## Chapter 3

Objectives, Hypothesis and Research Methodology

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Chapter 3
Objectives, Hypothesis and Research Methodology

3.1 Objectives of the Study:

The performance of any organization depends upon the skills and abilities of its employees. Employees are assets to the company. But they need to be flexible and adaptable to the changing environment. The employees should learn new skills and new methods of job especially in the area of Information technology.

3.0.1. Technology is changing fast. Companies find it difficult to modernize their plant and its operations. It involves huge investment. The companies thus, are compelled to go in for modernization. Hence they started reengineering in the entire organization.

3.0.2. Customers became more demanding towards quality products and services. NGOs and Voluntary Organizations putting lot of pressures on the companies to maintain manufacturing standards
such as anti pollution norms and waste treatment and better management. Shareholders started demanding good ROI on their investment and also for better corporate governance.

3.0.3. These are some of the reasons why companies look for cost cutting measures. Most of the companies had started implementing Voluntary Retirement Schemes and most of them were successful in giving golden handshake to the excess and overage employees. Thus companies had reduced overhead cost.

3.0.4. Some companies shifted their manufacturing sites and offices to the low priced localities to save operational cost.

3.0.5. Some companies went for mergers and acquisition as part of their strategy for survival and better market capitalization.

3.0.6. Some companies diversified to other manufacturing areas.

3.0.7. Some companies made good profit after disposing their assets in strategic locations.

Hence sincere attempt has been in the entire study for analyzing the problems and prospects of VRS affected personnel. This section of the study is intended to devise the questionnaire for
the collection of desired data from the informants. By using simple percentage method of tabulation variables were determined before the final draft of the questionnaire was made.

3.1 **Hypothesis**

3.1.1 "Voluntary Retirement Scheme has been adjustably received by both the Employers and Employees in most of the industrial units in Mumbai and Navi Mumbai during the period 1984 to 2004."

3.1.2. Liberalization forced the inefficient and loss making units either to close down or to restructure their operations by modernizing plants & machinery. Due to this manpower will be replaced by machine. Hence companies have the option to downsize employees by giving liberal Voluntary Retirement Scheme (VRS). The employees did not have any other option and had to accept the VRS package, and to look for another job or to start a business of his or her interest. Both the employer and the employee have to come together for an amicable solution on mutually agreeable terms and conditions
3.1.3. Restructuring one unit should not necessarily lead to expansion of another unit. But what is important is identifying the problems and solutions without affecting the functioning of the company. It also depends upon the skill of the management as to how it identifies the surplus staff in various departments before introducing VR scheme and its ability to deal with VRS affected employees effectively.

3.1.4. About 8 to 10 lakh package may look attractiveness it comes to the rescue, when a person is vulnerable to a major aliment or disease at the age at which he/she opts for VRS.

3.1.5. To add to the daily uncertainties of life, it is virtually impossible for a worker to identify one area in the financial market where he can park on long-term basis his life long savings earned in the form of VRS compensation. The stock market has played truant, finance companies have often gone bust and mutual funds do not always deliver decent returns month after month while also affecting security.

3.1.6. Union activists also point to the psychological scar that torments people in the post retirement phase.
workplace is lost for them, the sense of social acceptance, which comes with a job also diminishes.

3.1.7. Prior to 1991, the Indian Industry had grown under the protection of government, and it had got heavy subsidy and sales tax exemption for starting units both in rural and developing areas. The government was protecting the small scale and medium scale industries by imposing heavy import duty on the goods imported from the foreign countries. The trouble had started when the government was under tremendous pressure from World Bank and WTO due to economic and financial constraints and negative balance of trade and forex reserves.

To overcome this problem Mr. P.V. Narishimha Rao the former Prime Minister of India had introduced several measures by inviting Multinational companies (MNCs) to set up their operations in India. This process of liberalization and privatization initiated by the Government in 1991 received further boost when the next Government, came to power in 1996 under the leadership of the Prime Minister Atal Bihari Vajpayee.
3.1.8. Global Multinational companies like Pepsi, Coco-Cola had started full fledged operations in India and acquired the existing brands like Thumsup, Dukes and other Parle products. Hindustan Lever Limited had started acquiring brands like Ponds, Lakme, Brooke Bond, TATA soaps and Modern Foods. In the process of restructuring, companies like Tomco, Hindustan Lever Limited downsized manpower by introducing liberal Voluntary Retirement Scheme. (VRS)

3.1.9. Reliance Petrochemical had acquired IPCL to strengthen their market share in the petroleum products. Nocil, Mafatlal Group, could not withstand competition from Reliance and was forced to close down their operations in Thane Belapur Road. Majority of its employees has taken VRS. Reliance had also given VRS to its employees in their petrochemicals unit in Patalganga in Mumbai.

3.1.10. Kumar Mangalam Birla had acquired a major share in Larsen and Toubro Cement division and became one of the leading producers of cement in the world.

3.1.11. The Automobile companies like Premier Automobiles and Mahindra and Mahindra once upon a time leading the market
forced to restructure its operations by implementing VRS in Mumbai.

3.1.12. Japan, China and South Korea began to capture the electronic market in India, which had forced the existing brands in India from Siemens, Philips, Bharat Bijlee, L&T, Blue Star and GKW Ltd to go for VRS as a part of their restructuring exercise. The small and medium size companies are the worst sufferers of their cutthroat competition because of the cheap goods, which were imported and marketed in India.

3.1.13. The present government is putting lot of pressure on companies like IOCL, BPCL and HPCL for disinvestment as a part of restructuring profit-making PSUs.

3.1.14. Some of the age old industries like Textiles, Coal Mines, Steel and Engineering units and even quiet a few of the Pharmaceutical units though having foreign collaboration with MNCs are forced to downsize their employees by introducing VRS.

3.2 Research Methodology:

The broad outline of the project is to select the universe of “Manufacturing Industry” to determine the problems and
prospects of VRS effected personnel during the period 1984 to 2004. The selected population is the employees of the industry whose manufacturing facility is in Mumbai and Navi Mumbai Region, which is the biggest industrial belt in India. The scope of the study was limited to the stratified random sample within 25 companies in Mumbai and Navi Mumbai region in the State of Maharashtra.

The intention is to get the information regarding the Voluntary Retirement Scheme adopted by various companies. This information is used to apply simple statistical instruments to find out the causes and effects in both pre and post VRS scenario from both the employer and the employees’ point of view. Sincere efforts are put in to locate the areas where employees resettled after VRS and also the companies post VRS position.

3.2.1. Data Collection:

To gather the desired information, the primary data was collected. The primary data collection is used for including the copy of the schedule and selection of the sample. The primary data often expresses the genuine and greater details. The primary data collection is preferred, to gather the information
which is original in characteristics and which assembles the minute attitudinal details.

Considering the nature and scope of the inquiry and the degree of accuracy desired, the primary data collection is preferred over the others. A descriptive type of research is intended for and hence sample survey is performed so as to secure information concerning the phenomenon under study from the respondents at random from the selected universe.

The primary data collected is from the employees and the managers of the companies who had implemented VRS in their companies in the region of Mumbai and Navi Mumbai. The primary data collected provides adequate basis for analysis. The information is gathered by using well-designed questionnaire.

3.2.2. Questionnaire:

For the purpose of administering the questionnaire, the following sampling procedure has been followed:-

1. On the basis of turnover three categories of companies called A, B & C have been formed. Category ‘A’ consists of companies having turnover of more than 1000 crores.
Category ‘B’ consists of companies having turnover between 500 to 1000 crores. Category ‘C’ consists of the companies having turnover of less than 500 crores.

2. From the category ‘A’ random sampling of 5 companies has been selected from the category ‘B’ random sampling 7 companies has been selected and from category ‘C’ 13 at random has been selected. From all these 5 companies of category ‘A’ questionnaires were administered to the Managers, Executives/Officers, Supervisors and workmen. The total number from all these classes of employees of category ‘A’ is 39. Similarly from category ‘B’ questionnaires were administered to 29 persons and from category ‘C’ questionnaires were administered to 32.

As the field of investigation is very vast region (the Industry in Mumbai and Navi Mumbai) in the State of Maharashtra and is spread over wide geographical area, the method of questionnaire is adopted. This method is expeditious because the questionnaires were filled in person and sent by post and collected through post. All the informants are literate people in the universe of Manufacturing Industry. Hence they could
understand the written questions and send or hand over the answers in writing.

All the 25 companies in the Mumbai and Navi Mumbai region comprises of total 100 employees. The sample is large enough to get sufficient number of respondents even if the uncertainty about the response is evident in the questionnaire method. As the success of the questionnaire method depends upon the skill with which the questionnaire is drafted, a set of standard questionnaire is adopted to secure the willing cooperation of the informants. The questionnaire is so framed that it does not become an undue burden on the respondents. The inquires adopted were such that the respondents have responded to the questionnaire because of their own interest in the inquiry. The details of the drafting of the questionnaire are illustrated as follows:-

The following general principles were considered while drafting the questionnaire:
a) Covering letter was enclosed so as to get introduced with the respondents and to communicate the objective of the survey. Necessary instructions were drafted for the informants.

b) Number of questions were as small as possible

c) Questions were arranged in a logical sequence

d) Questions were short and simple to understand

e) Ambiguous questions were avoided

f) Very personal questions were avoided

g) All the questions were capable of objective and descriptive answers.

h) Questions requiring calculations were avoided.

3.2.3. Sample:

1. The sampling is done on the assumption that sample data will enable the researcher to estimate the population parameters. The manufacturing sector is the universe selected for this study. The sector in the area of Mumbai and Navi Mumbai is the population selected. As the population contains considerably large numbers, stratified random sampling method is adopted for selecting the sample size for the study. The sampling frame is
restricted to companies located in the areas of Mumbai and Navi Mumbai.

2. The sample size contain 25 companies randomly selected based on their turnover and strength of employees and 100 employees of different age groups and at different grades. Care also has been taken that the sample contains female members.

3. The personal variables like sex, family background was asked through personal data sheet. This information was collected by tracing the tick mark on the given option.

4. In the group category, employees were grouped on the basis of their present designation. The group comprises the employees with designation such as:
   a) Workmen
   b) Supervisors
   c) Executives Officers
   d) Managers and above

   In the group of education the segregation was made on the basis of the educational qualifications written by the respondents.

3.2.4. Processing of Data:
After gathering the data it was processed properly by means of editing and tabulating the information. The homogeneity of the information was ensured while drafting the questionnaire itself. Two questionnaire forms were designed for collection of the data.

The column respondent number was followed. The columns such as age group, sex, initial designation, present designation, education, length of service and salary was included. In the form of personal data objective type of questions were asked and the answers were to be chosen from the selected options.

For the questionnaire for employers and employees the objective were to be chosen with the answer such as a, b, c, d, in the questionnaire.

A computer was used for the data entry. The index key was created on the computer by using latest SSP package. Frequencies were taken for each variable and analysis done based on primary data, which was collected from both the organizations and employees.