CHAPTER NO. 3

EXPERIMENTS IN VRS

a) Experiments based on Published Information:

The Implications of Voluntary Retirement Scheme:

The concept of VRS was accepted by government of India in the Economic Planning itself. But the Indian business houses misutilised the same for their own benefits. Most vulnerable effects of VRS were experienced on the arrival period of ‘open door policy’.

The period between 1984-85 to 94-95 witnessed a large number of political changes like assassination of two Prime Ministers i.e., Indira Gandhi and Rajeev Gandhi, the change in power, rule by different prime ministers and finance ministers, Gulf war and its effects on Indian economy and so on.

During that period it was necessary for Indian government to accept liberalisation and globalisation. It was necessary to use sophisticated foreign technology and to reduce excessive work force. Thus, VRS though not suitable for Indian psychology it was welcomed by Indians.

There were many drawbacks in the Indian industries like outdated machinery, high cost of production, low quality of materials used, lower productivity, constant labour unrest, heavy government taxation, poor purchasing power of people and so on. Constant strikes and all the above mentioned problems
made Indian industries difficult to survive. A large number of business units were units sick for years together.

On the same background in the policy of 1984 partial modernisation, upgradation, decontrol, deregulation and delicensing was introduced by the government of India.

Almost all industrial organisations were eager to reduce the cost of production. In the process of cost reduction use of modern machineries was necessary. These capital-intensive modern machines were the root cause of downsizing the workforce.

However, Indian laws are protective to the work force. Permission was not given for retrenchment, lay off or closure of the firms. Therefore, Voluntary Retirement is the new technique or the ‘Golden Hand Shake’ found to reduce the work force.

**Analysis of the Voluntary Retirement Scheme at International Level:**

The concept of ‘Voluntary Retirement' originated in Tokyo, Japan. It was initially tried in the automobile industry. The success of the scheme was noticed by European and American businessmen. The Western Countries like USA, UK, Germany, France and others followed the same.
In USA and some parts of Europe the concept of contractual jobs is very common. The managers have tendency to ‘Hire and Fire’ workers. The labour laws in those countries are not much rigid and protective to the work force.

In USA, IBM which is a big business organisation terminated thousands of employees just in few days by giving the reason of rising overhead costs.

China, India, Brazil and Russia are the potential markets due to huge population. European and Japanese products have great demand for their products in these nations. Many European companies have gone for reducing excessive labour force as they want to really cut down the overhead costs to make their products popular in the above mentioned markets.

European and Japanese organisations also faced the problem of opposition from trade unions. They found it difficult to retrench excessive labour force. The industrial unrest and social problems created by the same were also not acceptable to government. VRS was a boon to them. In VRS there was no compulsion to anyone to leave the job. The scheme was as per the democratic views. Workers loosing the jobs with their own will and wish were able to gain financially. Therefore, VRS became popular in advance countries.

All over the world thus, VRS became a common phenomenon. In Europe and USA social security measures taken by government are very strong. Old age pensions and medical facilities are given to people on large scale. The level of
absolute poverty is almost equal to zero. Therefore, the scheme was well
accepted by the work force.

The attack on twin towers on 11th September 2001 had many ill effects on
international economy. The economy of USA collapsed and resultantly India
had deep rooted adverse effects. The growth rate at the international level
came down.

This happened as US economy governs most of the financial trends in the
world. At the international level the economy of US lost its trustworthiness. As
a result the immigrants to USA reduced.

The airline industry in U.S.A. got badly affected due to this event. Many
dependent industries on the airline industry also had heavy losses. Rather it
was the planned move of terrorists. A big VRS rather CRS happened in US
airline sector. About 85,000 workers lost their jobs within few days in India.

British Airways also had the same problem of rising overhead cost. It asked
39,000 staff members to accept pay cuts. Lufthansa airlines also followed the
policy of US airlines. Swiss airlines declared the bankruptcy and adopted
retrenchment on large scale.

In general, in last one decade industrial production of many MNCs in U.K.,
U.S.A., Canada, France, Germany and Japan has declined. The countries like
Pakistan, Afghanistan, Philippines, Iran, Iraq and Russia had many social and
political problems inside the country itself. These social issues have damaged their economic freedom. This also has demanded for reduction in labour force.

Table: Voluntary Retirement Schemes Implemented at International Level.

<table>
<thead>
<tr>
<th>Sr.No.</th>
<th>Unit</th>
<th>Years of VRS</th>
<th>Total VRS Granted</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Sandoz</td>
<td>1994</td>
<td>415</td>
</tr>
<tr>
<td>2.</td>
<td>Whirlpool</td>
<td>2002</td>
<td>1,305</td>
</tr>
<tr>
<td>3.</td>
<td>Philips India</td>
<td>1997</td>
<td>1,750</td>
</tr>
<tr>
<td>5.</td>
<td>Balsara</td>
<td>1997</td>
<td>15</td>
</tr>
<tr>
<td>7.</td>
<td>Otis</td>
<td>1997</td>
<td>350</td>
</tr>
<tr>
<td>8.</td>
<td>Park &amp; Davis</td>
<td>1997</td>
<td>300</td>
</tr>
<tr>
<td>9.</td>
<td>ANZ Grindlays</td>
<td>--</td>
<td>556</td>
</tr>
</tbody>
</table>

(Source- Seminar, Maratha Chamber of Commerce & Industries, Pune)

The above table shows about the volume of VRS in different sectors. The production in China and India is increasing. But at the same time population has become a problem in the way to their progress.
The problem of sub-prime which has taken place in the year 2007-08 has badly affected the growth of US economy. The Indian economy also had bad patch during the same time. In India on 26th November 2008 terrorist attack took place. It was also an hurdle which could slow down flow of foreign capital to India.

In US as well as in entire North and South America the local people are now against of migrated people from other nations. This happens as the local people are now treated as excess work force and they have to face the problem of VRS at the cost of others.

In the year 2006 Cathay Pacific airlines from Hong Kong introduced VRS for its employees. The same problem is experienced by Kingfisher airlines and Sahara airlines in India. In Australia a big cheese producing company named Spencer has downsized its workforce out of mechanisation.

**Scope of Voluntary Retirement Scheme in India:**

In India the volume of consumers is the largest next to China. In order to tap the market many big players are dumping their products in Indian markets. It has created a big competition to Indian organisations.

To survive in this competitive market all the Indian organisations are also eager for cost effectiveness. They are introducing automatic machineries removing the surplus staff. As studied in earlier pages, as the government cannot directly give permission for the lay-off, closure and retrenchment, the
golden mean is achieved through implementation of ‘Voluntary Retirement Scheme’.

The voluntary retirement scheme is not only popular in private sector but also in Public Sector. In some of the cases the MNCs are interested in takeovers and purchase of business. Sometimes, these MNCs opt for joint ventures and collaborations. Once they get control over Indian businesses as per their own technique they like to remove the excess staff.

In many of the cases of the voluntary retirement scheme the deals are finalised without consultation with the unions. Some organisations shift their workplaces from old to new one. The old unit is closed down by which the workers have to accept VRS. The new units are started in backward areas so as to secure the tax benefits.

In many Indian banks due to computerisation and e-banking the need for employees has reduced. The use of ATM cards, debit and credit cards, on line banking, SMS banking the need for human beings has reduced. This new wave in banking also has boosted voluntary retirement schemes in India

**Voluntary Retirement Schemes after 1991:**

It was a tough time for government of India to overcome the problems created by Balance of Payments. It was just on paper to have policy of ‘Export Promotion & Import Substitution’. Indian import was exorbitant whereas exports were negligible. The demand for various products was increasing. At
the same time domestic supply was unable to match it. This created hyper inflation in Indian economy. Low productivity was another crisis.

To overcome this difficulty the government of India sold 20 tones of gold and tried to brought liquidity in the market. It was not sufficient therefore, pledged about 27 tones gold in Bank of England. This all devalued the rupee value. The finance minister wanted to regain the fiscal discipline. He announced certain schemes like making import duty more realistic, devaluing the Indians rupee, delicensing, removal of MRTP and FERA.

All such measures brought Indian economy much closer to the international economy. Therefore, liberalisation of financial markets was made. On the same line encouragement was given to mutual funds. The public limited companies were allowed to collect the premium on shares.

The changes made in Industrial policy were noticeable. It had direct impact on markets in India. The Article 15, 16 and 17 of the New Industrial Policy of 1991 were directly related to the labour policy. The following are the provisions in this policy regarding workforce in general:

1. The government organisations were following provisions given in Industrial Policy Resolution, 1956. But after the introduction of New Industrial Policy of 1991 the new provisions were made applicable to all government, semi-government and private sector organisations.
2. Government of India adopted intensive training to industrial workers. Efforts were taken for their skill development. Government also launched many upgradation programmes.

3. Workers’ participation in the management was promoted on large scale.

4. At the national level workers’ co-operative societies were encouraged.

5. Government promised to protect the interests of the labour force.

6. The government of India has accepted that labour is equal partner in the prosperity of nation.

The New Industrial Policy of 1991 removed all controls on industrial development. Thus, industries became competitive in nature. But the new policy had no direction on handling sick units. For the rehabilitation of such sick units Reserve Bank of India introduced ‘National Renewal Fund’ with initial contribution of Rs. 200 crores. At the same time article 16 of the policy mentioned that if an employee refuses to undergo training for the improvement, he can be legally retrenched.

Prior to 1991 industrial sickness was a big problem. A large number of industrial units were applying to the Board for Industrial and Financial Reconstruction (BIFR) for declaring VRS. In 1987 the number of such sick units was 311, in 1997 the same came down to 97.
However, in 1996 the same type of sick units applying to BIFR was 233 and in 1997 the same increased to 320. These were mostly textiles and metallurgical companies. The reason behind this problem was unlimited dumping of goods from South- East Asian countries. These countries had problem of rupee devaluation.

However, if we analyse the trend of work force opting for VRS, in 1992-93 after the effect of New Economic Policy of 1991 was reduced in 1994-95 as the industrial development achieved its own equilibrium.

**Table:** Trends of the workers opted for VRS

<table>
<thead>
<tr>
<th>Year</th>
<th>No of workers opted for VRS</th>
</tr>
</thead>
<tbody>
<tr>
<td>1992-93</td>
<td>38,626</td>
</tr>
<tr>
<td>1994-95</td>
<td>31,617</td>
</tr>
</tbody>
</table>

(Source: Annual Report 2002-03, Ministry of Labour, Govt. of India, New Delhi)

The above table is self-explanatory. It shows the popularity of VRS but at little declining trend.

It is very important to note that the element of VRS not only got its impact on private sector but it also became popular in public sector units.
Voluntary Retirement Schemes in Organisations of Private Sector:

In private sector many companies announced VRS after 1991 on repetitive basis. Some of the examples of private companies that opted for VRS are as follows:

**Crompton Greaves:** In Crompton Greaves VRS was announced for around four times. Initially, it was introduced in 1993. Then it was repeated in 1998, 2003, 2005. Finally, the Kanjurmarg fans division was shifted to Goa.

**Camlin Ltd.:** In Camlin Ltd. VRS was implemented in 1995, 1999, 2003 and 2007. The Andheri plant was shifted to Taloja as the land yielded huge amount at Andheri.

**TATA Wires:** The plant at Borivli had VRS for about three times in 1993, 1997, 2001 and in 2004 it was on large scale.

**Gharda Chemicals:** The plant at Dombivli and Lote Parshuram had VRS simultaneously. It was announced in the year 1996, 1999 and 2002. The workers were given good amount of compensation but the trade union and management could not settle certain issues.

**Siemens:** In Siemens 1,300 workers were given VRS in 1991. However, the trade union was against VRS and due to their opposition in 1998 only 250 workers could be given golden shake hand.
**Bank of America:** In 1988 VRS was announced by this bank. Employees were given three months salary for each year of completed years of service and one months salary for each year left. The compensation was quite huge. This scheme made VRS popular amongst employees in other sectors.

**Sandoz Ltd.:** In 1994 nearly 50% workforce from Kolshet, Thane unit to bring efficiency in business.

**Standard Chartered Bank:** VRS was given by this bank in 1994, 1996 and in 1999. The reduction took place due to use of internet in banking by its management. The compensation was three months pay for every year of service left up to normal retirement. It was definitely attractive.

**Hindustan Lever:** In 1998 at Sewree plant VRS was offered but it was not much successful as compensation offered was very low as what trade union mentioned.

**Blue Star:** It announced VRS for many times. In 1998 to removed around 25% of the employees. It was successful due to better compensation offered.

**TISCO:** In 1997-1998 TISCO had VRS by which it reduced its employees. The total work force was reduced from 77,448 in 1993-1994 to 64,753 in 1997-1998. TISCO reduced around 55,000 employees till the year 2001.
**Citi Bank:** In 1976 Citi bank announced VRS, the concept of VRS was not known to anyone. That time it was first time introduced in India. It was repeated in 1986, 1993 and 1999. The bank was interested in trimming 10% of the Indian staff.

**Apollo Tyres:** In 1998 at its Kerala plant it reduced 200 workers. The idea was to introduce sophisticated machinery by replacing work force.

**SKF:** In 1998 the company had target to reduce one fourth of the work force. It was more or less successful.

**Maruti Udyog Ltd.:** Due to stiff competition and falling sales in 2001 by offering 90 days salary for each completed years of service or for remaining years VRS was announced.

The above cases have given fairly good idea about the implementation of VRS. Therefore, it is proved that this terminology to reduce workforce is highly successful.
Table: The VRS Implemented in Private Sector in India.

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Organisation</th>
<th>Years</th>
<th>VRS Granted</th>
<th>Total VRS</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.</td>
<td>GKW</td>
<td>1998</td>
<td>450</td>
<td>450</td>
</tr>
<tr>
<td>3.</td>
<td>GEC</td>
<td>1998</td>
<td>1,800 &amp; 400</td>
<td>2,200</td>
</tr>
<tr>
<td>4.</td>
<td>TISCO</td>
<td>1993, 1998</td>
<td>78,000 &amp; 12,695</td>
<td>90,695</td>
</tr>
<tr>
<td>5.</td>
<td>Binny Mills</td>
<td>1998</td>
<td>4,000</td>
<td>4,000</td>
</tr>
<tr>
<td>6.</td>
<td>ACC</td>
<td>1996, 1999</td>
<td>5,000</td>
<td>5,000</td>
</tr>
<tr>
<td>7.</td>
<td>Dunlop Tyres</td>
<td>1998</td>
<td>3,000</td>
<td>3,000</td>
</tr>
<tr>
<td>8.</td>
<td>Premier Automobiles</td>
<td>1980</td>
<td>3,000</td>
<td>3,000</td>
</tr>
<tr>
<td>9.</td>
<td>Ind-Auto, Fiat Premier</td>
<td>1998</td>
<td>1,320</td>
<td>1,320</td>
</tr>
<tr>
<td>10.</td>
<td>Shri Ram Mills</td>
<td>N.A.</td>
<td>1,400</td>
<td>1,400</td>
</tr>
<tr>
<td>11.</td>
<td>Guest Keen Williams</td>
<td>1988</td>
<td>900+250</td>
<td>1,150</td>
</tr>
<tr>
<td>12.</td>
<td>Bharat BIJLEE</td>
<td>N.A.</td>
<td>247</td>
<td>247</td>
</tr>
<tr>
<td>13.</td>
<td>Blue Star</td>
<td>N.A.</td>
<td>500</td>
<td>500</td>
</tr>
<tr>
<td>14.</td>
<td>Crompton Greaves</td>
<td>N.A.</td>
<td>218</td>
<td>218</td>
</tr>
<tr>
<td>15.</td>
<td>Atlas Copco</td>
<td>N.A.</td>
<td>400</td>
<td>400</td>
</tr>
<tr>
<td>16.</td>
<td>Mahindra &amp; Mahindra</td>
<td>N.A.</td>
<td>740</td>
<td>740</td>
</tr>
<tr>
<td>17.</td>
<td>PAL</td>
<td>N.A.</td>
<td>2,700</td>
<td>2,700</td>
</tr>
<tr>
<td>18.</td>
<td>RHONE POULENC</td>
<td>N.A.</td>
<td>400</td>
<td>400</td>
</tr>
<tr>
<td>19.</td>
<td>Ciba Geigy</td>
<td>1993</td>
<td>907</td>
<td>907</td>
</tr>
</tbody>
</table>

(Source: Seminar at Maratha Chamber of Commerce)
The above table shows an idea about technological upgradation and automation measures are now have become necessary part of the industries in order to have quality production at low cost of production for facing international competition.

**Voluntary Retirement Scheme in Public Sector Undertakings:**

Public sector undertakings are also not free from the impact of VRS. In order to avoid huge salaries and wages as per fifth pay commission, public sector undertakings introduced VRS.

e.g., The Steel Authority of India Limited (SAIL), Coal India and Hindustan Copper Ltd. (HCL) etc. and many such organisations have announced VRS. The Coal India Ltd. had target to reduce 35,000 workers. HCL wanted to introduce VRS due to uneconomic and time-consuming mining process.

Many of the PSUs were in a position to declare VRS on the issue of rising cost, intense competition, disguised unemployment and uneconomic size of the organisation.
Table: The Public Sector Enterprises in which employees granted VRS since 1991.

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Units</th>
<th>No. of persons</th>
<th></th>
<th></th>
<th>No. of persons</th>
<th>% of VRS granted</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>SAIL</td>
<td>190608</td>
<td>189193</td>
<td>188352</td>
<td>16928</td>
<td>8.90</td>
</tr>
<tr>
<td>2.</td>
<td>DTC</td>
<td>40684</td>
<td>40193</td>
<td>39478</td>
<td>3799</td>
<td>9.34</td>
</tr>
<tr>
<td>3.</td>
<td>MMC</td>
<td>3836</td>
<td>3648</td>
<td>3246</td>
<td>715</td>
<td>18.64</td>
</tr>
<tr>
<td>4.</td>
<td>FCI</td>
<td>68502</td>
<td>67788</td>
<td>66631</td>
<td>18</td>
<td>0.03</td>
</tr>
<tr>
<td>5.</td>
<td>MFI</td>
<td>2685</td>
<td>2584</td>
<td>2543</td>
<td>75</td>
<td>2.86</td>
</tr>
<tr>
<td>6.</td>
<td>EIL</td>
<td>3373</td>
<td>3426</td>
<td>3541</td>
<td>54</td>
<td>1.60</td>
</tr>
<tr>
<td>7.</td>
<td>NTC (TN)</td>
<td>11990</td>
<td>12015</td>
<td>11702</td>
<td>2137</td>
<td>17.82</td>
</tr>
<tr>
<td>8.</td>
<td>HI</td>
<td>2748</td>
<td>2722</td>
<td>2722</td>
<td>117</td>
<td>4.25</td>
</tr>
<tr>
<td>9.</td>
<td>HMT</td>
<td>28508</td>
<td>27771</td>
<td>27015</td>
<td>1588</td>
<td>5.57</td>
</tr>
<tr>
<td>10.</td>
<td>MFL</td>
<td>1473</td>
<td>1566</td>
<td>1579</td>
<td>89</td>
<td>6.04</td>
</tr>
<tr>
<td>11.</td>
<td>BCPL</td>
<td>1668</td>
<td>1467</td>
<td>1369</td>
<td>311</td>
<td>18.65</td>
</tr>
<tr>
<td>12.</td>
<td>ECIL</td>
<td>7892</td>
<td>7874</td>
<td>7653</td>
<td>192</td>
<td>2.43</td>
</tr>
<tr>
<td>13.</td>
<td>MECON</td>
<td>3817</td>
<td>3794</td>
<td>3748</td>
<td>37</td>
<td>0.10</td>
</tr>
<tr>
<td>14.</td>
<td>CIL</td>
<td>672866</td>
<td>761550</td>
<td>663349</td>
<td>13328</td>
<td>1.98</td>
</tr>
<tr>
<td>15.</td>
<td>NFDC</td>
<td>282</td>
<td>277</td>
<td>248</td>
<td>40</td>
<td>14.18</td>
</tr>
<tr>
<td>16.</td>
<td>BPT</td>
<td>30185</td>
<td>29903</td>
<td>26614</td>
<td>1481</td>
<td>4.91</td>
</tr>
<tr>
<td>17.</td>
<td>EID</td>
<td>NA</td>
<td>2828</td>
<td>2957</td>
<td>1112</td>
<td>*39.32</td>
</tr>
<tr>
<td></td>
<td>PARRY</td>
<td>NA</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>18.</td>
<td>PHILIPS</td>
<td>NA</td>
<td>7884</td>
<td>7675</td>
<td>@</td>
<td>--</td>
</tr>
</tbody>
</table>
The VRS given by PSUs can be studied in following case examples:

**Mazgaon Docks:** The VRS scheme introduced in mazgaon docks in 1993 was highly successful. It continued in further three stages in the form of department wise workforce reduction.

**Steel Authority of India Ltd. (SAIL):**
In 1993 SAIL reduced 17,000 employees. Prior to that 1980 to 1990 VRS was given to 10,000 employees. It was their plan to reduce maximum workforce having problem of skill and expertise.

**Bharat Heavy Electricals Limited (BHEL):**
A totally new experience regarding VRS was exhibited by BHEL. The expected or rather target number of workers for VRS was 5,000 but the scheme got overwhelming response and in reality 8,000 employees applied for VRS. Therefore, the total scheme was closed within two months.

**Indian Airlines:** Stiff competition and high cost of operation was the main reasons due to which Indian Airlines in 1996 and 1998 by VRS reduced around 23,000 workers.

(Source: Annual Reports of Organisations)
Since 1991 till 2010 more than 10 lakh bank employees were given VRS. The simple criterion was that, the candidate should have completed 15 years of age and must be 40 years of age or more. The terms of compensation were 60 days salary for each completed years of service or number of years left, whichever is less. In that flow around 32 banks offered VRS to their employees.

Bank of India, Bank of Maharashtra, Punjab National Bank and Syndicate Bank had tremendous response to the scheme. The scheme was open up to the year 2000. State Bank of India received applications on such a large scale that, the scheme was terminated in between. It was necessary to reject many applications.

The VRS became a matter of fascination during 1995-2002. The industry minister declared VRS on 10th Dec. 1998 for Weigh Bird India Ltd., Mining & Allied Machinery Corporation, National Industries Ltd., Cycle Corporation of India, Bharat Ophthalmic Glass Ltd., National Bicycle Corporation of India, Tannery & Foot Wear Corporation of India Ltd. The total number of employees in this scheme were more than 15,000. A special fund of Rs. 517 crores for the purpose of VRS was set aside.

These schemes were opposed by trade unions. But after understanding the need and time based importance they supported the same. The State Corporation of West Bengal also introduced VRS. The Government of
Maharashtra decided in the year 2000 to give VRS to 20 lakh employees. The idea was to reduce pay bill by Rs. 18,000 crores annually.

The attractive package of compensation for the retiring employees and attractive pay scales to the continuing employees was the point on which trade unions supported VRS in public sector enterprises. However, it is the complaint made by many workers in various PSUs that, they were initially convinced and then pressurised to apply for the VRS.

The basic problem behind VRS was, the skilled and experienced employees were opting for the same. Those who are unskilled or who are less confident always try for continuation of the job which results into less productivity and less quality in work. The skilled people get the high positions in other organisations and also earn financial benefits from the compensation received from the company from where VRS is taken.

A number of surveys took place regarding VRS. The Cholamandalam Distribution Services Ltd. conducted a survey in 2001. The result was about 39% of the total employees opting for VRS were between the age of 40- 50.

The Reserve Bank of India had developed National Renewal Fund (NRF) contributing initially Rs. 200 crores after the introduction of New Industrial Policy of 1991. The Government of India spent Rs.700 crores in 1992-93 for VRS. It was assured by government to spend for the same cause in each year.
The amounts spent by some of the organisations for VRS are mind blowing. e.g., Mahindra & Mahindra Rs. 21 crores, Crompton Greaves Rs. 18 crores, Grasim Industries Rs.11 crores, Otis Elevators Rs. 12 crores, Telco (now called TATA Motors) Rs.17 crores, Philips India Rs. 36 crores, Bajaj Auto Rs. 80 crores, TATA Steel Rs.202 crores, SBI Rs.853 crores, Bank of India, Rs.330 crores etc.

The Government of India took a lot of efforts to help the VRS in PSUs. For that the National Renewal Fund was set up on 3rd Februray 1992 with Rs. 200 cores. The fund was raised up to Rs.1, 020 crores in 1993-94 and Rs.2, 000 crores in 1994-95, Rs.240 crores in 1996-97 and Rs. 300 crores in 1997-1998.

Between 1st April 1992 to 29th Feb. 1996 a large number of PSUs introduced VRS by spending Rs.1,430 crores. The official data published on 31st March 1998, shows that 1,09,421 workers in PSUs were given VRS. The total payment was made Rs.2, 01,984 crores. The bumper success in PSUs introduced VRS in telecom sector, in defence services, petroleum department, and fertilisers industries and so on.

For the creation of employment opportunities assistance centers were opened in 1993-94 in Mumbai, Calcutta, Kanpur, Ahmedabad and Indore. The same were extended to 49 locations in 16 states to help the retired workers. The help was given in the form of alternate jobs or self-employment. Till February 1996, 13,000 workers were helped through couselling. Out of the remaining
7,300 workers about 930 workers were redeployed. The basic idea behind raising the fund was to use it for training, counseling and alternative employment opportunities.

The basic intention behind NRF was, it is to be used for revival of industrial units. However, it was used for closing the units in 1998. The expectation was to do upgradation of technology and downsizing of workforce. The Government of India suggested to profit making units to introduce VRS schemes without government help in financial terms.

It was only for to reduce the surplus manpower. But in many organisations fear was expressed by managers that they will not get skilled and experienced employees once their cream workforce is given VRS.

**Table:** Public Sector Units

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Organisation</th>
<th>Year</th>
<th>VRS Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Indian Airlines</td>
<td>1996, 1998</td>
<td>22,000</td>
</tr>
<tr>
<td>3.</td>
<td>BOC</td>
<td>1989, 1998</td>
<td>6,825</td>
</tr>
<tr>
<td>4.</td>
<td>Hindustan Lever</td>
<td>1989</td>
<td>558</td>
</tr>
</tbody>
</table>

(Source-1. Seminar, Maratha Chamber of Commerce and 2. International Relations in India Shifting Paradigms by Ratna Sen.)

The above table reveals that the VRS was a successful venture in all the times since 1991 till the end of the decade.
We have studied in above paragraphs how VRS was a successful venture for Indian public and private organisations. It is necessary to study both the sides i.e., employers and employees. They have their own opinions behind the scheme of VRS.

Why organisations introduce VRS? / Reasons for VRS from the side of Organisations:

1. High wages / salaries and other incentives.
2. Inefficiency and inability of workers.
3. Inability of the management to accept and adjust the change.
4. Restrictive work practices in the organisation.
5. Introduction of modern machinery unsuitable for the existing workforce.
7. Decision of outsourcing.
8. Discontinuation of the existing product.
9. Worker’s unwillingness to acquire modern skill & knowledge due to mental block.
10. Resistance expressed by trade unions for the change.
12. High cost of land and maintaining the land and building.
13. Amalgamations, take overs, mergers, acquisitions and absorptions.
Why employees accept VRS? / Reasons for VRS from the side of Employees:

The employees always think about VRS from different angles. It is a boon and curse both for them. Following are the reasons behind the acceptance of VRS from the side of employees:

1. Health issues (the most logical and valid reason for VRS).
2. Need to concentrate on domestic issues (reason given by female employees).
3. Possibility of getting another job.
4. Willingness to concentrate on the another side business
5. Fear of loss of job due to winding up of the existing business organisation.
6. Inability to acquire new knowledge and skills.
7. Opportunity of start own or join in new business venture
8. Feeling that not to work further.
9. Wants money for marriage, health issues or education of children etc.
10. Pressure to opt for VRS from friends unions or management

In short, now employees also have started taking VRS as an opportunity to start something new with a very sound financial background. Earlier they use to get afraid of VRS but they welcome such schemes.
b) Experiments based on Research Studies:

The researcher during his research work had direct discussions, debates, interviews, meetings with a number of employees who opted for VRS. There were two different views expressed by the respondents. Some of the opinions were positive whereas the others were negative.

The respondents who were benefited due to VRS:

1. Shri. Sanjay Singh: Mr. Sanjay who came to Mumbai from Jaunpur district of Uttar Pradesh joined as a unskilled worker in Mahindra & Mahindra Ltd. He worked hard due to family responsibility and basic nature of sincerity. After confirmation he brought his parents and younger brother to Mumbai. He suggested his brother to start garage at Kandivali, a suburb in Mumbai. Those were the days of 1980s when it was possible to get premises at lower rent. Due to shift duties Mr. Sanjay was able to help his brother in his business. A point came in business when the business got expanded. It was a dream of both the brothers to start their own service station. It was necessary to raise finance to have premises and required instruments. Mr. Sanjay took the advantage of VRS scheme and in 1998 got VRS. The advantages of VRS he got such as: time he could devote now for his business, lumpsum money he got for his business and the technical experience as well as the goodwill of ex-employee of such a reputed company has helped him to establish his business. Thus, VRS announced by Mahindra & Mahindra was boon to him.

2. Mr. Rajesh Sawant: Mr. Rajesh Sawant an employee from Kankavli, Kokan was staying in a chawl at Bhandup. He was working as a worker in
Camlin Ltd. J.B. Nagar, Andheri in art material division. When the VRS was announced, he applied for the same and immediately after retirement started his stationery shop as well as applied for an agency of stationery and art materials of Camlin Ltd. He was helped by the managers in Camlin Ltd. in the work of agency management. Mr. Sawant is also involved in mango wholesaling business. During summer by truck he brings mango boxes to Bhandup from his native place and directly supplies to retail merchants. Thus, VRS has developed an enterprising person as a full-fledged businessman.

3. Mr. Manohar Naidu: Mr. Naidu was working as an employee in Voltas Ltd. He is staying in Dombivli. He had part time business of sound system to be provided on rental basis. When VRS was announced in Voltas Ltd. he applied immediately. The amount received was invested by him in monthly income schemes. Some portion of the compensation he used as capital for his business. Now he has a big business of event management. Chairs, tables, utensils, sound services, curtains, gas burners, stage decoration material etc. he provides on rent. He has become now a well established businessman.

4. Mr. Omkar Malekar: Mr. Omkar Malekar has done hotel management from a reputed institute. He was working in Premier Ltd. Kurla plant. When the plant was closed down he was shifted by the company to Dombivli plant. The same plant was also closed down and Mr. Omkar was jobless. But the knowledge of hotel management he used in a positive manner. He found two colleagues from the same company Mr. Gupta and Mr. Krishnan who were also managing canteen of Premier Ltd. Mr. Omkar is a Maharashtrian, Mr.
Gupta is a person from Utter Pradesh whereas Mr. Krishnan is from Palghat the border of Kerala and Tamil Nadu. These three friends from the background of three different states used their language base and started tapping customers accordingly. The result is their business named ‘Chaturang Caterers’ has established its name and fame in Kalyan and Dombivli area.

5. Mr. Sandeep Prasade: After 22 years of service as an electrical engineer in Crompton Greaves Ltd. he took the advantage of VRS in the year 2001. He started his own agency of Crompton Greaves Ltd., under the name of ‘S.S. Systems’. Now he is well established in various electrical contracts, CC T.V. camera installations and maintenance, supply and maintenance of invertors etc.

6. Mrs. Sapna Shah: Mrs. Shah was working in Bank of India. At the age of 41 when she completed 19 years of job, she opted for VRS in Dec., 2000. She was a brilliant student of Accountancy in her College days. Immediately after her retirement she invested the compensation in a proper manner and started group tuitions of Accountancy. She has now well known coaching classes in Mulund.

7. Dr. Shalaka Abhyankar: Mrs. Abhyankar was working in Gharda Chemicals Ltd., Dombivli, M.I.D.C. When she got VRS from the company without much thinking she joined Lupin Labs as she is M. Sc. in Chemistry and Doctorate too. She got directly job in research department. She never felt that VRS has adversely affected her career or family.
The respondents who were not-benefited due to VRS:

1. Mr. Sakhrarem Panchal: Mr. Panchal took VRS from Siemens Ltd. as he was under impression that his three sons will help him in his future. However, his elder son convinced him to start a business of tours and travels. The maximum amount what he got as compensation was invested in business. But due to lack of experience in business the entire venture went to loss. Mr. Panchal was dependent on his sons. But the elder son is now working as an electrician, the second is driving auto rikshaw and the younger one is doing job of estate agent. After utter failure Mr. Panchal has sold his flat and by investing the amount in monthly savings scheme he is dependent on that. He now stays in a small rental house with his wife and younger son. His life was very comfortable as an employee of Siemens Ltd. which has become miserable after VRS.

2. Mr. Surendra Bidwai: Mr. Bidwai who belongs to Belgaum and working in Deepak Fertilizers Lts. took VRS and shifted to Belgaum. As he started pharmaceuticals shop for his daughter, the major amount was invested in business. After accidental death of his only daughter he gave the shop to another person on rent who was a pharmacy expert. After some time Mrs. Bidwai expired due to heart attack. The person to whom the shop was given cheated Mr. Bidwai in some transaction. The bank had decree on the shop. Mr. Bidwai lost everything and now he is staying alone in a charitable old age home at Badlapur, a suburb in Mumbai. It was a very sad story that the researcher heard from the respondent.
3. Mr. Anant Joshi: The saddest experience the researcher heard from this respondent. Mr. Joshi took VRS in 1991 from Mazgaon Docks. He was very confident rather over confident about his knowledge about shares and securities. After his retirement he got sub-brokership. He invested his entire funds in shares and got tremendous money when due to Harshad Mehta’s scam the initial days were lucrative. He took loan by mortgaging his residential flat and invested money in stocks. The market sensex came down after Harshad Mehta got arrested. Mr. Joshi lost his entire funds, in addition to which he had loans. His all personal assets were ceased by the bank. Now he is working as a watchman in a co-operative society as he had some mental problems. His wife died after his insolvency due to unbearable mental pressure. He has no issues. A bank employee is now working as a watchman in a housing society in Thane.

The researcher feels that those who utilised the amount of compensation with due care and caution were very happy after VRS. Those whose spouse was working in a better position were comfortable. Those who had bright and career oriented children were supported by them in all the times. Thus, VRS is a very difficult decision to take. It is individual oriented. It cannot be taken in isolation. It changes from person to person. It requires proper planning and consultation with a number of concerned people.