CHAPTER 1

INTRODUCTION

1.1 VOLUNTARY RETIREMENT SCHEME: AN OVERVIEW

The government of India with liberalization has adopted a new economic policy for the significant changes in the industry and business sector. The government allowed business and industrial establishments to reduce the excess staff and employees. That has resulted in the restructuring of organization due to modernizing, applying new technology and implementing new methods of operations. So based on the above said results, the industrial organizations could operate economically to withstand the competition. According to Industrial Disputes Act 1947, retrenching had a lot of legal hurdles and complex procedures, the Government authorized schemes of voluntary retirement of employees with suitable voluntary retirement benefits, and tax relief on such payments to employees who opt Voluntarily Retirement Schemes under the guidelines issued by the Government. Further, the strong opposition from Trade Unions towards retrenchment, reduction of staff and workforce lead to industrial relations problems. Therefore, a way has to be found by allowing employers including those in the government undertakings, to offer Voluntary Retirement Schemes to off-load the surplus manpower without facing industrial relations problems.

The Voluntary Retirement Scheme is a process adopted by companies for trimming the workforce employed. It is a common method
used to cut down excess manpower to improve the performance of the organization.

A few public and private limited companies offer Voluntary retirement plan for the employees. Those plans usually allow employees to retire at a younger age with certain monetary benefits compared to the benefits of regular retirement. Voluntary retirement is often used by the company for reshaping and repositioning of the workforce. It is often implemented when an employer anticipates layoffs and also wants to reduce the number of employees by offering additional monetary benefits to those willing to retire sooner than planned. The policies for early retirement plan vary from one organization to another organization. The policy contains the particulars about the eligibility for early retirement by setting a minimum age or the length of service. For employees of public sector organizations, Voluntary retirement programs are based on policies of state, federal, union or agency laws and regulations.

The country which is full of wealth among the world is “India”. India is a large country surrounded by huge preliminary resources for survival. It is the only large country with large population satisfying the category of all age group of populations. The only country having large population thus leading to many problems. One of the biggest problems of India is unemployment. It demands an immediate solution that is threatening the peace, prosperity and stability of free India. In order to solve unemployment problems and to maintain peace, prosperity and stability of free India, Voluntary Retirement Schemes are being implemented across all sectors in India. The employees of banks and public sectors undertakings have been given the option to retire with handsome benefits. It is also known as “Golden Handshake”. The public sector banks took the lead followed by public sectors enterprises like BHEL, BSNL, etc.
The scheme enabled the over staffed units to get rid of surplus employees to make long-term gains. It was designed to improve the competitiveness and efficiency of the organizations. As the scheme is implemented to prevent the unemployment but in fact Voluntary Retirement Scheme (VRS) has actually increased the problem of unemployment. After getting VRS they could not sit idle for a long time. After all, it is difficult for anybody to sit idle. A large numbers of skilled workers from VRS separations have created a new set of problems. The workers who have retired at an early age are still good enough to work. They accept jobs for keeping themselves busy. As a result, they snatched the employment opportunities of the fresh job seekers, Secondly, the old hand agree to work for smaller pay which suits the employees to satisfy the perceived enjoyment after VRS.

1.2 OVERVIEW ABOUT BSNL

During British Raj, Rajdhani of East India Company was established at Calcutta, the capital of India. Later the capital got shifted to Delhi in 1911 by Lord Hardinge thus leading to shifting of power centre, Delhi. After independence, New Delhi became the capital of India. When telecom operations were first started, Public Works Department (PWD) administrated the business with headquarters at New Delhi. Then the administration of telecom operations was transferred from Public Works Departments to Director General Postal and Telegraph (DGP&T), from DGP&T to Department of Telecommunication (DOT).

From Department of Telecommunication, it was converted and named as Bharat Sanchar Nigam Limited (BSNL). The head quarters of telecom operations during all these years of transition was in New Delhi and even after formation BSNL and Mahanagar Telephone Nigam Limited (MTNL) the status quo still continued as New Delhi is the headquarters of BSNL and MTNL.
During pre-independence period as far as telecom operations are concerned, the four metros Delhi, Calcutta, Bombay and Madras were given special status and after independence also, it continues to be so. As of today, telecom operations in Mumbai and New Delhi Metropolitan areas are covered under MTNL, where as separate Telecom Operation Circles were created to cater for Chennai and Kolkata Metropolitan areas, which comes under BSNL. BSNL is fully owned by Government Public Sector Unit (PSU), offering wire line, wireless, data and long distance services on pan India basis except Mumbai and New Delhi, which comes under MTNL jurisdiction. Each state in India is named as a Telecom Circle which is called “Primary Switching Area” and one or more Revenue Districts of the state circle are grouped together to form a Telecom SSA (Secondary Switching Area).

1.3  OPTION FOR VRS TOWARDS BSNL EMPLOYEES

BSNL (Sanjay Singh 2011) was carved out of DOT in October 2000. Around 300 employees retired from service, while the remaining officers are expected to join in the newly formulated entity BSNL. But at that period, the officers were in a dilemma, for them BSNL gave the direction of either joining in its division or to opt out of Voluntary Retirement Scheme. This twin move had left the employees baffled.

BSNL had submitted the proposal of VRS to the DOT for employees who attained the age of 45 years and also have served as regular employees in BSNL for 15 years. Industry observers felt that the fate of BSNL is at stake. They feel that these developments will create a massive vacuum in BSNL which will not only affect the basic functioning of the company but will also affect other operators as well.

Those who opt for VRS will ensure that the employee get an ex-gratia amount of 60 days salary (Basic + Dearness Allowances) for each
completed year of service or the salary for the number of months left in the service, whichever is less. However, the compensation would be subjected to a maximum of 60 months’ salary. The ex-gratia amount will be in addition to the benefits of normal retirement. The likely expenditure on ex-gratia for approximately one lakh employee is estimated to be an amount of Rs.11,276 Crores. In addition, there will be expenditure towards normal retirement benefit, including gratuity, pension, leave encashment and transfer grant.

BSNL (India today online 2011) had consultation with its executive associations and staff unions. BSNL had reported that the majority of the association opposed the scheme or expressed their reservations. The proposal was under examination in BSNL as said by (Milind Deora) Minister for state of Communication and Information Technology in a written reply to the Lok Sabha. “If these people opt for VRS then the salary burden of the company will come down to 10-15% which is manageable” a top official of BSNL reported. In order to bring down the salary burden, which constitute about 48% of its revenue, BSNL wants to give VRS for one lakh employees.

The proposal of BSNL to reduce their workforce to 100,000 by offering VRS to employees that will cost them more than Rs 17,445 Crore to the government. In a move to revive the cash strapped BSNL, the government announced VRS for their employees. This announcement considered was long-term pending demand of the employees.

1.4 REASONS FOR VOLUNTARY RETIREMENT SCHEME INTRODUCED IN THE ORGANIZATION

- The most important reason for introducing VRS was to counteract the issues of the Recessionary economy that slowed the growth, thus making the companies to reduce the man power.
• The common reason was decline in sales and increase of the cost. In this scenario, business would become unworkable or unfeasible. In order to mitigate this effect, the companies introduced VRS to cut man power costs.

• The organizations are not able to survive or to face the competition at the time of worst economic period, thus motivating the companies to opt for VRS.

• Because of Merger and acquisitions, certain section of the employees may face the retrenchment, for those the companies provide option to Voluntary Retirement Scheme.

1.5 STATEMENT OF THE PROBLEM

The study is based on the five factors like: Major factors considered by the employees towards Voluntary Retirement Schemes. Major factor is classified in to three perspectives - personal (Henry 1971) factors (Stable economic condition of the family, family responsibilities force for VRS, ill health of self and spouse, scheduled life planned for children, time to enjoy life along with partner), job related (Parnes et al. 1985) factors (Mentally challenging activities, diminished effectiveness in job, force of work fatigue, loss of status at job, low prospects and growth), financial factors (I am financially secured, sufficient retirement funds, self employment attitude, Debt-to-income ratio is low, enough savings to realize with return on investment).

Specific Factors considered for Voluntary Retirement Scheme. Specific factors are further classified into three factors namely Aversion (feeling work as burden and stressed, unhappy with my job, monotonous system of working, difference of opinion with peers, pressure from higher authorities), Compulsion and health of dependents (Spouse’s poor health,
need to care the elderly people, unhealthy dependents need support, self
decision on reaching mandatory age, Spouse/family compulsion), Economic
conditions (My basic needs are satisfied, fair pension rule and retirement
benefits, sufficient agricultural land holdings, having sufficient savings to
take care of future, no compulsion to work and satisfied with the available
income).

Health Factors considered before VRS (Poor support by arms, legs
and hands, defective eye sight, low hearing, sensitive skin conditions,
occasional breathing troubles, sensitive for silly reasons drive heart rate,
becoming diabetic due to job stress, often caused congestion in lungs and
liver).

Perceived life Satisfaction Factors (Campbell et al. 1976) after VRS
(financial benefits due to government services, personal safety, less access to
transportation, good physical health due to less strain, relations with extended
family, physical activity to maintain good health, quality of residence (Diener
1984). and staying in residence, income for leisure, life satisfaction, develop
new friendship, always keeping mind sharp, volunteer in attending important
family functions, asking life partner to share and fulfill the dreams, always
keeping the spirit up, other factors ie. Community services, and perceived
enjoyment factors (Fiske & Chiriboga 1990) after retirement (time for
activities, more time with friends and families, freedom to pursue own
interest, control over own life, No boss no stress, more time to think and
relax, spend time for the self) are main determinants considered for voluntary
retirement schemes among BSNL employees in TamilNadu Circle. However,
the level of satisfaction acquired after voluntary retirement schemes was also
perceived by the respondents. Hence, it becomes significant to understand the
dimensions which have influenced the employees working in BSNL who had
spent their monotonous job activities would like to retire before the period of
maturity and in fact, whether they will realize benefits from the Government through retirement settlement fund and the pension for the employees who perceive to retire as per norms stipulated for retirement.

1.6 OBJECTIVES OF THE STUDY

i. To find out the major factors and specific factors perceived by Bharat Sanchar Nigam Limited employees for Voluntary Retirement Scheme.

ii. To find out the health factors considered by Bharat Sanchar Nigam Limited employees before opting for Voluntary Retirement Scheme.

iii. To find out the perceived life satisfaction and enjoyment after Voluntary Retirement Scheme.

iv. To measure the significance of the determinants of health, life satisfaction and enjoyment factors after Voluntary Retirement Scheme among Bharat Sanchar Nigam Limited employees.

v. To offer suitable suggestions on the basis of findings of the study

1.7 SCOPE OF THE STUDY

i. This study motive is to find out the factor that influences the employees of BSNL to opt for Voluntary retirement scheme.

ii. This study measures whether health factors are the prominent sources to go for voluntary retirement decisions.
iii. This study helps to know the level of satisfaction if they opt for voluntary retirement scheme as their decision.

iv. This study highlights the attitude of enjoyment after obtaining VRS.

1.8 HYPOTHESIS

Based on the variables selected, the following hypotheses were formulated.

Hypothesis (H 01) : There is no significant relationship between demographics variable Age of the respondents and major factors perceived for VRS.

Hypothesis (H 02) : There is no significant relationship between demographics variable Gender of the respondents and major factors perceived for VRS.

Hypothesis (H 03) : There is no significant relationship between demographics variable Duration of the service of the respondents and major factors perceived for VRS.

Hypothesis (H 04) : There is no significant relationship between demographics variable health status of the respondents and major factors perceived for VRS.

Hypothesis (H 05) : There is no significant relationship between demographics variable age of the respondents and level of satisfaction after VRS.

Hypothesis (H 06) : There is no significant relationship between demographics variable gender of the respondents and level of satisfaction after VRS.
Hypothesis (H 07) : There is no significant relationship between demographics variable marital status of the respondents and level of satisfaction after VRS.

Hypothesis (H 08) : There is no significant relationship between demographics variable duration of service of the respondents and level of satisfaction after VRS.

Hypothesis (H 09) : There is no significant relationship between demographics variable Health Situation of the respondents and level of satisfaction after VRS.

Hypothesis (H 010) : There is no significant relationship between demographics variable Ideal age for retirement of the respondents and level of satisfaction after VRS.

Hypothesis (H 011) : There is no significant difference in the age between the respondents based on the factors perceived by the BSNL employees towards VRS.

Hypothesis (H 012) : There is no significant difference in the marital status between the respondents based on the factors perceived by the BSNL employees towards VRS.

Hypothesis (H 013) : There is no significant difference in Health Status between the respondents based on the factors perceived by the BSNL employees towards VRS.

Hypothesis (H 014) : There is no significant difference in opinion on ideal age of retirement between the respondents based on the factors perceived by the BSNL employees towards VRS.
Hypothesis (H 015) : There is no significant difference in duration of service between the respondents based on the factors perceived by the BSNL employees towards VRS.

1.9 THESIS OUTLINE

Chapter 1:

This chapter deals with the detailed discussion about statement of the problem, objective of the study, scope of the study and the hypothesis formulated for the study.

Chapter 2:

This chapter deals with the review of literature related to the study area and the questionnaire framework of the study.

Chapter 3:

This chapter deals with research methodology, sampling framework, Instrumentation and data collection, framework of tools and the tools explanation for the study.

Chapter 4:

This chapter deals with analysis and interpretation. The demographic variables are compared with five factors namely major factors, special factors, health factors, life satisfaction factor and perceived enjoyment factor. This is done by using the tools like percentage analysis, weighted mean, Garret ranking, Chi-square analysis, mean score analysis, Exploratory
factor analysis and confirmatory factor analysis, log linear model, factor analysis, Anova, Discriminant analysis, Structural equation modeling.

Chapter 5:

This chapter deals with the summary of the findings, suggestions and conclusions.