlement between employers and employees. It voluntarily develops mutual trust and sense of understanding between employers and employees. The practice of actual negotiation is followed under code of discipline. The Indian labour Conference in 1958 developed the idea of code of discipline. Indian trade unions association has well accepted this code of discipline as it has the remedial capacity to solve the matter of industrial disputes.

9. National Arbitration and Promotion Board: This board is the media by which employers and employees through their representatives try to settle their disputes. The board consists of the representatives of employers, employees and the Central and State Governments.

10. Central Industries Relations Machinery (CIRM): This board is set up for maintenance of industrial relations. It always works for the increase for the membership of trade unions. The important functions of CIRM are to look after settlement of disputes, to settle strikes and lockouts and to look after implementation of provisions given in Industrial Disputes Act, Works Committees, lay off, recovery of dues, retrenchment etc.

Workmen Compensation Act of 1923: The industrial workers are prone to risks and uncertainties taking place while working on the shop floor. The Workmen Compensation Act was passed in 1923 by the then government to provide Compensation to the workers in case industrial accidents and injury.

The amount of compensation to be paid depends upon the wage level of the injured worker. The depth of injury and the age group of the worker are the basic factors that are also taken into account.

At the time of the partial disablement the aggrieved party gets 50% of the wages for a maximum period of five Years. The protection of this Act is not applicable to the workers who get benefits under the Employees State Insurance Act of 1948. The provisions of this act are applicable to workers working in mining activity, plantations or rather for the workers in unorganised sector.

The National Wage Policy:

The government of India has formulated National Wage Policy for the justice to be given to the workers. The said policy has two different views. A particular view is termed as narrow view whereas the other one is as a broad view.

In the narrow sense, the policy deals with the specific objectives. These objectives aim at better living for workers. It covers both organised public and private Sector.

In the broad sense, the policy formulates guidelines for the wage fixation of workers both in organised and unorganised sectors.

The Objectives of National Wage Policy:

1. To eliminate the unfair practices involved in the payment of wages.

2. To ensure the payment of minimum wages to workers in all sectors i.e. agriculture, industry and service sectors.
3. To reduce the wage differentials between organised and unorganised sector.
4. To reduce the disparities between salaries and wages of employees working in private and public sectors.
5. To co-ordinate the wage level of the workers and employees as per the cost of living index number so that the wage disparity can be minimised.
6. To prevent the use of extreme level of capital intensive techniques by protecting labour intensive techniques. .
7. To minimise the wage level disparities within the industry.
8. To permit bilateral collective agreement at national level to reduce conflicts amongst the workers and employers.
9. To encourage the incentive wage system to increase the productivity and real wages of the workers.
10. To encourage the promotions of the workers by conducting the skill development programmes.

Bhootlingam Committee Report:

The Janata Party Government appointed a committee under the chairmanship of Mr. Bhootalingam to study the labour problems in India. The committee submitted its report in May 1978. The committee studies the problems of

workers and industrial disputes arising out of that. The following are some of the suggestions given by Bhootlingam Committee.

1. Minimum Wages: Similar to Bhootlingam committee Chakraborty committee also had studied the problem of industrial disputes. As per the recommendations of Chakraborty committee minimum wages should be Rs. 200/- per month at 1974 prices. Bhoothalingam Committee observed that, the minimum wages should be Rs. 150/- p.m. apart from differences in the reports of both the committees; the basic idea was to protect working class at minimum wage level.

2. Fair Wages: Bhootligam Committee and Chakraborty Committee say, the minimum wages means lower limit of wages that a worker must receive. Similarly, higher wages means, the maximum wages what a company can afford to pay. The actual wage limit remains between these two. Similarly, it depends upon the factors like the level of national income and distribution, the coverage of unions in industry, prevailing wage rates, productivity of labour, the place of industry in the economy and so on.

3. Wages and Productivity:

It is the thumb rule that, wages are to be paid to employees according to their productivity. When due to the efforts taken by workers the productivity is raised, they are eligible to demand additional wages. However, as per the suggestions given by Bhootlingam Committee, the wages are to be paid by considering productivity of labour but also profitability of the individual firm and the industry in general.

4. Wages and Per Capita Income:

By considering various labour studies and specifically the report of Bhootlingam Committee wages were revised by government legislations which were mandatory for all the organisations. As per the available real wages and per capita income the real wages are increased by 51% in 1980 as compared to 1960s prices.

In brief, by considering the suggestions given by Bhootlingam Committee report the real wages were raised more as compared to per capita income. This happened due to special attention given to workers in unorganised sector.

INDUSTRIAL LAWS:

Indian handicrafts were world famous. Hindu and Mughal dynasties nourished a large number of local artisans with their art. But Industrial Revolution in Europe and arrival British Rule damaged the Indian economy by completely extinguishing the handicrafts.

British rule brought machine made cheaper goods in market. They started factories in India. The new factory system brought modern economy i.e. money economy. Textile Industry, steel industry, ship building industry, cement industry, sugar industry etc. and many more were started in British rule.

However, due to policy of 'ruling' the British people always considered Indians as slaves. The workers were paid low wages, daily hours of work were not fixed, no extra benefits or welfare facilities were provided to them, they were

removed without intimation and without allowing them to defend their offence. Therefore, after Independence the Industrial laws are made from time to time in order to give justice to the workers.

Factories Act 1948:

Factories Act 1948 was the first step towards the developmental steps taken by government of India for the betterment of workers. The said act became baseline for the further rules and regulations made for the welfare of workers.

Objectives of the Act:

1. Construction of factory building as per government sanctioned and approved plan.
2. Protection of workers from industrial and occupational hazards.
3. Hygienic and clean atmosphere in the factory premises.
4. Welfare of the workers by providing various facilities like potable drinking water, canteen facility at subsidised rates, transport facility, recreation centers etc.
5. Fixed and limited hours of work
6. Safety and security of the workers on the job.
7. Appointment of factory inspectors to inspect the plant and machinery.
8. Provision of necessary staff to avoid overburdening of workers.

Provisions regarding Health of workers in Factories Act:

Section 11 to 20 deals with the provisions of ensuring health.

1. Cleanliness (Sec. 11):

It is necessary to keep the factory premises neat and clean. It is not only principally correct but also statutory requirement in the law. The following are the parameters of cleanliness:

- a) Wet floor should be drained through drainages.
- b) Dirt and dust to be continuously removed by sweepers.
- c) The entire structure of the factory to be maintained and repaired periodically.

2. Disposal of Wastes:

It is compulsory as per the law to dispose off the waste. The set rules are to be followed for disposing these wastes as there is a possibility of damaging the environment in this process.

3. Ventilation:

It is necessary by law to provide proper ventilation to the work place. Use of exhaust fans and chimneys to send toxic gaseous elements up into air it is necessary to pay attention towards the factor of ventilation.

4. Moderate Temperature: It is necessary to maintain the level of temperature at moderate scale especially when it is at the place of furnace. It

is necessary to use temperature measuring instruments to take required actions to control the heat in the air.

5. Dust and Fumes:

Normally, in each manufacturing process the dust and fume is emitted. It is injurious to the health of workers. The organisation is expected to take due care in controlling dust and fumes.

Expectations from Trade Unions:

The role of trade union movement is generally restricted with protecting and improving the wages and conditions of work. The union should look after the interests of workers and also protect them 'on the job' and 'off the job'. Likewise, in Japan they should provide complete and due care out of which morale of the workers gets boosted to the optimum level.

The various hurdles like problems related to health, family, health of parents, crèche, housing, transportation, the problems like divorce etc. are to be given due attention so the worker can devote with dull capacity to the work.

There should be planned efforts to develop the standard of living of the workers. Not only the financial standard but also overall personality of an individual is to be developed.

It's a need of time to educate workers by conducting adult literacy classes. Educational programmes are to be organised for the children of workers. For

the housewives who are the family members of the workers, coaching and counseling with proper training is to be given to develop women entrepreneurs amongst them.

When various such efforts are made from all the dimensions, the real peace and harmony is developed by replacing industrial disputes. Various seminars and conferences are to be arranged for financial planning of workers which is required for the benefit of their old age. They should not have feeling that they are exploited.

Trade unions in the present days have not remained aggressive. They have practiced positive and practical way to deal with each and every problem. By abiding all government rules and regulations they expect the employees to develop themselves and well prepared to face any type of difficulty.

To conclude, trade unions have to be progressive, practical, realistic, objective oriented, worker friendly, ready for discussions and negotiations with the employers and rational in demands which makes them more popular and trustworthy. Trade unions must extend their sphere of work by planning for family members of the worker employees as when the family is happy, contented and co-operative the worker gets assured about due concentration on work. Fully satisfied and motivated employees can give better productivity as a result of which the overall production and finally Gross National Income increases. Trade unions are responsible thus for the economic development

of the country. Recent studies have shown this positive change in the mind of trade union leaders.

b) Wage & Salary Administration:

Wage and salary administration means to evaluate the performance of an employee and to arrange wage or salary structure accordingly. It aims at the establishment of an equitable labour-cost structure by which cost-benefit ratio of an organisation can be studied. Thus, managers study the employee needs and required motivation to have proper base for wage and salary administration.

Wage and salary administration is a very exhaustive concept. It includes job evaluation, job specification, analysis and study of wage structure, payment of incentives and fringe benefits, profit sharing and the critical analysis of compensation paid.

Objectives of Wage and Salary Administration: The wage and salary administration done for the employees should have some logical base. It has to be made according to the scientific cost analysis. It has the following objectives.

a) Objectives to Employers:

1. The scientific wage and salary administration raises and maintains employees' morale and motivation.
2. Due to proper wage and salary administration labour costs can be minimised.

3. The employee oriented wage and salary administration provides higher wages which attracts qualitative and qualified staff.
4. The scientific wage and salary administration reduces conflicts and disputes related to wage inequities.
5. Trade unions' demands can be faced and tackled by explaining them the basis of wage programmes.

b) Objectives to Employees:

1. With proper wage and salary administration job and promotion hierarchies are established for rational pay structure.
2. With proper use of wage and salary administration employees are paid according to their abilities.
3. With proper wage and salary administration quality and performance becomes optimum by which the possibilities of favouritism can be minimised.

The important concepts related to Wage and Salary Administration:

The term 'wage' refers to the remuneration paid for the services of labour in production.

The term 'Salary' is the remuneration paid to clerical, administrative and professional staff.

The term 'Compensation' denotes, money paid to an employee in the performance of work. It also includes various types of benefits and services provided to employees.

The term 'wage levels' means the money on an average an employee earns.

The term 'wage structure' or 'grade' means the comparative wage relationships within a particular group. This grade can be made according to organisation.

There are several methods of wage grade such as:

1. Factor Comparison Method.
2. Classification Method.
3. Point Method.
4. Ranking Plan Method.

The Process of Wage Determination: The process of wage determination is always logical, scientific, performance- based and is very systematic in nature.

The following are the steps involved in determining wage rates:

1. Job analysis.
2. Wage surveys.

3. Study of problems related to wage structure.
4. Rules of wage administration.
5. Assigning of grades to each job.
6. Payment of guaranteed wage to each employee.
7. Explanation regarding wage structure to each employee.

Framing of Wage Structure:

Wage structure cannot be framed every now and then. It has to be fixed and confirmed. Timely changes are expected in the same. However, if the same is altered continuously, its reliability comes in trouble.

The following points are to be taken into account before framing wage structure:

1. The jobs to be placed in each of the pay grades.
2. The actual money value to be assigned to different pay grades.
3. The number and width of the 'pay grades'.
4. The extent of overlap of 'pay grades'.
5. The willingness to pay above, below or equal to the average prevailing wage rate in industry;
6. Wage ranges providing for increase in merit.
7. The possibility to provide single wage rates.
8. Differentials between pay plans.

Though the wage structure is discussed and implemented, it develops the feeling of jealousy, comparison and dissatisfaction. It is the general opinion that there should be a single and comprehensive 'pay grade' to be followed by the entire organisation. However, it is more realistic to have several pay grades by considering individual differences.

Belcher and Atchison quote that, "Some companies pay on the high side of the market in order to obtain goodwill or to insure an adequate supply of labour, while other organisations pay lower wages because economically they have to or because by lowering hiring requirements they can keep jobs adequately manned." 1

Mescon mentions, "The supply and demand compensation criterion is very closely related to the prevailing pay, comparable wage and on-going wage concepts since, in essence, all of these remuneration standards are determined by immediate market forces and factors." 2

Livernash points out that, "Broad groups may be illustrated within manufacturing as : (1) managerial – executive, administrative, professional, and supervisory; (2) clerical; and (3) factory, within each broad group, narrower groups are obvious. Within the factory groups are maintenance, inspection, transportation and production. Within production are certain smaller groups varying with the nature of the industry." 3

Thus, we can say, many experts have supported the idea of 'range' in pay structure. There is a need to establish such ranges as it motivates the hard working employees.

Advantages of 'Range' in Pay Structure:

1. The concept of range attracts well-qualified and experienced employees from other competitive organisations.
2. Performance differences between employees can be explained.
3. Flexible decisions and planning can be made.
4. Overlaps in pay rates can be easily identified.

However, there are some factors which criticise the flexible wage rates developed by the 'range' factor. The base of criticism is, it creates inequality amongst the workers. The factors which are against this inequality and favour uniformity are the mobility of labour force between the regions, problem of reliable information, different unions creating different policies and so on.

A sound wage policy is expected to establish fair differentials in wages based upon job profiles. The general factors which are taken into account for the wage and salary administration are:

1. Job Requirements,
2. The attitude of management.
3. The cost of living.
4. Ability to pay.

5. Psychological and social factors.
6. Supply and demand of labour.
7. Prevailing market rate.
8. The living wage criterion.
9. Productivity criterion.
10. Trade union's bargaining power.
11. Skill levels available in the market.

Principles of Wage and Salary Administration:

Wage and salary administration is generally done through a committee specially organised for the same. Executives from higher level management are appointed to look after the same. Following are the principles of wage and salary administration:

1. There should be a procedure for hearing complaints related to wages.
2. There should be equal pay for equal work.
3. There should be definite plan for wage differentials.
4. Unbiased revision of wages.
5. The wages to be according to prevailing wage rates in the market.
6. The wage structure should be flexible.
7. The wage plan should classify between jobs and employees.
8. Recognition of individual differences in the form of ability and contribution.
9. The trade union should be informed about the procedure to set wage rates.
10. The wage should be sufficient for the worker and his family.
11. Prompt payments of the dues to the employees.

Theories of Wage Payments: There are various theories of wage payments used by various organisations. Wages are paid either on the basis of time or on the basis of piece rates. Many experts have given different theories on wage payments. Some of them are:

1. Subsistence Theory: David Ricardo (1772-1823) developed subsistence theory of wages. The theory is also known as “Iron Law of Wages”.

The theory says, if workers are paid more than the subsistence wage rate, the number of workers would increase. The result would be lowering down of wage rates.

Similarly, if the wage level falls below the subsistence level, the number of workers would decrease. This will happen as many of them would die out of hunger, malnutrition, diseases etc.

2. Wage Fund Theory: This theory was developed by Adam Smith (1723-1790). Adam Smith wrote his famous book ‘Wealth of Nations’ in which he propounded the development of nations and related wage levels. He is called ‘father of modern economics’.

The basic assumption behind this theory is, the wages are paid out of a pre-determined fund of wealth. This wealth is a surplus lying with wealthy persons in society. This surplus comes out of savings.

3. The Surplus Value Theory of Wages: The surplus value theory of wages was developed by Karl Marx (1818-1883). Karl Marx has his great contribution to the field of economics.

According to this theory, the labour is a product / factor of commerce. This product / factor could be purchased on payment of 'subsistence price. The price of labour i.e. wages can be determined by the time needed for producing a product.

4. Residual Claimant Theory: Residual claimant theory was developed Francis A. Walker (1840-1897). The theory takes into account four factors of production i.e. land, labour, capital and entrepreneur.

Residual means the balance or remaining. Wages means the amount of value created in the production. It remains after payment is made to all the factors of production.

5. Marginal Productivity Theory: The marginal productivity theory was developed by Phillips Henry Wicksteed from U.K. and John Bates Clark from U.S.A.

According to this theory, the actual wages depend upon the demand and supply of labour.

According to the theory as long as each additional worker contributes more to the total value than the cost in wages. It pays the employer to continue hiring such labourers. When this all becomes uneconomical, the employer may go for the superior technology.

6. The Bargaining Theory of Wages: The bargaining theory of wages was developed by John Davidson. According to this theory, wages are determined by the relative bargaining power of workers or trade unions and the employers. If the bargaining power is very high, the wage level may increase or vice a versa.

7. Behavioural Theories: Behavioural experts constitute a group of experts like Marsh and Simon, Robert Dubin, Eliot Jacques and so on. They have presented their views on the payment of wages and salaries. They conducted many research surveys for the same. According to them the payment of wages depends upon various reasons related to the work behaviour of the employees.

The concept of Minimum Wage, Fair Wage and Living Wage: The wage structure involves different terms. The important terms in wage structure are:

1. Statutory Minimum Wage: Statutory minimum wage is the wage determined as per the procedure prescribed by the Minimum Wages Act, 1948. The procedure is different for the different categories of workers.

2. Basic Minimum Wage: Basic minimum wage is also called as bare minimum wage. These wages are to be fixed according to the awards and judicial pronouncements of Industrial Tribunals, National Tribunals and Labour Courts. Once they are announced they become obligatory on the employers.

3. A Minimum Wage: A minimum wage should provide for the sustenance of the worker's family, for his efficiency, for the education of his family, for their medical care and for some amenities.

4. Living Wage: A living wage is a standard of living that would ensure good health for the worker. It is applicable to his family also. It's a measure of comfort and education for his children. It is a protection against misfortunes. This wage level naturally indicates a high level of living.

4. Fair Wage: The concept of fair wage implies the rational wage structure. According to the committee on fair wages, "Fair wage is the wage which is above the minimum wage but below the living wage". It is required to provide bare minimum facilities with better quality to the employees.

Types of Wages: The concept of wage can be classified in different types according to its way of calculation. These types are:

1. Time Rate Wage System: Time rate system is practical in nature. Under this system, workers are paid according to the work done during a certain period of time. The payment is made at the rate of work per hour, per day, per

week or per month. Here, time period spent by worker is taken into account and not the actual work done.

Merits of Time Rate Wage System:

1. It provides stable income to the worker.
2. It is easy to calculate wages to be paid to workers.
3. The workers can concentrate on the quality of work to be done.
4. As all the workers receive wages as per time devoted by them, jealousy arising out of differential wages can be avoided.
5. The workers work slowly and steadily therefore, no rough handling of machinery or equipments is possible.

Demerits of Time Rate Wage System:

1. The expert workmen are unable to show their merit.
2. Workers have different abilities but they are paid equally. Therefore, better workmen will have no incentive to work better.
3. The labour charges for the same job do not remain constant.
4. The total expenditure on wages cannot be calculated as it varies per person.
5. Due to no time control on work, there is always a possibility of evasion of work.
6. It is impossible to assess the relative efficiency of workers for the purpose of promotion and recognition.

2. Piece Rate Wage System: According to the piece rate wage system, workers are paid according to the amount of work done. It is generally taken into account on the number of units produced or processed. It does not consider the time taken by the worker in manufacturing the product.

Merits of Time Rate Wage System:

1. The direct labour cost per unit remains fixed.
2. Minimum supervision is required as workers know effort -reward relation.
3. The workmen are paid according to their efficiency by which they are encouraged to increase his production.
4. To maintain continuity of work workers take care to avoid breakdown of the machinery.
5. Due to the larger output the total unit cost of production comes down..

Demerits of Time Rate Wage System:

1. Excessive speeding of work may result in frequent wear and tear of plant.
2. To earn more workers work fast by frequent wear and tear of machines and equipments is possible.
3. There is a maximum chance of deterioration in the quality of work.
4. There is a chance of loss of efficiency due to rat race in completing the work.
5. This method is not favoured by workers as the fixation of piece rate by the employer is not done on a scientific basis.
6. Workers work at a great speed by which they consume more power, damage equipments and results into wastage of materials.

7. Trade unions are against of such methods as it develops rivalry among workers which is harmful for unity required by unions.

3. Balance Wage Payment Method: We have seen in the above paragraphs that both, time rate and piece rate wage systems have their own merits and demerits. Therefore, a unique method is required to balance both the methods. The balance wage payment method is a combination of time and piece rate wage methods.

Under balance wage payment method the worker is assured for time rate or with an alternative piece rate. If the wages earned of a worker calculated at the piece rate are more than the amount which he would have earned if paid on time basis, he gets benefit for the balance. In short, the worker receives wages as per the piece rate or time rate whichever is higher.

Wage Differentials: Wages given to all the employees cannot be the same under any circumstances. They differ in different employments and occupations. They are different in different industries and localities. They are different for workers working in the same type of employment. The difference between wage rates offered to different persons is called 'Wage differentials'. These wage differentials can be stated as:

1. Occupational Wage Differentials: The concept of occupational wage differentials indicate that as the different occupations require different qualifications and qualities wages are bound to differ. The different types of

work patterns need varied levels of skill, it involves different levels of responsibility. Therefore, wages are normally fixed on the basis of the differences in occupations. Sometimes, dignity involved in the occupation and profitability of the firm also matters.

2. Inter-firm Wage Differentials: Inter-firm wage differentials indicate the relative comparison in wage rates. The wage levels of workers in different organisations in the same occupation are taken into account for studies. The basic causes of such wage differentials are:

- Supervision,
- Cost of production and general profitability,
- Difference in the quality of labour employed,
- Imperfections in the labour market,
- Differences in the efficiency of equipment,
- other non-labour factors.

3. Regional Wage Differentials: Regional wage differentials arise when workers in the same industry and occupation staying in different geographical areas are paid differently. Regional wage differentials are dependent upon the economic development of the area and the pattern of wage payment in other industries.

Regional wage differentials is the outcome of different working conditions. These factors can be summarised as:

- Unsuitable climate,
- Sub-standard housing,
- Planned mobility of labour.
- Isolation from developed area,
- Disparities in the cost of living,
- Problem of the availability of manpower.

4. Inter-Industry Wage Differentials: Inter industry wage differentials arise when workers in the same occupation, with same grade, in the same locality but in different industries are paid differently. Such differences arise basically due to skill differentials.

5. Personal Wage Differentials: It is the basic norm in the society that in democracy all the individuals are to be treated equally. But finally the element of individual differences remain as it is. These differences arise because of differences in the personal characteristics of workers. Though all the workers work in same plant for years together some inherent qualities make them differ from each other.

Elements of a Good Wage Plan: We have discussed in the above paragraphs different wage plans. It is necessary to implement a good wage plan by an organisation to reap benefits out of it. The essentials of a good and ideal wage plan can be mentioned as:

1. A good wage plan should be relatively stable in nature.
2. It should be capable of easy computation of wages and the other benefits.
4. It should be arranged with quick release of remuneration to employees.
5. It should be easily understood.
6. It should be capable of motivating the employees.
7. It should be balanced in nature.
8. It should be capable of providing justice to the sincere and hardworking employees.

Components of Executive Class Remuneration: The remuneration paid to blue collar working class is called 'Wages' whereas remuneration paid to white collar employees is termed as 'Salaries'.

The executive remuneration consists of four factors such as:

1. Salary and allowances,
2. Bonus,
3. Incentives,
4. Perquisites.

Regular monthly salary is the first component of executive remuneration. It is assumed to be calculated through employee evaluation. It serves as the basis for other types of benefits.

Bonus is the extra and additional payout for the efficiency shown by the employees. In this competitive world executives have a great chance to show

their abilities. They work hard for the organisation. Therefore, to compensate their efforts, bonus is paid. Each and every organisation has its own unique bonus plans. Sometimes, reputed companies offer their shares to their executives as bonus.

Perquisites constitute a major source of income for executives. All lavish amenities like car, driver, reimbursement of various expenses, medical allowance etc. come under perquisites.

Executives are compensated for the various expenses incurred by them for various purposes. The range of such perquisites differs from industry to industry. Such payments are in the form of –

- Reimbursement of medical expenses though incurred at a very costly hospital.
- Free well-furnished accommodation, conveyance and servants.
- All the cost of the education and training taken by the executives for their own knowledge enrichment.
- Educational and sports scholarships for their children,
- Allowances for the business magazines, educational CDs and books;
- Consultancy in legal, taxation and financial areas;
- Extra allowances for the entertainment of customers and for dining out;
- Recreational area including swimming pool and gymnasium;

Thus, regular salaries, bonus, stock purchase options and profit-sharing as a percentage of the net profit are some of the popular methods used to compensate executives. Of course, salary is the most common and popular method of compensation. It is determined by mutual agreement between the executives and the employer. It does not only consider the regular work done by the employee but also the sales made or boosted by him, the control over cost of production, reduction in overheads and the profit targets achieved are also taken into account while going for executive compensation.

Bonus Related to Performance: Bonus is generally given according to the overall profitability of the firm. The employees with high credentials or with average efficiency get the same amount of bonus or it varies as per the salary paid to them. Sometimes, it is calculated as a certain percentage of the profit.

The Indian organisations announce bonus on an average between 30 per cent to 50 per cent of the basic salary. In India it is given to employees before Diwali. Bonus can be given to employee to encourage him. For the bonus payment following conditions are applicable:

1. The amount paid as bonus is closely associated with the performance of an employee.
2. The amount paid is also associated with the level of company's performance;
3. The amount paid is also related to the level of individual performance;
4. The amount paid after taxes shows a rise above the base salary level;

5. The amount paid is attached to the base salary.
6. The amount paid is based on an easily understandable method of calculation.
7. The individual is provided with complete information on the relationship between bonus and performance.
8. It is conveyed to the employee that the bonus of the next year may not be the same rather it may be more or less depending upon his individual performance.

c) VRS as tool of Cost reduction and Productivity Improvement :

Rewards and Labour Welfare:

An individual basically works to earn money. Earning is his basic objective behind any economic activity. Of course, creativity, job satisfaction etc. are many elements related to this economic activity. The same earning is given different names like salary, wages, bonus, allowances, perquisites, reimbursement etc.

The same earning for the employee, on the other hand, becomes pay for the organisation that has given employment to him. The same pay can be technically considered as 'Reward' for the sake of convenience. This reward is a broader term. It includes a word of appreciation, testimonial, citation or trophy given in a programme, promotion, increment any other benefit offered to the employee in appreciation of his efforts and dedication.

Rewards are little different than regular salary and wages. Rewards are classified in different forms such as:

- 1. Intrinsic Reward and**
- 2. Extrinsic Reward.**

Extrinsic Rewards are further classified as:

- 1. Financial Rewards and**
- 2. Non-Financial Rewards.**

Financial Rewards are further classified as follows :

1. **Performance Based Rewards and**
2. **Membership Based Rewards.**

Membership Based Reward are further classified as

1. **Implied membership based reward and**
2. **Explicit membership based reward.**

The above terms can be explained as:

Intrinsic Rewards: Intrinsic rewards are the rewards given in the form of money. These are paid directly to the employees. They are independent in nature. They are paid to an employee depending upon his individual performance.

Performance Based Rewards: The rewards which are directly linked with productivity are called 'performance based rewards'. These rewards are also called as 'compensation'. The examples of performance based rewards are piece rate pay, wage incentive plans, bonus, allowances, fringe benefits etc.

Generally, the word 'reward' or 'compensation' are similar in use. However, when a reward is associated with the performance and paid in terms of money it is called as 'compensation'. It is an extrinsic form of reward.

These performance based rewards are extrinsic in nature. They are paid along with other financial benefits. Many research activities were conducted

on motivation after independence. They have noted that extrinsic rewards are independent by nature.

Membership Based Rewards: This reward is the compensation paid for being a member of the organisation in which the employee is working. The organisation has no connection to performance or productivity while giving rewards to best performing employees. These rewards are classified in to two types such as implied rewards and explicit rewards.

a. Implied Rewards: According to many experts in management as per the traditional ideas rank pay, seniority pay and profit sharing was based on performance. However, irrespective of performance based pay some rewards were given only on the basis of seniority and position held in the organisation.

b. Explicit Rewards: Cafeteria type rewards, other benefits and services come under this category. We will be discussing these rewards in more details in this chapter itself.

Principles of Extrinsic Rewards:

As the extrinsic rewards are important for an organisation for the motivation of workers, it necessary to study their principles which are:

a. Absence of Favouritism: These rewards are paid exactly on the basis of free and fair evaluation of an employee on the basis of performance itself.

b. Equity and Fairness: It is the theme behind these rewards that, the jobs of equal value must be equally rewarded. As per this condition all jobs must be evaluated on the basis of individual skill, capacity to take efforts, nature to shoulder responsibility and capacity to adjust with prevailing working conditions.

c. Linking Motivation Theory: This ideology is directly linked to equity theory of wage payment. In Indian organisations wage discrimination is quite common.

e.g., less payment to females than males, more payment to seniors without evaluating their efficiency etc. This discriminating wage policy adversely affects the morale and motivation of the workers. Therefore, wages linked to the efficiency definitely motivate employees.

Non-Financial Rewards:

Financial rewards are salaries and wages, bonus, allowances, profit sharing etc. All the time financial rewards do not motivate employees. Sometimes, rather once the financial urge is satisfied to some extent the employees are motivated for such non-financial rewards.

Non-financial rewards include facilities like well furnished accommodation, chauffeur driven cars etc. These rewards do not involve payment of money to the employee. Therefore, they are called 'non-financial rewards'. They require

money to be spent but it is spent by the organisation and not by the employees.

Financial rewards raise financial position of the employee. However, non-financial rewards make life of the employee better and comfortable. The employees who receive non-financial rewards always remain centre of attraction as they have their own status.

Non-financial rewards cannot be given to everyone or as per the legal status. They are given at the complete discretion of management. These non financial rewards improve motivation. Many psychological research studies have shown that, this reward system is common though there are differences in skill and capacity. Instead of becoming rivals employees try to gain such rewards by improving individual performance. These rewards are sometimes given emotional touch to make them more fascinating.

General Classification of Labour Welfare Measures: Different authors and experts in Human Resource Management have classified Labour Welfare measures under different categories. However, the classification suggested by International Labour Organisation is considered here for the convenience of research studies. This classification is as follows:

1. Extra-Mural Benefits: These benefits include benefits like social security, medical reimbursement, life and vehicle insurance, family pension, attractive contribution to provident fund, leave travel allowances, maternity leave and

hospitalisation expenses, compensation against any physical injury, discount coupons etc. Employees get motivated out of such benefits and work more sincerely.

2. Intra-Mural Benefits: The intra-mural benefits are known as services.

These services can be mentioned as:

- Safety shoes and clothes,
- Canteen facilities at subsidised rates,
- Transport facilities,
- Rest rooms for workers especially female workers,
- Changing rooms,
- Crèches due to which female employees become more comfortable,
- Clean and neat toilet blocks,
- Wash rooms with bathrooms, basin and mirrors
- Bath rooms with proper cleanliness,
- Bank extension counters,
- Schools with good educational facilities,
- Recreation centers,
- Auditoriums.

3. Statutory Measures: There are certain welfare facilities made mandatory by the government which are called as statutory welfare measures. They are made compulsory through the enactment of legislative laws and regulations .

4. Voluntary Benefits: Voluntary benefits are the facilities provided by the employers at their own. They are like rest pause, paid holidays, rest period like compulsory vacation after completion of tiresome projects, coffee break in daily schedule etc. Though these benefits appears to be very simple and ordinary they raise morale of the employees.

5. Mutual Welfare Facilities: There are certain benefits which are mutually accepted by both employers and employees are called mutual welfare facilities. e.g. paid vacations, compensatory leave, etc. They require work schedule to be arranged accordingly.

Evolution and Growth of Labour Welfare Measures in India:

In 1961 Employers Federation of India conducted a study about welfare facilities provided to workers. This study revealed 20 per cent to 30 per cent of wages bill in 1960 constituted welfare benefits. In those days facilities like felicitation of workers completing 25 years of service, annual bonus, festival advance and gifts on important festivals etc. were considered as welfare benefits. These benefits were so attractive that research studies have quoted that large scale migration took place from rural to urban India.

These welfare measures affected Indian society completely. It created a lot of sociological problems. These migrants were in need of welfare services. They were already frustrated due to agricultural uncertainties and financial problems. They were highly impressed by friendly and helping approach of

industrial organisations. It was a milestone in the progress of industries in India.

Following are the important stages in evolution of labour welfare measures in India:

1. In 1881 Indian Factories Act, 1881 was enacted.
2. 1890 Recommendations of Bombay Factory Commission got introduced.
3. In 1891 The Factories (Amendment) Act, 1891 was introduced..
4. 1914-18 was wasted in World War I.

As per the principles in economics in post war period many economic changes take place. These were observed during this phase such as:

- Rapid industrialisation.
- Rise in profitability.
- Stagnant wage rates.
- Strike after war.
- Consciousness amongst working class regarding their rights and duties.

5. In 1919 International Labour Organisation (ILO) was established for social justice.

6. In 1920 AITUC was established.

7. In 1922 Indian Factories (Amendment) Act, 1922 was introduced with additional provisions on labour welfare.

8. During 1929-31 the Royal Commission on Labour was appointed under the Chairmanship of J. H. Whitley.

The Whitley Commission Report was published on 14th March 1931 which had suggested many important steps to improve working conditions of Indian Labour.

9. In 1934 Factories (Amendment) Act, 1934 was introduced which had complete impact of provisions given by Whitley Commission.

10. During 1934-44 Gandhiji was very much serious on labour welfare in India.

11. In 1944 Labour Investigation Committee was formed to examine the social conditions of Indian labour.

12. The Philadelphia Declaration was accepted by ILO in May 1944. It is known as 'Grand Charter of Labour'. This declaration added dignity to labour community by saying that labourers are not be considered as the commodity but dignified human beings.

13. In 1945 the World War II came to an end. The labour force got more dignity during this period.

14. In 1947 India got Independence and newly formed government of India could concentrate on labour welfare.

15. In post Independence period central trade union organisations encouraged Labour Welfare activities. .

16. Though many trade unions established after independence, those which could survive in long run are:

INTUC established in 1947.

HMS established in 1948.

UTUC established in 1949.

BMS established in 1955.

CITU established in 1970.

Constitutional Provisions Regarding Labour Welfare:

Indian constitution has provided for a large number labour welfare measures such as:

Article 41: This article speaks about various provisions that a labourer must get. It speaks about right to work, right to education and public help in case of unemployment, old-age pension, sickness and permanent or partial disablement.

Article 42: The Article 42 speaks about humanitarian atmosphere at the work place. The government is expected to secure just and human conditions of work. It is expected for maintaining relief to the working class.

Article 43: The government is expected to secure by necessary legislation the factors like living wages, work environment with reasonably good standard of life and full enjoyment with leisure, social and cultural opportunities.

Benefits of Labour Welfare: Labour welfare is an integral part of motivation. It has following benefits:

1. Real Income Controls Inflation: Welfare measures provide various facilities to the worker for which they need not spend. The income that a person receives in terms of money is called 'money income' whereas the income received in terms of benefits is called 'real income'. Such real income indirectly boosts the purchasing capacity of an individual by which they do not feel the burden of inflation.

2. Quality of Work Life (QWL): The workers receive through various welfare facilities life support facilities. Such facilities make their work life much more qualitative. These facilities are medical facilities, educational opportunities and social security.

3. Empowerment: Empowerment means strengthening of the human life and to make it more comfortable and uplifted. Empowerment involves interest, commitment and competence. It increases intrinsic motivation.

4. Stability of Employment: Welfare measures encourage the workers to work hard. It reduces the labour turnover and labour absenteeism. They remain happy and contented which reduces the possibility of strikes, gheraos and go slow.

5. Industrial Harmony: Welfare measures develop a good impression of facilities and benefits provided to the employees in the eyes of government, trade unions and the society at large. Such measures develop a sense of belongingness amongst the workers. It motivates the workers to work hard in a peaceful manner which turn raises industrial harmony.

6. Mental Health: Mental health means the various qualities with an individual. Welfare measures improve mental health by providing scope for discovering hidden qualities. This happens as the workers are happy and satisfied with the amenities received by them. Mental health improvement consists of providing

scope for personal qualities like dance, art, music, photography and many other extra-curricular activities.

7. Physical Health: Welfare measures include sports activities. In general, workers involved in sports develop an urge to maintain their health in fit condition. Sports events conducted in the organisation itself and continuous practice required for the same automatically improves physical health of workers and as a result healthy work culture is developed. .

8. Increase in Productivity: The various measures like recreation, health and counseling reduce industrial tension. It makes the workers happy. As a result the individual capacity increases. Such motivated individuals increase productivity of labour in general.

Principles of Labour Welfare: Labour welfare is a very delicate and sensitive subject to handle. It has certain principles. According these principles if the welfare activities are introduced, it results into overall development of the organisation. These principles are:

1. Principle of Responsibility.
2. Principle of Efficiency.
3. Principle of Adequacy of Wages.
4. Principle of Participation.
5. Principle of the Social Responsibility of Industry.
6. Principle of Re-personalisation.

7. Principle of Totality of Welfare.
8. Principle of Integration and Coordination.
9. Principle of Accountability.
10. Principle of Timeliness.

Extra –Mural Welfare Benefits:

Nowadays, salary is not the motivating factor for employees. They feel its a direct and legitimate reward for the work performed by them. Allowances and perquisites are also not much fascinating for them as they feel these all benefits are for the extra time devoted by them.

The benefits like paid vacation, leave travel allowance, paid sick leave, medical insurance coverage and family pension are the benefits which attract them to work more. These are called 'benefits'. Not only the above benefits but they expect cultural programmes and activities, housing loans at reasonable rate of interest, quality canteen facilities, better schooling of their children, well equipped hospitals, facilities like banking etc. These are called 'services'.

The above mentioned benefits and services are membership based rewards. These are given to all employees without considering employees performance. After liberalisation and globalisation Indian organisations started spending unlimited money on benefits and services.

The corporate entities have to spend on these benefits and services as these are 'dissatisfiers', as explained in Herzberg's theory of motivation. The presence of such services may not be effective but its absence demotivates the employees. Benefits attract the employees to the organisation.

In addition, they play an important role in retaining them in the organisation. These benefits and services reduce the problem of labour absenteeism and turnover.

After the World War I the idea of such benefits and services emerged and started developing. The basic idea of management people was to make the workers happy and satisfied and at the same time to keep them away from trade union movement.

The benefits given to workers can be classified into three categories such as:
1. Statutory Benefits, 2. Voluntary benefits, and 3. Flexible benefits.

Let's explain these benefits in detail:

1. Statutory Benefits: These benefits are compulsory as per the provisions in law:

a. Social Security: Social Security measures are the statutory benefits offered to the workers. Industrial Dispute Act, 1947 and Plantation Act, 1951 some of these benefits. They are:

- Medical care,
- Family Benefit,
- Sickness benefits,
- Old-age-benefit,
- Survivors Benefit.
- Employment benefit,
- Benefit for injury at Employment,
- Maternity benefit,
- Invalidity benefit,

b. Compensation against injury at Employment: Workers Compensation Act, 1923 provides for statutory compensation against injury happened during the course of employment. The affected employee is given medical as well financial support if such injury takes place.

c. Maternity Benefit: It is the special right given to women workers. This benefit is applicable to women working in factories, mines and other establishments. It is provided under the Maternity Benefit Act, 1961.

It covers all those who are not covered by Employees Service Insurance (ESI).

For a female employee the said Act provides six weeks leave prior and after delivery with full pay. She is also entitled to medical cover as well as bonus or other financial benefits during this period.

d. Provident Fund: Provident Fund is the benefit in lumpsum the employee receives after retirement. Following are some of the existing laws and legislations associated with provident fund:

Coal Mines Provident Fund and Bonus Scheme Act 1948: This scheme covers provident fund and bonus to employees of National Coal Development Corporation. It for those who earn less than certain amount fixed from time to time.

Under this scheme, workers contribute 8 per cent of their basic salary to the provident fund and same or equal amount is contributed by the employers

Seaman's Provident Fund Act 1966: This scheme is applicable to employees employed under Merchants Shipping Act 1958. It is applied to crew members of a ship. In this case, employees' contribution is 8 per cent of their basic salary and the same or equal amount is contributed by employers. The total amount with accumulated interest is refunded after 15 years or on retirement.

Employees Provident Fund Act 1952: This scheme is applicable to all factories and establishments in India except in Jammu -Kashmir and Assam. In those states a separate law is applicable for the same issues. It is necessary to introduce if there are 20 or more employees working in an organisation. Under this scheme, the contribution is 6.25 per cent for the

organisations having the number of employees are 50 or less. Otherwise, it is 8 per cent of the basic pay for others.

Unemployment Benefit: Unemployment benefit is covered under the Industrial Dispute Act, 1947. The Act gives mental relief and support with justice to workers if they become unemployed. It is applicable to all employees who are earning at a lower level. Workers are paid legitimate compensation in case of lay off or retrenchment.

State Insurance Scheme: The Employees State Insurance Act 1948 (ESI) works on contributory basis. This scheme operates with a established chain of hospitals to provide medical facilities. ESI schemes cover the following:

- Medical assistance,
- Sickness / extended sickness,
- Maternity expenses ,
- Disability cover,
- Dependent benefits (to widows or children in case of death of worker)

Pension / Family Pension: Employees Family Pension Scheme 1971 has provided this great facility to all the retired people. Pension is the single largest source of income for retired employees. This scheme covers all Central and State government employees. Family pension is paid to the spouse of employees who die before superannuation.

Gratuity: As per the payment of Gratuity Act, 1972, on retirement an employee is paid gratuity at the rate of 15 days wages for every year of service and 7 days of wages per season for every season served by seasonal worker. The upper limit of gratuity is 20 months pay.

Medical Cover for Central Government Employees: According to the provisions in Central Government Health Scheme 1954 the medical facilities are provided to central government employees and members of their families.

Group Insurance / Individual Insurance: There are some organisations that cover their employees in group or individually under this scheme. Life Insurance Corporation of India and Nationalised Banks, mining companies, shipping corporations etc. cover their employees under this scheme.

Deposit Linked Insurance Scheme 1976: This scheme covers mine workers. Insurance compensation is paid to widows of deceased workers. In this scheme contribution is made by the central government, employer and employee. This is also called 'Insurance Fund'.

Flexible Benefits: Flexible benefits is the concept emerged after 1990s. Earlier to this period tailor made benefits were provided to workers. The idea behind these benefits is, each and every benefit should be suitable to everyone. The employees are allowed to select a number of benefits from a list given to them. This scheme is like buffet lunch or dinner. The person can pick up as per his convenience.

Cafeteria Compensation: This compensation is the example of flexible approach of the management. The employee has right to select compensation package. He can select any compensation package that is suitable to him.

In brief, the above motivational benefits appear as lavish and attractive but it has become need of the time. Gone are the days when workers were in need of wages to feed their big joint families. To take care of parents, three-four children they use to wait for their monthly income coming out of fixed salary or wages.

However, today many of them have only one or two children. Their parents are financially self sufficient. The husband and wife both earn to their level best. In such cases, monthly salary or wages cannot attract them. They want something additional to get motivated. The researcher found that new and innovative ideas are emerging at corporate level to encourage employees to work hard and give the best performance.

Intra-Mural Services: The facilities like washing allowance or facility, canteen, first-aid box etc. are termed as intra-mural services. They can be mentioned as:

Washing Facilities: In many organisations workers have to work with dust, dirt, chemicals, coal, oil etc. They need facility of bathing and washing. The following laws and legislations provide for the washing facilities:

- Coal Mines Act, 1952.
- Factory Act, 1948.
- Plantation Labour Act 1951.

Storage and Drying Clothes: Workers have to store their uniforms and clothes for which they need separate lockers. They also require the facility to dry the washed clothes. Factories Act, 1948, provided for such facilities to be provided by employers.

Seating Facilities: Factory Act 1948, has provided that the workers are to be provided with seating facility those who continuously stand and work.

First Aid Box: Injury at the work place is the common problem faced by all organisations. To provide immediate medical aid before reaching the hospital First Aid Box necessary. Provision of well-equipped First Aid Box is made mandatory for all factories. The legal provisions regarding the provision of First Aid Box is necessary under the following Acts:

- Contract Labour (Regulation and Abolition) Act.
- Factory Act, 1948.
- Coal Mines Act, 1952.

Shelters, Rest Rooms and Lunch Rooms: Workers working on open space require shelters during the summer and rainy seasons. Similarly, after lunch or as a rest pause they need rest rooms. They cannot take lunch on open space

with dust and unhygienic conditions. These all are the facilities provided on humanitarian ground.

Following Acts have made it compulsory to provide the above facilities:

- Contract Labour (R & A), Act.
- Contract Labour (R & A), Act.
- Contract Labour (R & A), Act.
- Factory Act, 1948.
- Coal Mines Act, 1952.

The Canteen: Lunch rooms are provided for those who bring tiffin-box at their own. But those who have not brought any such food have every right to make it available on humanitarian ground. In the British Rule the Royal Commission recommended for Canteen facility in their report in 1931.

Following Acts have made it compulsory to provide canteen facility:

- Factory Act, 1948.
- Motor Transport Workers Act, 1961.
- Coal Mines Act, 1952.
- Plantation Labour Act 1951.
- Contract Labour (R & A) Act.

Crèches: The female employees always have tension about their children and their due care when they are at work. In most of the organisations mother and child comes to the work place together.

Crèche and school facility with food, medicines, play zone, rest rooms etc. are provided with a great care for the children. This all motivates female employees to work more.

Following Acts provide for crèche facility:

- Factory Act, 1948.
- Mines Crèche Rule 1966.
- Plantation Labour Act, 1951.
- Contract Labour (R & A) Central Rule, 1971.

Welfare Officer: In the British Rule Royal Commission was appointed to study and explain about the position of workers in India. In 1931 the commission provided its report. To take due care of employees the appointment of welfare officers were suggested by the commission.

Following Acts have made it necessary to appoint welfare officer:

- Factory Act, 1948,
- Plantation Labour Act, 1951,
- Coal Mines Act, 1952.

The idea behind the intra-mural services is very clear. It aims that the employees have to work with zeal and enthusiasm for the achievement of organisational objectives. The other facilities provided in this category are sports centers and recreation clubs, bank and post office, credit co-operative societies, fair price shops, cinema hall and theatres, swimming pool and health clubs and so on.

Voluntary Retirement Scheme:

Introduction: After 1991 the era of globalisation and liberalisation emerged. After that the idea of voluntary retirement came on the horizon Indian industrial sector. It is not new for Indians. Voluntary Retirement Scheme popularly known as VRS is the option given to employees to quit the job at their own will before reaching the age of superannuation. It has link with civil services since British rule in India. After Independence all the state governments in India have provided for voluntary retirement schemes in their services.

In multinationals and large Indian organisations under the terminology of 'Golden Shake-hand' employees are given extra financial incentives and financial benefits who opt for voluntary retirement.

Meaning of Voluntary Retirement:

The Oxford dictionary has defined the word "Retire" as 'cease from office or give up the office or profession or employment'. 'Voluntary' means without compulsion. It is out of own willingness. Thus, 'Voluntary Retirement' means 'willingly to give up the employment'. The employee takes this decision as per his own will and wish. He need not disclose the reason for his decision.

Voluntary Retirement is the mutual and lawful consent between employer and employee by which the employee has to give up the employment. Therefore, it is within the limits of labour laws. No any law can restrict such contracts. Similarly, for the implementation voluntary retirement schemes no consent is

required from labour unions. However, the total idea of voluntarily retirement is governed by Section 4 & Section 5 of the Indian Contract Act of 1872.

The employer has to study the 'pros' and 'cons' of the voluntary retirement to be given to his employees. If satisfied with all the aftereffects of such a scheme a notice is circulated by the employer amongst the employees regarding the proposed voluntary retirement scheme. This notice informs in detail to the employees about such a scheme. With proper clarification about the scheme on true and fair terms the employees are offered reasonable benefits by the employers. The employees are given option to opt for the same.

The employer makes an offer and the employee accepts the same if completely satisfied with the provisions of the offer. Then it becomes a valid contract enforceable by law. It should be agreeable to both the parties. If it is not so it is termed as 'Compulsory Retirement Scheme' (CRS) which is not permissible by law.

On prima-facie the scheme of voluntary retirement sounds as the plan against labour force. It appears as the idea developed out of capital intensive techniques. But it is a well accepted scheme by Government of India. The Union Cabinet has prepared such a scheme for public sector employees who have completed 40 years age or above or who have completed 10 years of continuous service.

The regular retirement benefits include Provident Fund, Gratuity and Leave encashment facilities etc. But the voluntary retirement scheme includes severance notice pay and 45 days salary subject to certain conditions. The Government of India has offered certain tax concessions on payment received on voluntary retirement schemes. But such scheme must be approved by the concerned Income Tax Authorities.

Nature and Scope of VRS:

In this era of globalisation and liberalisation, the survival of a business depends upon not only quality consciousness but also competitive strength, cost-effectiveness and working efficiency of the employees. To maintain cost-effectiveness the labour costs should be minimum with maximum labour productivity. It does not mean, labourers are to be paid less but their productivity should be above their level of pay packages.

This has made Voluntary Retirement as an essential characteristic feature of Indian industries. An industrial unit must apply the policy of maximum utilisation of available resources. The concept of 'optimum' in economics indicates 'maximum benefit at minimum cost'. Therefore, in the process of optimisation of human resources the concept of Voluntary retirement always plays a pivotal role.

The voluntary retirement scheme is a multi dimensional term. It directly and indirectly affects employers, employees and the trade unions. Though all these three parties have their own vested interest in the scheme of voluntary

retirement. It can be implemented smoothly by considering all the probable pros and cons. However, in many cases it has become a sensitive issue due to many financial, psychological and political reasons.

The law has exhaustively considered all the aspects of voluntary retirement schemes. Chapter VB of the Industrial Disputes Act, 1947 has special provisions relating to lay off, retrenchment of workers, closure of industrial unit and so on. It has laid down procedure for any sort of retrenchment of workers.

For lay-off or retrenchment of workers prior permission of specified authority is required after giving at least 90 days notice of the intended closure. For political reasons or for some hidden objectives of employers such permissions cannot be secured. These provisions are made completely in support of employees. They have a complete humanitarian and democratic approach. To implement the said ideology successfully, financially well-off employees are offered with voluntary retirement to reduce the excess manpower with the organisation.

History of Voluntary Retirement Scheme:

The concept of 'Voluntary Retirement Scheme' has its origin in Europe. Since the use of mechanisation and computerisation the automation has made the existing manpower excess. To shed out the liability of payroll such retirement schemes emerged in Europe. The same was brought in India by Foreign banks and MNCs.

The initial voluntary retirement scheme was brought in India by Indian Railways. The Railway Authorities of India announced V.R.S. in 1977. O.N.G.C. was so influenced by the said idea that they had permanent VRS for their employees. It was an ongoing activity at O.N.G.C. Similarly, Bharat Gold Mines Ltd. introduced it in 1981.

Amongst private organisations City Bank introduced voluntary retirement scheme in 1977. It got tremendous response. Therefore, it was repeated in 1981 and 1993 by City bank. Similarly, British Standard Chartered Bank introduced the same scheme in 1994. It was but natural in those days to get success for the same and it was repeated in 1996 and in 1999.

Similarly, Batliboi & Co. Ltd. introduced V.R.S in 1987 and reintroduced the same in 1988, 1990 and in 1991. The similar schemes were then followed by Cadbury India Ltd., Premier Automobiles Ltd., Carona Ltd., Godrej Soaps Ltd. and many other organisations brought it into effect in 1992.

Sandoz Ltd. implemented its new V.R.S. in 1994. Bayer, Crompton Greaves Ltd. and Indian Standard Metals, Mahindra & Mahindra Ltd., Tata Group of Companies and Johnson & Johnson Ltd. repeatedly had such schemes. .

In India the word "Voluntary Retirement" received legislative recognition in 1953. The definition of retrenchment was included in the Industrial Disputes Act, 1947 by inserting section 2 (00) in the Central Act. The said section 2

(00) explains that retrenchment does not include Voluntary Retirement of the workmen.

Role of Voluntary Retirement and the parties involved:

The Voluntary Retirement Scheme directly and indirectly affects the employers, employees, trade unions, the society at large, business environment, economic environment and the government. The scheme though positively taken by many of the above components it has major effect on:

1. Employer: Introduction of voluntary scheme can reduce the cost of labour. It can also reduce the cost per unit. It is required in the present competitive market. The measures like automation and mechanisation can be adopted by the employer. The permanent labourers can be replaced by contractual labourers.

2. Employee: The employees receive lumpsum amount out of the VRS. If they invest it or deposit the same in to the bank, they can earn some income.

3. Trade Union: The implementation of voluntary retirement scheme reduces the strength of trade unions. Those employees remain after VRS scheme are either needy or sincere in their work. They have better work culture. All this reduces the fear from management and the need for support from management gets reduced.

4. Society: The direct effect of VRS is idle labour force and lack of employment to people at large. Most of the retired people after VRS depend upon interest on what they have saved. They do not try for other employment opportunities or self-employment. All this restructures the economy. However, simultaneously, youngsters get chance to grab the new job opportunities.

5. Government: The implementation VRS solves the problem of unemployment of young generation. They get job opportunities on the place made vacant by people who have taken VRS. Govt. also gets income tax on large scale from workers opting VRS.

EXIT POLICY / VOLUNTARY RETIREMENT SCHEMES:

In 1990s Govt. of India adopted the 'open door policy' under liberalisation and globalisation. It was necessary for the Government of India to adopt flexible Economic Policy to cope up with the era of liberal terms of trade. It was necessary to implement 'Export promotion and Import substitution'. Therefore, under new Economic Policy, Govt. of India relaxed restrictions on foreign trade. This resulted into a number of changes in industrial and business sectors.

The intense international competition and need to reduce the cost of production demanded more work with less pay or rather optimum utilisation of all resources including human resources. Those who were unable to manage with the new working conditions, pay structure, hours of work were unwanted

burden to the organisation. As a final result of it, the Exit Policy came into existence.

After globalisation and liberalisation the foreign collaborations, joint ventures, mergers, takeovers and the use of innovative methods and technology upgradation was introduced in India. As a result, industrial and business organisations started operating economically. The labour-intensive techniques were replaced by capital-intensive techniques by which considerable number of employees became surplus.

The problem of surplus labour force was taken into account by government authorities and EXIT policy came into existence. The government permitted Indian business and industrial organisations to reduce their excess workforce.

However, the procedure under Industrial Disputes Act 1947 for the retrenchment demands a lot of legal hurdles and procedures. By giving permission to the EXIT policy the Government was unable to violate its own rules and laws.

Therefore, to authorise the scheme of voluntary retirement of employees, suitable voluntary retirement benefits and some tax relief measures on such payments to employees who are eligible to retire voluntarily under the guidelines issued by the Government and Income Tax authorities were introduced.

At the same time, Five Year Plans encouraged public sector undertakings to meet the increased demands of industrial goods and other basic industries. This growth of public sector undertakings created employment opportunities on large scale. These undertakings were run according to the provisions in labour laws. The government, thus, got a solution to the problem of surplus staff created by voluntary retirement both in public and private sectors. This was justified as the society at large was not affected.

Effects or Consequences of Excess Manpower:

1. Technological upgradation is a need of time. The same cannot be introduced out of fear of excess manpower.
2. The trade unions take the advantage of the problem of excess manpower and make the workers fight against management.
3. Excess manpower increases the cost of production. Thus, it adversely affects the competitive ability of an enterprise.
4. The excess manpower results into high labour costs, resultant high production cost and finally burden on end users i.e. consumers.
5. The excess manpower creates disguised unemployment. As the workers develop feeling of their non-utility their morale goes down which reduces efficiency and productivity.

6. The labour force is under tension that they can be removed from job anytime, therefore, they attempt for anti-management activities.

The Reasons / Causes Responsible for VRS:

- Innovation which removes old and outdated staff.
- Introduction of new product.
- Business re-engineering process.
- Product obsolescence.
- Technology obsolescence.
- Change in technical know-how.
- Takeovers and mergers which needs excess manpower to be removed.
- Cut-throat competition due to which cost-cutting becomes essential.
- Joint-ventures and foreign collaborations due to which excess employees are removed.
- Industrial and general economic recession.
- Reorganisation of business.

Conditions for VRS:

The organisation that wishes to introduce VRS has to consider following conditions:

1. Whether there is surplus manpower?
2. Who wants to introduce the VRS?
3. Why the organisation wants to go for VRS?
4. How the company will manage after VRS?

5. Whether the terms and conditions offered as VRS are valid as per the prevailing laws?

Framing of Voluntary Retirement Scheme:

In a haphazard manner voluntary retirement schemes cannot be designed or implemented. It is necessary to consider the labour-management relations, the trade unions, the financial position of the employers i.e. capacity to give the compensation.

The VRS was a known terminology to Indians. But on 24th July 1991 the Government of India announced the New Economic Policy and the popularity of these schemes increased. In this New Industrial Policy the government introduced the amendments in the Income Tax Act, u/s 10 (10c) Rule 2 BA. According to these amendments the amount of compensation will not be taxed to employees. It is applicable to employees working in private and public sector enterprises.

The same law was amended on 1st November, 1994. Initially, the VRS was required to be approved by Income Tax authorities. However, w. e. f. 1st April 2000 there is no such restrictions are levied. An additional benefit was given to employees interested in VRS. Accordingly, from 20.06.2002 the VRS compensation is exempted from tax. But this facility is offered to those who have completed 10 years of continuous service or who have 40 years of age.

Central Board of Direct Taxes (CBDT) has a notification by which the Government of India amended the Rule 2BA. According to this change the VRS compensation would be exempted from tax from April 1, 2002.

Validity of Acceptance of VRS:

1. If an employee applies for VRS, he will officially retire only when the application is accepted by the organisation and such communication is received by the employee.
2. Once the application for VRS is accepted by the management it cannot be withdrawn by the employee.
3. The casual worker who has rendered service for long duration are eligible for VRS.
4. It is allowed to an employee to withdraw an application before it becomes effective.
5. If the pay revision is made backdated, the employee opting for VRS is eligible for such backdated financial benefits.
6. If for any reason an employee wants to withdraw the application once made for VRS, he has to produce valid reason for the same.

7. The application for VRS cannot be accepted and processed till disciplinary or legal actions are pending against an employee.

8. Once an employee opts for VRS and receives compensation, he cannot be re-appointed in the same organisation.

9. After the declaration of VRS the aims and objectives of the company or terms and conditions of service in the benefit of organisation can be introduced by the employer.

Reorganisation to Voluntary Retirement Scheme:

The introduction of Voluntary Retirement Scheme is a complicated process. It reduces manpower. It affects the entire line organisation. It is necessary to study psychology of the employees. VRS includes the general cost reduction, maximum utilisation of manpower and the exact application of cost-benefit ratio. Therefore, before the introduction of VRS following factors are to be taken into account:

1. The scheme of voluntary retirement is to be announced by displaying a notice on notice board so all the employees will come to know about the same. The said notice is to be kept on notice board for a period of at least two to three months or even more if it is required.

2. The entire scheme should be voluntary in nature. There should not be any compulsion to anyone.

3. The organisation reserves the right to accept or reject the application for VRS.

4. Only permanent employees are eligible to apply for the scheme of VRS.

5. The application for the VRS, acceptance of it, resignation of the job and all the formalities are to be made in writing. No verbal promises or acceptances are considered as valid.

6. The scheme may have differential benefits to different people as per the age and the number of years of service.

7. The VRS conditions should be fixed and confirm. It is to be clarified to employees. No clause in the same is negotiable.

8. If the applicant for the VRS wants to withdraw from the scheme, it is to be reversed before he actually leaves the post or designation.

The compensation to be paid in VRS:

The employees who apply for the VRS should be clear about the legal dues to be received by them. The following are such dues:

1. Provident fund as per the prevailing conditions.
2. Gratuity as per the law.
3. Earned wages.

4. Statutory bonus.
5. Leave Salary.
6. Pension (if applicable).
7. LTA.
8. Any other benefit according to VRS scheme.

Compensation paid under Voluntary Retirement Scheme:

There are legal dues to be paid to an employees opting for VRS. However, as the employee is quitting the job before the age of superannuation is the factor remains under discussion. According to future service yet to be completed some amount is paid as compensation. Of course this amount depends upon the management policy and decisions. The amount also depends upon the service already completed and yet to be completed as well as the position held by the employee in the organisation as well as the financial position of the organisation.

The employee opting for VRS can take decision about the mode of payment and its installments. The employee can get the money in two or four installments. He can request for lumpsum payment also. The option of monthly payment is also available.

Voluntary Retirement Scheme and Tax Laws:

The exit from job is a very difficult decision to digest. Those who happily accept it are to be careful about their decision. The life span to be completed, unforeseen expenses, education of children, old age provisions, medical

expenses, marriage of children etc. are many provisions one has to consider before opting for VRS.

At the time of VRS an individual receives a considerable amount. But the amount is received only once. It has to be utilised and invested properly by the people. Previously, the amount paid as such compensation was taxable under the Income Tax Act of 1961.

But now many tax exemptions and concessions are available. It is the moral duty of an employer to educate the employee opting for VRS. The following are such important exemptions:

1. The payment of gratuity is exempted from income tax.
2. Statutory retrenchment compensation is tax free.
3. The leave salary is considered for tax relief under this scheme.
4. Under Section 10 (10 c) of the Income Tax Act of 1961 the compensation received to the employee from public sector undertakings employee is completely exempted.

Important guidelines by Department of Income Tax regarding Voluntary Retirement Scheme:

The Department of Income Tax has given guidelines regarding the compensation to be paid to employees opting for Voluntary Retirement Scheme. These guidelines are:

1. The voluntary retirement scheme should not be restricted to a particular section or group of employees. It should be open at all levels in an organisation. .

2. The organisation offering voluntary retirement scheme should be at 10 years old.

3. The employee opting for voluntary retirement cannot be re-employed in same organisation or its subsidiary.

4. The employee opting VRS should be at least 40 year old or more in age. He should have worked for 10 years or more in the same organisation.

5. After the implementation voluntary retirement scheme the strength of employees cannot be increased.

6. The compensation is calculated as:

- The past service of the retiring employee shall be @ one and a half month wages (Basis + D.A.) per year of service

+

- one month wages (Basis + D.A.) for the future service left with a company.

7. The investment in tax savings schemes will be exempted in tax such as :

- National Saving Certificates,
- Jeevan Akshay policy of LIC,

- ,Jeevna Dhara policy of LIC,
- Mutual fund schemes as suggested under tax laws.

Of course, as per the policy of the organisation, Income Tax provisions changing per year revise such exemptions.

Important aspects in VRS:

Industrial Disputes Act, 1947 has laid down restrictions on retrenchment or closures of the business organisations. All this is done for the betterment of workers at large. The trade unions also strongly oppose reduction of workforce. At the same time it is necessary to reduce labour force out of compulsion or a need of time.

For the implementation of the EXIT Policy and to reduce excess labour force the Government has amended the Labour Laws. The amended version of Labour law was suitable to reduce the workforce. However, the trade unions had strong opposition to the amendments of labour laws. This opposition from trade unions and political interference could not allow the Government to amend the Industrial Disputes Act, 1947.

To resolve the above problem on permanent basis a golden mean was taken out i.e., Voluntary Retirement Scheme. This new concept was well accepted by the trade unions. The word 'Voluntary' was much appealing to them. Technically it has voluntary give up of the job. In addition, it also had provision of extra financial benefits to those who opt for the same. Thus, the scheme

became golden mean for the concerned parties like employers, employees and trade unions.

It was made applicable to the employees of the age of 40 years or above. The condition was the person should have worked in the same company for minimum of 10 years. The real essence lies in the financial benefits given to the workers for quitting the job.

Procedure for the Voluntary Retirement Scheme:

Prior to the announcement of Voluntary Retirement Scheme the employer has to circulate a notice offering the scheme. The notice must contain the following details:

- The reasons for reduction of labour force.
- The income tax benefit under such schemes.
- The date to apply for VRS.
- The benefits offered to the employees who wish to apply for VRS.
- Who are eligible to apply for voluntary retirement?
- The age limit i.e. minimum age required for VRS.
- The minimum number of years of service completed by employees.
- The right to accept or reject any application for voluntary retirement reserved by the employer.
- Those who apply for VRS are not eligible to apply again to the same organization for the purpose of job.

Steps involved in Voluntary Retirement Scheme:

The voluntary retirement scheme cannot be implemented in a haphazard manner. It is concerned with the life of employees. Their dependents may have to suffer due to wrong implementation of the same. The procedure laid down in the scheme can be explained as:

1. Prior to introduction of the scheme of VRS, the employer has to obtain approval from the government authorities.
2. The employees to whom the VRS is to be given are to be identified.
3. The scheme and the concern employees and the benefits to be offered to them etc. are the points to be discussed with the trade union.
4. The decision is taken about the period for which the scheme is to be kept open is finalised by taking into confidence the employees and trade union leaders.
5. Managers are motivated to encourage workers to take the scheme in right spirit.
6. Counselling of employees for their rehabilitation i.e., how the retiring employee is to manage with the funds in future.

7. At this stage the applications are received for VRS, they are scrutinised and decisions are taken regarding acceptance or rejection of application forms.

8. Once the scheme is finalised with the number of employees opting for VRS, the retiring employees are provided with papers showing the benefits to be received by them such as provident fund, gratuity, earned leave compensation etc. as well as the tax benefits to be given to the employees.

Merits of Voluntary Retirement Scheme:

1. VRS helps in reducing the labour cost. Thus, the total cost of production can be minimised. Such downsizing increases the scope for increased sales and profits.

2. The concerned parties like employees, employer, trade union leaders and government authorities resolve all difference of opinions before implementing VRS. Thus, one common, unique and all-pervasive scheme can be implemented.

3. There is no legal hurdle in implementing VRS as it is approved by the government of India. The same can be used as a tool for retrenchment of workers.

4. Under the scheme of retrenchment the workers have to accept what is given to them. However, the VRS gives better compensation to workers.

5. The VRS scheme is completely flexible. Therefore, VRS scheme can be applied only to those divisions and departments where there is excess manpower.

Demerits of Voluntary Retirement Scheme:

1. Sometimes, employers have to repeat the VRS scheme due to poor response to it. .

2. It is difficult to accept the applications of VRS given by efficient employees as the scheme is not meant for them.

3. The cost of compensation paid under VRS becomes huge in many cases. It adversely affects profitability of the organisation.

4. Trade unions generally oppose the VRS schemes as such schemes reduce their popularity and cause harm to their strength and unity.

5. In many cases VRS creates a sense of fear, uncertainty and lack of confidence among the employees.

Thus, there are positive as well negative opinions about VRS. In some of the organisations the scheme had tremendous response as the schemes were made very attractive. However, in many organisations after VRS need is experienced for the additional manpower. Accordingly, new staff members are appointed. This scenario is exactly opposite to the basic idea of VRS.

The Challenges in Implementing VRS:

1. The framework of VRS should match with the strategic objectives of the organisation. If any contradiction arises, it becomes lack of proper administration and planning on the part of the company.

2. It is a very difficult task to motivate employees who are not interested in VRS. They develop fear and tension regarding their future in the company.

3. It is necessary to maintain complete transparency in the plan of VRS.

4. It is necessary to make the scheme of VRS clear and without any ambiguity. It is necessary to make the employees to take their own decisions without fear and confusion.

5. Due care is to be taken that no pressure tactics to be used to trim the work force.

6. The basic reasons and need to implement VRS should be discussed with employees, trade union members and members of the top management.

7. It is be necessary to plan the work schedule with the remaining employees after the VRS.

8. It is necessary that all the concerned employees and managers participate in the decision making to remove the excess workforce.

9. It is difficult to forecast the social, political, economic, psychological implications of VRS.

10. The employees should be provided with professional help and guidance in planning their post retirement financial management and search for any other job or profession.

11. To encourage employees who have taken VRS to undertake outsourced contracts to utilise their skill and expertise.

In brief, VRS is not easy managerial function to implement for the management. It is equally difficult for trade union leaders to support the same. At the same time, it is a lifetime decision for the employees. Therefore, it always remains a challenging job though a large number of researchers have worked on it.

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CHAPTER NO. 3.

EXPERIMENTS IN VRS

a) Experiments based on Published Information:

The Implications of Voluntary Retirement Scheme:

The concept of VRS was accepted by government of India in the Economic Planning itself. But the Indian business houses misutilised the same for their own benefits. Most vulnerable effects of VRS were experienced on the arrival period of 'open door policy'.

The period between 1984-85 to 94-95 witnessed a large number of political changes like assassination of two Prime Ministers i.e., Indira Gandhi and Rajeev Gandhi, the change in power, rule by different prime ministers and finance ministers, Gulf war and its effects on Indian economy and so on.

During that period it was necessary for Indian government to accept liberalisation and globalisation. It was necessary to use sophisticated foreign technology and to reduce excessive work force. Thus, VRS though not suitable for Indian psychology it was welcomed by Indians.

There were many drawbacks in the Indian industries like outdated machinery, high cost of production, low quality of materials used, lower productivity, constant labour unrest, heavy government taxation, poor purchasing power of people and so on. Constant strikes and all the above mentioned problems

made Indian industries difficult to survive. A large number of business units were units sick for years together.

On the same background in the policy of 1984 partial modernisation, upgradation, decontrol, deregulation and delicensing was introduced by the government of India.

Almost all industrial organisations were eager to reduce the cost of production. In the process of cost reduction use of modern machineries was necessary. These capital-intensive modern machines were the root cause of downsizing the workforce.

However, Indian laws are protective to the work force. Permission was not given for retrenchment, lay off or closure of the firms. Therefore, Voluntary Retirement is the new technique or the 'Golden Hand Shake' found to reduce the work force.

Analysis of the Voluntary Retirement Scheme at International Level:

The concept of 'Voluntary Retirement' originated in Tokyo, Japan. It was initially tried in the automobile industry. The success of the scheme was noticed by European and American businessmen. The Western Countries like USA, UK, Germany, France and others followed the same.

In USA and some parts of Europe the concept of contractual jobs is very common. The managers have tendency to 'Hire and Fire' workers. The labour laws in those countries are not much rigid and protective to the work force.

In USA, IBM which is a big business organisation terminated thousands of employees just in few days by giving the reason of rising overhead costs.

China, India, Brazil and Russia are the potential markets due to huge population. European and Japanese products have great demand for their products in these nations. Many European companies have gone for reducing excessive labour force as they want to really cut down the overhead costs to make their products popular in the above mentioned markets.

European and Japanese organisations also faced the problem of opposition from trade unions. They found it difficult to retrench excessive labour force. The industrial unrest and social problems created by the same were also not acceptable to government. VRS was a boon to them. In VRS there was no compulsion to anyone to leave the job. The scheme was as per the democratic views. Workers losing the jobs with their own will and wish were able to gain financially. Therefore, VRS became popular in advance countries.

All over the world thus, VRS became a common phenomenon. In Europe and USA social security measures taken by government are very strong. Old age pensions and medical facilities are given to people on large scale. The level of

absolute poverty is almost equal to zero. Therefore, the scheme was well accepted by the work force.

The attack on twin towers on 11th September 2001 had many ill effects on international economy. The economy of USA collapsed and resultantly India had deep rooted adverse effects. The growth rate at the international level came down.

This happened as US economy governs most of the financial trends in the world. At the international level the economy of US lost its trustworthiness. As a result the immigrants to USA reduced.

The airline industry in U.S.A. got badly affected due to this event. Many dependent industries on the airline industry also had heavy losses. Rather it was the planned move of terrorists. A big VRS rather CRS happened in US airline sector. About 85,000 workers lost their jobs within few days in India.

British Airways also had the same problem of rising overhead cost. It asked 39,000 staff members to accept pay cuts. Lufthansa airlines also followed the policy of US airlines. Swiss airlines declared the bankruptcy and adopted retrenchment on large scale.

In general, in last one decade industrial production of many MNCs in U.K., U.S.A., Canada, France, Germany and Japan has declined. The countries like Pakistan, Afghanistan, Philippines, Iran, Iraq and Russia had many social and

political problems inside the country itself. These social issues have damaged their economic freedom. This also has demanded for reduction in labour force.

Table: Voluntary Retirement Schemes Implemented at International Level.

Sr.No.	Unit	Years of VRS	Total VRS Granted
1.	Sandoz	1994	415
2.	Whirlpool	2002	1,305
3.	Philips India	1997	1,750
4.	Standard Chartered	1994, 1996, 1999	2,522
5.	Balsara	1997	15
6.	Siemens	1997, 1998	1,650
7.	Otis	1997	350
8.	Park & Davis	1997	300
9.	ANZ Grindlays	--	556

(Source- Seminar, Maratha Chamber of Commerce & Industries, Pune)

The above table shows about the volume of VRS in different sectors. The production in China and India is increasing. But at the same time population has become a problem in the way to their progress.

The problem of sub-prime which has taken place in the year 2007-08 has badly affected the growth of US economy. The Indian economy also had bad patch during the same time. In India on 26th November 2008 terrorist attack took place. It was also an hurdle which could slow down flow of foreign capital to India.

In US as well as in entire North and South America the local people are now against of migrated people from other nations. This happens as the local people are now treated as excess work force and they have to face the problem of VRS at the cost of others.

In the year 2006 Cathay Pacific airlines from Hong Kong introduced VRS for its employees. The same problem is experienced by Kingfisher airlines and Sahara airlines in India. In Australia a big cheese producing company named Spencer has downsized its workforce out of mechanisation.

Scope of Voluntary Retirement Scheme in India:

In India the volume of consumers is the largest next to China. In order to tap the market many big players are dumping their products in Indian markets. It has created a big competition to Indian organisations.

To survive in this competitive market all the Indian organisations are also eager for cost effectiveness. They are introducing automatic machineries removing the surplus staff. As studied in earlier pages, as the government cannot directly give permission for the lay-off, closure and retrenchment, the

golden mean is achieved through implementation of 'Voluntary Retirement Scheme'.

The voluntary retirement scheme is not only popular in private sector but also in Public Sector. In some of the cases the MNCs are interested in takeovers and purchase of business. Sometimes, these MNCs opt for joint ventures and collaborations. Once they get control over Indian businesses as per their own technique they like to remove the excess staff.

In many of the cases of the voluntary retirement scheme the deals are finalised without consultation with the unions. Some organisations shift their workplaces from old to new one. The old unit is closed down by which the workers have to accept VRS. The new units are started in backward areas so as to secure the tax benefits.

In many Indian banks due to computerisation and e-banking the need for employees has reduced. The use of ATM cards, debit and credit cards, on line banking, SMS banking the need for human beings has reduced. This new wave in banking also has boosted voluntary retirement schemes in India

Voluntary Retirement Schemes after 1991:

It was a tough time for government of India to overcome the problems created by Balance of Payments. It was just on paper to have policy of 'Export Promotion & Import Substitution'. Indian import was exorbitant whereas exports were negligible. The demand for various products was increasing. At

the same time domestic supply was unable to match it. This created hyper inflation in Indian economy. Low productivity was another crisis.

To overcome this difficulty the government of India sold 20 tones of gold and tried to brought liquidity in the market. It was not sufficient therefore, pledged about 27 tones gold in Bank of England. This all devalued the rupee value. The finance minister wanted to regain the fiscal discipline. He announced certain schemes like making import duty more realistic, devaluing the Indians rupee, delicensing, removal of MRTP and FERA.

All such measures brought Indian economy much closer to the international economy. Therefore, liberalisation of financial markets was made. On the same line encouragement was given to mutual funds. The public limited companies were allowed to collect the premium on shares.

The changes made in Industrial policy were noticeable. It had direct impact on markets in India. The Article 15, 16 and 17 of the New Industrial Policy of 1991 were directly related to the labour policy. The following are the provisions in this policy regarding workforce in general:

1. The government organisations were following provisions given in Industrial Policy Resolution, 1956. But after the introduction of New Industrial Policy of 1991 the new provisions were made applicable to all government, semi-government and private sector organisations.

2. Government of India adopted intensive training to industrial workers. Efforts were taken for their skill development. Government also launched many upgradation programmes.

3. Workers' participation in the management was promoted on large scale.

4. At the national level workers' co-operative societies were encouraged.

5. Government promised to protect the interests of the labour force.

6. The government of India has accepted that labour is equal partner in the prosperity of nation.

The New Industrial Policy of 1991 removed all controls on industrial development. Thus, industries became competitive in nature. But the new policy had no direction on handling sick units. For the rehabilitation of such sick units Reserve Bank of India introduced 'National Renewal Fund' with initial contribution of Rs. 200 crores. At the same time article 16 of the policy mentioned that if an employee refuses to undergo training for the improvement, he can be legally retrenched.

Prior to 1991 industrial sickness was a big problem. A large number of industrial units were applying to the Board for Industrial and Financial Reconstruction (BIFR) for declaring VRS. In 1987 the number of such sick units was 311, in 1997 the same came down to 97.

However, in 1996 the same type of sick units applying to BIFR was 233 and in 1997 the same increased to 320. These were mostly textiles and metallurgical companies. The reason behind this problem was unlimited dumping of goods from South- East Asian countries. These countries had problem of rupee devaluation.

However, if we analyse the trend of work force opting for VRS, in 1992-93 after the effect of New Economic Policy of 1991 was reduced in 1994-95 as the industrial development achieved its own equilibrium.

Table: Trends of the workers opted for VRS

Year	No of workers opted for VRS
1992-93	38,626
1994-95	31,617

(**Source:** Annual Report 2002-03, Ministry of Labour, Govt. of India, New Delhi)

The above table is self-explanatory. It shows the popularity of VRS but at little declining trend.

It is very important to note that the element of VRS not only got its impact on private sector but it also became popular in public sector units.

Voluntary Retirement Schemes in Organisations of Private Sector:

In private sector many companies announced VRS after 1991 on repetitive basis. Some of the examples of private companies that opted for VRS are as follows:

Crompton Greaves: In Crompton Greaves VRS was announced for around four times. Initially, it was introduced in 1993. Then it was repeated in 1998, 2003, 2005. Finally, the Kanjurmarg fans division was shifted to Goa.

Camlin Ltd.: In Camlin Ltd. VRS was implemented in 1995, 1999, 2003 and 2007. The Andheri plant was shifted to Talaja as the land yielded huge amount at Andheri.

TATA Wires: The plant at Borivli had VRS for about three times in 1993, 1997, 2001 and in 2004 it was on large scale.

Gharda Chemicals: The plant at Dombivli and Lote Parshuram had VRS simultaneously. It was announced in the year 1996, 1999 and 2002. The workers were given good amount of compensation but the trade union and management could not settle certain issues.

Siemens: In Siemens 1,300 workers were given VRS in 1991. However, the trade union was against VRS and due to their opposition in 1998 only 250 workers could be given golden shake hand.

Bank of America: In 1988 VRS was announced by this bank. Employees were given three months salary for each year of completed years of service and one months salary for each year left. The compensation was quite huge. This scheme made VRS popular amongst employees in other sectors.

Sandoz Ltd.: In 1994 nearly 50% workforce from Kolshet, Thane unit to bring efficiency in business.

Standard Chartered Bank: VRS was given by this bank in 1994, 1996 and in 1999. The reduction took place due to use of internet in banking by its management. The compensation was three months pay for every year of service left up to normal retirement. It was definitely attractive.

Hindustan Lever: In 1998 at Sewree plant VRS was offered but it was not much successful as compensation offered was very low as what trade union mentioned.

Blue Star: It announced VRS for many times. In 1998 to removed around 25% of the employees. It was successful due to better compensation offered.

TISCO: In 1997-1998 TISCO had VRS by which it reduced its employees. The total work force was reduced from 77,448 in 1993-1994 to 64,753 in 1997-1998. TISCO reduced around 55,000 employees till the year 2001.

Citi Bank: In 1976 Citi bank announced VRS, the concept of VRS was not known to anyone. That time it was first time introduced in India. It was repeated in 1986, 1993 and 1999. The bank was interested in trimming 10% of the Indian staff.

Apollo Tyres: In 1998 at its Kerala plant it reduced 200 workers. The idea was to introduce sophisticated machinery by replacing work force.

SKF: In 1998 the company had target to reduce one fourth of the work force. It was more or less successful.

Maruti Udyog Ltd.: Due to stiff competition and falling sales in 2001 by offering 90 days salary for each completed years of service or for remaining years VRS was announced.

The above cases have given fairly good idea about the implementation of VRS. Therefore, it is proved that this terminology to reduce workforce is highly successful.

Table: The VRS Implemented in Private Sector in India.

S.No.	Organisation	Years	VRS Granted	Total VRS
1.	Appolo Tyres	1996,1998	100 & 220	320
2.	GKW	1998	450	450
3.	GEC	1998	1,800 & 400	2,200
4.	TISCO	1993, 1998	78,000 & 12,695	90,695
5.	Binny Mills	1998	4,000	4,000
6.	ACC	1996, 1999	5,000	5,000
7.	Dunlop Tyres	1998	3,000	3,000
8.	Premier Automobiles	1980	3,000	3,000
9.	Ind-Auto, Fiat Premier	1998	1,320	1,320
10.	Shri Ram Mills	N.A.	1,400	1,400
11.	Guest Keen Williams	1988	900+250	1,150
12.	Bharat BIJLEE	N.A.	247	247
13.	Blue Star	N.A.	500	500
14.	Crompton Greaves	N.A.	218	218
15.	Atlas Copco	N.A.	400	400
16.	Mahindra & Mahindra	N.A.	740	740
17.	PAL	N.A.	2,700	2,700
18.	RHONE POULENC	N.A.	400	400
19.	Ciba Geigy	1993	907	907

(**Source-** Seminar at Maratha Chamber of Commerce)

The above table shows an idea about technological upgradation and automation measures are now have become necessary part of the industries in order to have quality production at low cost of production for facing international competition.

Voluntary Retirement Scheme in Public Sector Undertakings:

Public sector undertakings are also not free from the impact of VRS. In order to avoid huge salaries and wages as per fifth pay commission, public sector undertakings introduced VRS.

e.g., The Steel Authority of India Limited (SAIL), Coal India and Hindustan Copper Ltd. (HCL) etc. and many such organisations have announced VRS. The Coal India Ltd. had target to reduce 35,000 workers. HCL wanted to introduce VRS due to uneconomic and time-consuming mining process.

Many of the PSUs were in a position to declare VRS on the issue of rising cost, intense competition, disguised unemployment and uneconomic size of the organisation.

Table: The Public Sector Enterprises in which employees granted VRS since 1991.

S. No.	Units	No. of persons			No. of persons employed	% of VRS granted
		1990-1991	1991-1992	1992-1993		
1.	SAIL	190608	189193	188352	16928	8.90
2.	DTC	40684	40193	39478	3799	9.34
3.	MMC	3836	3648	3246	715	18.64
4.	FCI	68502	67788	66631	18	0.03
5.	MFI	2685	2584	2543	75	2.86
6.	EIL	3373	3426	3541	54	1.60
7.	NTC (TN)	11990	12015	11702	2137	17.82
8.	HI	2748	2722	2722	117	4.25
9.	HMT	28508	27771	27015	1588	5.57
10.	MFL	1473	1566	1579	89	6.04
11.	BCPL	1668	1467	1369	311	18.65
12.	ECIL	7892	7874	7653	192	2.43
13.	MECON	3817	3794	3748	37	0.10
14.	CIL	672866	761550	663349	13328	1.98
15.	NFDC	282	277	248	40	14.18
16.	BPT	30185	29903	26614	1481	4.91
17.	EID PARRY	NA	2828	2957	1112	*39.32
18.	PHILIPS	NA	7884	7675	@	--

19.	IOL#	NA	NA	2134	1156	*54.17
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(Source: Annual Reports of Organisations)

The VRS given by PSUs can be studied in following case examples:

Mazgaon Docks: The VRS scheme introduced in mazgaon docks in 1993 was highly successful. It continued in further three stages in the form of department wise workforce reduction.

Steel Authority of India Ltd. (SAIL):

In 1993 SAIL reduced 17,000 employees. Prior to that 1980 to 1990 VRS was given to 10,000 employees. It was their plan to reduce maximum workforce having problem of skill and expertise.

Bharat Heavy Electricals Limited (BHEL):

A totally new experience regarding VRS was exhibited by BHEL. The expected or rather target number of workers for VRS was 5,000 but the scheme got overwhelming response and in reality 8,000 employees applied for VRS. Therefore, the total scheme was closed within two months.

Indian Airlines: Stiff competition and high cost of operation was the main reasons due to which Indian Airlines in 1996 and 1998 by VRS reduced around 23,000 workers. .

Since 1991 till 2010 more than 10 lakh bank employees were given VRS. The simple criterion was that, the candidate should have completed 15 years of age and must be 40 years of age or more. The terms of compensation were 60 days salary for each completed years of service or number of years left, whichever is less. In that flow around 32 banks offered VRS to their employees.

Bank of India, Bank of Maharashtra, Punjab National Bank and Syndicate Bank had tremendous response to the scheme. The scheme was open up to the year 2000. State Bank of India received applications on such a large scale that, the scheme was terminated in between. It was necessary to reject many applications.

The VRS became a matter of fascination during 1995-2002. The industry minister declared VRS on 10th Dec. 1998 for Weigh Bird India Ltd., Mining & Allied Machinery Corporation, National Industries Ltd., Cycle Corporation of India, Bharat Ophthalmic Glass Ltd., National Bicycle Corporation of India, Tannery & Foot Wear Corporation of India Ltd. The total number of employees in this scheme were more than 15,000. A special fund of Rs. 517 crores for the purpose of VRS was set aside..

These schemes were opposed by trade unions. But after understanding the need and time based importance they supported the same. The State Corporation of West Bengal also introduced VRS. The Government of

Maharashtra decided in the year 2000 to give VRS to 20 lakh employees. The idea was to reduce pay bill by Rs. 18,000 crores annually.

The attractive package of compensation for the retiring employees and attractive pay scales to the continuing employees was the point on which trade unions supported VRS in public sector enterprises. However, it is the complaint made by many workers in various PSUs that, they were initially convinced and then pressurised to apply for the VRS.

The basic problem behind VRS was, the skilled and experienced employees were opting for the same. Those who are unskilled or who are less confident always try for continuation of the job which results into less productivity and less quality in work. The skilled people get the high positions in other organisations and also earn financial benefits from the compensation received from the company from where VRS is taken.

A number of surveys took place regarding VRS. The Cholamandalam Distribution Services Ltd. conducted a survey in 2001. The result was about 39% of the total employees opting for VRS were between the age of 40- 50.

The Reserve Bank of India had developed National Renewal Fund (NRF) contributing initially Rs. 200 crores after the introduction of New Industrial Policy of 1991. The Government of India spent Rs.700 crores in 1992-93 for VRS. It was assured by government to spend for the same cause in each year.

The amounts spent by some of the organisations for VRS are mind blowing. e.g., Mahindra & Mahindra Rs. 21 crores, Crompton Greaves Rs, 18 crores, Grasim Industries Rs.11 crores, Otis Elevators Rs. 12 crores, Telco (now called TATA Motors) Rs.17 crores, Philips India Rs. 36 crores, Bajaj Auto Rs. 80 crores, TATA Steel Rs.202 crores, SBI Rs.853 crores, Bank of India, Rs.330 crores etc.

The Government of India took a lot of efforts to help the VRS in PSUs. For that the National Renewal Fund was set up on 3rd February 1992 with Rs. 200 crores. The fund was raised up to Rs.1, 020 crores in 1993-94 and Rs.2, 000 crores in 1994-95, Rs.240 crores in 1996-97 and Rs. 300 crores in 1997-1998.

Between 1st April 1992 to 29th Feb. 1996 a large number of PSUs introduced VRS by spending Rs.1,430 crores. The official data published on 31st March 1998, shows that 1,09,421 workers in PSUs were given VRS. The total payment was made Rs.2, 01,984 crores. The bumper success in PSUs introduced VRS in telecom sector, in defence services, petroleum department, and fertilisers industries and so on.

For the creation of employment opportunities assistance centers were opened in 1993-94 in Mumbai, Calcutta, Kanpur, Ahmedabad and Indore. The same were extended to 49 locations in 16 states to help the retired workers. The help was given in the form of alternate jobs or self-employment. Till February 1996, 13,000 workers were helped through counselling. Out of the remaining

7,300 workers about 930 workers were redeployed. The basic idea behind raising the fund was to use it for training, counseling and alternative employment opportunities.

The basic intention behind NRF was, it is to be used for revival of industrial units. However, it was used for closing the units in 1998. The expectation was to do upgradation of technology and downsizing of workforce. The Government of India suggested to profit making units to introduce VRS schemes without government help in financial terms.

It was only for to reduce the surplus manpower. But in many organisations fear was expressed by managers that they will not get skilled and experienced employees once their cream workforce is given VRS.

Table: Public Sector Units

Sr. No,	Organisation	Year	VRS Employees
1.	Indian Airlines	1996, 1998	22,000
2.	Nationalised Banks	1991-2001	99,000
3.	BOC	1989, 1998	6,825
4.	Hindustan Lever	1989	558

(**Source**-1. Seminar, Maratha Chamber of Commerce and 2. International Relations in India Shifting Paradigms by Ratna Sen.)

The above table reveals that the VRS was a successful venture in all the times since 1991 till the end of the decade.

We have studied in above paragraphs how VRS was a successful venture for Indian public and private organisations. It is necessary to study both the sides i.e., employers and employees. They have their own opinions behind the scheme of VRS.

Why organisations introduce VRS? / Reasons for VRS from the side of Organisations:

1. High wages / salaries and other incentives.
2. Inefficiency and inability of workers.
3. Inability of the management to accept and adjust the change.
4. Restrictive work practices in the organisation.
5. Introduction of modern machinery unsuitable for the existing workforce.
6. Low productivity of workforce.
7. Decision of outsourcing.
8. Discontinuation of the existing product.
9. Worker's unwillingness to acquire modern skill & knowledge due to mental block.
10. Resistance expressed by trade unions for the change.
12. High cost of land and maintaining the land and building.
13. Amalgamations, take overs, mergers, acquisitions and absorptions.

Why employees accept VRS? / Reasons for VRS from the side of Employees:

The employees always think about VRS from different angles. It is a boon and curse both for them. Following are the reasons behind the acceptance of VRS from the side of employees:

1. Health issues (the most logical and valid reason for VRS).
2. Need to concentrate on domestic issues (reason given by female employees).
3. Possibility of getting another job.
4. Willingness to concentrate on the another side business
5. Fear of loss of job due to winding up of the existing business organisation.
6. Inability to acquire new knowledge and skills.
7. Opportunity of start own or join in new business venture
8. Feeling that not to work further.
9. Wants money for marriage, health issues or education of children etc.
10. Pressure to opt for VRS from friends unions or management

In short, now employees also have started taking VRS as an opportunity to start something new with a very sound financial background. Earlier they use to get afraid of VRS but they welcome such schemes.

b) Experiments based on Research Studies:

The researcher during his research work had direct discussions, debates, interviews, meetings with a number of employees who opted for VRS. There were two different views expressed by the respondents. Some of the opinions were positive whereas the others were negative.

The respondents who were benefited due to VRS:

1. Shri. Sanjay Singh: Mr. Sanjay who came to Mumbai from Jaunpur district of Uttar Pradesh joined as a unskilled worker in Mahindra & Mahindra Ltd. He worked hard due to family responsibility and basic nature of sincerity. After confirmation he brought his parents and younger brother to Mumbai. He suggested his brother to start garage at Kandivali, a suburb in Mumbai. Those were the days of 1980s when it was possible to get premises at lower rent. Due to shift duties Mr. Sanjay was able to help his brother in his business. A point came in business when the business got expanded. It was a dream of both the brothers to start their own service station. It was necessary to raise finance to have premises and required instruments. Mr. Sanjay took the advantage of VRS scheme and in 1998 got VRS. The advantages of VRS he got such as: time he could devote now for his business, lumpsum money he got for his business and the technical experience as well as the goodwill of ex-employee of such a reputed company has helped him to establish his business. Thus, VRS announced by Mahindra & Mahindra was boon to him.

2. Mr. Rajesh Sawant: Mr. Rajesh Sawant an employee from Kankavli, Kokan was staying in a chawl at Bhandup. He was working as a worker in

Camlin Ltd. J.B. Nagar, Andheri in art material division. When the VRS was announced, he applied for the same and immediately after retirement started his stationery shop as well as applied for an agency of stationery and art materials of Camlin Ltd. He was helped by the managers in Camlin Ltd. in the work of agency management. Mr. Sawant is also involved in mango wholesaling business. During summer by truck he brings mango boxes to Bhandup from his native place and directly supplies to retail merchants. Thus, VRS has developed an enterprising person as a full-fledged businessman.

3. Mr. Manohar Naidu: Mr. Naidu was working as an employee in Voltas Ltd. He is staying in Dombivli. He had part time business of sound system to be provided on rental basis. When VRS was announced in Voltas Ltd. he applied immediately. The amount received was invested by him in monthly income schemes. Some portion of the compensation he used as capital for his business. Now he has a big business of event management. Chairs, tables, utensils, sound services, curtains, gas burners, stage decoration material etc. he provides on rent. He has become now a well established businessman.

4. Mr. Omkar Malekar: Mr. Omkar Malekar has done hotel management from a reputed institute. He was working in Premier Ltd. Kurla plant. When the plant was closed down he was shifted by the company to Dombivli plant. The same plant was also closed down and Mr. Omkar was jobless. But the knowledge of hotel management he used in a positive manner. He found two colleagues from the same company Mr. Gupta and Mr. Krishnan who were also managing canteen of Premier Ltd. Mr. Omkar is a Maharashtrian, Mr.

Gupta is a person from Uttar Pradesh whereas Mr. Krishnan is from Palghat the border of Kerala and Tamil Nadu. These three friends from the background of three different states used their language base and started tapping customers accordingly. The result is their business named 'Chaturang Caterers' has established its name and fame in Kalyan and Dombivli area.

5. Mr. Sandeep Prasade: After 22 years of service as an electrical engineer in Crompton Greaves Ltd. he took the advantage of VRS in the year 2001. He started his own agency of Crompton Greaves Ltd., under the name of 'S.S. Systems'. Now he is well established in various electrical contracts, CC T.V. camera installations and maintenance, supply and maintenance of invertors etc.

6. Mrs. Sapna Shah: Mrs. Shah was working in Bank of India. At the age of 41 when she completed 19 years of job, she opted for VRS in Dec., 2000. She was a brilliant student of Accountancy in her College days. Immediately after her retirement she invested the compensation in a proper manner and started group tuitions of Accountancy. She has now well known coaching classes in Mulund.

7. Dr. Shalaka Abhyankar: Mrs. Abhyankar was working in Gharda Chemicals Ltd., Dombivli, M.I.D.C. When she got VRS from the company without much thinking she joined Lupin Labs as she is M. Sc. in Chemistry and Doctorate too. She got directly job in research department. She never felt that VRS has adversely affected her career or family.

The respondents who were not-benefited due to VRS:

1. Mr. Sakharam Panchal: Mr. Panchal took VRS from Siemens Ltd. as he was under impression that his three sons will help him in his future. However, his elder son convinced him to start a business of tours and travels. The maximum amount what he got as compensation was invested in business. But due to lack of experience in business the entire venture went to loss. Mr. Panchal was dependent on his sons. But the elder son is now working as an electrician, the second is driving auto rikshaw and the younger one is doing job of estate agent. After utter failure Mr. Panchal has sold his flat and by investing the amount in monthly savings scheme he is dependent on that. He now stays in a small rental house with his wife and younger son. His life was very comfortable as an employee of Siemens Ltd. which has become miserable after VRS.

2. Mr. Surendra Bidwai: Mr. Bidwai who belongs to Belgaum and working in Deepak Fertilizers Lts. took VRS and shifted to Belgaum. As he started pharmaceuticals shop for his daughter, the major amount was invested in business. After accidental death of his only daughter he gave the shop to another person on rent who was a pharmacy expert. After some time Mrs. Bidwai expired due to heart attack. The person to whom the shop was given cheated Mr. Bidwai in some transaction. The bank had decree on the shop. Mr. Bidwai lost everything and now he is staying alone in a charitable old age home at Badlapur, a suburb in Mumbai. It was a very sad story that the researcher heard from the respondent.

3. Mr. Anant Joshi: The saddest experience the researcher heard from this respondent. Mr. Joshi took VRS in 1991 from Mazgaon Docks. He was very confident rather over confident about his knowledge about shares and securities. After his retirement he got sub-brokership. He invested his entire funds in shares and got tremendous money when due to Harshad Mehta's scam the initial days were lucrative. He took loan by mortgaging his residential flat and invested money in stocks. The market sensex came down after Harshad Mehta got arrested. Mr. Joshi lost his entire funds, in addition to which he had loans. His all personal assets were ceased by the bank. Now he is working as a watchman in a co-operative society as he had some mental problems. His wife died after his insolvency due to unbearable mental pressure. He has no issues. A bank employee is now working as a watchman in a housing society in Thane.

The researcher feels that those who utilised the amount of compensation with due care and caution were very happy after VRS. Those whose spouse was working in a better position were comfortable. Those who had bright and career oriented children were supported by them in all the times. Thus, VRS is a very difficult decision to take. It is individual oriented. It cannot be taken in isolation. It changes from person to person. It requires proper planning and consultation with a number of concerned people.

Chapter No.4.

RESEARCH METHODOLOGY

The process of research includes all the data collection, in terms of facts, opinions, views, guidelines and policies which are necessary to make decisions. The data is collected from various sources directly and indirectly is utilised for the purpose of research conclusions. It is necessary for the researcher to have clear idea about his research work. For this clarity the objectives of research must be clearly defined and explained.

a) Objectives of Research:

The following objectives were formulated for the purpose of study:

1. To examine the past and existing pattern of non-salary motivational incentives.
2. To find out the relationship between non-salary motivational incentives and its effects on industrial harmony and peace.
3. To anticipate the future trends of non- financial motivational incentives.
4. To find out whether in future the term 'Non-Salary Incentives' will remain or not?
5. To find out whether all the categories of workers deserve the non-salary motivational incentives?

b] Statement of Hypothesis is developed for testing:

The hypothesis is the statement that the researcher would like to test and comes to conclusion accordingly. The following are the assumptions that will be investigated:

1. Non-salary benefits have raised undue expectations of the workers.
2. Frustration and dissatisfaction on the part of employees in the era of VRS leads to industrial unrest.
3. Workers have started taking VRS in the right spirit.

d] Methodology used in Research:

For testing the above hypothesis case study approach has been used in these companies selected for the empirical study. To collect reliable, relevant and dependable information for the study three different categories of the structured questionnaires are prepared.

1. One is for the workers and;
2. the others are for the managers or officers and;
3. the representatives of the management and the union leaders.

After testing the questions for validity detailed interviews will be conducted in these companies.

e) Data Collection:

The researcher has visited a large number of industrial units in Mumbai metro and suburban area for the pilot study. He came to know that the VRS has deep rooted impact on Indian economy. The Indian working class people have their own priorities in life. They look at VRS as an opportunity to get money but on the other hand they have of losing the job.

Questionnaire method was used to take interviews of workers, trade union leaders and management staff. Interviews were conducted to study the impact of VRS in pre and post VRS era.

Besides the interviews published and websites as well as seminars and research papers published by various scholars in national and international seminars were taken into account. The entire process was tedious and time consuming.

The questionnaires were given to statistical experts for the analysis.

f) Limitations to the Study: The study has certain limitations. These limitations can be:

1. The impact of motivational incentives has its own limitations as motivation changes from person to person.

2. In the present days migratory nature of employees restrict the role of such incentives.

3. In future VRS will not have its role as the outsourcing and contractual work will become a common phenomena.

Chapter No.5.

Data Analysis, Research Findings & Recommendations

a) Theoretical Presentation:

In India before the arrival of British Rule, Rajas and Maharajas used to rule the society. When there was any economic crisis it was the responsibility of King to look into the matter. 'Alutedars' and 'Balutedars' were the backbone of economy. There was barter exchange in most of the cases.

In Europe after Industrial Revolution of 1760, factory system came into existence. After the arrival of Britishers to India the same was continued. People got source of regular income. Villagers started moving towards towns. Towns became cities. The essence was industrial sector makes available

Agriculture and Industry are the two wheels of Indian economy. For the economic progress the country industries have to prosper. To reduce economic inequalities and to have a balanced regional economic development, the Government of India provided many direct and indirect measures to business houses. The various fiscal concessions and exemptions in excise duty, octroi, income tax, sales tax, electricity bills, water charges etc. are given to the small scale industries. These concessions are also given to industries in backward areas.

'Export promotion and import substitution' is the main objective of business policy of India. This principle was made applicable by way of imposing the

import restrictions in the form of tariff and non tariff barriers. Therefore, since independence the domestic market was somehow protected from foreign competition.

But this protection policy got challenged after 1980 when the concept of globalisation and liberalisation came into existence. The New Industrial Policy of 1991 of Liberalisation, Globalisation and Privatisation gave a direct challenge as the 'open door policy' was introduced. Presently, Indian companies are facing the competition from MNCs.

MNCs Working Arithmetic: The cost of production, selling price charged in the market, quality and the profitability are the main parameters of success and growth of business. These MNCs are financially self-sufficient, they have ample money for working capital. They use latest technology with an efficient management. As a result, the cost of production of MNCs is comparatively low.

Whereas, due to old and outdated technology, inefficient management, financial crunch the Indian companies have increase in cost of production. Therefore, it was necessary for most of the Indian companies to adopt restructuring policy. This policy includes the restructuring of raw material cost, labour cost, cost of overheads and the cost of finance. The major intention of restructuring was to reduce the workforce by downsizing.

Sample Companies from Mumbai Metro & Suburban Area:

For the purpose of taking review of the Voluntary Retirement Scheme (VRS) implemented in the companies, the researcher has selected 23 companies from Mumbai Metro and Suburban area. Out of this, 13 companies are from Mumbai Metro and 10 companies are from suburban area.

While selecting the companies random sampling method was used. The criteria for selection of the companies for research work was to select those companies in which VRS scheme is implemented or there is a chance of its implementation due to possibility of surplus staff. These sample companies are shown in the following table.

Table: Sample companies from Mumbai Metro and Suburban Area.

Sr. No.	Name of the Company	Private / Public Ltd.
01.	Camlin Ltd.	Public Ltd.
02.	Voltas Ltd.	Public Ltd.
03.	Larsen & Tubro Ltd.	Public Ltd.
04.	Mahindra & Mahindra Ltd.	Public Ltd.
05.	Crompton Greaves Ltd.	Public Ltd.
06.	Tata Wires Ltd.	Public Ltd.
07.	Ceat Tyres Ltd.	Public Ltd.
08.	Johnson & Johnson Ltd.	Public Ltd.
09.	Tata Consultancy Services Ltd.	Public Ltd.
10.	Balkrishna Industries Ltd.	Public Ltd.
11.	Thomas Baker Ltd.	Public Ltd.
12.	VICCO Laboratories Ltd.	Public Ltd.
13.	Sukhada Foods Pvt. Ltd.	Private Ltd.
14.	Gharda Chemicals Ltd.	Public Ltd.
15.	Loha Ispat Ltd.	Public Ltd.
16.	Modern Gas Services Pvt. Ltd.	Private Ltd.
17.	Prathamesh Chemicals Pvt. Ltd.	Private Ltd.
18.	Khatri Dyeing Pvt. Ltd.	Private Ltd.
19.	Indo Amines Ltd.	Public Ltd.
20.	Meghdoot Chemicals Ltd.	Public Ltd.
21.	JSP Metal Works Pvt. Ltd.	Private Ltd.
22.	Shree Laxmi Textile Processors Pvt.	Private Ltd.

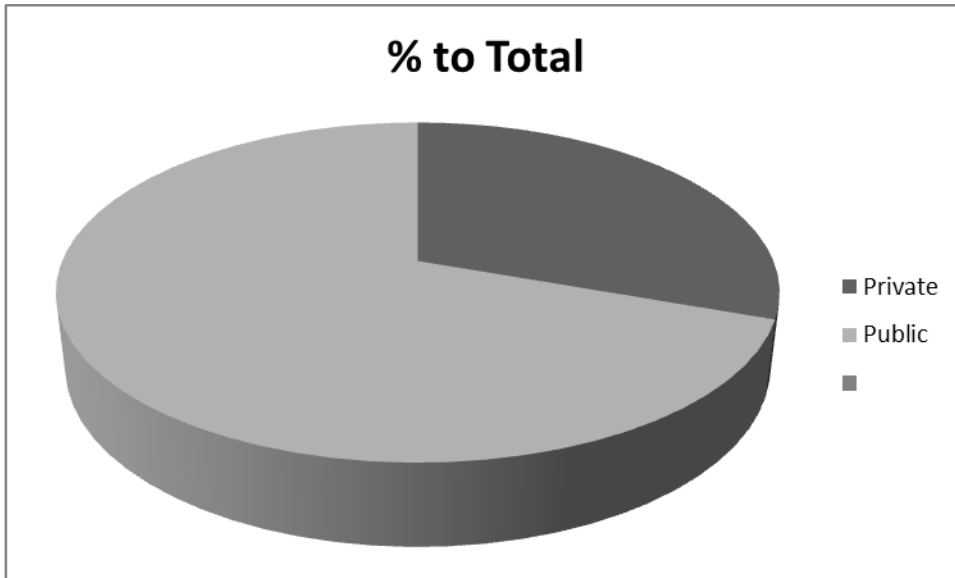
	Ltd.	
23.	Mitra Herbals Pvt. Ltd.	Private Ltd.

The above table shows that 13 companies (57%) are from Mumbai Metro area and 10 companies (43%) are from suburban area.

Status of Companies: The companies selected for the purpose of research are different in types and nature. Seven of them are Private Ltd. and the twenty-three are Public Ltd. The researcher has done in depth survey of companies before studying the implementation of VRS. This becomes very useful for comparative and balanced study between nature of companies and their VRS schemes. The information regarding nature of companies is presented in the following table.

Table: Distribution of companies according to status status of the organisation.

Sr. No.	Particulars	No. of Companies	% to Total
1.	Private	07	30.43%
2.	Public	16	69.57%
	Total	23	100%



From the above table, it is observed that out of 23 companies, 07 (30.43%) companies are Private Ltd. in status, whereas 16 (69.57%) are Public Ltd. companies.

Type of Companies:

The companies selected for the purpose of research can be classified as:

Manufacturing companies, Service provider companies or trading companies.

But there are no trading organisations.

Manufacturing organisations are defined as those organisations in which the raw material is converted into finished product.

Service organisations are defined as those which are providing services of various types.

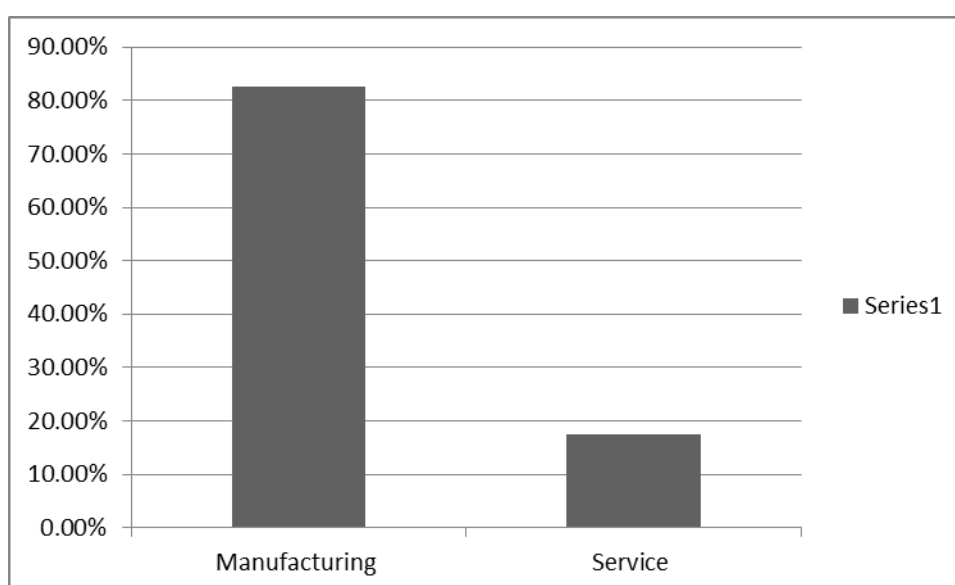
Trading organisations purchase finished goods from the wholesale agent and on commission basis sale them to customers.

For the purpose of studies processing is considered as a service. Therefore, two companies providing processing service are taken in the group of service companies.

The following table gives the classification of these different types of organisations.

Table: Classification of companies according to type of organization

Sr. No.	Particulars	No. of Companies	% to Total
1.	Manufacturing	19	82.60%
2.	Service	04	17.40%
	Total	23	100%



The above table shows that the companies involved in the manufacturing activities are 19 (82.60%) and a companies providing the services are 04 (17.40%).

General perception of workers at shop floor:

Sr. No.	Statements	Agree In%	Disagree In %	No Comment In %
1.	I love my company	48	31	21
2.	I get job satisfaction	40	54	06
3.	I have job security	60	33	07
4.	I trust in management of my company	30	18	52
5.	Workers work with team spirit in my company	45	16	39
6.	I get wages according to my merit	28	53	19
7.	The company gives recognition to the sincerity of workers	21	60	19
8.	Managers and workers have harmonious relations	31	47	22
9.	Workers and managers trust in each other	34	55	11
10.	The present financial position of our country is good.	66	21	13
11.	As on today industrial peace exists in the company	33	49	18

When the researcher asked the workers about their love and affection towards their company, only 48% of the respondents gave positive answer. 31% were negative on this issue. The balance 21% were reluctant to answer. This shows that, after providing maximum possible benefits if the workers give such negative answers, it develops doubt about their sincerity and integrity.

When it was asked about job satisfaction, 40% were positive, 54% were negative on this issue and 06% were not bothered about such things. It's a serious issue as if the workers are not getting job satisfaction, how they can work with sincerity and integrity?

When it was asked to them about job security, around 60% were ready to show trust and faith in their organisation. 33% were not assured about the job security. At the same time, 07% were not ready to speak. This negative opinion about the job security is a big failure of managements as workers were not ready to trust future of their own organisation.

When it was directly asked about their trust in management of their own company, around 30% were positive, 18% were negative and 52% were not bothered. This shows that the workers were not bothered about the labour-management relations. Either the managers are failing in maintaining relations or the workers are over confident or selfish by nature.

When the question was asked about team-spirit, 45% of the workers were positive to accept the element of team spirit. 16% were not ready to accept any type of team spirit. 39% were not bothered to answer properly.

When it was asked to the workers about the wages paid to them according to their merit, only 28% of the respondents were positive. 53% were not happy with their effort-reward or merit-reward relationship. 19% could not answer. This shows workers have become concerned about the actual efforts and benefits given to them.

When it was asked about recognition given to the workers for their sincerity, 21% of the respondents were positive, 60% were negative and 19% were reluctant. This observation shows that, they were not happy with the recognition given to them for their sincerity.

When the workers were asked about the element of harmony between workers and managers, 31% of the workers were ready to accept such relationship. 47% were not happy with harmony rather they had feeling of disharmony in their mind. 22% were not ready to consider this question at all.

When it was asked about the factor of trust between managers and workers, 34% of the workers were ready to accept the element of trust. 55% were against of any such trust and faith, 11% were not ready to give any opinion.

When to test the general awareness amongst the workers about economy to which they relate themselves, it was asked that, whether the present financial

position of the country is good? 66% of the respondents were positive and happy about the financial position of the nation. 21% were not of the opinion that the financial condition of our nation is not good. On this question also 13% could not express any opinion.

When workers were asked about industrial peace, 33% accepted that there is some element of industrial peace in modern industries. 49% were not ready to accept the element of such type of industrial peace. 18% were not ready to give opinion.

Facilities provided to Employees:

It is expected that the workers at work should be provided with certain facilities. These facilities include health, safety and welfare measures. Health and safety measures expect the work safety and more efficiency. Welfare measures are provided to make the workers happy and to make them concentrate on work.

The welfare facilities provided are :

1. Drinking Water
2. Latrines and Urinals
3. Spittoons
4. Subsidised Canteen
5. Safety measures
6. PF & ESI contribution
7. Free Transportation

8. Rent Free Accommodation

9. Free Education to Children

10. Crèches

The above facilities are the motivating factors. These factors increase the morale and efficiency of the workers. The workers with high morale and efficiency increase the productivity of the workforce.

The following table shows the facilities provided by the companies.

Table: Facilities provided by the companies to the employees.

Sr.	Company	Facilities provided to employees										To tal
		1	2	3	4	5	6	7	8	9	10	
1	Camlin Ltd.	1	1	1	1	1	1	0	0	1	0	07
2	Voltas Ltd.	1	1	1	1	1	1	1	0	1	1	09
3	Larsen & Tubro	1	1	1	1	1	1	1	0	1	1	09
4	Mahindra & Mahindra Ltd.	1	1	1	1	1	1	1	0	1	1	09
5	Crompton Greaves	1	1	1	1	1	1	1	0	1	0	08
6	Tata Wires	1	1	1	1	1	1	1	0	1	0	08
7	Ceat Tyres	1	1	1	1	1	1	1	0	1	0	08
8	Johnson & Johnson	1	1	1	1	1	1	1	0	1	0	08
9	Tata Consultancy Services	1	1	1	1	1	1	1	0	1	1	09
10	Balkrishna Industries Ltd.	1	1	1	1	1	1	0	0	0	0	06

11	Thomas Baker Ltd.	1	1	1	1	1	1	0	0	0	0	06
12	VICCO Laboratories	1	1	1	1	1	1	0	0	1	0	07
13	Sukhada Foods Pvt. Ltd.	1	1	1	1	1	1	0	0	0	0	06
14	Gharda Chemicals Ltd.	1	1	1	1	1	1	1	0	1	0	08
15	Loha Ispat Ltd.	1	1	0	0	1	1	1	0	0	0	05
16	Modern Gas Services Pvt. Ltd.	1	1	1	0	1	1	0	0	0	0	05
17	Prathamesh Chemicals Pvt. Ltd.	1	1	0	0	1	1	0	0	0	0	04
18	Khatri Dyeing Pvt. Ltd.	1	1	0	0	1	1	0	1	0	0	05
19	Indo Amines Ltd.	1	1	1	0	1	1	0	0	0	0	05
20	Meghdoot Chemicals Ltd.	1	1	1	1	1	1	0	0	1	0	07
21	JSP Metal Works Pvt. Ltd.	1	1	0	0	1	1	0	0	0	0	04
22	Shree Laxmi Textile Processors Pvt. Ltd.	1	1	0	0	1	1	0	0	0	0	04
23	Mitra Herbals Pvt. Ltd.	1	1	1	0	1	1	0	0	0	0	05
	TOTAL	23	23	18	15	23	23	10	00	12	04	

Note: Where Column No. indicates as:

1. Drinking Water
2. Latrines and Urinals
3. Spittoons

4. Subsidised Canteen
5. Safety measures
6. PF & ESI contribution
7. Free Transportation
8. Rent Free Accommodation
9. Free Education to Children
10. Crèches

If we go for the analysis of the above data available with us, we can find the details of benefits received by them.

All 23 (100%) companies selected as sample companies are providing drinking water, urinals, safety measures and the facilities like PF and ESI benefits.

Out of 23 companies, not a single company is providing all the above mentioned facilities. Only 04 companies provide 09 facilities, 05 companies provide 08 facilities and remaining companies provide 07 facilities to their employees. It shows that 19 companies have not provided many of the facilities to their employees.

From the above table, it indicates that drinking water, safety measures, latrines, urinals, transportation, P.F., E.S.I. and subsidised canteens et. are provided by more than 90% companies while accommodation is provided by 3 (15%) companies. It means that majority employees have made their own

dwelling arrangement, 04 companies are providing crèches means only 04 companies have more number of ladies staff and only 3 companies are aware of education of the children of the employees.

Status of Workforce:

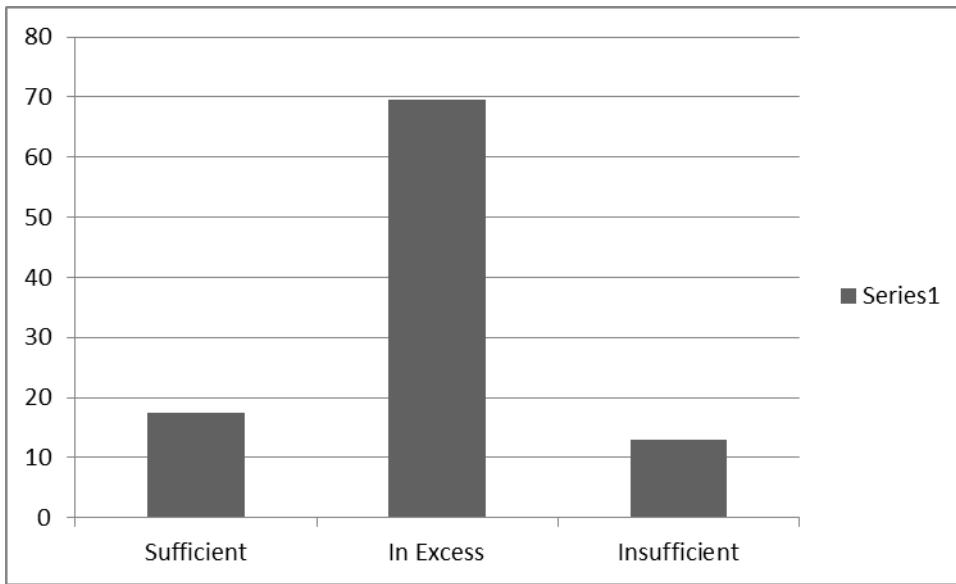
The employees were appointed by assuming labour-intensive techniques as they were performing their duties manually by using available machinery. However, after 1991 the new policy made foreign collaborations and joint ventures very convenient.

The most of the business organisations adopted capital-intensive techniques. As a result, labour force became excess. Sometimes, the labour force is sufficient but the existing staff is unsuitable to manage with the new technology. Therefore, their trimming is required.

The following table shows, that the status of the workers in sample companies is : i) sufficient, 2) in excess or 3) insufficient.

Table: Status of workforce in the companies.

Sr. No.	Particulars	No. of Companies	% to Total
1.	Sufficient	04	17.39
2.	In Excess	16	69.57
3.	Insufficient	03	13.04
	Total	23	100.00



The above table shows that only 04 (17.39%) companies have sufficient number of staff members, 16 (69.57%) companies have surplus staff and only 03 (13.04%) companies have shortage of staff.

In brief, at 69.57% of the companies have problem of excess staff and with the automation in near future the other 17.39% companies may also reduce the staff. The remaining 13.04% companies have insufficient workforce. It means there is a bright chance for further recruitment. But they may appoint workers either on contract or purely on temporary basis. However, organisations having inefficient staff are planning for VRS to replace the old staff with new skilled staff members.

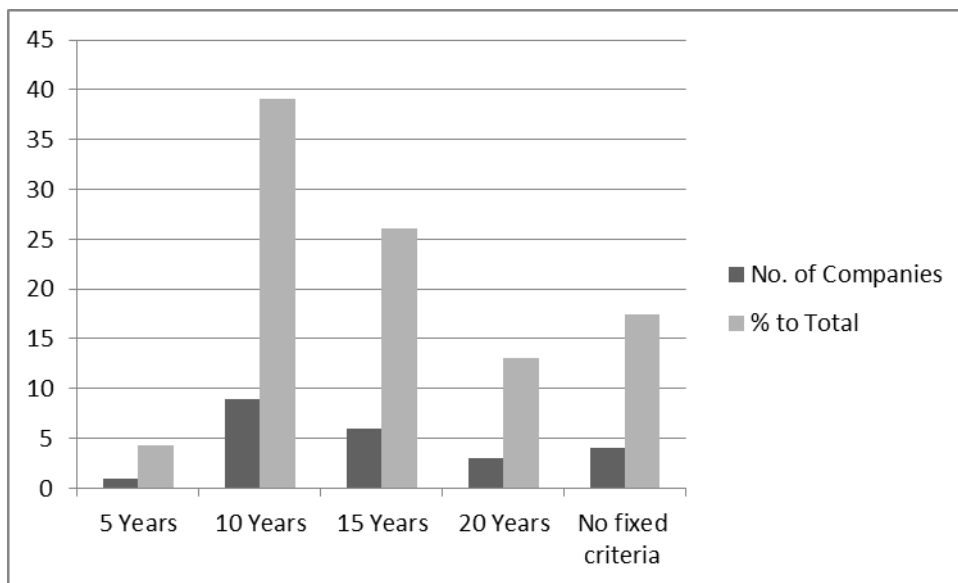
Minimum period of service for VRS:

The minimum period of service while opting for VRS should be 10 years or the age should be at least 40 years or above is the basic condition laid down by

government while allowing VRS. It is often said that to attract the employees to take VRS many companies announce many lucrative schemes. But the real aspirants of VRS are the senior workers having health problems, lack of interest in the work, continuous absenteeism, capacity to start own business, well to do family background, spouse in a very good position etc.

Table: Minimum period of service for VRS

Sr.No.	Particulars	No. of Companies	% to Total
1.	5 Years	01	04.35
2.	10 Years	09	39.14
3.	15 Years	06	26.08
4.	20 Years	03	13.04
5.	No fixed criteria	04	17.39
	Total	23	100



From the above information, it is clear that out of 23 sample companies only 01 company (04.35%) has allowed the employees with five years of service to take VRS. But they were not given the desired level of financial benefits. 09 (39.14%) companies have fulfilled the criteria to give VRS to workers who have worked for 10 or more number of years. 06 (26.08%) companies have kept the condition of 15 years of service and only 03(13.04%) companies have put the condition of 20 years of service. It is surprising that 04(17.39%) companies were not keen on the age bar but they were very much interested in downsizing at any cost.

VRS to the labour force:

VRS or downsizing means reducing the workforce. The available workforce becomes excess due to advance technology, increase in competition, lack of demand in market plans, to close permanently unprofitable department and so on.

The excessive workforce can be reduced by VRS, retrenchment, lay off, closure etc.

VRS means to discontinue the contract of service on mutual willingness.

Retrenchment means compulsory retirement also called CRS.

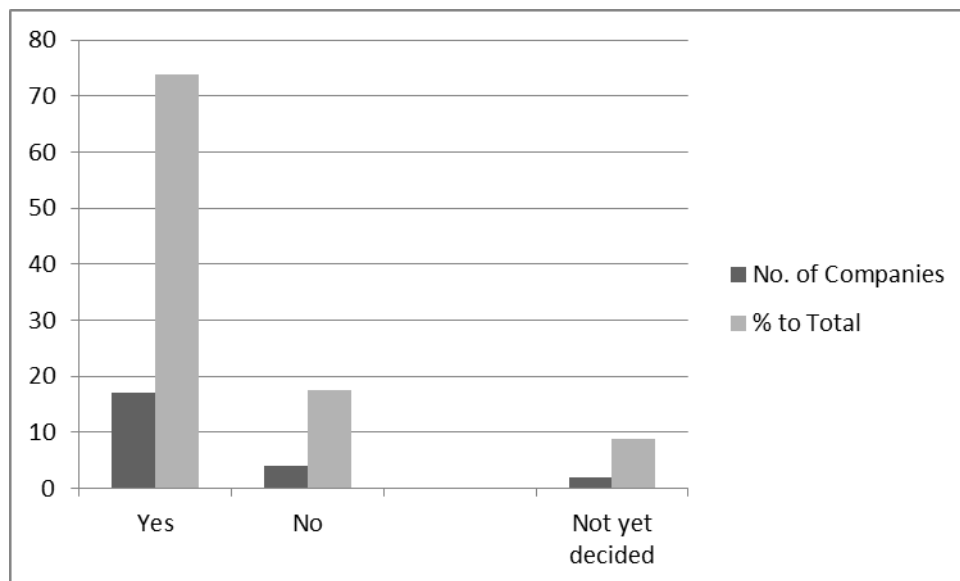
Lay off means workers are ready to work but due to shortage of raw material, motive power or market demand work cannot be given to them. The wages during the period are also reduced proportionately.

Closure means to close completely the entire organisation.

Following table indicates the measures taken by the companies for downsizing the workforce.

Table: Reduction of surplus labour force:

Sr. No.	VRS given / not?	No. of Companies	% to Total
1.	Yes	17	73.92
2	No	04	17.39
3	Not yet decided	02	8.69
	Total	23	100



The above table shows that 17 (73.92%) companies have given VRS to their workforce whereas 4 (17.39%) companies have no plans to reduce their workforce at all through VRS. They want to apply some other methods. Out of 17 companies who have decided to reduce the work force have decided to give VRS and not adopted the idea of closure or lay-off. Only in one company the entire plant was shifted to other state. Those who refused to shift were indirectly given VRS.

After detailed enquiry, it has been observed that, the competition from foreign products, adverse cost-benefit ratio and inability of existing staff to upgrade themselves is the major reason behind the VRS schemes implemented by various companies.

Reasons behind VRS:

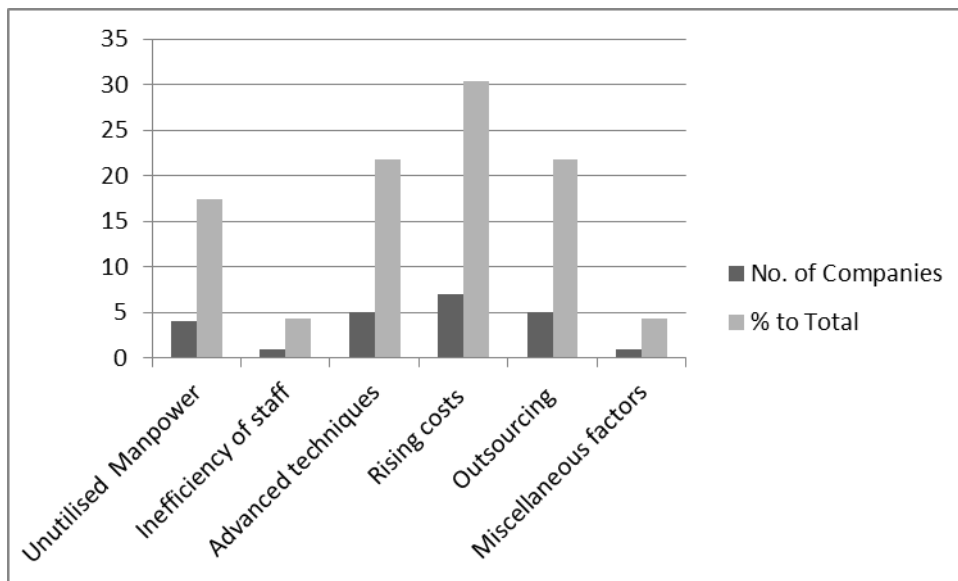
The reasons behind the implementation of VRS are varied in nature. These reasons cannot be concluded as a common cause behind the same. The reasons may be varied in nature, but for the purpose of research certain basic reasons are taken into account. The following are some of these reasons:

1. Unutilised manpower,
2. Inefficiency of staff,
3. Advanced techniques,
4. Rising costs,
5. Outsourcing,
6. Old age, health factors, absenteeism etc. called miscellaneous causes.

Information of causes of VRS is presented in Table.

Table: Main causes of VRS:

Sr.No.	Particulars	No. of Companies	% to Total
1.	Unutilised Manpower	04	17.39
2.	Inefficiency of staff	01	04.35
3.	Advanced techniques	05	21.74
4.	Rising costs	07	30.44
5.	Outsourcing	05	21.74
6.	Miscellaneous factors	01	04.34
	Total	23	100.00



The above table reveals that, out of the total sample companies 04 (17.39%) companies have given the reason of unutilised excess manpower and disguised unemployment created due to the same. Only 01 (04.34%) company blamed their staff members. 05 (21.74%) companies pointed that,

due to advanced techniques they have no other option than downsizing. 07 (30.44%) companies have given the reason of cost problem, 05 (21.74%) have outsourced many of their activities and offered the excessive manpower to opt for VRS. The reasons like health problems, absenteeism, age problems etc. were given by only 01(04.34%) company. Thus, the major workforce was downsized out of the reasons like outsourcing, unutilised manpower, rising costs etc.

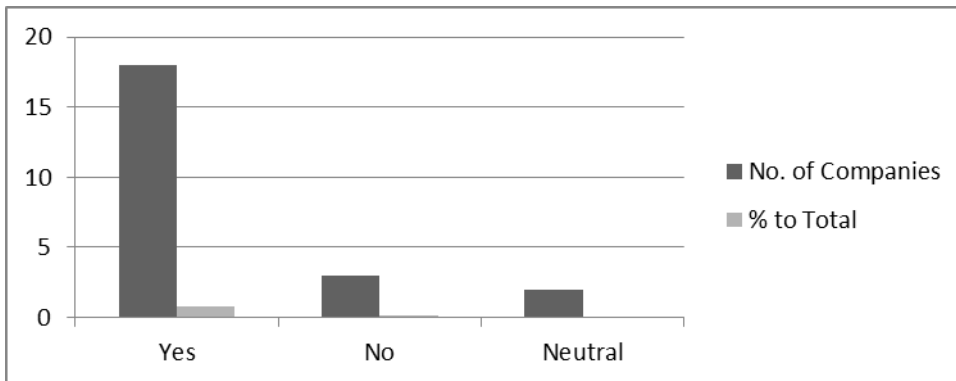
Organisations actually benefited out of VRS:

In most of the companies announcing VRS, various reasons are given which are related to either rising cost or modern capital-intensive techniques. These may be related to higher wages paid to senior workers who are now unable to work hard due to age and loss efficiency.

It is the better option for such organisations to downsize the excess workforce, to reduce the labour cost and to employ fresh young staff at lower wage scale. These young people can easily adjust with the modern techniques and they work according to the modern needs of the job.

Table: Companies benefited by VRS.

Sr.No.	Particulars	No. of Companies	% to Total
1.	Yes	18	78.26%
2.	No	03	13.05%
3.	Neutral (No VRS was announced and no chance in near future or could not conclude after VRS)	02	08.69%
	Total	23	100



The above table shows that, out of the total 23 companies, 18(78.26%) companies were benefited by VRS. Rather it was their own decision to introduce VRS for the reshuffling of their workforce. 03 (13.05%) companies were of the opinion that they have lost their best manpower and they are unable to replace the same. They are not yet benefited in short or long run from VRS. 02 (08.69%) companies were unable to express any opinion as they have not yet decided about VRS or they have not yet analysed any positive or negative side of the downsizing.

This part of analysis reveals that, 03 (13.05%) companies feel that the quality staff they have lost is right observation. The managers have to find out inefficient, disinterested people or suffering from ill-health are to be convinced initially for VRS. Afterwards those who have sound financial position, who have capacity to work as an individual entrepreneur or having family business, those who children are earning now are to given VRS.

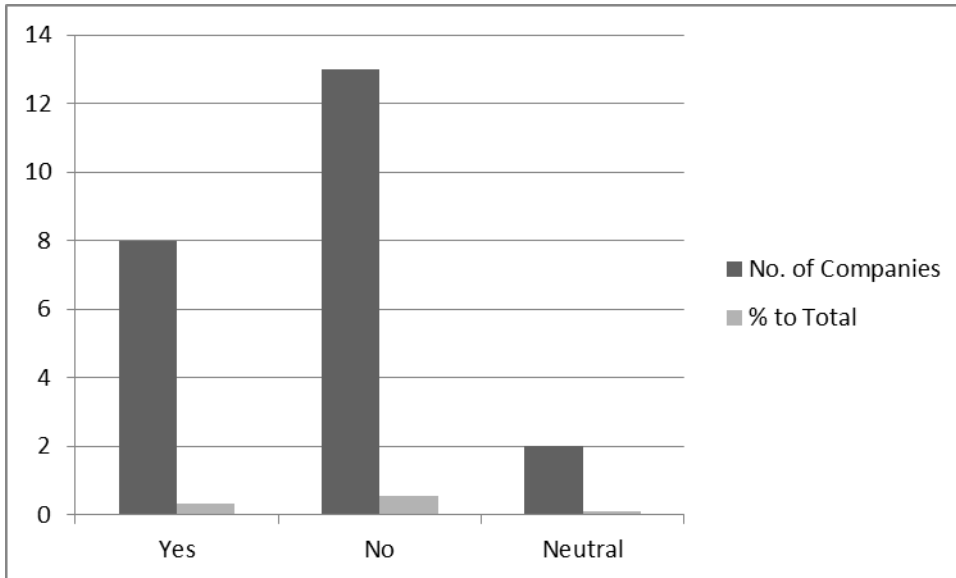
Replacement of VRS Employees:

Once the VRS is introduced, the existing employees become comfortable and relaxed. They give up targets and objectives. Once they are relieved from the job, their replacement becomes necessary. The organisation has to be prepared for the new arrangements. Some of the provisions can be mentioned as:

1. Outsourcing of the tedious work.
2. Automation to replace manpower.
3. Temporary arrangement through contract labourers.
4. Recruitment of workers who have taken VRS in other organisations

Table: Replacement of VRS Employees:

Sr.No.	Particulars	No. of Companies	% to Total
1.	Yes	08	34.78%
2.	No	13	56.53%
3.	Neutral	02	08.69%
	Total	23	100.00



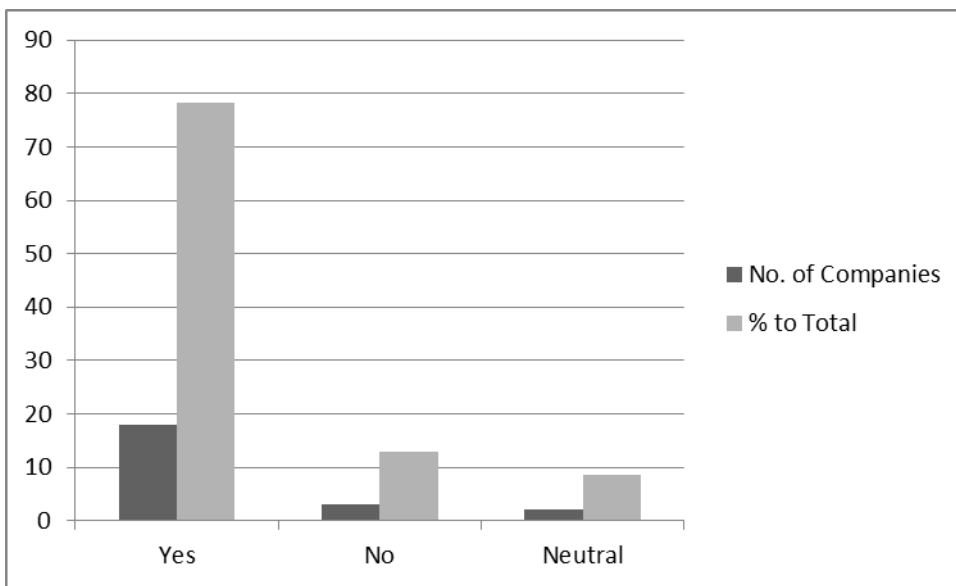
The above table shows that out of 100 companies 08 (34.78%) have done arrangement for the replacement of VRS employees. They have used the techniques like outsourcing of the tedious work, automation to replace manpower, temporary arrangement through contract labourers, recruitment of workers who have taken VRS in other organisations and so on. But 13 (56.53%) companies were confident about their pre-VRS study. They were not prepared to appoint new employees. They were rather much dependent on automation and capital-intensive techniques.

Reduction in the labour cost due to VRS:

VRS is implemented to reduce the labour cost. The excess workforce is given compensation once for all and the remaining staff is utilised in optimum manner. The hidden advantage of VRS is those who have fear of losing the job become more punctual and systematic in their work. A study about the sample companies regarding the reduction of cost shows that:

Table : Reduction in the labour cost due to VRS

Sr.No.	Particulars	No. of Companies	% to Total
1.	Yes	18	78.26
2.	No	03	13.04
3.	Neutral	02	08.70
	Total	23	100



The above table shows that out of the total 23 sample companies 18 (78.26%) companies have got benefited out of the VRS. However, 03 (13.045) companies could not get any benefit. 02 (08.70%) companies were neutral as they could not express any concrete opinion.

Those who could get benefit out of the VRS were the companies having base of professional management. They had strategic planning before announcing VRS. They had cost reduction as the main goal what they could perfectly achieve through VRS.

b) Conclusions from the Research:

After studying the impact of non-salary motivational incentives on the workers in Mumbai metro and suburban area in context with VRS the researcher has arrived at some concrete conclusions. These conclusions will become useful to the organisations planning to announce VRS. In addition, these research work will be helpful to the experts in planning and policy making work regarding workforce problems in Maharashtra state and particularly in Mumbai Metro and Suburban area.

Since Industrial Revolution of 1760, industrial sector has been playing an important role in economic progress of many countries. The areas covered were manufacturing, exporting of goods and services. In last two decades service sector has gained its own glory.

In 1980 the consumer goods got momentum in the market and the liberalisation was the main idea behind the same. The open door policy introduced by the New Industrial Policy of 1991 brought liberalisation, globalisation and privatisation in India. In 1994 P.V. Narasinha Rao, the then Prime Minister of India signed WTO and accepted GATT proposal.

This policy of liberalisation brought the entire world much closer. The whole world now has become a global village. There is free entry at each and every corner of the world. Information technology helped this development. Satellites and cell phones has made the communication sector much aggressive.

The joint ventures and foreign collaborations has brought the employees much closer.

The employees from developing and underdeveloped countries could get opportunities to work with employees in developed nations. To survive and grow in this cut-throat competition, many companies started reducing the cost of production.

Labour cost is the major element in the cost structure of any organisation. Therefore, it was natural for the managers to think about policy to remove excess workforce without violating established rules and regulations and with the co-operation of trade unions. The best media was to offer VRS in which the workers with their own will and wish apply for quitting the job.

But it has certain adverse effects too. Many times those cannot do anything remain in the organisation and intellectual, skilled and dynamic persons quit the job in search of better prospects.

The VRS has other negative factors too. Once the VRS process is over, the organisations appoint employees on either contract basis or on purely temporary basis. Therefore, the employers can introduce 'Hire and Fire' principle as used in USA and Europe.

The another dimension of VRS is the cheap labour in India which has become the point of attraction to foreign organisers. The outsourced jobs from USA

and Europe are done by Indian companies. Here, the point of wage becomes prominent. China and Japan cannot compete India here as Indian people are well versed with English language. They are sincere, efficient and performance oriented.

Therefore, the real background of VRS lies in foreign competition, outsourced jobs done in India at lower cost and the need for more skilled personnel.

The following are the various conclusions of the study.

1. The researcher has taken for research a sample 23 companies including Private Ltd. and Public Ltd. from Mumbai Metro and suburban area. The companies are from various sectors. Out of total 23 companies in almost all companies VRS was announced. Some of the companies were planning for the same or were ready for lay-off or retrenchment according to the situation. This shows that, VRS has become a common phenomena in industrial and service sector.

2. It is observed that, after getting various types of fringe benefits, a large number of workers are not getting motivated. They are not ready to trust completely their organisation and management. They are not willing to have faith in their management. They are not sure about the existence of their job in near future. They have doubt about recognition given to their merit. In spite of all facilities and benefits it is found that the workers have lost value for the non-salary benefits. They have some unimaginable ideas about such extra benefits.

3. It is observed that, the possibility of lay-off, introduction of VRS in some cases when it was not welcomed by workers, chances of sickness to business, fear of losing the job has made the workers disturbed. They were not ready to answer some of the questions. They have unrest in their minds due to frustration of unexpected loss of job and tension of source of income out of the family responsibilities. This creates definitely unrest in industries.

4. It is observed from the interviews of union leaders who were not ready to fill the questionnaire forms out of ego, that the VRS has declined the importance of unions. The leaders use to rule organisations before the era of VRS. These unsettled conditions have made them tempted to create atmosphere of disturbance so as to become hurdle in the process of VRS.

5. It is observed that in maximum number of organisations when VRS was announced, the scheme got tremendous response. Income Tax rules are in favour of workers opting for VRS. It's a 'golden shake hand' and not any sort of compulsion. This truth and cost-cutting ideology now workers have accepted. The seminars and counselling sessions organised by the unions and managers for the aspirants of VRS are getting overwhelming response. This shows that the worker community has started taking the concept of VRS in a positive manner.

.6. It is found that, out of total respondents, 75% were given reasons by their organisation like surplus manpower, heavy losses, chances of closure, lack of demand in the market, possibility to close the product permanently etc.

Whereas 25% workers were given reasons like increased competition, high cost of production, old age, automation, transfer of their jobs etc. It shows that cost cutting and improvement in quality is the main reason behind the VRS. But this surely indicates two elements, one is labour cost is heavy due to regular salaries and wages and in addition the extra benefits given to them. The endless expectations of workers in earlier days are responsible for this cost rise. The other aspect is, these reasons surely make workers frustrated which results in to industrial unrest.

7. It is observed that 74.50% of total respondents said that after VRS welfare facilities which were given to them by their respective employers have been discontinued. 10.50% of the total respondents have proudly said that after retirement also they are getting welfare facilities from their employers in some or the other way. 15% of the respondents were neutral about this question. This explanation shows that, the problems created after VRS are the cause for industrial unrest.

8. It is observed that, VRS is basically implemented to reduce the cost of production. Labour cost is the basic overhead cost out of the same. 17 (73.91%) companies have concentrated on directly VRS. But, 2 (8.69%) companies motivated employees to improve their efficiency and to reduce the labour cost. They were not willing to downsize. They organised training sessions for the productivity and quality production. After the failure of such efforts for certain number of workers, the last resort was VRS. But in 3 (13.04%) companies directly VRS was the solution adopted by the

managements. The remaining organisations had different views. Thus, workers and union leaders have moulded themselves to accept the VRS.

9. It is observed that, very few companies are providing all facilities to the workers. The facilities like drinking water, safety measures, latrines, urinals, transportation, P.F., E.S.I. and subsidised canteens etc. are not provided to the workers and efficient work is expected from them. Private limited companies are not in apposition to afford such facilities. This situation of lack of facilities in some of the organisations may result into industrial disharmony.

10. It is observed that, the New Economic Policy of 1991 has positively helped and developed 18 (78.26%) of the sample companies. It has increased the turnover, profit, quality of the products, exports and the market standing of these companies. 3 (13.04%) of total sample companies have experienced negative results and 2 (8.69%) companies have not noticed any positive or negative results after the economic reforms of 1991. This favourable change in the profitability was wiped out due to extravagant labour charges in some of the cases. Thus, expectations of workers are the root cause behind the rise in cost.

11. It is found that, 83% of the respondents have one or two children and either father or mother or both as dependent on them. 17% have family responsibility on large scale. But before taking VRS they have planned their liabilities. This

12. It is observed that, cost cutting is the basic idea behind the VRS. The organisations only pinpoint the increased labour cost. But they never take into account the other costs which reduce the general profitability. High cost of raw material, labour, finance, other overheads, intense competition, poor technology, inefficiency of the employees etc. are the other causes of labour problems. 17 (73.91%) companies have mentioned that VRS is the measure to resolve this problem. 4 (17.39%) companies have given some other reasons like material cost, other overheads etc. 2(8.69%) companies could not express any concrete opinion. Such opinions expressed by the managers directly blame workers which creates industrial unrest.

13. It is observed that 17 (73.91%) companies have already implemented the policy of VRS. Now they are comfortable about the wage bill. 2(8.69%) companies are in dilemma that whether VRS can solve their problems or not but they will opt for the VRS. 3(13.04%) companies have shortage of manpower. They cannot think about VRS. The balance 1(4.34%) have not yet taken any decision about cut in wage bills. Here, majority companies could implement smoothly the plan of VRS means the workers have accepted the same without any trouble.

14. It is observed that, 17(73.91%) of the total companies have reduced their workforce by implementing the VRS. The VRS is the simple and suitable method of trimming the workforce whereas retrenchment, closure and lay off require permission from government. It shows that VRS is the balance via media to solve the problem of excess manpower and rising costs.

15. It is observed that, 74.75 of the respondents meet their monthly expenses from the regular income. 18.25% respondents have curtailed their expenses by planning to survive in VRS compensation. The remaining 75 have planned to go to native place for agriculture or by selling these assets to have funds for investments yielding regular income. Thus, workers have started accepting the element of VRS in the right spirit.

16. It is observed that, labour cost of an organisation stands between 15% to 18%. To reduce this cost VRS is implemented. But in reality, it can be minimised by 3% to 5% by VRS. Therefore, it is better to train the workforce and to utilise the existing capacity with its optimum level. But only 2(8.69%) of the companies have used Chinese model of capacity utilisation by upgrading the human skills of our own staff. 17(73.91%) companies have directly reduced the staff and 2(8.69%) have not yet arrived at any conclusion. The organisations may withhold the VRS and try for improvement in efficiency of factors of production especially labour to avoid the problem of VRS.

17. It is observed that, prior to 2002 to introduce VRS government permission was necessary. Out of the sample 23 companies, 74% companies have taken such permission. It means they have completed VRS activity before 2002. The remaining companies have not expressed any opinion about such permission. Thus, VRS has become a common phenomenon in industrial sector.

18. It is observed that, out of 23 sample companies; 4 (17.39%) companies have not declared the VRS. Either these companies have no surplus labour force or may not be having the ability to pay for VRS compensation. 40% companies have declared the VRS for one time. However, 45% companies declared the VRS for three to four times. The remaining and remaining 5% companies have declared the VRS for five times or above. It can be observed that, the amount of compensation also matters when VRS is announced and the workers take interest in the same. This shows that organisations are not compelling VRS on workers.

19. It is observed that 9 (39.13%) of total companies have followed the government rule of minimum of 10 years service as criteria for VRS. 1(4.37%) companies have considered 5 years service as a condition for VRS. They must be having VRS as a priority. Out of total, 6(26.08%) companies have considered 15 years and 20 years service as a criteria for VRS. These companies might be interested in continuing young workforce by removing 45 or 50 plus workers. This age group often complains about health problems, family responsibilities, absenteeism etc. In addition, 4 (17.39%) companies have not declared the VRS. Thus, if VRS is given to the workers in a proper age, they also co-operate and take the same in right spirit.

20. It is found that, out of the total sample companies, 4 (17.39%) companies have expressed about the problems like excess manpower, increased cost of production, need to downsize workforce etc. However, 5 (21.73%) companies have shown interest in outsourcing of work. 01 (4.34%) company has pointed

out inefficient labour force and need for modernisation etc. are the reasons for VRS. The remaining 13 (56.52%) companies have not given any reason or willingness for VRS as they must be having sufficient number of workers or they must be in need of additional workers or they are unable to pay for compensation. If only inefficiency of workers is pointed out, it becomes a direct subject of conflict and results into industrial unrest.

21. It is observed that, 18 (78.26%) of the total sample companies have received overwhelming or at least positive response for their VRS programmes. However, 5 (21.73%) of the companies were unable to declare VRS. Either there was no response or they could not arrange for the same on financial grounds. This response from workers shows their acceptance to VRS.

22. It is found that 18 (78.26%) companies have expressed their views in post-VRS period as they are benefited by VRS. It is clear from this point that, they must be paymasters paying very high salaries, wages and perquisites. After VRS they must have come to the level of moderate pay scales, pays co-ordinated with the performance, use of sophisticated technology with well-qualified staff etc. Out of the total companies 3(13.04%) companies expressed that, they have not benefited by VRS as they must be incurring the same amount of labour cost by using the replacement workforce. This observation supports the view that, a large number of fringe benefits leads to never ending demands from workers.

23. It is observed that out of total sample companies, 8 (34.78%) companies have created the VRS reserve out of their profits. They must be having sound financial position. 10 (4.34%) companies have taken loans to pay the VRS dues. The rate of interest paid and the actual labour cost savings has a lot of difference. Out of total companies, 03% have issued debentures or have launched fixed deposit schemes for implementing the VRS. Only 2% companies have created the pension fund and 20% companies have not made any provision because they have not declared the VRS. When an organisation goes for raising finance to pay for VRS means the expectations of workers and the labour cost factor is enormous.

24. It is found that 5 (21.73%) of the total sample companies have introduced automation and outsourcing for filling the vacant places created out of VRS. 2 (8.69%) companies have appointed VRS employees from other companies. Whereas 2 (8.69%) have appointed the contract labourers. Only 9 (39.13%) companies have not gone any such replacements as they already had surplus labourforce. Thus, labour cost factor becomes prominent for VRS.

25. It is found that, out of total sample respondents 73% were the members of the Employees Pension Scheme of 1995. However, the remaining the member of such as scheme. Thus, in a positive manner workers are prepared for VRS.

26. It is observed that, 65% respondents were ready for VRS due well settled family background, confidence to start new venture, good earning of spouse,

capacity to join new firms etc. 18% were happy when VRS was declared as they were not happy with the current working status and feeling of being harassed. 17% were indirectly forced to take VRS. Thus, majority decision shows VRS is now well accepted by trade unions, workers and the society at large.

27. It is found that 83.75% respondents have not accepted re-employment in another organisations, whereas 16.25% respondents have accepted re-employment in other organisations which means that majority respondents either may not have accepted the employment and they may not have tried for such employment or even though after trying their level best for getting the re-employment, they could not get the job while the re-employed respondents might have been successful in getting the job. Thus, VRS at a certain progressive age is well accepted by workers.

28. It is observed that, 72.50% of the workers' respondents said that they are benefited by VRS. It means that those are benefited by VRS, have planned properly for their post VRS period. This shows positivism of VRS.

29. It is found that 81.50% of the respondents who have taken VRS were well prepared for VRS. They were assured about their children's education, health care and family welfare. Either they had sufficient property income, fixed job of spouse, agricultural income, earring by children, side business, skill to be utilised or other planned ventures. 10.50% of the VRS seekers were already

in search of new jobs or were in hand new appointment. Only 8% of the VRS employees were worried about the future.

29. It is observed that out of the sample respondents, 63% respondents were not in favour of trade unions. They were of the opinion that the trade unions only collect membership fees and do not help when it is needed. This opinion might be due to their need for the union is now over. But, 27% respondents accepted that they were co-operated by unions. Around 10% were not ready to speak about the unions. Thus, a new element has emerged, that workers are ready to negotiate without any backing from trade unions. They have confidence in legal services available in market if the need arises.

30. It is observed that out of total sample respondents, 83% were not ready to improve their knowledge and skill for the new employment. Only 7% were ready to study new things. Surprisingly, out this 7% those who have not opted for VRS were those were worried about their future. Thus, in some cases adamant and non-cooperative nature of workers results into their own losses.

31. It is found that out of the sample respondents, only 48% were skilled and were able to operate modern technology. The remaining though interested in any other work to be found out were seem to be remained unemployed as no company can employ them without any skills and qualities. Thus, VRS can gain the workers without taking into account their actual skills and knowledge.

c) Recommendations from the Research Studies:

The researcher has exhaustively studied the subject as per his level best. An attempt is made to classify the recommendations as short-term and long – term in nature. Depending upon the above conclusions the following recommendations will become helpful to policy makers, government departments and the organisations those who are planning to reduce their workforce:

1. It is suggested that, the scheme of VRS should be implemented very carefully and the applicants for VRS are to be called for exit interview otherwise, the integrity, discipline, honesty, morale and sense of affection towards the job comes in trouble.
2. It is suggested that, the organisations suffering from losses out of increased competition and cost of production should review their cost structure, introduce automation or merge with the big organisations. This can protect workers from the probable job problems.
3. It is suggested that, the organisations must try to reduce the various costs. Material cost, power, factory maintenance, transportation, packing and packaging, marketing, advertising costs can be kept in control. The cost factor should not be attached to labour only. If the labour force is reduced, it cannot definitely become profitable venture to the companies. VRS many a times adversely affects the life of workers. It creates social tension of unemployment

and income inequalities. Sometimes, jobless workers become panic and take shelter of illegal activities. It increases robbery, theft or any other social evils.

4. It is suggested that, the payment of compensation, again to employ new untrained workers, training to be given to them etc. is a long way exercise. It does not save much of the cost. The existing workers can be best utilised by inculcating required qualities in them. Thus, compensation sometimes becomes wasteful expenditure.

5. It is suggested that, VRS should be declared by the organisations having sound financial position. Their workers who have already earned better and having fulfilled basic needs can think of VRS. Such financially sound companies can also provide good amount of compensation which is socially justifiable.

6. The organisations should create VRS reserve before announcing VRS. By selling fixed assets or by issuing debentures, fixed deposits or by raising loans VRS should not be announced. Such a burden may lead these organisations to liquidation. Sometimes, it becomes a burden to the continuing employees.

7. It is suggested that, if various necessary facilities are provided to the workers like health, safety and welfare facilities, they work with sincerity by which the cost factor can be taken care of automatically. It avoids VRS.

8. It is suggested that, the existing staff should be motivated for the achievement of objectives. They should be given sufficient amount of wages and salaries with attractive fringe benefits. Whenever necessary they should be given training and counselling. The workers should be given chance for participation in the management. They are to be treated as assets of the company. They should be well groomed to work hard. VRS cannot be the solution in long run. It should be the last resort.

9. It is suggested that, in most of the cases reason for the VRS is given as decline in demand in domestic markets. But by exploring new markets may be in foreign countries demand is to be maintained. Such efforts are always taken positively by the trade unions and workers.

10. It is suggested that, as per Income Tax Rules VRS compensation up to Rs. 5,00,000/- is exempted from tax. Therefore, the same amount is to be given to the workers in lumpsum and for the balance amount pension or monthly income should be introduced. This can reduce payout burden for companies as well as the workers also feel protected.

11. It is suggested that, in post VRS period the employees who have opted for VRS should come together and share their ideas, success stories, problems so they can help their ex-colleague for the better prospects. This can be done through their parent union.

12. It is suggested that, before the actual implementation of VRS the workers are to be given clear idea of the scheme and its after effects. The worker's balance service, his family responsibilities, various income sources, salaries of his sons / daughters, in case of ex-serviceman his pension in earlier service etc. to be taken into account. If he is about to retire within two or three years in normal course of action, then only he should be convinced for VRS.

13. It is suggested that, the Voluntary Retirement Scheme should be purely on voluntary basis. It should not become Compulsory Retirement Scheme. Sometimes, on prima facie it appears to be VRS but in reality it is CRS. The poor, illiterate and unorganised workers are compelled to apply for retirement. It adversely affects the morale of employees.

14. It is suggested that, to face the market competition, all the elements of cost are to be taken care of. If cost cutting is to be done, 'why only workers'? This type of question is to be raised. The cost of material, finance, overheads etc. should be taken into account. The overall cost control can keep away VRS.

15. It is suggested that, if the organisation is facing acute financial crunch or losses the worker's representatives and union leaders are to be taken into confidence and the perquisites and allowances can be reduced. The workers can be convinced for 'no profit, no bonus' or 'low bonus' but VRS cannot be the solution.

16. It is suggested that, the conditions for VRS should be altered. The minimum service should be five years and the age to be above fifty five years. This has to be done as the worker after five years of service can find some better opportunity as he is young. If the minimum age to apply for made fifty five, the family responsibilities in most of the cases are within control.

17. It is suggested that, VRS should not be declared to weaken the trade union or to enjoy 'divide and rule' policy. It should have concrete reasons like actual cost cutting or to have modernisation or to have new workforce with technical skills. It should be implemented ethically and not out of revenge.

18. It is suggested that, after VRS our own employees should be re-employed on contract basis or they should be given agencies or some works contracts. Basically they are well aware of the work schedule and as an entrepreneur they can work with loyalty.

19. It is suggested that, the trade unions should develop positive and constructive approach in collectively bargaining. When employees opt for VRS willingly their need for trade union comes to an end. This aspect is to be considered by the trade unions in a positive manner.

20. It is recommended that at least medical facilities provided to workers in during their regular job should be to be continued after VRS.

22. It is suggested that, the employees' pension scheme should be made compulsory to each worker. Therefore, whether the worker may or may not face VRS, but becomes self sufficient with the help of pension scheme. This feeling of security also improves the willingness to work peacefully.

QUESTIONNAIRE FOR WORKERS

N. B. Please mark (✓) for the appropriate answers

Personal information

1. Name :
2. Education :
3. Experience : 0-10 Yrs _____ 10-20 Yrs _____ >20 Yrs

4. Age : 30-40 Yrs _____ 40-50 Yrs _____ >50 Yrs

5. Total Salary Per Month :
(Basic + D.A. + HRA + Allowances)
6. GRADE
 - a) Skilled : _____
 - b) Semiskilled : _____
 - c) Unskilled : _____
7. No. of Dependants :
8. Family Members :

Objectives Of The Questionnaire.

1. To find out whether non-wage motivational incentives to the industrial workers help in maintaining industrial peace.
2. To find out the opinions of worker regarding non-wage motivational incentives.

Q.1 Please state your opinion about following statements.

S.No.	Statements	Agree	Disagree	No Comment
1.	I love my company.			
2.	I get job satisfaction			
3.	I have job security.			

4.	I trust in management of my company.			
5.	Workers work with team spirit in our company.			
6.	I get wages according to my merit.			
7.	This company gives recognition to the sincerity of workers.			
8.	Managers and workers have harmonious relations			
9.	Workers and managers trust in each other.			
10.	The present financial position of our company is good.			
11.	As on today industrial peace exists in the company.			

Q.2 Give your opinion about Non-Wage benefits and state whether they are sufficient.

S. No.	Allowances	Amount Per Month	More than Sufficient	It is just sufficient	It is inadequate	It is too inadequate
1.	D.A.					
2.	H.R.A.					
3.	Gratuity					
4.	Contribution to P.F. by management.					
5.	Bonus Payment					
6.	LTA per year					
7.	Transport					

	Allowance					
8.	Education Allowance					
9.	Attendance Allowance					
10.	Night Shift Allowance					
11.	Washing Allowance					
12.	Medical Allowance					
13.	Production Incentives					
14.	Quality of uniform					
15.	Canteen facility					
15a	Quality of food.					
15b	Subsidy for canteen.					
16	Leave facilities					
	(a) Privilege					
	(b) Casual					
	(c) Medical					
17	Ex-gratia Allowance					
18	Any other Benefit					

Q.3 Do you feel that the benefits given to you are in proportion to your work?

Yes _____ No _____ No Comments _____

Q.4 Whether the company has stopped any of the above benefits?

Yes _____ No _____ No Comments _____

Q.5 If your answer to Q No 4 is 'Yes', has the stoppage caused any personal loss to you?

Yes _____ No _____ No Comments _____

Q.6 From the existing benefits if company decides to discontinue one of the benefits. How would you react?

(a) Become angry _____

(b) Conflict with management _____

(c) Will try to understand management views _____

(d) Keep Quiet _____

Q.7 Is there any relation between the non-wage motivational benefits which are enjoyed and the industrial harmony?

Yes _____ No _____ No Comments _____

Q.8 Do you expect management to discuss with you, before granting any benefit to you?

Yes _____ No _____ No Comments _____

Q.9 Due to future financial problems, if company decides to discontinue such benefits. Will this be acceptable to you?

Yes _____ No _____ No Comments _____

Q.10 If No, will you accept the same if management takes the workers into confidence and assure them to restore the benefits after improvement of financial position?

Yes _____ No _____ No Comments _____

Q.11 When such benefit has been discontinued, due to financial problem, Will you expect compensation in some other form for the corresponding period?

Yes _____ No _____ No Comments _____

Q.12 Do you feel that the number of benefits, their quantum or compensation should increase after every three years along with the wage agreement?

Yes _____ No _____ No Comments _____

Q.13 Do you feel that management considers grant of welfare work (Non-Wage benefits) as an easy device to make their employees subservient?

Yes _____ No _____ No Comments _____

Q.14 Do you feel that the generation gap among management representatives has resulted in change of their attitude towards welfare programs?

Yes _____ No _____ No Comments _____

Q.15 The company workers get more benefits as compared to some other occupations (e.g. Schools, Colleges or Govt. Depts.) Do you agree?

Yes _____ No _____ No Comments _____

Q.16 The non-wage motivational incentives make a worker's life happy and satisfied that leads in maintaining industrial peace. Do you agree?

Yes _____ No _____ No Comments _____

QUESTIONNAIRE FOR MANAGEMENT REPRESENTATIVES

N. B. Please mark (✓) for the appropriate answers

Personal information

1. Name :
 2. Age : 30-40 Yrs _____ 40-50 Yrs _____ > 50 Yrs

 3. Sex : Male _____ Female _____

 4. Academic Excellence :
 5. Experience :
 - a) Present Organisation : Years _____
 - b) Previous Organisation : Years _____
 6. Nature of Responsibility : Shop-floor Supervision

Production Support Service

Personnel Office

 7. Remuneration (Per Month) :<Rs10K _____ Rs10K-
15K_____>Rs15K_____
- (Basic + D.A. + HRA + Allowances)

Objectives Of The Questionnaire

1. To understand views of management representatives about non-wage motivational incentives given to the industrial workers and its utility towards industrial peace and harmony.
2. To receive suggestions from these management representatives in regards to the improvement in present non-wage motivation system after understanding the effects of the same.
3. To understand their views about the hypothesis of the research study.

Q.1 Do you think that labour welfare and motivation are necessary to raise effectiveness and efficiencies of the workers?

Yes _____ No _____ No Comments _____

Q.2 Statutory amenities are those which have been established on minimum standards by law. Does your Company follows these regulations sincerely?

Yes _____ No _____ No Comments _____

Q.3 Generally management is not in favour of starting any welfare measure voluntarily on their own. Do you agree?

Yes _____ No _____ No Comments _____

Q.4 Do you feel that management considers welfare work as an easy device to make their employees subservient?

Yes _____ No _____ No Comments _____

Q.5 If your answer to Q.4 is 'NO', then state the reasons for the same.

i.

ii.

iii.

iv.

Q.6 Do you feel that workers are serious about the organizational goals and objectives?

Yes _____ No _____ No Comments _____

Q.7 Do you feel that the workers are satisfied with the motivation benefits, they are presently given?

Yes _____ No _____ No Comments _____

Q.8 If your answer to question (7) is 'NO', in your opinion, what could be the reasons?

i.

- ii.
- iii.
- iv.

Q.9 Do you feel that workers are never contented with the present benefits and will always demand for more facilities?

Yes _____ No _____ No Comments _____

Q.10 Do you feel that workers are becoming welfare addicts these days?

Yes _____ No _____ No Comments _____

Q.11 Do you think that it is necessary to explain Company's objectives before introducing any new motivational scheme?

Yes _____ No _____ No Comments _____

Q.12 Do you think that introduction of any facility should be linked with productivity, profits and discipline?

Yes _____ No _____ No Comments _____

Q.13 Management withdraws of the benefits without assigning any reason. Do you feel it may lead to industrial unrest in your organisation?

Yes _____ No _____ No Comments _____

Q.14 Support your answer to question no. 13, with few examples.

Q.15 Does financial position of the Company bears direct relationship with welfare facilities given to the employees?

Yes _____ No _____ No Comments _____

Q.16 Do you feel that generation gap between management representatives and employees have influence over management's attitude towards welfare programmes?

Yes _____ No _____ No Comments _____

Q.17 Welfare measures or different allowances are considered as negotiation tools to achieve short term objectives of the Company.

Do you agree?

Yes _____ No _____ No Comments _____

Q.18 Do you agree that the management should consider long term benefits for their workers, before initiating any new welfare facility to them?

Yes _____ No _____ No Comments _____

Q.19 Does labour turnover has influence over welfare facilities given?

Yes _____ No _____ No Comments _____

Q.20 Does growing unemployment make management more conservative about welfare facilities given to the employees?

Yes _____ No _____ No Comments _____

QUESTIONNAIRE FOR UNION LEADERS

N. B. Please mark (✓) for the appropriate answers

Personal information

1. Name :
2. Age : 30-40 Yrs _____ 40-50 Yrs _____ > 50 Yrs

3. Sex : Male _____ Female _____

4. Academic Excellence :
5. Experience :
6. Nature of the Job : Shop-floor _____
Office _____
7. Name of the Union :
8. Affiliation with Trade Union :
9. No. of Union Member :
10. Your Responsibility in the Union :

Objectives Of The Questionnaire

1. To find out whether there is any relation between the non-wage benefits given to worker and industrial peace.
 2. To understand how the relation and trust between management & unions would improve further.
- Q.1** Do you put forward every grievance of workers to the management?
Yes _____ No _____ No Comments _____
- Q.2** Do you think that management is biased while discussing workers problems?
Yes _____ No _____ No Comments _____
- Q.3** In your opinion what strategy management uses while discussing workers problems with you?

- Understand workers viewpoint _____
- Just to listen grievances _____
- Do not agree immediately. _____
- To oppose _____

Q.4 In your opinion, how are the relations between management and workers / unions in the industrial sector, where your company is located?

- Good and trustworthy _____
- Mistrust and stressed _____
- Depends upon situation _____
- No comments _____

Q.5 Do you agree that industrial workers have to work more than workers have to work more than workers do in other sectors?

Yes _____ No _____ No Comments _____

Q.6 Do you feel that an industrial worker gets more wages and facilities as compared to other sector. (such as School / College, Govt. Dept.)

Yes _____ No _____ No Comments _____

Q.7 Do you agree that there is certain relationship between Non-Wage benefits & industrial peace?

Yes _____ No _____ No Comments _____

Q.8 Do you remember any insident where industrial unrest was created in your company, due to discontinuation of one of the benefits?

Yes _____ No _____ No Comments _____

Q.9 If your answer of question no. 8 is yes, then please give more details about the incident.

Yes _____ No _____ No Comments _____

Q.10 Do you feel that mutual trust between management and workers is a must for smooth functioning of organisation?

Yes _____ No _____ No Comments _____

Q.11 In your opinion how such trust can be developed?

Yes _____ No _____ No Comments _____

Q.12 Do you feel that corporate management agrees to the demands raised by union without much opposition to avoid problems in factory during their tenure?

Yes _____ No _____ No Comments _____

Q.13 Do you feel that labour welfare means increasing existing allowances or grant of additional allowances?

Yes _____ No _____ No Comments _____

Q.14 Benefits such as housing, child development, higher education have positive relation with job satisfaction. Do you agree?

Yes _____ No _____ No Comments _____

Q.15 If company decides to initiates a scheme where workers have to work more to get the benefit of the scheme and management contributes equally for the success of the scheme. Whether worker would agree to such schemes?

Yes _____ No _____ No Comments _____

Q.16 Some management representative feel that workers demands are increasing day by day. Do you agree to this view point of management representatives?

Yes _____ No _____ No Comments _____

Q.17 If answer to question no 16 is 'NO' then your opinion on the same.

Q.18 Do you feel that the management and unions should jointly initiate such schemes where by a worker will get more benefits in his old age or after retirement?

Yes _____

No _____

No Comments _____

Glossary of the Terms

Business Environment: The term Business Environment includes both internal and external factors. They directly and indirectly affect the working of a business.

Compulsory Retirement Scheme: It is the removal of employees in a undemocratic manner in which employees as compelled to opt for retirement.

Downsizing: To reduce the unutilised workforce in the organisation for the purpose of cost-cutting is called downsizing.

EXIT Policy: To reduce the workforce by minimising the pay bill by giving VRS to the excess staff is called EXIT policy.

Financial motivators: Financial motivators include wages and salary, bonus, profit-sharing, paid leave, medical allowance, etc.

Human Resource Management: It is the proper blending of 'Personnel Management' and 'Industrial Relation' which is directed to the achievement of organisational objectives.

Industrial Relations: It means the relationship between employers and employees.

Intrinsic Rewards: Intrinsic rewards are the rewards given in the form of money. These are paid directly to the employees. They are independent in nature. They are paid to an employee depending upon his individual performance.

Motivation: Motivation is the driving force behind all human activities in this world. Motivation is an intervening variable. It cannot be seen, heard or felt. It's a purely inferred from behaviour.

Non-financial Motivators: They are not at all concerned with the actual monetary rewards.

Open Door Policy: Liberalisation allows foreign companies to enter into domestic economy is called 'Open Door Policy'.

Trade Union: It is an association of employees or of independent workers. It is a need based association of workers. It has its long term existence having legal entity. The basic idea is to bring economic benefits for its members. The

Voluntary Retirement: means 'willingly to give up the employment'. The employee takes this decision as per his own will and wish. He need not disclose the reason for his decision.

Voluntary Retirement Scheme: It is known as VRS is the option given to employees to quit the job at their own will before reaching the age of superannuation. It has link with civil services since British rule in India.

Wage and Salary Administration: It means to evaluate the performance of an employee and to arrange wage or salary structure accordingly. It aims at the establishment of an equitable labour-cost structure by which cost-benefit ratio of an organisation can be studied. Thus, managers study the employee needs

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