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Topic- What is retrenchment? Analyse its ingredient, requirements and strategy.

Meaning of Retrenchment-

Retrenchment means termination of service of a workman by the employer by any reason but other than punishment or disciplinary action. In simple words, if an employer discharges or removes any workman or staff member on the ground of surplus labor or staff, but not as a disciplinary action it is called retrenchment.

Definition of Retrenchment :

The Definition of the term Retrenchment as given in Section 2(oo) of the Industrial Dispute Act 1947 is exhaustive and comprehensive. According to the definition Retrenchment” means the termination by the employer of the service of a workman for any reason whatsoever, otherwise than as a punishment inflicted by way of disciplinary action but does not include- (a) Voluntary retirement of the workman; or (b) Retirement of the workman on reaching the age of Superannuation if the contract of employment between the employer and the workman concerned contains a stipulation in that behalf; or (bb) Termination of the service of the workman as a result of the non-renewal of the contract of employment between the employer and the workman concerned on its expiry or of such contract being terminated under a stipulation in that behalf contained therein; or (c) Termination of the service of a workman on the ground of continued ill-health;

Requirements of valid retrenchment-

A retrenchment to be valid the following, the following conditions are to be satisfied under Section 25(F) and (N) of the Industrial Dispute Act, 1947. No workman employed in any industry who has been in continuous service for not less than one year under an employer shall be retrenched by that employer until- (a) The workman has been given one month’s notice in writing indicating the reasons for retrenchment and the period of notice has expired, or the workman has been paid in lieu of such notice, wages for the period of the notice; (b) The

workman has been paid, at the time of retrenchment, compensation which shall be equivalent to fifteen days' average pay for every completed year of continuous service or any part thereof in excess of six months; and (c) Notice in the prescribed manner is served on the appropriate Government for such authority as may be specified by the appropriate Government by notification in the Official Gazette. (d) If there exists an agreement specifying a date of termination of service, no notice is necessary in such cases (e) Compensation is equivalent to 15 days average pay for every completed year of service or any service or any part thereof in excess of six months; and (f) Notice in the manner prescribed in Rule 76 of the Industrial Dispute Rules 1957 should be served by the appropriate government.

Essential Ingredients of Retrenchment:

- ❖ There must be a termination of the service of a workman.
- ❖ The termination must be by the employer,
- ❖ For any reason whatsoever, and.
- ❖ Otherwise than as by way of punishment inflicted by way of disciplinary action.

What is Retrenchment Strategy?

Retrenchment strategy is a practice done by organizations to gain a better financial position by lowering or reducing the costs of any of its business operation.

1. General strategy:

Nowadays, retrenchment is the easiest way to see through the damages and revoke policies that did not fare well.

This dire step comes to pass when a company has suffered a heavy loss at the hands of their own foolish investment.

Evidently, this is a huge blow to the company's fund despite the murderous competition that goes on constantly.

Retrenchment in business, therefore, seems to be the immediate and most effective measure at times like this. The process on a whole focuses on rightsizing the excess involvements of the company in order to catch an instant breath.

2. Formidable diversity:

Eliminate all funding that seems most unlikely to fetch a reason for sustaining them. Cancel all impending projects or transactions that are underway to prevent further monetary loss.

Nevertheless, it is crucial to foster a few areas of work regardless of what it costs the company. These few unique areas of work which have seen through the company's success earlier on are to be given special importance.

Whereas, an excess branch of work reaping no big fortune and showing no sign of further improvement are to be done away immediately.

It is important to maintain a formidable diversity in branches of work at a company rather than giving rise to a large number to unnecessary work plans.

3. Financial security:

Companies too try retrenchment in strategic management entirely to put a hold to the different losses.

Retrenchment aims at cutting down on all expensive fields. This gives way to maintaining a low budget plan to make sure there is not any financial drop.

Moreover, this gives the employers time to think over the bad investments and about the necessary steps that have to be taken in order to prevent other managerial fiascos.

Nevertheless, retrenchment mainly involves curtailing of different excess positions that are not of much use to the company's well-being.

However, downsizing or laying of employees definitely runs the risk of losing devoted employees while eliminating redundant avenues.

4. Forming Goals:

Definitely having goals that will lead to success is the primary interest of any enterprise. The first and foremost target of the retrenchment strategies is giving life to the goals.

There are times when investments take a downward turn and best business strategy goes awry and the only sensible solution to this is to be calm and brave.

Retrenchment, however, manages to ease the impact of such a blow by saving funds that were not being put to good use.

More often, companies suffer in amateur hands since many a time company managers take bad decisions and are too late to realize it. It is in such times that retrenchment comes to their tremendous help in giving them enough time to fix the problems without much harassment.

The End