



## Difference between Lay-off and Retrenchment

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### INTRODUCTION

Lay-off and retrenchment are defined under the Sections of the Industrial Disputes Act, 1947 and constitute an important part of it.

The term lay-off is defined in Section-2 (kkk) of Industrial Disputes Act, 1947. Under the given Section, 'layoff' is defined as an inability, failure or refusal from the employer to provide any employment to a workman enlisted in the muster roll of the establishment. This lay-off can be reasoned due to lack of power, coal, raw materials, breakdown of machines, natural calamity or any other reason due to which the work cannot be carried forward in the establishment.

Section- 2 (oo) of the Industrial Disputes Act, 1947 defines retrenchment. The Section establishes the meaning of retrenchment as termination of a workman on a permanent basis for any reason except as a punishment to a workman.

### CONDITIONS

#### CONDITIONS FOR LAY OFF

- The name of the workman must appear on the muster roll of the employer's industrial establishment.
- There must be an inability, failure, or refusal on the part of the employer to employ the workmen.
- This inability, failure, or refusal must be caused by a lack of power, coal, raw materials, stockpiling, breakdown of machinery, or any other pertinent reason.
- The employee cannot have experienced retrenchment.

#### CONDITIONS FOR RETRENCHMENT

- In accordance with Section 25F, the employer must provide a one-month written notice to the employee outlining the reasons for the retrenchment; alternatively, the employee may be paid wages for the notice period.
- For each year of continuous service supplied by the employee, the employer is required to pay the employee compensation equal to an average wage of 15 days at the time of retrenchment.
- The appropriate government must also receive the notification of the layoffs.

### COMPARATIVE ANALYSIS OF LAY-OFF AND RETRENCHMENT

**Lay-offs** are only used in continuing businesses. Layoffs are useless if the company decides to permanently close his industrial facility. Layoffs that do not comply with the requirements in Section 2(kkk) of the Industrial Disputes Act, 1947 will not be regarded as legal under the law, therefore the conditions to be followed under the Section to conclude lay-offs

are important. The phrase "layoff" refers to the instant removal of employees; nevertheless, because this type of unemployment is only temporary, the relationship between the employer and the employee will not be terminated and the terms of employment will not change.

A worker is considered to be laid off for the day if his name appears on the muster roll of the employer's industrial plant, he reports for work within working hours, and he is not employed within two hours of his arrival. A worker is considered to have been laid off for half of the day if he is asked to work during the second half of his shift and gets hired. He cannot be regarded as being laid off for the entire day if he is not employed even after reporting to work during the second half of the day. In this scenario, he is still entitled to the same pay as other employees.

On the other hand, Section-25G of the Industrial Disputes Act, 1947 provides for the procedure for **retrenchment**. It enlists that an employer must make sure to retrench a worker who was deemed the final applicant to be hired for a certain job at the time of employment if he or she belongs to a particular class of workers employed in the employer's firm.

## CONCLUSION

Lay-off refers to the removal of surplus workers from an industrial establishment to increase productivity, provided that such removal is carried out for any reason whatsoever other than as a form of punishment in support of enforcing disciplinary action. A layoff essentially refers to the temporary termination of a worker at the disposal of an employer. A layoff results in a temporary termination, but a retrenchment results in a permanent termination. In both cases, the employer-employee relationship ends, although it does not end in the first.

In a layoff, the industrial establishment immediately ceases to function or operate. Lay-off, however, does not stop the industrial establishment's functions or operations. As soon as the layoff term is over, a worker who had been fired is rehired.

Retrenchments typically follow the guideline that they must begin with fresh or inexperienced employees and work their way up to more seasoned or senior employees. The above-mentioned technique, however, has two exceptions: if the employer and the workers have a contract in place that deviates from the law; or if the employer gives any other worker a reason to be laid off. Employees with specialised talents whose services are essential to the establishment's smooth operation must continue to be employed by the employer in good faith.

In the event of a Retrenchment, the employee's employment is immediately terminated and there is no longer any relationship between the employer and the employees.

Any firm that operates relies on a variety of factors to operate, increase revenues, and decrease losses. Additionally, it must provide its staff with adequate care so that they can contribute effectively to the growth of the business. But in order to remain competitive, these businesses must make judgments quickly and accurately. Layoffs and retrenchments, which both follow specific procedures to ensure that the workers are not subjected to unjust conditions, may be advantageous to the corporation in terminating the employees or workers.

