10. Conclusions and Scope for Further Research

10.1 Conclusions

10.1.1 The conclusions set forth in the following pages constitute a recapitulation in summary form, of what has been attempted at length in the earlier chapters. As this study relates primarily to the financial and non-financial impact of VRS on employers and employees from Engineering and Automobile sector in Pune, three out of the four objectives (para 5.2.), and three out of the four hypotheses (para 5.3) lay primary emphasis on this subject. One hypothesis and one objective flow from a wider perspective. Almost all the available studies on VRS do not go far beyond the companies introducing VRS and their VRS optees. The author of this study considered it necessary and useful to also look at the VRS phenomena in the larger context of the national economy, and the economic reforms ushered in since nineties. This unique approach has paid dividends, provided new insights, added to the important conclusions and enriched this study.

Genesis

10.1.2 The voluntary retirement schemes constitute an element of the ongoing process of the economic reforms and are a direct consequence of them (para 3.1.1)

The genesis of economic reforms lies in the pressure of international agencies providing financial aid to India. In order to overcome the financial crisis in general and balance of payments crisis in particular, the World Bank and the I.M.F. put conditions on providing aid to India. They insisted that India must bring about balance of payments equilibrium externally, reduce fiscal deficit, and check inflation internally. Privatisation, opening up of the Indian market and free flow of capital, technology and goods had also to be the main ingredients of the economic reforms (para 1.5.5.).
It is a moot point whether the Indian Government, committed to the socialistic pattern of society since Independence would ever have thought of such reforms in the absence of economic crisis and pressure of international agencies and developed countries (para 1.5.5).

The root of economic reforms also lies in the political and economic developments in several countries of the world, leading to winds of change in international thinking since eighties. The world began to be seen as a global village in which trade barriers had to be reduced and an environment had to be created for free flow of technology, capital, goods and services (para 1.1.2).

In line with the several steps towards economic reforms taken by several countries, India also introduced economic reforms willy-nilly in 1991.

If the economic reforms were to succeed, it was necessary to bring down the regime of controls and regulations for industry. This is explicit in the Industrial Policy announced in July, 1991. There were suitable changes in the Industrial Licensing Policy as well (paras 1.5.6., 1.5.7.).

These reforms led to a review of the manpower both in public and private sectors (para 1.5.9.). That there was excess manpower in public sector was discovered only in the context of economic reforms (para 1.5.5.).

Liberalisation of trade, investment, competition, profitability and upgradation of technology required large scale retrenchment of manpower in private sector as well. (para 1.5.9.). But the existing labour laws did not permit this process. Lack of necessary will and political compulsions prevented reforms in labour laws. A way was therefore found out to effect reduction of manpower by suitably amending the Income Tax Act, 1961, permitting VRS in the organized industrial sector (para 1.5.11). VRS has now come to stay as a part of the Government policy. The protests of the Left political parties have
remained vocal and feeble. Industrialists propagate and implement VRS, economists advocate them and social thinkers meekly accept them (para 1.1.1).

**Economic Reforms**

10.1.3 A review of the economic reforms shows that the results so far constitute a mixed bag. National income, investment and production do provide encouragement. There is however a lack of consistency in progress. Industrial relations have improved due more to the fear of uncertain future. While the labour force continues to grow, the growth rate of employment both in the organized and unorganized sectors has declined. The negative growth rate of unemployment observed during 1983-1993-94 turned positive and rose to 4.7 per cent per annum between 1993-94 and 1999-2000. Economic disparities have widened and the vast rural population continues to remain subject to the vagaries of monsoon. Growth with equity remains only a fond hope. There is a lack of emphasis on welfare state (para 3.9.7).

**Impact of VRS**

10.1.4 The impact of VRS is almost insignificant in the context of the entire economy in general and rural economy in particular. It is limited only to the organized sector of employment which accounts for only 9.0 per cent in the total employment. The share of organized private sector employment is only 2.58 per cent in the total employment. The impact of even large scale VRS in the private organised sector would thus be only minimal on the total employment (paras 3.5.3, 3.5.6, 3.9.8).

10.1.5 The VR Schemes did not affect almost two-thirds of the factory sector employment (para 3.5.9).

10.1.6 VRS being an essential constituent of economic reforms package, its future continuance is inevitable. Rather than being over anxious about VRS it would be more fruitful in future to concentrate on the unorganized sector employment and self-employment (para 3.9.8).
10.1.7 It is seen that contrary to the observations of the World Development
Report, 1995 that in the process of massive employment restructuring,
many new jobs would be created, there is a massive reduction in the
organized sector employment (para 1.6.3.).

10.1.8 The Common Minimum Programme (CMP) of U.P.A. Government
speaks of commitment to economic reforms with a human face and
rejects the idea of automatic hire and fire. Yet according to the report
of a special Group of Planning Commission, ‘given the fact that the
organized sector (especially the public sector) is already carrying
excess labour, the immediate effect will be more of firing than hiring’
(para 1.6.5).

10.1.9 Premature retirement of a very large number of academically and
technically qualified manpower employed in the organized sector is
bound to have economic, social, familial and other behavioural
consequences. It needs therefore to be gainfully employed or self
employed (para 1.6.4.). Banks, financial institutions, consultancies,
investment agencies etc have to be more pro-active in respect of
employment, self-employment and investments of the retirees. At
industry level also, i.e. industries associations, chambers of commerce
etc.; efforts need to be made for reabsorbing the surplus manpower
elsewhere and in future vacancies (para 2.2.7).

**VR Schemes**

10.1.10 It is not quite appropriate to compare the VR Schemes of different
companies in the public or private sectors. The size of each company,
financial strength, nature of technology and past recruitment policies
results in significant variations in VR Schemes. Some broad
comparisons may be made however to know the benefits received by
the VRS optees (para 6.8.1).

10.1.11 A comparison of VR schemes in engineering and automobile
companies with those in public sector banks and insurance companies
does not show that the later schemes are very much liberal relatively. However the optees in public sector banks and insurance companies who have opted for pension are the happiest lot as maximum gainers. The schemes of these companies are also much better than those of some companies included in the sample of engineering and automobile industries in Pune (paras 6.6.3, 6.8.1).

10.1.12 The compensation together with other terminal benefits can not in practically all cases, ensure family maintenance, especially after a significant drop in interest rates. Employability of the VRS optees also raises question marks. (para 6.8.2).

Sample Companies – Financial Aspects

VRS Optees

10.1.13 A majority of the respondents were financially quite well off before retirement and were getting a salary of Rs. 10,000/- pm or more (para 7.7.2).

10.1.14 On an average, the total amount received by the VRS optees on retirement was 4.66 times their aggregate income per annum before retirement (para 7.7.6.).

10.1.15 In general, the VRS optees have made rational decisions of allocations to expenditure and investment from the aggregate amount they received on retirement. Their investment portfolio shows them to be more security conscious, avoiding risks and wanting regular incomes and cash liquidity (para 7.8.6).

10.1.16 The post-retirement income of the VRS optees in the main sample, from investments, is less than one third of their salaries before retirement (para 7.9.2). About one-third of the optees have no other source of income (para 7.9.4). Only 15.0 per cent optees had new part/full time job (para 7.9.3).

10.1.17 Over three fourths of the existing employee respondents were happy with the compensation given to the VRS optees (para 8.5).
Employers

10.1.18 Although there were a variety of reasons behind introducing VRS, the most important reasons were of increasing profitability and facing competition (para 9.2.1).

10.1.19 There is a general consensus that productivity of the company increased after implementing VRS (para 9.3.3).

10.1.20 There is a general consensus that the companies were able to reduce wage costs as a result of VRS (para 9.6.2.).

10.1.21 Improvement in profitability after implementation of VRS has been confirmed unanimously by the respondents (para 9.6.3).

Sample Companies – Non-financial Aspects

VRS Optees

10.1.22 The data shows that family, friends and relatives have been generally supportive of the VRS decision taken by the optee. His status in the family remains unaffected and relationship with friends and past colleagues continues as before. The optees are not vary sure of the societal attitude towards them. The emotional impact is also not very severe and there appears to be no reason for remorse or regret about the decision to opt for VRS (para 7.10.4).

10.1.23 The VRS optees continue to remain active and enjoy their leisure time in the company of family members, friends and relatives. They do not suffer from physical and mental illness. With a supportive environment they do enjoy sound sleep. They do not feel lonely nor face tensions. As a result they are free from addictions and are able to make most from their retired life. Therefore while the VRS optees certainly have an adverse impact in respect of financial matters, the non-financial impact is certainly not adverse (para 7.11.3).

Existing Employees

10.1.24 The working conditions did not deteriorate after the implementation of VRS. The existing employees did not suffer from any physical or
mental illness after VRS. A majority of them did experience tension but their own replies show that there was little cause for tensions. The morale was no doubt low but it could not viewed as a temporary phenomena (para 8.8).

Employers
10.1.25 A majority of the employers interviewed, have introduced new technology after VRS and this has led to overall increase in productivity. According to the employers, the morale of the existing employees was high after VRS and there was a positive change in the work culture. The employers were in favour of changes in labour legislation providing both for retrenchment and VRS. The employers outlook was positive and optimistic after the implementation of VRS (para 9.8).

VRS – An assessment

VRS Optees
10.1.26 It has been stated above (para 10.1.23) that while the VRS optees did suffer financially after VRS, the non-financial impact of VRS was certainly not adverse. The financial aspect does seem to dominate their thinking and assessment on VRS. A majority of the respondents in the engineering and automobile industry sample have said that they did not realize their objectives behind VRS option (para 7.12.2). The major reasons for non-realization of their objectives include unproductive expenses after retirement, fall in interest rates, losses in financial scams and non-materialisation of expected returns on investment. All these reasons are economic or financial (para 7.12.2). The reasons behind the realised of the objectives by the minority are proper planning and investment, happy retired life and family support (para 7.12.2).

10.1.27 An overwhelming majority of the respondents clearly say that they would not recommend VRS option to their colleagues. This personal assessment is in a way their final judgment regardless of their replies to
other questions. It stands to reason as well because it is not an indictment, but a correct appreciation of VRS based on personal experience (para 7.12.3).

Existing Employees

10.1.28 The respondents were happy with the compensation given to VRS optees and agreed that resistance to VRS was declining. They had no apprehension of VRS being forced on them, neither would they plump for VRS, even if offered. The VRS phenomena had no doubt shaken them and made them think more seriously about future financial security (para 8.8).

Employers

10.1.29 According to the employer respondents, VRS was beneficial to the VRS optees. The VRS however needed to be carefully planned. Their objectives behind VRS were fulfilled. The VRS was therefore beneficial to companies also. In their assessment, VRS in the organised sector would certainly benefit the economy in the long run (para 9.8).

Training and Rehabilitation of Employees

10.1.30 No training – financial, vocation – health – or stress related was provided by the employers according to the majority of VRS optee respondents. No alternative jobs were provided by the employers to VRS optees. They did not supply any machinery/equipment/vehicles to the VRS optees nor did they promise any business to them. The employers did not also help the optees in securing alternative jobs elsewhere. The role of the employers in this respect was thus quite unsatisfactory (para 7.6.5). It is seen from the replies of the employer respondents also that they did not pay adequate attention to the psychological counseling, investment planning and retirement planning in respect of the VRS optees (paras 9.2.2, 9.4.2). The existing employees also were not keen on developing other skills to equip themselves for possible future VRS (para 8.8).
VRS Optees and Trade Unions

10.1.31 The employer respondents have reported that they did hold discussion with the concerned trade union while implementing the VRS (para 9.2.2). But the role of trade unions in the whole VRS process seems to have been only marginal and less than constructive. They have also not been sufficiently active in respect of restructuring and re-allocation of work/jobs after implementation of VRS in order to mitigate the hardships of existing (residual) employees. According to the VRS optees also, they did not receive any kind of help from their trade unions (para 7.5.1). The trade union have also failed in playing an active role in guiding the VRS optees in respect of advance preparations, investments, vocational training, alternative jobs and post retirement blues (para 7.5.1.).

There are government pensioners’ associations at the national and state levels. They are quite active in attending to the grievances of and welfare of pensioners. But the VRS optees have not so far made any efforts to form an association of VRS optees either at the national level or at the industry level.

There is also a need of organised efforts to assist the VRS optees particularly in their forties, in obtaining alternative jobs. The Government, Industries Associations and chambers of commerce should take an initiative in this direction.

Earlier Studies

10.1.32 It is seen from most of the available earlier studies on VRS, that none of them advocates scrapping of VRS. It is an accepted phenomenon. There is a general consensus that the word ‘Voluntary’ is a misnomer and that workers were coerced directly or indirectly into opting for VRS. Psychological factors such as uncertainty about future, financial loss and personal factors together with financial incentives persuaded the workers to opt for VRS. (para 4.6.15).
This study however finds that VRS was not forced on a majority of respondents. It was mostly voluntary in fact. The element of coercion was only marginal.

Availability of Data

10.1.33 It is seen that the companies which have implemented VRS are very much reluctant to share information and part with the data essential for the studies of this type. They can provide such data to the industries associations, chambers of commerce etc, who in turn should sponsor such indepth studies.

Normally the financial statements of the companies are available in published form. But when VRS is implemented at the unit/factory level and that too in a different location, it is necessary to have unit/factory level accounts to study the financial aspects and impact of VRS. There is a need for rethinking on the issue.

It is also almost impossible to obtain random samples of VRS optees. They scatter over different places either in retirement or in new jobs/business. There is often no trace of them. Even at the initial stages, complete lists of VRS optees are not made available by the companies. Such studies therefore suffer from built-in limitations.

10.1.34 Confirmed Hypotheses : The following two hypotheses have been confirmed in this study :

1. VR Schemes have been beneficial on the whole to the companies implementing the VRS,

2. The VR Schemes have come to stay and have become a regular feature of H.R. Management (paras 9.9.2, 9.9.5).

10.1.35 Rejected Hypotheses : The following two hypotheses were rejected in this study :

1. VR Schemes have not been beneficial on the whole to the employees opting for VRS.
2. VR Schemes, after their implementation, have adversely affected the residual (existing) employees (paras 9.9.3, 9.9.4).

10.2 Scope for Further Research

10.2.1 Because of personal limitations and also the limitations of time, resources and data, this study is limited to large scale engineering and automobile companies in Pune. A larger study or a series of industry level studies in respect of VRS implementing companies in Pune metropolitan region should be undertaken to assess both the financial and non-financial impact of VRS on the employees and employers in Pune. Such studies should preferably be sponsored by industries associations, chambers of commerce etc, and they should make available all the required data from the VRS implementing companies. Studies at individual level are often academic and indicative. The suggested studies will enhance their utility to the Industry.

10.2.2 There is an apprehension that the phenomena of VRS lead to further regional imbalances. Most of the studies available today are restricted to industrially well developed areas in or adjacent to metropolises. The less developed areas to which industries have shifted as a result of government incentives should therefore be targeted for future such studies. Separate studies should also be undertaken which confine to ‘VRS and Regional imbalances’.

10.2.3 Under Section 10(10c) of Income-tax Act, 1961, it is the Income-tax Commissioner who approves the VR scheme of a company. An income tax official is certainly not the appropriate let alone ideal authority for this purpose. There is some merit in the grievance of the left trade unions that the income tax authorities tend to clear the VR Schemes of employers under section 10 (10C) almost automatically. They ought to go deeper in the VRS proposal on a case by case basis.
Whether the income-tax authorities exercise their personal discretion only or examine the VRS proposals on the basis of well defined criteria needs to be studied. A sample of cases where income tax authorities have cleared VRS proposals should be taken up for research with Government backing. Such a research will lead to exposition of facts and provide help for policy formulation and implementation.

10.2.4 The Government is in a way subsiding VRS through income-tax relief under section 10(10c). What is the total amount tax-relief and the tax-receipts forgone by the Government in a year? It should be made obligatory on the companies to inform the income tax department of this amount of tax-relief availed by VRS optees. Alternatively, research should be undertaken in cooperation with the VRS implementing companies and Government to know the extent of the ‘cost of VRS’ to the Government.

10.2.5 It appears necessary at this stage to undertake sociological studies of the behavioural impact of VRS on VRS optees in general and VRS optees in their forties in particular. Such a study for Pune metropolitan region should be given priority.

10.2.6 There appears to be an irony in the ‘voluntary’ nature of VRS. It is the admitted experience of the banking sector that those competent, qualified and experienced personnel who the banking sector would need to remain behind, have opted for VRS and those from class III and IV category who were really surplus/unwanted have remained behind resulting in some kind of imbalance.

It is in the interest of every employer to retain that staff which he needs because of his experience and utility, and to weed out only that staff who have outlived his necessity and utility to the organization. Unfortunately the blanket nature of VRS does not help fulfil this objective.

Detailed research needs to be undertaken in this respect and some corrective measures at policy level need to be taken if this happens to be a wide spread phenomena in secondary as well as tertiary sector.
10.2.7 An industrial organization employs unskilled, skilled, technically qualified and academically qualified labour. A socio-economic research study needs to be undertaken of the number of optees in each category and the impact of VRS on them. Those who are ‘unemployable’ among the VRS optees would be the worst sufferers. There is reason to believe that a majority of the optees would be from unskilled category. The policy should be to make conscious efforts to rehabilitate them. A detailed research would help in this direction.

10.2.8 Research needs also to be undertaken on the subject of ‘VRS and the choice of Technology’. The important concepts ‘appropriate technology’, ‘small is beautiful’, ‘technology for highly populated countries’ seem to have been almost forgotten. The euphoria of economic reform simply advocates ‘upgradation of technology’. Some advocate this upgradation in the small scale sector as well. Is it in the interest of employment? Are we consciously trying to add to unemployment and create serious problems for the future? What should be our policy vis-à-vis choice of technology? This is a fruitful subject for deep study and research.

10.2.9 Studies making detailed financial analyses, and productivity analyses and performance of companies which have implemented VRS need also to be undertaken to check whether and to what extent a company’s/Industry’s finances have improved after VRS.

10.2.10 The country is committed to socialist pattern of society and the concept of welfare state. The Government is committed to economic reforms with a ‘human face’. Does VRS or the hire and fire culture policy subserve our goals? It is but appropriate to conclude this study with this observation. It is only in raising questions and stimulating thinking that there is a possibility of progress in the field of research

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