

AN ANALYSIS OF THE REASONS FOR VOLUNTARY RETIREMENT

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THE retirement is a concept of recent origin though it could be traced to Indian philosophy. The reasons related to voluntary retirement scheme (VRS) of Government of India and its response by public sector employees have been analyzed in this paper. There are number of reasons for opting to VRS like doing some business, job dissatisfaction, health and personal reasons. There exists variation in reasons for opting to VRS and not opting to amongst male and female employee. The findings of the study are discussed in line with earlier research work. The study has great implication for the human resource managers and policy makers in the present millennium. The HR managers must take into consideration the mindset of people so that they can act as a facilitator of personal and organizational excellence.

Introduction

The retirement from active life has been enshrined in our ancient scriptures and religious literature. Accordingly, the *vanaprastha* is the stage in one's life, wherein, the individual moves near to salvation and prepares himself for retirement from active life. The retirement from active life or active productive operation, activity is an important stage in any individual. The individuals differ in their reactions to different phases or stages of life.

Mainstream economists perceive voluntary retirement as a measure to shed the workforce whose marginal productivity is zero. Further, it is argued that this could be introduced in an industrial organization for maintaining its cost effectiveness in an increasingly competitive world. Moreover, voluntary retirement is accompanied by technological modernization that warrants the replacement of labor with technology. Technological modernization improves the productivity of existing workforce so much so that a section of the existing workforce becomes redundant again even as modernization enhances the installed capacity of the technology. The workforce that becomes redundant in this process has to retire or be retrenched.

With the increased emphasis on mass production, the large-scale business enterprises and organizations began to rise in the late 19th century; accordingly the meaning of property was altered. The circumstances and motivations of economic activity, as well as the careers and expectations of most citizens, were affected. The resulting bureaucratic principle of efficiency led to the discharge and layoff of employees after a certain age, with mandatory retirement policies being the by-product (Achenbaum, 1978).

Retirement may be considered as a generalized social pattern, institutionally sanctioned and occurring when people live long enough; the economy can withstand their transition from worker to non-worker status, and social insurance of some form is available (Atchley, 1976).

The globalization has resulted into increased mergers and takeovers in the 21st century, the organizations are now compelled to be competitive and reduce the costs. The organizations are thus doing reengineering of their products and services, they follow benchmarks in terms of wages and productivity. International literature on organizational downsizing has focused on three issues: the impact on those who have lost their jobs; the impact on those remaining; and on how to downsize effectively (Suri & Chhabra, 2000).

Employers refer to VRS as 'golden handshake', trade unions call it 'voluntary retrenchment scheme', and for the government, it is 'unstated exit policy' which means that an exit policy which may not exist on paper. VRS is one of the strategies introduced in the early 1980s in central public sector undertakings (PSUs) to reduce the so-called surplus or redundant workforce. It gained publicity after the introduction of new economic policy in 1991. In India, the government employs more than 70 per cent of the organized workforce; it uses all its channels to reduce the organized sector of the workforce without antagonizing the trade unions. It is envisaged in the new economic policy that VRS can provide minimum sustenance security to the retired individual and his family.

Trade unions play a crucial role in introducing the VRS in any organized sector firm. The scheme cannot be implemented without, at least, the tacit approval of the representative union. Sometimes without the consent of the trade unions, workers legalize the VRS by accepting it en masse. Very recently, the entire workforce of Sri Ram Mills (1,400 workers) has accepted VRS while the major union opposed the scheme tooth and nail. Other companies such as Ind Auto, SKF Bearings, Novartis, Biddle Sawyer, and Siemens have also been able to successfully reduce their workforce through the introduction of VRS. When the workers are convinced that the scheme is sufficiently attractive monetarily and/or the company is in deep crisis, they opt for the scheme. When workers find the company's performance good, they refuse to accept the scheme. In such situations, trade unions through various strategies (for instance, by exposing the status of those workers who have accepted VRS) persuade workers not to accept the scheme.

The Public Sector Unit (PSU's) in India were set up with an aim of providing employment and social welfare, however, it ended up employing more people than required and also with the coming of new technologies it found itself over manned.

The onset of 21st century has brought about a new meaning and look to the concept of retirement. The Voluntary Retirement Scheme (VRS) and Compulsory Retirement Scheme [CRS] are the least studied phenomena in both business and academia (Gupta Vivek, 2001). Despite its increasing popularity, field-based scientific literature on VRS is sparse in India. VRS and CRS emerged as solution to shed the excessive manpower.

VRS is being opted by most of the Government (Public Sector Undertaking's) and Non-Government organizations. When redundancy of labor is inevitable as a last resort, voluntary retirement is found to be a better alternative than outright retrenchment. Thus, VRS was formulated keeping in view the guidelines approved by the Government of India for public sectors in manufacturing (oil, hydropower, steel, power, etc.) and services [banking, insurance, etc]. The VRS for banking sector employees was communicated to employees through Indian Bank Association (IBA).

Objectives of VRS in Banking Sector

- (i) To transform the banking organizations for increased efficiency and for controlling operational costs.
- (ii) To have optimum utilization of human resources at various levels in keeping with the business strategies, skill profile and requirements of the banks.

The Government of India in November 1999 formally took up VRS in banks. According to the Finance Ministry, there were 59,338 excess employees on the basis of business per employee of Rs. 100 lakhs in 12 nationalized banks, while based on a BPE of Rs. 125 lakhs the number shot up to 1,77,405.

Finally, the Government cleared a uniform Voluntary Retirement Scheme (VRS) for the banking sector, giving public sector banks a seven-month time frame. The IBA was allowed to circulate the scheme among the public sector banks for adoption. The scheme remained open till March 31, 2000. It became operational after adoption by the board of directors of the respective bank. No concession was made to weak banks under the scheme.

As per the estimated average outgo per employee under the banking VRS scheme, it would range between Rs. 3 lakhs and Rs. 4 lakhs. However, the aggregate burden on the banking industry was difficult to work out, as one cannot estimate how many employees would finally opt for the scheme. To minimize the immediate impact on banks, the scheme allowed them to stagger the payments in two installments, with a minimum of 50

per cent of the amount to be paid in cash immediately. The remaining payment can be paid within six months either in cash or in the form of bonds.

Objective of Present Study

The present study is conducted with the objectives:

- i) To find out the reason why bank employees had opted for VRS.
- ii) To find out the reason why some of the employees who had qualified period for VRS did not opt for it.

Methodology

(a) Assessment Tools

The subjects were assessed through a structured interview schedule.

(b) Sample

The present study was conducted in public sector banks located in NCR, Delhi. The sample was selected on the basis of probability "Incidental Sampling" technique, which is characterized by collecting data from the first available individuals who were taken to be representative of the population.

The total sample on which data was collected was 120, which included 60 employees who had opted for VRS and rest 60 who had not opted for it.

Results & Discussion

The reasons given by the subjects in relation to their respective decisions to opt or not to opt for VRS were content analysed. The same are give in Tables 1 and 2.

Table 1 depicts the reasons to opt for VRS. It is noted that most important reasons for the *male* to opt were: the scope for other employment, monotony in their present job, transfer of self or spouse and their plan to set up their own business with the help of financial benefits they received after taking voluntary retirement. Some of them opted for VRS because children were settled, redundancy of skills and wish to upgrade their skills or to take rest as they were not keeping well since long time. Also according to some of them, one of the reasons for which they decided to opt for VRS was that government might reduce the age of retirement or the threat of retrenchment.

There were very few who gave the reasons such as to explore their interests and ambitions and to spend more time with the family because of which they had opted for VRS.

Table 1: Reasons for Opting VRS

S.No.	Reasons for Opting VRS	Male(N=30)	Female(N=30)
1	Ill health of self or family member	15	56
2.	Children Settlement	45	72
3.	Redundancy of job skills	41	53
4.	Other employment	62	15
5.	Transfer of self or spouse	52	56
6.	Monotony of job	58	25
7.	Threat of retrenchment	47	22
8.	Harassment by superiors	24	45
9.	To set up own business	45	12
10.	Other reasons	34	27

The major reasons for *female* to opt for VRS were: the settlement of children, ill health of self or family, transfer of spouse or self, redundancy of job or skills, to spend more time with their family, which according to them they were not able to do because of their busy schedule at the job. According to few of them, they opted for VRS because of the boring routine and monotony perceived by them at the job, and to start their own pursuits after taking voluntary retirement.

Besides these reasons the main factor which led the subjects of VRS group to decide and finally opt for voluntary retirement scheme (VRS) was the social support which they got from their respective family and network of friends. According to the subjects, if this support wouldn't have been there then they might not have taken this step to opt for early retirement.

The above findings could be supported by number of studies carried out in the past. The results of the study done by Kerstin & Gunn (2000), indicated that the voluntary retirement choice was directly and positively associated with satisfaction, psychological well-being and health. Females showed lower work centrality appeared to be more inclined to apply for retirement. The results of the study done by Kim & Feldman (1998), also support our finding that suggested that members who planned on working part time after retirement and who expected that there would be no future incentive programs were more likely to accept early retirement offers.

A study by Shri Ram Center for Industrial Relations and Human Resources in 14 industrial centers of various states revealed that workers opted for VRS due to apprehension of closure of firms or personal reasons such as poor health, clearance of debt, marriage, education of children, etc. Another study observed that complaints were recorded by some of the VRS workers who came for retraining under NRF that invisible discrimination affected their prospects for promotion in the organization where they were working. Thus, the atmosphere of discrimination and apathy towards the socially disadvantaged groups is also forcing most of the workers belonging to these groups to opt for VRS.

Dhillon & Arora (1992), studied 60 retired males, 30 of who had taken up jobs after retirement and other 30 had not. The study showed: (i) both Groups perceived a high degree of social support particularly from friends and family, (ii) both groups perceived all life events as being equally stressful, and (iii) the greater the amount of social support the less the effect of life events. Results of the investigation done by Mattila, Soukamma & Salokangas (1988) on adjustment to retirement indicated that available social support predicts good adjustment to retirement.

From the study done by Atton & Hilary (1985), it was concluded that those who had adjusted well to retirement had taken an attitude of constructiveness. They saw retirement as a new opportunity and had a positive attitude towards it. Also, the study did by Dorfman et. al. (1985), showed that the predictors of retirement satisfaction were the quality of relationship enjoyed by the individual and also the aid, confidants that relatives gave.

Table 2 depicts the reasons for not opting for VRS. It is noted from the table that *males* haven't opted for VRS due to various reasons like: lack of suitable employment, as they didn't had any plans for the future source of regular income. The other reasons expressed by other employees were: availability of adequate job security, lack of adequate family security, lack of high level of aspirations, not being harassed, good level of job satisfaction, not in a position to take risk, appropriateness of skills etc. Whereas, according to some of the others having a suitable job is very essential as it gives a feeling of independence, security, contentment and in order to maintain respect and dignity in the society. According to some of them, there is still lot more to put in their job, they didn't want to sit idle at home as this could only invite diseases and bad health. Few of them, believed that after the reduction of such a large number of manpower through VRS the chances of promotions along with the increments in the salary were very high.

Among *females* who had not opted for VRS the factors were lack of suitable employment, availability of high job security in present job, children not settled as yet, lack of high level of aspiration, the feeling of independence, the sense of security and contentment that they get from the job. Some of them decided not to opt for VRS because they always wanted.

Table 2: Reasons for Not Opting VRS

S.No.	Reasons for Not Opting VRS	Male(N=30)	Female(N=30)
1	Ill health of self or family member	25	46
2.	Children not settled	55	68
3.	Redundancy of job skills	41	53
4.	Lack of suitable employment	78	87
5.	Family security	62	66
6.	Job satisfaction	58	59
7.	Job security	78	83
8.	No harassment	64	65
9.	Lack of high level of aspiration	61	62
10.	Others	23	27

To see them as the helping hand of the family and didn't want to sit idle at home as they had got habitual to the job. There were only few of them who didn't wanted to take any chances and didn't want to keep their social status at stake by taking early retirement from such a respectful job.

This finding could also be supported by the study done by Gowan (1998), whose results suggested that all early retirement decisions are not voluntary. Individuals who did not desire to retire and who had lower self - esteem, fewer financial resources, and plans to continue working with their jobs were more likely to appraise early retirement as harmful.

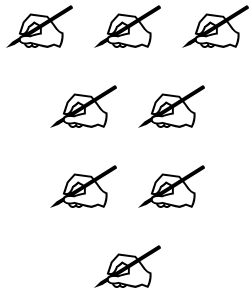
Conclusion

The reasons for opting to VRS and not opting to VRS would provide an insight to policy makers for effective implementation of scheme. The employers should follow some of the techniques like outplacement, help of placement agency and counseling which shall provide the humane touch to the downsizing. This is very necessary because it is not only the posts that are downsized but there are human beings involved in this process. This process should convince them that the posts in the organization have become redundant and not the person and the organization still values the person. Since this process involves emotions and feelings, every care must be taken by the management that the process must be carried out in such a manner that it keeps the dignity of the employees but at the same time achieves the objective in a tactful manner.

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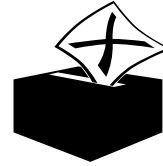


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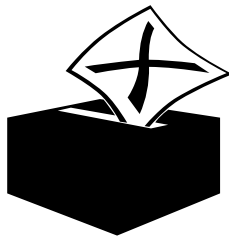
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