

A CRITICAL REVIEW OF VOLUNTARY RETIREMENT SCHEME

Dr. Vinay Bhole

Associate Professor

Model College, Dombivli

Introduction: The concept of voluntary retirement became popular after liberalization. It has its origin in civil services for over a century. Most of the state governments in India have provisions for voluntary retirement. However, in the private sector, the idea of VRS developed after 1991. Many large private organisations provide for retirement of an employee before reaching the age of superannuation. Many even provide incentives to employees who choose for voluntary retirement. It is now called as 'Golden Hand-shake'.

Definition: The word "Retire" has been defined in the Oxford dictionary as "give up office or profession or employment ". The term "Voluntary" means willingly. There is no any sort of compulsion. Therefore, 'Voluntary Retirement' is a choice given to an employee. Both the parties need not to reveal to anyone the reason for voluntary retirement.

Reality: The law has taken seriously these retirement schemes. Chapter VB of the Industrial Disputes Act, 1947 has provided provisions relating to lay off, retrenchment or closure of industrial organizations having more than 1,000 workmen are employed. It is on an average per working day for the past twelve months. It restricts lay-off and retrenchment of workers. It needs prior permission of concerned authority. Such permission to retrench workers is not given for political reasons.

The law has not provided any procedure for closing down an industrial unit. It requires prior permission. It is to be obtained by the employer from the specified authority. It can be taken after giving at least 90 days notice of the intended closure. This type of permission is never given for political reasons.

Due to such restrictions in labour laws, a mid-way has been taken out of financially well-off employers. It is to reduce their manpower by introducing Voluntary Retirement Scheme for their employees.

This scheme directly and indirectly affects employers, employees and trade unions. As far as possible, it never shows its real nuisance value. However, in many cases it has become a sensitive issue due to many psychological reasons.

In this era of globalization and liberalization, VRS has become an essential feature of Indian industries. The survival of a business depends upon competitive strength, cost-effectiveness and working efficiency. An industrial organisation must introduce the policy of maximum utilisation of available resources to its optimum level. Due to this the idea of Voluntary retirement always has its own stake in Indian economy..

History of Voluntary Retirement Scheme : VRS has originated in Europe. This idea was brought in India by European banks and MNCs. The very first scheme was brought in India by City Bank of America in 1977. As it got a great success it was repeated in 1981 and 1993 by them. British Standard Chartered Bank brought the same in 1994. They also was repeated in 1996 and in 1999.

Indian Railway announced V.R.S. in the year 1977. O.N.G.C. had a permanent V.R.S. Bharat Gold Mines Ltd. Brought the same in 1981. Batliboi & Co. Ltd. implemented V.R.S in 1987 and reintroduced in 1988, 1990 and in 1991. Cadbury India Ltd., Premier Automobiles Ltd., Carona Ltd., Godrej Soaps Ltd. Introduced VRS in 1992. Sandoz reintroduced V.R.S. in 1994. Bayer, Crompton Greaves and Indian Standard Metals also repeated the same.

Nature and Scope of VRS: The VRS determines to the employer, employee, union, society, business and economic environment and the government. The scheme is very important but should be implemented voluntarily. It is beneficial to employer, employees, trade unions, govt. and the society at large.

Non eligibility for Compensation:

1. If the worker refuses to accept the alternative employment in the same organization.
2. If the worker refuses to accept employment in some other establishment of the same employer.
3. The worker is not present at the work at time allotted to him at least once in a day.
4. If the worker is laid off due to strike or slow down of production.

Alternate employment –Sec 25 (E), 25 (M): The means the employment should be suitable to his status and nature of work performed by him.

Retrenchment : Sect .25 (F)- The termination of service of a worker for any reason is called retrenchment. If the employer wants to retrench the worker who is working for one year or more:

1. The employer must give one months notice in writing to a worker by showing the reasons.
2. One months wages for such notice period to be given to the said worker
3. The employer should pay a retrenchment compensation to worker.
4. It should be at the rate of 15 days average pay for every year of completed service.
5. The employer must serve on the notice of the government in a prescribed format.

Retrenchment does not include:

1. Voluntary retirement to workers
2. Termination as a punishment to workers.
3. Retirement at the age of superannuation in normal course.
4. Termination on the ground of ill health of the employee.
5. Termination on non renewal of contract to the employee.

Notice of Retrenchment : The notice of retrenchment should be served by the registered post to the concerned workers. If it should not be served by the post, it should not be served by the peon otherwise it will be invalid notice.

Procedure for Retrenchment & Re-employment sec 25 (G) sec 25 (H)

1. The workmen employed should be retrenched first.
2. For re-employment the retrenched worker should be given first preference

Compensation for closure – Sec 25 (FF) & 25 (FFF): When the ownership of a business is transferred from one employer to another employer or when the business is closed for any reason and the workman is employed for one year or more in that case the worker is entitled for notice wages and retrenchment compensation.

But if the closure is due to unavoidable circumstances, then the worker is liable for the compensation maximum up to three months pay.

Termination of Probationer's 2 (00): The termination of service of an employee on probation amounts to retrenchment. Permission of Lay off, Retrenchment and closure Sec section-25 (M), 25(N) & 25 (O) of I.D. Act is necessary to be taken.

The employer employing more than one hundred workman (now more than one thousand since 24.07.2004). Presently, if more than one thousand workers want to take the permission of lay off or to retrench any worker or close down a business unit, it is necessary to obtain a permission within sixty days from appropriate government.

When the employer retrench the workman under these provisions has to give:

1. 03 months notice or three months pay to the workers.
2. Every worker is entitled to get a compensation in case of lay off, retrenchment or closure.

Punishment :

1. The employer who does not take permission from concerned authorities, retrenches the workman or lays off then he is liable for punishment or both sec 25 (Q)
2. If the employer fails to take permission of closer, then he is punishable up to six months imprisonment or fine up to Rs. 5000 or both – sec 25.

Compulsory Retirement Scheme (CRS): When the employer expects the unwanted employee to retire without considering whether the employees strength is in surplus or not. There is a clear distinction between voluntary retirement scheme and the compulsory retirement scheme.

The voluntary retirement is the option given to the employee for the reason well known by which the employee can seek voluntary retirement without objection form the management.

Social Impact : Since the independence of India in 1947, the government of India is trying to make available the employment opportunities through industrial development. The private industries were started after independence for making the profit.

Due to their private ownership and the right to do the business and to earn profit was given by constitution to them. As there was no ceiling on profit making and to whom the employment is to be given. In addition, there was a possibility of monopoly. Therefore, the government of India has kept in reserve certain areas of social necessity. They are kept in public sector under the control of central and state government. It is as per the Industrial Policy Resolution of 1956.

The main objectives were to make available the equal employment opportunities. It was also expected to reduce income inequalities and to reduce monopoly. However, the public sector could not show any remarkable progress due to inefficiency, lack of work culture, corruption, faulty management etc.

The situation was observed till 1991. India was member of GATT. It was established in 1948. However, India could not come out of the situation. U.S.A. and European countries were thinking about globalization since 1960. However, the real process started since 1980. In China it was started in 1978. The developed countries applied pressure tactics through IMF and WTO institutions.

India was in server financial crisis in 1991. That time India hypothecated its twenty tons of gold reserves in the Bank of England. India became a member of WTO. Since 1994 due to pressure form IMF and WTO India accepted globalization.

Due to globalisation the following social impacts have experienced by Indian people:

1. Indian business organizations had to face the world competition. It was with very big foreign collaborations.
2. Those who could not survive in the competition shut down their shutters.
3. Some Indian businesses were closed some are still there in the competition
4. There were problems of retrenchment, CRS, VRS, etc
5. Many persons lost their jobs.
6. Those who lost the jobs could not get re-employment
7. There was a big recession till 1996-97.
8. Due to universal competition the consumer items and services have become cheap.
9. The standard of living increased.
10. Semiskilled and unskilled Indians started getting jobs in the industries. It was due to outsourcing of such jobs form developed nations.
11. The scope increased to the contract labour system.
12. The efficiency of the labour increased.
13. The labour costs reduced.

Concluding Remarks: The workers have become more sincere. The trade unions have lost their importance. The VRS became a common feature of all organizations. The society at large started taking the same in the right spirit.

REFERENCES

1. Likert Rensis, *The Human Organisation: Its Management and Values*, McGraw Hill Book Company, New York, 1967, p.1.
2. Mamoria, C.B., Gankar, S.V., *Personnel Management*, Himalaya Publishing House, Mumbai, 2005, 25th Ed., p.5.
3. Megginson, L.C., *Personnel and Human Resource Management*, 1977, p. 377
4. Jucius, M.J., *Personnel Management*, Richard D. Irwin, Illinois, Homewood, 1973, pp. 37-38.

5. Drucker, Peter F., *Management: Tasks, Responsibilities and Practices*, Heinemann, London, 1974, pp. 237-39.
6. Mamoria C.B. *Personnel Management & Industrial Relations*, S. Chand & Co., Delhi, 1995.
7. Dunlop, John T., "The Task of Contemporary Wage Theory," in Taylor, George W., and Frank C. Perison, *New Concepts in Wage Determination*, McGraw-Hill, New York, 1957, pp. 129-130.
8. Singh, V. B., *Climate for Industrial Relations*, Asia Publishing House, Bombay, 1968, p.
9. Kirkaldy, H. S. *The Spirit of Industrial Relations*, Oxford University Press, 1947, pp. viii-ix.
10. Yoder, Dale, *Personnel Management and Industrial Relations*, Prentice-Hall, New York, 1969, p. 19, Footnote 1.

