Chapter 8

Findings and Conclusions

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Chapter 8

FINDINGS AND CONCLUSIONS

Findings/responses from VRS employees:

The following are some of the employees who had taken VRS from their respective companies and had expressed their opinions as follows:-

8.1. Mrs. Dolores R Lobo said that she had to take VRS from IOCL in the year 2000. Her salary at the time of joining was Rs.600/- per month and at the time of retirement it was Rs. 20000. Presently her age is 52 years. She was very happy with the VRS compensation, which she got from the company. At around the same time her husband also retired from service. Now they are happily living with their lifetime savings.

8.2. Mr. C.M. Joshi. Chief Manager RCF Limited took VRS from the company in the month of July 2003 at the age of 47 years. His last drawn salary was Rs. 40,000 per month. Being an MBA, with lot of experience with the company, after retirement presently he is an HR
consultant to many corporate in Mumbai. He said that he is living comfortably with his family.

8.3. Mrs. Jyotsna D. Kandalker, PA to Manager Legal in Glaxo India Ltd, took VRS from the company in the month of August 2001. When I asked about the possible reasons for her taking VRS from the company, she replied that her husband had got a transfer out of Mumbai, hence she has no other alternative but to take VRS so that she could accompany her husband. Hence she opted for VRS and presently she taking care of her children at home. When asked about her experience with the company, she said that, it was a great pleasure working with the company. It will be difficult to get such atmosphere in any other Industry. Further she said VRS package was good enough to those who wanted to take it but it was sad ending for those who were forced to take the VRS.

8.4. Mr. Dilip Sampat, who is a resident of Andheri in Mumbai, took VRS from Indian Oil Corporation in the month of June 2000. When I asked about corporate responsibilities of Companies towards redeployment of VRS personnel, he said that VRS employees should be given a chance to work in their retail outlets and the company should also help them in getting some job.
8.5. Mr. S. Sadasivan, Chief Manager IT took VRS from Lubrizol India Limited in the year 2002. He said that VRS is not the solution in the present scenario. VRS should be applicable only for sick/loss making companies. He further said that before implementing VRS companies should consider all aspects of employees like family background, his/her skills and potential, growth prospects, post VRS prospects so on.

8.6. Mrs. K. Padmavati, Senior Stenographer also took VR from Lubrizol after putting 20 years of service with the company. When I asked about the social implication of VRS. She replied that for women it is good opportunity, for men there is good chance to start some business. from the Corporate point of view she said there is a possibility of losing talented/experienced staff.

8.7. Mr. Prakash Nikkam, Officer in the Admn department took VRS from Bayer India Limited in the year May 2003. After taking VRS, the company had given him a chance to join as a consultant. When I asked him about what should be the VRS package, he said that at least it should be 50% of the salary to maintain the Family.

8.8. Mr. Mohan Madukar Bhave Executive (Finance & Accounts) when asked about his opinion about VRS, he said that Companies are
taking undue advantage of VRS by reducing its manpower. It is also adding unemployment in the Country. Government should not disinvest from profit making companies i.e., Indian Oil Corporation, HPCL, BPCL NALCO etc. He took VR from the Lubrizol India Corporation Limited in the year 2002. He is presently working in a private limited company.

8.9. Mr. Mahajan S. V. Plant Operator took VRS from Bayer India LTD, in the year 1995 and started tour and travel business in Thane, earning good amount of money. He said VRS is good for the people who are capable of doing some business or job. It all depends on how they make VRS package productive.

8.10. V. Gopal. Stenographer who took VRS in the year 2000 from Associated Breweries and Distilleries, which was taken over by UB Group. said that the compensation given by the company was very less. Due to change in management, we were forced by the new management to go for VRS.
Findings/responses from the Employers:

Some of the corporate heads who had successfully implemented VRS in their companies were interviewed, the findings are as follows:-

8.11. Major S.K. Sudan, Head Employee Relation, Company: Bayer India Limited, Thane

When I asked him about the reasons for implementing VRS in their company he said that it is basically to reduce the cost of surplus manpower resulting from automation.

When asked about the amount spent by the Company due to VRS, he said that it was Rs.12.5 lakhs per employee, in addition to other legal dues like P.F. Gratuity etc. Return on Investment (ROI) from the VRS could be achieved within 3 years time. According to him there would be lot of saving in welfare cost, transportation cost, canteen cost and other expenses like Medical, Uniform, Subsidies etc., to employees.

The Unique feature of his company’s VR scheme was that it had given pre and post VRS counseling to the employees and the compensation was best, in comparison with other schemes offered by other companies. The Company scheme had also tied up with
LIC for monthly Pension to VRS employees as a part of the package.

8.12. Dr. R. Gopal, General Manager Marketing, Siemens Limited, Thane Belapur Road.

When asked about the reasons for implementing VRS in their company, he said that manpower reduction, competitive pressure and lack of business opportunities are some of the major reasons due to which the company gave VRS in the year 1996. 3500 employees were taken VRS. The average cost to the Company was Rs.10 to 12 lakhs. When asked him about how the company benefited from the Scheme, he said that reduction of personnel cost resulted in streamlining the operations of the Company. The company had given VRS to the middle management employees and to the workmen. When asked whether the company has conducted any training programme for the existing employees to enable them to handle the additional responsibilities arising out of VRS, he said that, the company conducts regular training programmes to employees to upgrade their knowledge and to keep their morale up.

The company's turnover is 400 crores, it had implemented VRS 3 times, to workmen and to the executives. The company has a joint venture with Castrol Lubrizol America and Indian Oil Corporation in 50:50 ratio. The cost of VRS to the company was around Rs. 30 crores. When asked why the company had given VRS, he said it was basically to reduce the cost of manpower and to enhance the efficiency of the existing staff. The company had given VRS to around 250 employees. The company had also offered other legal benefits like P.F Gratuity, Medical etc.

8.14. Mr. S.B. Sharma,
Asst. Vice President HR,
Reliance Industries Limited, Mumbai.

The company had given VRS to around 400 employees in the year 2003. The amount spent by the company was Rs. 2 lakhs per person. Mr. Sharma said that on implementing the VRS the wage bill of the company was reduced by 20%. He added that the overall profitability is increased by about 5 to 10 percent as a result of reduction in manpower.

8.15. Mr. Dilip Ranade, Training Manager,
RCF Limited, chembur, Mumbai.
The company had given VRS to 393 employees in the year 2000. The cost of VRS was approximately Rs. 20 crores. He said that by successfully implementing VRS in his company, he could increase the work efficiency of the existing employees. As the most of the administrative staff were less qualified it was golden opportunity for them to opt for VRS. The compensation was also very attractive. He further said that the company had given one-month training programme to those employees who wanted to set up their own business.

8.16. Capt. V.V. Gupte, Dy General Manager (P&A), Color - Chem Limited, Thane.

The Company had given VRS in the year 1999. The reasons he said for implementing VRS in his company as,

- Outsourcing
- Automation
- Manpower reduction

The success rate of VRS, he said was 100 percent. The compensation, he said was an average of Rs.6.5 lakhs for employee depending upon the position and experience plus other legal dues as per grades of the employees.
8.17. Mr. N.H. Syed, Senior Manager, HR
OTIS Elevators India Limited.

The Company had given VRS to 500 employees in the year 1998. He said that the main reasons for implementing VRS was for encouraging the efficiency of the existing staff. He said that the VRS cost to the company was 7.5 lakhs per employee. And inspite of that the profitability of the company was Rs. 15 crores which will be after the payback period of atleast four and half years. When asked about the unique feature of the companies’ VR Scheme. He said all the VRS employees were called to HO and the dues were given to them in the hands of General Manager with a gift from the Management.

8.18. Mr. Shard Sahastrabudhe, G.M Personnel
Philips India Limited. Mumbai.

The company had given VRS to around 4000 employees during the years 1986 to 2000. The reasons for VRS was as follows:

- Manpower Reduction
- Automation
- Competitive Pressure
- Overage Employees
• For encouraging/motivating existing staff

• Lack of business opportunities.

VRS was given to all age groups. The compensations per employee was Rs. 7.5 lakhs. The attractive part of the compensation was pension of 240 months was given through LIC apart from the lumpsum payment of VR package. The company had a tie up with LIC for giving this pension to their VR employees. Philips has moved out of the red, having earned net profit of Rs. 8.7 crore for the quarter ending September 2001 against a loss of Rs. 4 crore for the same quarter of the previous year. The interest cost was lower at Rs. 4.2 crore against Rs. 4.8 crore in the previous quarter. The directors have provided Rs. 1.7 crore for taxation against tax credit of Rs. 60 lakhs in the comparable period. The next exceptional item of Rs. 2 lakh includes payment of 1.7 crore under employees VRS and profit of Rs. 1.6 crore on sale of property. The company's net profit for nine months ended September '01 amounts to 1 crore against a loss of Rs. 19.4 crore for the first nine months of '00. According to the company's release, the consumer electronics division has contributed towards the improvement in results. “Improvement measures will continue to be implemented to accelerate growth,
improve margins, reduce costs and strengthen our position. Market conditions for the company's products and services remain difficult. There has been considerable restructuring during the nine-month period which will impact results, "the release stated. Meanwhile, S Venkataramani, senior vice-president (lighting) has been appointed as director with effect from October 19, '01 replacing S Dasgupta, who retired on October 2, 2001. The company claims to have upped its market share in the colour television market from 3.6 percent to 5.3 percent and from 26 percent in the audio segment to 32.5 percent. "Our market share in the flat segment has also gone up from one percent to 10 percent while that of the 29-inch real flat Aiwa has not been too aggressive in the market recently, which has also seemed to have helped.

8.19. Blue Star net rises 40% to Rs. 5 crore:

Blue star has reported a 40.1 percent rise in net profit to Rs. 5.1 crore for the quarter ended September 30, 01, compared with Rs. 3.6 crore during the corresponding period in 2000. Its total income during the period was up to 3 percent from Rs. 119.3 crore to Rs. 122.8 crore. Blue Star had given VRS to around 350 employees and spent Rs. 88 lakh for VRS, which will be charged in the year 2001.
8.20. Otis Elevators (India) Limited had successfully implemented VRS by reducing 500 employees in its Kandivali plant in Mumbai during the period 1998 to 2001. When I had contacted Mr. N.H. Syed said the cost to the company towards VRS was 37 crores. According to company sources the company's revenue is acquired from its three major business segments of new equipment sales, services and modernization. Otis India posted a net profit of Rs. 8.7 crores for the second quarter ended June 30, against Rs. 1.9 crores for the corresponding period last fiscal. Net sales for the quarter was Rs. 65.1 crores compared to Rs. 50.2 crores in the previous year. The other income included Rs. 4.5 crores from profit on the sale of residential apartments in Mumbai.

8.21. CROMPTON Greaves is trying to make a turnaround in the near future. The diversified company, which ended with losses of around Rs. 73 crores for the financial year 2000-01, has been trying its hand at business restructuring for three years now, in the process, the company has been moved out of a number of non-core activities to generate funds and shift its focus towards business lines such as lighting, pump motors, fans, etc. But since these efforts failed to achieve the desired results, it is now addressing other weaker areas.
The company is planning to slash its debts from Rs. 590 crores, in order to ensure that its high interest outgo is brought under check during the fiscal year 2001. The company is looking out for buyers for some of its properties, from which its units have been vacated. These include the low-tension motor plant, fractional motor plant, and agricultural and domestic pump unit to Goa soon. Thus, sale of these properties could rake in large funds for Crompton Greaves, which could then be used to repay its debts and consequently its interest cost.

8.22. Park-Devis, had given VRS to 400 employees in the fiscal year July/October 2001 to its employees. The VRS cost to the company was approximately 30 to 35 crores said by Mr. R. Ravindran, Director Distribution.

The company had merged with Pfizer India Limited in the year 2003.

Pfizer owns some of the most popular and strong brands in the Pharma business. These include Becosules, Corex, Benadryl (all cough preparations) and Gelusil (antacid). Pfizer’s top 10 brands contributed about 66% to its turnover. Two of these brands are growing at about 20% while the others are growing at about 10%.
There are plans to rationalize some non-performing brands. This however, is an accepted norms with all major Parma companies. Capex is expected at around Rs. 20 crore in the current year.

Globally, the new -look Pfizer Inc will command 14 % of the US prescription market and commits $ 7 bn towards R&D. About 12 products will also possess blockbuster drugs such as Viagra (anti-impotence). Lipitor (Cholesterol fighter) and Zolft (antidepressant).

Financial Performance: Pfizer follows a December-November financial year. For the financial year ending November 2002, Pfizer notched up net sales of Rs. 542.43 crore against Rs. 320.63 crores in November 2001. This is a rise of 69.17 %. Operating profit was Rs. 123.55 crores in 2002 and Rs. 84.44 crores in 2001-a rise of 46.31 %. Net profit was Rs. 61.12 against 47.49 crores in 2001. This is a rise of 59.9 %. EPS too has grown from Rs. 20.26 in 2001 to 26.37, a rise of 30.15 %. The company has announced a dividend of Rs. 7.50 for every share of Rs. 10 face value, payable also to the erstwhile shareholders of Parke-Davis.

The merger has practically been put to effect and should lend greater strength to the company. One way out could be to relook at the swap ration, for that is the bone of contention. Pfizer India is
expected to grow in-line or slightly above the market growth on the back of merger benefits. On CMP of Rs. 332 and EPS of Rs. 26.37, the script quotes at a PE of 12.59. it may be accumulated on dips.

8.23. GlaxosmithKline had given VRS three times during the period 1994 to 2000 and it had reduced about 650 employees in Mumbai by giving liberal VRS to its employees, said by Mr. M.D. Joshi, Industrial Relations Manager. As per him the cost incurred for employees was Rs. 10 lakhs.

A major landmark of Mumbai, Glaxo was the first pharmaceutical factory built in 1939. But with the passage of time, manufacturing at Worli became prohibitively expensive, says company spokesmen. Hence it has given VRS to its employees. The merger of Glaxo with SmithKline resulted in increase of its performance. Its net are allowed to frame their own VRS, taking into account the employees’ preferences. While downsizing, PSE managements have the prerogative to fix the number of VRS applications they approve each year and also deny any individual applicant the option of VRS during that year.
CONCLUSIONS

8.24. Reduction of interest rates on fixed deposits and in other savings by the financial Institutions made VRS employees’ life somewhat miserable. Especially for those employees who were dependent on the monthly income from the savings made in the Banks and other Postal Schemes.

The childrens’ education, the expenses like municipal tax, electricity bills, and telephone charges are ever increasing day by day. The salary stops after VRS but the expenses remain same resulting in frustration in the minds of the VR Employees.

One who had planned his/her life properly for the post VRS period could be able to sustain the expenses by proper utilization of time and money, which enable them to live a better life. Hence we can say VRS is not a bad option to the people who want to start some business or want to take up some job elsewhere.

8.25 Companies are also greatly benefited by Implementing Voluntary Retirement Scheme in their Companies as it reduces the employees’ cost. Since they have sufficient resources, they would be able to
replace the old plant and machinery with latest equipment, which
needs less manpower. The companies would be able to compete in
the Worldwide market and could maintain global standard by
improving the quality of their products and services.

8.26. Companies are doing their operations with limited manpower. After
the modernization of the plant & machinery, the task that used to be
done by large number of employees, is being done by one or few
employees.

8.27 Many of the jobs such as company Security, Cafeteria,
transportation and some of the manufacturing activities are now being
outsourced, thus saving on cost of maintaining these services.

8.28 The employees who have not opted for VRS are now getting a
chance to learn new methods and techniques of manufacturing. Due
to on job training and departmental transfers, the employees are
becoming experts in enhancing their skills as per the requirement of
the changing jobs. Example in Bayer India at thane the technical head
is asked by the company to take charge of employee’s relations and
Human resources development. The company has done away with
previous position and he is now needed to play a different role with regard to employee relations.

8.29 In Pfizer India Ltd, after it had merged with Park Davis Mr. Ravindran was heading logistic department as a Director, now he is given a position of Chief controller Materials. The responsibilities are increased in the post merger after implementing VRS in Park Davis.

8.30 In Indian Oil Corporation Limited as the manager HR had opted for VRS. his immediate boss who is DGM Training & Development was asked to shoulder the additional responsibilities of HR Manager along with his present responsibilities.

8.31 A boom in the information Technology has also made lot of people jobless. especially positions like steno-secretary/personal secretary. Example a steno was given VRS from Associated Breweries & Distilleries after it was taken over by UB group. The manager is required to carry out like making MIS reports, handling all the correspondence, sending mails, receiving mails, arrangement of meetings, planning for weekday programmes etc. In today's working environment the person who does not know how to do these activities he or she may not be required in the company, such people have to either opt for VRS or to adopt to the technology.
8.32 With regard to the workmen category like the unskilled and semi-skilled jobs, especially positions like helpers, assistance helpers, cleaners etc., Such jobs are now either outsourced or replaced by machines. For example in BASF India Limited at their Navi Mumbai plant it had given VRS to most of the workmen in these categories.

8.33 Some companies created sister concerns/contractual companies in their own group. So that the employees need not be taken on the company rolls directly. After gaining some experience in the contractual company, they may be considered for suitable position on the parent company rolls. The reasons for this practice is the parent company can avoid overhead expenses and legal dues such as P.F, Gratuity, LTA and Medical etc. as the contractual company is responsible for such legal dues.

8.34 Although Golden Handshake is a necessity as far as the manpower reduction is concerned, it should be the last option to the employers for a meaningful solution to the problems of excess manpower. The company should deal with its employees with a human touch, keeping the needs of their family and their children’s future in mind.