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Chapter 10

SUGGESTIONS

Steps to be taken while introducing Voluntary Retirement Scheme (VRS):

10.1. Introduction

The company should find out the need for VRS. It should not be introduced as an excuse for its failure in business. It is advisable that VRS should be introduced only after other cost cutting measures have been fully implemented. It is not advisable in introducing in profit making companies like Oil and Natural Gas Corporation Limited, Indian Oil Corporations Limited, Maruti Udyog Limited, Hindustan Petroleum Corporation Limited.

VRS can be implemented in Sick and loss making Units. VRS should not encourage the competent employees to leave the organizations. Because getting right people for the right jobs are very difficult. If Company loses talented people there is a possibility that the competitor companies may grab them.

Implementation Voluntary Retirement Scheme (VRS) in the company may create some fear among the employees those who have not opted for it, which may lead to low moral among them.
Hence it is very important to discuss with the existing employees about the company’s future plans and its future course of action.

10.2. **Company should take the following steps before implementation of VRS:-**

10.2.1. Company should hold counselling session with the employees.

10.2.2. Union should be taken into confidence before implementation of VRS.

10.2.3. Company should issue notification in the press.

10.2.4. Company should give complete booklet to the employees that should contain all the information regarding VRS package, its applicability, eligibility, deductions tax exemptions, mode of payments, due date of payments and other benefits. Company should also state in the booklet the possible reasons such as, Modernization, Mergers and Acquisition, Relocation of the existing plant and Product Diversification etc.

10.2.5. Putting up current Mutual Fund Schemes- such as Unit Trust Schemes, SBI Mutual Fund Schemes, RBI Bonds, Pension Schemes etc. on the Notice Boards, should educate employees on financial management of funds.
10.2.4. Companies should give fair chance to its VR employees for contract jobs. For example Siemens gave contract jobs to its VR employees.

10.2.5. Guidance to be given to them for starting a business as per their capacity.

10.2.6. They should be helped in getting finance from the Banks to start some Industry.

10.2.7. Government should give the status of normal retired employees and should be given all the benefits such as concessions on Railway tickets, benefits of Interest Rates etc.

10.2.8. Their children should be given subsidy in the school and college fees.

10.2.9. They should be given unemployment status and to be given all benefits in the state government rozgar yozna programmes especially with lower cadres employees such as skilled and semiskilled and unskilled workmen.

10.2.10. The company should give preference to the retired employees' children in the new recruitments' based on their qualification and experience.
10.3. Advise to the Voluntarily Retired Employees in the portfolio Management:

Equities have had boom year t with each passing day investors are becoming cautious about their investments. Fixed deposits, on the other hand, are safe but carry low interest returns. If neither of the two is your preference, there is still an other alternative which can meet your needs of return as well as safety. These are small savings. There are number of instruments in this category, each varying from other aspects such as lock-in, tax benefit and so on. A round of what you can look out for.

10.3.1. Public Provident Fund (PPF) gives 8 percent compound tax-free return and is the traditional favorite in this category. Here, the entire amount of interest received is fully exempt under the income-tax act, 1961. Moreover under section 88, the investment attract a rebate of 15 \% \text{ or } 20 \% \text{ depending on your slab} with a cap of Rs. 70000 on the total investment for a financial year, which pushes the effective rate of 11.4\%\text{, 10 percent and 8.88 percent for investors under the tax bracket of 30 percent, 20 percent & 10 percent, respectively.}

The instruments serve the need for both, tax saving as well as long-term planning for the Voluntarily Retired employees.
10.3.2. A National Saving Certificate investment of Rs. 10,000 becomes Rs. 16,010 after 6 years. The NSC-VIII has an interest of 8 percent, compound half yearly, maturing in six years. This provides a yield of 8.16 percent per annum. Moreover, the initial investment as well as the accrued interest qualifies for a tax rebate under section 88. For medium-term investors, the NSC issue is more attractive compared to PPF since not only is the effective return higher in the case of former, but maturity is 6 years. But the limitation in NSC is that there is a limit of Rs. 12000 on interest that can attract deduction under section 80 L. Interest income higher than this becomes taxable whereas an investor in PPF does not worry about these limits.

On the Post Office offering front, the 5-year Post Office Time Deposit give an interest of 7.5 percent. While in the post office recurring deposit scheme Rs. 10 invested monthly becomes Rs. 728.9 after 5 years. However, the scheme, which steals the show in this area is the post office monthly income scheme, which has a return of 8 percent with a 10 percent bonus on maturity. This scheme is especially useful for all those who require a regular stream of income.
10.3.3. Then there is the Kisan Vikas Patra (KVP) doubles your money in 8.7 years but the interest does not qualify for any tax concession. That works out to a yield of little over 8 percent. A tax concession is not available on interest amount, for investors in higher tax brackets the yields are lower than other options like tax-free RBI relief bonds, making Kisan Vikas Patras a less attractive option.

10.3.4. Apart from these, the two bonds from the government stable – the 6.5 percent tax-free series (5 years) and the 8 % taxable series (6 years) also provide a high yield for investors. For those in the highest tax bracket, the 6.5 percent issue provides a pre-tax return of 9.28 percent. Those who do not fall under the tax bracket would find the percent series attractive, as their rate of return will move up.

As long as tax breaks and higher rate of return remains, small saving scheme will remain investor favorites compared to other fixed income avenues like FDs, bonds debentures etc. The other reason for their popularity is the Indian psyche, which views any instrument of saving backed by government of India as a safe bet. And with election around the corner, the high rate of return might just hold on for some more time.