



### The National Renewal Fund: An In-Depth Analysis

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#### Abstract:

This abstract explores the evolution, implementation, and impact of the National Renewal Fund (NRF), a pivotal initiative introduced by the Government of India in response to the economic liberalization of the 1990s. The NRF aimed to address the challenges posed by industrial restructuring, privatization, and technological advancements, particularly in preventing mass unemployment and maintaining social stability. The paper delves into the objectives, funding sources, and constituents of the NRF, focusing on the National Renewal Grant Fund (NRGF) and Employment Generation Fund (EGF). It provides insights into the estimated labour redundancy, emphasizing the importance of retraining and redeployment.

The role of the Mahatma Gandhi Labour Institute (MGLI) as a nodal agency in Gujarat is highlighted, showcasing its significant contribution to the success of the NRF through surveys, counseling, and skill development programs. The benefits and disadvantages of the NRF are analysed, with an emphasis on job preservation, economic stability, and skill enhancement, balanced against concerns of dependency, budgetary strain, and misallocation.

The paper discusses the reasons for the closure of the NRF in 2000, attributing it to the predominant utilization of funds for Voluntary Retirement Schemes (VRS) rather than retraining and rehabilitation. It introduces the Counseling, Retraining & Redeployment (CRR) Scheme as its successor, focusing on its eligibility criteria, status, and contributions to employment regeneration.

*Key-words- National Renewal Fund, Voluntary Retirement Schemes, and Employment Generation Fund*

#### 1. Introduction:

With the gradual liberalization of the 1956 Industrial policy in the mid-eighties the tempo of industrial development started picking up. But the industry was still feeling the burden of many controls and regulations. For a faster growth of industry, it was necessary that even these impediments should be removed. The new government by Shri Narasimha Rao, which took office in June 1991, announced a package of liberalisation measures under its Industrial Policy on July 24, 1991<sup>1</sup>. The New Industrial Policy announced by the Government of India on July 24, 1991 that “the government will fully protect the interest of labour, enhance their welfare and equip them in all aspects to deal with the inevitability of technological change<sup>2</sup>. Government believes that no small section of society can corner the gains of growth, leaving workers to bear its pain. Labour will be made an equal partner in progress and prosperity. Workers’ participation in management will be encouraged to participate in the packages designed to turn around sick companies. Intensive training, skill development and up gradation programmes will be launched”. The concept paper on National Renewal Fund (NRF) prepared by the Department of Industrial Development (January 1992) assured that labour will be retrained, their technical skill upgraded, and surplus labour will be suitably redeployed. During discussions on the paper, it was agreed that the labour will not be thrown out of employment in the name of modernisation. Thus, the NRF was constituted on February 3, 1992 but became operational only in early 1993<sup>3</sup>.



The National Renewal Fund (NRF) was a crucial initiative implemented by the Government of India. It was introduced by Dr. Manmohan Singh, former Finance Minister. The privatization and globalization of industries led to many companies facing closures and workers losing jobs. To prevent widespread unemployment and maintain economic stability, the NRF was introduced to provide financial assistance to distressed industries and preserve existing jobs.

The **main objectives** of NRF were:

1. To help cover the costs of retraining and redeployment of employees arising as a result of modernisation, technology upgradation and industrial restructuring.
2. To provide funds to compensation of employees affected by restricting or closure of industrial units both in the public and private sectors.
3. To provide funds for Employment Generation Schemes both in organised and unorganised sector to provide a social safety net for labour needs arising from the consequences of industrial restricting.

With the establishment of National Renewal Fund (NRF) exit policy became more pronounced. NRF was designed to be the safety mechanism, to provide training of workers who are adversely affected by structural adjustment programme (SAP).

#### **Estimates of Labour Redundancy**

The labour redundancy arises from two sources:

- (i) Closure of the non-profitable, terminally sick units; and
- (ii) Workforce rationalization for securing long-term viability of currently loss-making units.

According to one estimate that two – thirds of the employment in all sick enterprises was taken to be redundant. 17-18 per cent of workers in the 58 public sector units “chronically loss making” was redundant, which will be about 3.3 million and altogether about 27.8 per cent of the total employment in the Central Public Sector Units (PSUs) was found redundant which was estimated 0.614 million in 1988-89. Employment in the 81 enterprises of the employment, the sick subset, was 0.53 million or 64.6 per cent of the employment in all non-profitable enterprises. According to another estimate one – third (33 per cent) of the sick Central PSUs were wound up. Half of the sick private enterprises have been closed and they shed down 25 per cent of their workforce and 35 per cent in the central PSUs.

The following data will show the extent of labour redundancy during 1990-91 in millions for various reasons:

<b>Heads</b>	<b>Central PSUs</b>	<b>Private organized sector</b>
Total redundancy	0.381	0.992
Percent of Total employment	17.9	12.9

Redundancy in other sectors was estimated as under:

Central Government	:	0.610 million
State Governments	:	1.273 million
Local bodies	:	0.414 million
Quasi-Governmental Organisations	:	1.114 million
Public Sector	:	3.411 million
Private Sector	:	0.992 million



These estimates suggest that 75.6 per cent of redundant labour was found in the service sector. Indeed, public services accounted for more than 66 per cent of all potentially redundant labour, much of this surplus labour exists at the level of state and local Governments.

## 2. Source of National Renewal Funding:

National Renewal Fund was of non-statutory nature and included contributions from government of India, state governments, financial institutions, insurance companies and industrial undertakings. Funds of NRF was provided for the period it was operational (fund was planned for ten years). The NRF may received fund from the budgetary allocation, disinvestment of public sector equity and proceeds from multilateral and bilateral aid sources.

## 3. Constituents of the National Renewal Fund

NRF constituted in two parts, namely:

- (1) National Renewal Grant Fund
- (2) Employment Generation Fund

### 3.1 National Renewal Grant Fund (NRGF):

The (1) part that is National Renewal Grant Fund (NRGF) was kept in operation and it dealt with the revival or closure of sick units. It was concerned with the training needs of the affected workers. One of the aims of NRGF was to provide funds for assisting employees affected by technology up gradation, modernization, restructuring and revival of industrial undertakings specially for:

- (i) Retraining
- (ii) Redeployment
- (iii) Counselling and placement services for employment

A matrix of workers needs was prepared as per below:

#### Matrix of Worker Needs

Sr. No.	Workers needs	Responses		
1	Counseling	Psychological Counseling	Financial Counseling	Awareness Counseling
2	Retraining	Government sponsored	Employer driven.	Enterprise oriented
3	Redeployment	Wage-employment assistance	Self-employment assistance	General employment assistance

#### Counseling;

There was the first need for counseling of the displaced workers. Psychological Counseling enabled the displaced workers to cope with the trauma of job loss. Financial Counseling was the second major component as the terminal amount received by a rationalized worker was often quite large an amount and hence to draw up a personal Balance sheet as well as cash flow forecast which in turn gives an idea of the requirement of funds over a time frame. Further, Awareness counseling was needed as it dealt with the relation of a person with his environment by using psychometric test and self-analysis questionnaires. It profiled the ideal jobs along with strength and weakness of the displaced workers.



Retraining and Redeployment: Retraining was need as it was central to the rehabilitation process of a displaced worker as it equipped him with skills for wages or self-employment. Retraining was the only means to end, the aim being redeployment i.e., re-entry into the productive mainstreams. Since placement in a job market was difficult, self-employment assistance was provided to those displaced workers who wished to set up their own business.

On 09<sup>th</sup> September 1993 in a meeting of Expenditure Finance Committee, Worker retraining and redeployment schemes were discussed, wherein it was agreed that five pilot projects would be undertaken in specified locations by identified institutions as follows;

Sr. No.	Location	Nodal Agency
1	Ahmedabad	Mahatma Gandhi Labour Institute
2	Calcutta	National Small Industries Corporation
3	Indore	Small Industries services Institute
4	Kanpur	Associated Chambers of Commerce and Industry
5	Mumbai	Confederation of Indian Industry

For this project, operational guidelines relating to the eligibility criteria of workers, requirement of survey, action plans and permissible items of expenditure were formulated. Eligibility criteria of workers were:

1. An age limit of 55 years for vocational training
2. No age limit for taking up self-employment.
3. Workers should have been rationalised after New Industrial Policy of 24<sup>th</sup> July 1991

### 3.2 Employment Generation Fund (EGF)

The second part of the National Renewal Fund, the EGF, was meant to provide resources for approval employment generation schemes for both the organized and unorganized sectors. Programs were designed for the regeneration of employment opportunities in areas affected by industrial restructuring and employment generation schemes for the unorganized sector in defined areas were to be funded under the EGF.

### 4. Status of NRF Schemes:

In first six years of operation, assistance from National Renewal Fund was made available for Voluntary Retirement Scheme (VRS) in Central Public Sector Undertakings (CPSUs) and Counseling/ Retraining/Redeployment Scheme for rationalized employees. A total of 1,17,339 workers had availed VRS until 1997-98. The total amount released for this purpose was Rs. 556.72 crore in 1992-93, Rs. 478.06 crore in 1993-94, Rs. 250.91 crore in 1994-95, Rs. 209.58 crore in 1995-96, Rs. 188 crores in 1996-97 and Rs. 326.67 crore in 1997-98.

Many Employee Resource Centres were set-up for Counseling/ Retraining/Redeployment and survey of 80,144 workers was done out of which 41,293 were counselled, 30,708 were retrained and 9151 were redeployed by August 31<sup>st</sup> 1998<sup>4</sup>.

### 5. Role of Mahatma Gandhi Labour Institute:

Mahatma Gandhi Labour Institute (MGLI) was the nodal agency of Gujarat, and many employee assistance centres were set up under NRF at Petlad, Bhavnagar, Viramgaum, Baroda, Surendranagar, Porbandar, Kalol, Navasari, Ahmedabad, Cambay. Further, as per "National Renewal Fund- A look Ahead" book, Mahatma Gandhi Labour Institute carried survey of 10174 workers, counselled 8217



workers, retrained 3593 workers, redeployed 1349 workers, tool-kits were arranged for 717 workers and 14 could get sanctioned of loan from banks. MGLI conducted camps for awareness of workers in the Employee Resource Centres (EACs) set up in the mills and in the residential areas of rationalised workers. Retraining programmes were conducted in Industrial training Institutes.

The Mahatma Gandhi Labour Institute (MGLI) played a significant role in NRF's success. MGLI facilitated skill development and training programs for the workers in industries supported by NRF. By enhancing the workforce's skills, MGLI contributed to increasing productivity and employability, aligning with NRF's objectives of job preservation and industry revitalization<sup>4</sup>.

## 6. Benefits and Disadvantages:

### 6.1 Benefits:

**Job Preservation:** NRF saved numerous jobs by preventing industries from collapsing, ensuring stability for the workforce.

**Economic Stability:** The fund maintained economic stability by preventing mass unemployment, ensuring social and political harmony.

**Skill Enhancement:** MGLI's involvement led to the upskilling of the workforce, making them more competitive in the job market.

### 6.2 Disadvantages:

**Dependency:** Some industries became overly reliant on NRF, hindering their ability to adapt to market changes independently.

**Budgetary Strain:** NRF strained the government's budget, diverting funds from other essential sectors like education and healthcare.

**Misallocation:** There were concerns about the equitable distribution of NRF funds, leading to accusations of corruption and mismanagement.

## 7. Reasons for Closure:

The reason for abolishing NRF was that most of the payments under this was made for VRS and this fund did not serve adequately the purpose of retraining and rehabilitation. Further, private sector was also listed as one of the beneficiaries of the NRF, but later it was felt that this fund should deal exclusively with the public sector units only. The National Renewal Fund was abolished by the government in 2000 and administration of the VRS scheme was shifted to Department of Public Enterprises (DPE), instead of The Department of Industrial Policy & Promotion (DIPP) from fiscal year 2001-02<sup>5</sup>

## 8. Counselling, Retraining & Redeployment (CRR) Scheme

After the closure of National Renewal Fund, Government launched Counselling, Retraining & Redeployment (CRR) Scheme. The Scheme of Counselling, Retraining and Redeployment for separated employees of Central Public Sector Enterprises (CPSEs) was being implemented by Department of Public Enterprises, Government of India, since 2001-02<sup>6</sup>.

National Skill Development Corporation (NSDC) under the aegis of Ministry of Skill Development & Entrepreneurship (MSDE) was entrusted with the task of quality and market-oriented skill development training under the CRR Scheme through their empanelled Training Partners. NSDC supported to facilitate a proper matching of individual skills, aptitude of the typical target group and helped in augmenting redeployability under the CRR Scheme. The three main elements of the CRR Scheme were Counselling, retraining and redeploying.





### 8.1 Eligibility:

To be eligible to be included in the Scheme, the VRS optee should be below 58 years of age, if he/she wants training himself/herself. If VRS Optee does not want to come forward for training, the benefit of the Scheme could be extended to the dependent of VRS Optee and one person per family of a VRS optee could also be considered in lieu of VRS Optee having age of up to 60 years. However, VRS optees would be given priority over the family members. Following eligibility criteria will apply for including the dependents of VRS optees under CRR Scheme:

Minimum age – 18 years.

Maximum age – 45 years (in case wife of VRS Optee is a dependent, there would be no age bar)

Only one dependant, that too who is unemployed, will be considered from each family<sup>6</sup>.

### 8.2 Status of Counselling, Retraining & Redeployment (CRR) Scheme:

As per the report published by Ministry of Skill Development and Entrepreneurship On: 05 FEB 2021 7:49PM, from Andaman and Nicobar Islands 90 people, Bihar 230 people, Chhattisgarh 305 people, Haryana 11 people, Jharkhand 2220 people, Karnataka 667 people, Madhya Pradesh 30 people, Maharashtra 55 people, Rajasthan 315 people, Tamil Nadu 43 people, Telangana 51 people, West Bengal 2550 people (Total 6597) were Counselling Retrained and Redeployed under Counselling, Retraining & Redeployment (CRR) Scheme of Department of Public Enterprises (DPE)<sup>7</sup>

## 9. Reopening Consideration:

NRF was phased out due to a shift in economic policies and a belief in the market-driven growth model. However, considering the current economic challenges, reopening NRF could be beneficial. It could provide immediate support to distressed industries, prevent mass unemployment, and contribute to economic recovery. However, careful oversight is essential to prevent past issues like misallocation and dependency.

## 10. Conclusion:

In conclusion, the introduction of the National Renewal Fund (NRF) marked a significant milestone in India's industrial landscape, particularly during a period of economic liberalization in the early 1990s. The NRF played a crucial role in preventing mass unemployment and maintaining social stability during a time of industrial restructuring, technological advancements, and privatization initiatives. By focusing on the retraining, redeployment, and counselling of displaced workers, the NRF not only preserved existing jobs but also enhanced the skills and employability of the workforce. The initiative, spearheaded by the government of Shri Narasimha Rao, successfully navigated challenges associated with labour redundancy, providing financial assistance to distressed industries and compensating affected employees. The NRF's emphasis on job preservation, economic stability, and skill development was pivotal in mitigating the adverse effects of industrial reforms, ensuring that the workforce remained a significant part of the country's progress.

The involvement of institutions like the Mahatma Gandhi Labour Institute (MGLI) played a vital role in the success of the NRF. By conducting surveys, providing counselling services, and facilitating retraining programs, MGLI contributed significantly to the upskilling of the workforce, aligning with NRF's objectives. However, despite its successes, NRF faced challenges such as dependency issues, budgetary strains, and concerns about misallocation of funds. Consequently, the NRF was phased out



in 2000, and the administration of related schemes shifted to the Department of Public Enterprises (DPE). The subsequent introduction of the Counselling, Retraining & Redeployment (CRR) Scheme by the government continued the focus on worker welfare, offering counselling, retraining, and redeployment opportunities to affected employees.

In light of the present economic challenges, there might be merit in reconsidering the NRF or similar initiatives. Reopening the NRF could offer immediate relief to distressed industries, prevent widespread unemployment, and support economic recovery. However, any reimplementations should be accompanied by careful oversight to address past issues and ensure effective allocation of resources. In essence, the NRF stands as a testament to the government's commitment to preserving jobs, enhancing skills, and safeguarding the interests of the labour force during a crucial period of economic transformation. While it may no longer be in operation, its legacy serves as a reminder of the importance of proactive measures to support the workforce in times of industrial change.

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