# Chapter 5

## Implementation of Voluntary Retirement Schemes

by various companies.

5.1 The adoption of schemes by the under mentioned companies has been explained. 

<table>
<thead>
<tr>
<th>Section</th>
<th>Company Name</th>
<th>Page No.</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.1.1 to 5.1.8</td>
<td>Balmer Lawrie &amp; Co. Ltd</td>
<td>111-119</td>
</tr>
<tr>
<td>5.2.1 to 5.2.6</td>
<td>Piramal Health Care Ltd</td>
<td>120-123</td>
</tr>
<tr>
<td>5.3.1 to 5.3.2</td>
<td>National Peroxide Limited</td>
<td>124-125</td>
</tr>
<tr>
<td>5.4.1 to 5.4.3</td>
<td>Sandoz (India) Ltd</td>
<td>126-129</td>
</tr>
<tr>
<td>5.5.1 to 5.5.3</td>
<td>BASF Ltd</td>
<td>130</td>
</tr>
<tr>
<td>5.6.1 to 5.6.4</td>
<td>Indian Oil Corporation Ltd</td>
<td>131-133</td>
</tr>
<tr>
<td>5.7.1 to 5.7.3</td>
<td>Lubrizol India Ltd</td>
<td>133-134</td>
</tr>
<tr>
<td>5.8.1 to 5.8.9</td>
<td>Bayer India Ltd</td>
<td>134-137</td>
</tr>
<tr>
<td>5.9.1 to 5.9.5</td>
<td>Philips India Limited</td>
<td>138-140</td>
</tr>
<tr>
<td>5.10.1 to 5.10.3</td>
<td>Hindustan Lever Ltd.</td>
<td>140-141</td>
</tr>
</tbody>
</table>
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2. Piramal Health Care Ltd

3. National Peroxide Limited

4. Sandoz (India) Ltd

5. BASF Ltd

6. Indian Oil Corporation Ltd

7. Lubrizol Ltd

8. Bayer India Ltd

9. Philips India Limited

10. Hindustan Lever Ltd.
5.1 BALMER LAWRIE & CO. LTD,

SPECIAL VOLUNTARY SEPARATION SCHEME

5.1.1 OBJECTIVE:

To facilitate and re-structure certain business of the Company, to achieve optimum manpower utilization, to improve productivity through improvement of skills to reduce costs and to improve quality of work life.

5.1.2 SCOPE:

This Scheme shall apply to all permanent employees of the company's Freight Containers Division, Cochin (FCDC), Anti Oxidants & Functional Additives Division, Chennai (AOFA) Oleochemicals and specialisation Division, Taloja (OSD) and to employees who have completed 10 years of regular service in the Company or have attained 40 years of age.

Notwithstanding the Scope of the Scheme, granting of the Voluntary Separation shall be based on the sole discretion of the Management.
5.1.3 TENURE:

This scheme shall come into force on a day to be determined by the Managing Director and shall be in force for a period of two (2) calendar months thereon.

5.1.4 BENEFITS:

An employer whose offer for Voluntary Separation Scheme is accepted will be entitled to the benefits set out in Option I or Option II at his/her choice.

EX-GRATIA:

OPTION – 1:

Three (3) months emoluments (Basic Pay, Personal Pay (if any) and Dearness Allowance) for each completed year of service or emoluments for balance period of service left for normal retirement, whichever is less. Further, for every incremental increase of a block of Rs. 2 lacs over Rs. 5 lacs, there will be a reduction of Ex-gratia payable at the rate of 2.5% which will keep on doubling with every such incremental slab.
OPTION –II :

Monthly benefit equivalent to percentage of last drawn monthly emoluments (Basic pay + Personal pay (if any) and Dearness Allowance) for ten years or up to age of 60 years whichever is earlier as under:

<table>
<thead>
<tr>
<th>Age</th>
<th>Percentage of Last drawn monthly emoluments</th>
</tr>
</thead>
<tbody>
<tr>
<td>58 &amp; above</td>
<td>100</td>
</tr>
<tr>
<td>54-58 years</td>
<td>90</td>
</tr>
<tr>
<td>Upto 54 years</td>
<td>80</td>
</tr>
</tbody>
</table>

Payment shall be made monthly. In case of premature death, amount to be paid to nominee for balance admissible period.

Note: Should salaries / wages be revised with retrospective effects, such revised basic pay, personal pay (if any) and dearness allowance to which the separating employee would otherwise be eligible on the date of separation shall be reckoned and benefits re-computed.
The normal settlement dues i.e., PF. Gratuity shall be as per Fund rules. Encashment of Privilege Leave and Half Pay leave as per rules as applicable to retiring employees.

However, in case of employees opting for Option II, the leave encashment for the unavailed earned leave and Half Pay leave encashment as per rules shall be calculated at the time of Voluntary Separation and shall be divided in equal instalments and paid along with monthly benefit.

5.1.5 Superannuation (For Officers):

Will be admissible subject to a minimum of 15 years of service from the notional date of retirement.

Medical facilities under Post Retired Medical Benefit Scheme (PRMBS) for Officers shall be available with effect from the date of notional retirement.

5.1.6 Notice Pay:

Employees granted Voluntary Separation under the Scheme shall be released with immediate effect, viz. Within 10 days of receipt of completed application. In view of this all employees shall be eligible for notice pay as under:
Three months for Officers.

One month for Non-Officers.

Retention of Company Accommodation/Self Lease Accommodation with Telephone for Officers: 3 months.

5.1.7 **LTA & LTA Encashment**:

(Officers):

as per rules.

(Non-Officers):

Lumpsum LTA payment as per LTS for the year in which separation occurs.

5.1.8 **Re-Settlement Benefit**:

Officers separating under this Scheme shall be eligible for re-settlement benefits laid down in 15.4 of the Manual of Service Terms and Conditions for Officers.

All Non-Officers separating under this Scheme shall be eligible for a lumpsum re-settlement grant of Rs. 25,000/-. 

**Repayment of Loans & Advances**:

Employees availing the Scheme shall be required to re-pay outstanding loans/advances on account of HBL. Vehicle, Sundry loans or any other loans/interest.
Adjustment of Loans and Advances under Option - 1:

Leave encashment shall be adjusted against outstanding vehicle advance/House Building loan with accrued interest. If the amount due is in excess of leave encashment, the amount in excess of the same shall be adjusted from ex-gratia payable.

Gratuity shall be paid to the employee. However, if there is any outstanding loan/advances and interest after adjustments referred to in preceding paragraphs, an amount up to gratuity amount will have to be deposited by the employee with the Company to clear all such outstanding loans/advances.

5.1.9 Adjustments of Loans and Advances under Option – II:

In case of employees availing Option II, the outstanding loans / interest shall be recovered in equal monthly installments from the monthly payment.

Where outstanding loans / advances / interest is too large, the amount of outstanding loan/interest will be partially adjusted by the mechanism provided at 5.2.3 above and partially recovered in equated monthly installments (EMI) from the monthly payment in such a way that monthly payments do not get reduced beyond 20 %.
5.1.10. Competent Authority:

The Competent Authority for accepting Voluntary Separation under the Scheme shall be as under:

For all Non-Officers & All Sub-Committee consisting of ED (HR)/Officers in Grade 01-C. GM (F)/Concerned GM, Director/ED in charge of the Division.

For all Officers in Grade D & ED (HR)/GM (F)/Director in charge above of Division/MD.

5.1.11 General:

An employee who has made a request for separation under this Scheme and Whose request has been accepted by the Competent Authority shall not have any right to withdraw the request thereafter.

Employees granted Voluntary Separation under this Scheme shall not be eligible for re-employment in any capacity in the Company/Group Company/ Joint Venture.

Applications for voluntary Separation will be processed by the concerned units and sent to Corporate Head Office promptly for enabling release of the employees.
Payment under the Scheme is subject to the employee vacating the Company owned/leased accommodation and clearing his outstanding dues.

Withdrawal of the Scheme or its modifications/alterations shall be at the sole discretion of the Company without giving any reason or notice whatsoever.

The detailed procedure for seeking voluntary separation under the Scheme shall be notified upon introduction of the Scheme.

**5.1.12 Interpretation & Removal of Doubts:**

While all efforts have been made to define with precision all Concepts/expressions, should any doubt arise regarding any matter pertaining to the Scheme the decision of Managing Director shall be final and binding.
5.2 PREAMBLE

Under the present highly competitive environment where costs are rising and prices are controlled / regulated by Government, the company has considered it imperative to reorganize and rationalize some of its activities, operations and product lines. This would necessitate an overall reduction in the existing number of employees. To achieve this objective, it has been decided to introduce a revised Voluntary Retirement Scheme, which is voluntary on either side (The revised Scheme has been formulated after taking into consideration the suggestions of the employees. The revised Scheme has been communicated to the union and no objections have been received from their side.)

5.2.2 APPLICABILITY: The Revised Scheme is applicable to all permanent Workmen/employees (excluding the Medical Service...
Representatives, all the Management Staff and Directors) employed at
the Head Office, Pharmaceutical Plant at Tardeo, Vitamins and Fine
Chemicals Division at Thane and all employees who have completed
forty (40) years of age or have put on at least (10) years continuous
permanent service with the Company.

The Management will extend the Revised Scheme to those employees
who are desirous of accepting Voluntary Retirement.

COMPENSATION UNDER THE REVISED SCHEME:

Compensation payable under the Revised Scheme will be as follows:

**Table No.5.1**

<table>
<thead>
<tr>
<th>Age bracket</th>
<th>Compensation</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Up to 35 years</td>
<td>27.5 % of month’s salary for every Remaining months of service</td>
</tr>
<tr>
<td>- 35 to 40 years</td>
<td>35.5 % of month’s salary for every Remaining months of service</td>
</tr>
<tr>
<td>- 40 to 45 years</td>
<td>44.5 % of month’s salary for every Remaining months of service</td>
</tr>
<tr>
<td>- 45 to 50 years</td>
<td>52.5 % of month’s salary for every Remaining months of service</td>
</tr>
<tr>
<td>- 50 to 55 years</td>
<td>61.5 % of month’s salary for every Remaining months of service</td>
</tr>
<tr>
<td>- More than 55 years</td>
<td>78.5 % of month’s salary for every Remaining months of service</td>
</tr>
</tbody>
</table>
5.2.3 APPROVAL OF INCOME-TAX AUTHORITY:

Compensation received by the eligible employees under the Revised Scheme will be exempt from Income-Tax subject to a maximum of Rs. 5 lakhs as laid down under Rule 2A of the I.T. Act. 1961 and the Rules framed thereunder. Amount beyond Rs. 5 lakhs will attract Income-tax.

5.2.4 TIME OF PAYMENT:

Every eligible employee retiring under the Revised Scheme will be paid compensation under the clause 2 of the Revised Scheme on or before 31 March 1996 by Account Payee Cheque in one lump sum and not by installments.

Payment under the Revised Scheme and any other benefit will be subject to the prior settlement/repayment in full of loans, advances, outstanding, due from the employee to the company and the employees returning the Company's property to the Company.

5.2.5 ENTITLEMENT OF OTHER BENEFITS:

All other statutory dues or benefits such as Gratuity, Provident Fund, Encashment of unavailed Privilege Leave/Sick Leave will be paid to an employee retiring under the Scheme as per the Rules of the Company.
These payments/benefits shall be subject to deduction of income tax as per the Rules for the time being in force.

Bonus as applicable and payable for the financial year 1995-96 will be paid to the eligible employee when due, as may be payable under the Law/Agreement. Income tax will be deducted as applicable.

5.2.6 DEATH BENEFIT:

In the event an eligible employee dies after acceptance of his application but before under the revised Scheme, such payment will be made to the persons nominated to receive the Provident Fund dues in proportion as specified in the said nomination.
5.3 NATIONAL PAROXIDE LIMITED
NOTICE

VOLUNTARY RETIREMENT SCHEME

5.3 All the workmen are hereby informed as follows: -

Voluntary Retirement Scheme Notified vide Notice dated 8th January 1996 as follows: -

OPTION 5.3.1:

Lumpsum VRS Compensation:

- Salary x remaining months of service till completion of 60 years of age
- Subject to maximum of 75 months

OR

Rs. 5,00,000 (Rupees five lakhs only)
{whichever is less}

OPTION 5.3.2:

Lumpsum payment = salary x 70 % of balance months of service subject to a minimum of Rs. 4 lakhs + monthly pension as follows: -
a) Age at the time of VRS less than 55 years, service minimum 10 years, pension @ 66% of salary for a period of 10 years from the date of VRS.

b) Age at the time of VRS more than 55 years, service minimum 10 years and pension @ 30% of salary for a period of 5 years from the date of VRS.

c) Age at the time of VRS more than 55 years, service minimum 20 years and pension @ 40% of the salary for a period of 5 years from the date of VRS.

Service would mean years of service in NPL up to the date of VRS.

All other terms and conditions in the Notice dated 8th January 1996 shall remain unchanged.
5.4 SANDOZ (INDIA) LIMITED
NOTICE
TO ALL WORKMEN AND STAFF AT KOLSHET WORKS AND GODOWN ESTABLISHMENTS AT THANE
SUB: VOLUNTARY RETIREMENT SCHEME 1994

20 January 1994

5.4.1 Introduction

Employees are aware that, due to unviable domestic Pharmaceuticals Business, the Company cannot fund the investment necessary to upgrade its plants and infrastructure. Besides, due to discontinuation of Dust Based Agro – Chemical Formulations and restrictions on manufacture of certain chemicals, an increased number of employees have been rendered idle and cannot be gainfully employed. The Management therefore feels that it can relieve some of its employees desirous of seeking separation voluntarily from the Company.
5.4.2 APPLICABILITY:
The Scheme presently applicable only to all permanent workman and staff of Sandoz (India) Limited working at Kolshet Works and Godown Establishment at Thane who have put in more than 10 years of continuous permanent service in the Company as on 28 February 1994 or who have completed the age of 40 years on or before 28 February 1994.

5.4.3 Compensation Payable:
The compensation payable to an eligible employee under the Scheme will be dependent on his/her salary (i.e. Basic + DA + Addl. DA) for February 1994, age as on 28 February 1994, years of service as on 28 February, balance months of service left as on 28 February 1994 up to the date of his normal retirement / superannuation (i.e. 60 years of age)
The compensation payable to an eligible employee under the Scheme will not exceed Rs. 5 lakhs.
Depending upon the age group of the eligible employees the compensation payable details are given below:-

a) Age less than 45 years as on 28 February 1994

The amount payable shall be the lowest of the three alternatives:

i) Salary for the month of February 1994 multiplied by 40% of the balance months of service left as on 28 February 1994 up to the date of his/her normal retirement / superannuation (i.e. 60 years of age.)

OR

ii) 70 months of salary for the month of February 1994

OR

iii) Rs. Five Lakhs

b) Age 45 to less than 50 years as on 28 February 1994

The amount payable shall be the lowest of the three alternatives:

i) Salary for the month of February 1994 multiplied by 60% of the balance months of service up to the date of his/her normal retirement/ superannuation (i.e. 60 years of age)

OR

ii) 70 months of salary for the month of February 1994.
iii) Rs. Five Lakhs

c) Age 50 to less than 55 years as on 28 February 1994

The amount payable shall be the lowest of the three alternatives :

i) Salary for the month of February 1994 multiplied by 80% of the balance months of service up to the date of his/or her normal retirement/superannuation (i.e. 60 years of age)

OR

ii) 70 months salary for the month of February 1994

OR

iii) Rs. Five Lakhs

d) Age 55 years or more as on 28 February 1994

The amount payable shall be lower of the two alternatives.

i) Salary for the month of February 1994 multiplied by 100% of the balance months of service up to the date of his/her normal retirement/superannuation (i.e. 60 years of age)

OR

ii) Rs. Five Lakhs

All other legal dues or benefits such as gratuity, provident fund, leaves encashment etc will be paid as per the rules of the company.
5.5 BASF INDIA LIMITED
Turbhe
Thane Belapur Road

VOLUNTARY RETIREMENT SCHEME

July 2002

5.5.1 SCOPE:
The Scheme was open to all categories of Employees like chemists, operators, clerks and workmen.

5.5.2 COMPENSATION CRITERIA:

a) 3 Months of salary for every completed years of service

OR
Balance month of salary whichever is less

OR
Maximum 80 months salary

Rs. 80,000 was payable on early bird incentives before eleven days from the date of announcement of the Scheme.

5.5.3 OTHER BENEFITS:
Gratuity, Provident Fund and Leave Encashment as per the rules of the Company.
ONE TIME VOLUNTARY SEPARATION SCHEME (OVSS)

5.6.1 Introduction:
The Indian Oil Corporation has kicked off a unique exercise as part of its endeavor to become a lean and mean organization. A one-time voluntary separation scheme (OVSS) introduced in the year 2000 and had a substantial financial package offered to its employees as an incentive to quit before retirement.

5.6.2 Applicability:
The OVSS would be applicable to those who were at least 45 years or more.

5.6.3 Compensation:
Those over 58 will be entitled to 105 percent of their basic pay till they reach the retirement age of 60. Likewise the group between 54
and 58 years will get 100 percent of basic pay while the 50-54 category will get 95 percent of basic pay till they are 60. Employees between 45 and 50 will get 90 percent of their basic pay for the balance period till they are 60.

5.6.4 Other Benefits:

IOC had given an option to employees, having liabilities like housing or car loans, to repay these in monthly installment benefits after adjusting the amount of gratuity, leave or leave travel encashed during the previous year. The monthly installment will be reworked and deducted from the additional monthly benefit.

For example, take the case of a 55-year-old employee in senior management cadre who has been with IOC for 30 years. His basic pay would at least be the range of Rs. 25000. If he was to opt for OVSS which is linked to the existing voluntary retirement scheme, he would get an ex-gratia payment equivalent to 45 days' emoluments for each completed year of service.

The senior manager would be eligible for 100 percent basic pay till the time he would be 60. In this case, it is a good five years, or 60 months. At a basic monthly salary of Rs. 25000, this manager would get an additional Rs. 15 lakhs.
There has been a substantial hike in the salary levels in all PUCs and today, almost everyone in the junior to senior management cadre gets a basic pay of over Rs. 15000. Typically the OVSS would be the best bet to any one in the 50-58 age group.

5.7 LUBRIZOL CORPORATION LIMITED
M.I.D.C. Turbhe
Thane Belapur Road
July 2003

VOLUNTARY RETIREMENT SCHEME

5.7.1 ELIGIBILITY:
Managers, Executives, Supervisors and Workmen whose age is 40 years and above or 10 years completion of service

5.7.2 COMPENSATION:
Salary (Basic + DA + Ad DA) x remaining months of service till completion of 60 years of age

OR

1 VRS:
Subject to Maximum of
65 days completed years of service
II VRS: 60 days of completed years of service

III VRS: 55 days of completed years of service

5.7.3 OTHER BENEFITS:

Gratuity, Provident Fund and Leave Encashment etc. As per the rules of the Company.

5.8 BAYER [INDIA] LIMITED
Kolshet Road, Thane

BAYER [INDIA] VOLUNTARY RETIREMENT SCHEME-1994-95

(VRS-95)

5.8. For following broad reasons the Management is offering a VRS:

5.8.1 To protect the long term prospects of employment and also the organizational survival in the existing competitive environment. Among various measures the management is streamlining the existing manpower strength.

5.8.2 The company also facing constraints like the Industrial location policy and the economic viability of the Thane Plant.

5.8.3 Bayer India recently undertook an Effectiveness and Efficiency study to gear up the company’s core business processes and support services.
5.8.4 This Effectiveness and Efficiency Study has enabled the Management to assess its manpower requirements in the immediate future and it is noted that there is a substantial scope for reduction in the head count in the Company, more particularly in certain specific areas and functions. Consequently, the Management has decided to launch a fresh Voluntary Retirement Scheme called VRS-95.

5.8.5 SCOPE:
VRS –95 is offered to the permanent employees of the Company excluding Directors who are members of the Board of Directors of the Company, employed in the Company’s establishments at HO, Thane factory and Depots except Sales/Field/Distribution Staff at the said locations. Such employees are hereinafter referred to as employees.

5.8.6. ELIGIBILITY:
Any employee who will have completed 40 years of age and over or who has completed 10 years of service at least as on effective date of VRS.
5.8.7. BENEFITS:

An eligible employee whose application for voluntary retirement is accepted by the company shall be entitled to benefits described in part A, part B and part C:

a) Lumpsum Benefit

The retiree under VRS -95 will receive VRS benefit as per the terms of the Scheme approved by the Income-tax authorities vide their Order No: BOM/CC-III/Tech/VRS/31.94-95 dated 17.02.1995.

Either

a) His last drawn monthly salary (Basic + DA ) x Remaining months (a fraction of month being ignored), for his completion of age 60 years, being the age of normal retirement from the Company’s service.

subject to the maximum of 75 month’s last drawn salary (Basic+DA) on the date of his Voluntary Retirement

OR

b) Rs. 5,00,000

Whichever is less.
PART-B

5.8.8. Pension Benefit

The Retiree under VRS-95 may also be entitled to a Life Pension with Return of Capital to the Nominee on the Retiree’s death.

The life pension will be payable at the end of every month or at the end of every quarter (i.e. the period of 3 calendar months) from the Effective Date according as the mode of payment is monthly or quarterly, as long as the Retiree is alive. After the Retiree’s death, a capital sum equal to atleast 100 times the amount of monthly pension and atleast 32.9 times the amount of quarterly pension will be payable to the nominee of the deceased Retiree.

5.8.9. Other Entitlements:

Provident Fund, Gratuity, Leave encashment, Annual Bonus and Superannuation benefits etc.
5.9 PHILIPS INDIA LIMITED
Thane Belapur Road

October 20, 1993

VOLUNTARY RETIREMENT SCHEME 1993-94

5.9.1 PREAMBLE:
In the face of changes at the macro-economic level and increasing competition at the marketplace. It has become imperative for the company to ensure long term viability. It is with this objective that the company has to make its organization more efficient so as to effectively face the competition and retain /increase its market shares. Hence it is necessary to review and rationalize its operations and manpower requirements.

The company is therefore launching this Voluntary Retirement Scheme as one of the means to achieve the above mentioned objectives.
5.9.2 SCOPE & APPLICABILITY:

VRS -93 is applicable to all employees of the company. (Hereafter called ‘employee”) who would have completed 35 years of age as on January 31, 1994.

5.9.3 COMPENSATION:

Monthly payments till age 60 or 240 months whichever is earlier: with an option to commute 1/3rd (ONE-THIRD) the normal monthly payments.

5.9.4 DEATH BENEFITS:

In the unfortunate event of death of the retiree before receiving 240 monthly payments, his nominee attaining age 60 or will be entitled to receive:

i) 50 % of the IMP which the retiree would have received plus

ii) a lumpsum death benefit equal to 500 times remaining period(in months) for which IMP would have been available for those who had survived.

iii) Medical

An amount equal to Rs. 1500/- (one thousand five hundred only) toward medical expenses will be paid half yearly.
5.9.5 OTHER BENEFITS:

P.F, Gratuity, Leave Encashment etc.

5.10 HINDUSTAN LEVER LIMITED

Hindustan Lever House, 165
Backbay Rocklamation
Mumbai-400020.

5.10.1 Need for VRS:

Given the compelling need to remain cost effective as well as viable and to survive in a fiercely competitive environment, the company approached the workmen directly with the scheme that has been discussed with the union.

The Scheme Highlight:

The Scheme offers a dual benefit of both a lumpsum payment and a pension component on the following basis:

1. Lumpsum calculated on the basis of 2.25 times July 1992 salary for the balance years of service in the Company, but restricted to 15 years maximum (for monthly paid workmen there will be a ceiling of Rs. 2,25,000/- on the lumpsum)
2. Pension of 70% of July 1992 salary. This pension will be payable till the date of attaining the age of 60 years.

5.10.2 Other benefits:
P.F, Gratuity etc will be paid as per applicability.

5.10.3 Conclusion:
The above mentioned companies were very successful by implementing the Voluntary Retirement Scheme in their respective companies. Most of the employees were greatly benefited after taking VRS. It all depend individual employees how they make use of with their compensation for productive purpose.
The companies also reduced their manpower cost by replacing men with machines and also outsourcing some of its activities.