

Examples of Severance Formulas and Payments

Economy/ enterprise	Key features of voluntary departure	Other features	Source for further details
Argentina: Buenos Aires Water and Sewerage	Post-PPI voluntary retirement undertaken by the concessionaire	Workers who left under voluntary retirement received approximately US\$10,000 in severance	Shaikh 1996
Argentina Electricity	Severance package is approximately 10 percent greater than the statutory termination package	In 1992 workers received approximately US\$10,000 in severance.	Shaikh 1996
Argentina Rail	1 month per year of service, with no cap	Approximate cost in 1990 of US\$10,000 per worker	Ramamurti 1997
Bolivia Rail	3 monthly wages plus an equivalent of 1 wage per year of work for those with more than 5 years of service, plus statutory unemployment benefits	The amount offered was the same as statutory payments; Bolivian capitalization program had made a policy decision to implement a uniform scheme for all enterprises; no incentive for workers who voluntarily retired	Valdez 2002
Brazil: São Paulo Railway	Workers with 4 to 10 years of service, 1 month's salary per year of service; workers with 10 to 20 years of service, 2 months' salary; and workers with up to 25 years of service, 2.5 months' salaries; workers also receive 180 percent of the accumulated funds in their FGTS accounts (a compulsory employee severance indemnity fund, to which all employees in Brazil contribute 8 percent of their basic salaries each month)	Those who left voluntarily gained a cash bonus of 33 percent of monthly salary per year of service; average total package received per worker was estimated at R\$29,870	Carneiro and Gill 1997
Brazil: Rio Grande do Sul State Electricity Company	60 percent of a month's salary per year of service, but capped at 15 months' salary; additional incentive for workers near retirement age is	Average package per worker was R\$41,900	Carneiro and Gill 1997

(Table continues on the following page.)

Economy/ enterprise	Key features of voluntary departure	Other features	Source for further details
Brazil: São Paulo Electricity Company	10 percent of all remaining wages up to the date of retirement; workers also receive 140 percent of the funds in their FGTS accounts 50 percent of a month's salary per year of service for those with less than 10 years' service; 40 percent if more than 10 years of service; no cap; workers also receive 140 percent of the funds in their FGTS accounts		Carneiro and Gill 1997
Brazil Federal Railway	4 to 12 months of salary, depending on years of service, increasing for workers with 6 to 25 years of service and decreasing for older workers with more than 25 years of service; workers who delayed accepting voluntary departure and were made redundant during the period 1 year after privatization received 80 percent of these benefits	Only workers with more than 6 years of service were eligible; workers were allowed to keep their use of housing for up to 12 months and pension payments were continued for 12 months; average payment to workers was about US\$8,000, plus US\$18,000 of statutory benefits	Estache, Schmitt de Azevedo, and Sydenstricker 2000
Guyana Telephone and Telegraph Company	Severance package equivalent to 22 months of salary		Hinds 1995
India: Federal VRS Scheme (1993–95)	1.5 months of salary per year of service, or 15 days' salary for each year until retirement at age 58, whichever is less, plus statutory benefits	Three times better than statutory termination benefits of 15 days' salary per year of service	Kouamé 1997
India: Orissa State Electricity Board	1.5 months' salary for each year of service, or 30 days' salary for each year until normal retirement date, whichever is less, plus statutory benefits		Ray 2001
Mexico Federal Railway (FNM)	4 months of salary plus 30 days for each year of service; part-time workers receive 3 months of salary plus 20 days of salary for each year of service	Salary was a daily integrated salary, which included base salary plus 12 other allowance elements; workers typically received between US\$10,000 and US\$25,000 in severance. An enhanced pension package was also provided, funded in part from privatization proceeds.	López-Calva 2001
Pakistan: Kot Addu Power Plant	Based on plan for industrial plant privatization in Pakistan; voluntary departure package of 4 months' basic salary per year of service, plus gratuity of 1 month's basic	Evidence of adverse selection (the most productive workers leaving). Average costs in 1990–93 were about US\$3,000, but costs	

(Table continues on the following page.)

Economy/ enterprise	Key features of voluntary departure	Other features	Source for further details
The Philippines: Manila Waterworks and Sewerage System	<p>salary per year of service (the “4+1” rule); officer cadre staff had a less-generous package of 2 months’ salary per year of service plus gratuity (the “2+1 rule”)</p> <p>Severance package based on years of service, using an “adjusted monthly pay” to take into account various allowances (this was around 30 percent higher than basic pay); workers with less than 20 years’ service receive 1.5 months per year of service; those with 20 to 30 years of service receive 2 months’ salary; and those with more than 30 years of service receive 2.5 months of salary.</p>	<p>at some industrial plants rose to US\$10,000 after 1993</p> <p>Typical package for worker with 20 years of service totaled about US\$15,400, roughly twice the standard government package of termination benefits</p>	<p>Kouamé 1997</p> <p>Cruz 2001</p>
Taiwan, China (Privatization Law)	<p>Severance payment of 6 months of salary in addition to statutory payments.</p>	<p>Applicable to all employees retrenched at privatization or laid off within 5 years after privatization</p>	<p>Chang 2002</p>
Vietnam (Decree 41/2002 on policy for redundant workers in SOEs)	<p>Severance pay of 1 month per year of service (minimum 2 months); additional compensation of 1 month per year of service; lump sum of VND 5 million; continued salary for 6 months searching for job.</p>	<p>Workers can obtain 6 months’ training at vocational training centers; workers who are 5 years short of the pension age have the right to continue paying 15 percent of salary to social insurance in order to qualify for pension and death gratuity benefits</p>	<p>Government of Vietnam 2002</p>