**Voluntary Retirement Scheme (VRS) – Issues to be Considered for Successful VRS**

To achieve the desired results from VRS, organizations must con­sider the following issues thoughtfully before the scheme is put on offer:

**(1) Identifying the Need for VRS:**

VRS should be put on offer only when the management is convinced that the sur­plus staff will remain unutilized over a considerably long period of time and the organization will not greatly ben­efit by retaining this staff. To deal with temporary phase of surplus workforce, VRS is not warranted because the staff once lost is not easy to replace, except at a very high cost.

(**2) Designing the Scheme:**

After having established the need for VRS, the management should design the scheme incorporating the following aspects:

(**a) Employees to be Covered under VRS:**

Logic lies in covering those employees under VRS who are unproductive for the organization. To ensure that only unproductive employees take advantage of VRS, management can lay down conditions in terms of age limit, categories of employees, etc. Steel Authority of India (SAIL), a public sector enterprise, for example, shed over 18,000 workers between 1986 and 1987 and set the following age limits for eli­gibility under VRS for various categories of employees.

**(b) Compensation Package to be Offered:**

Depending upon the financial position of the organization and the general expectations of the employees likely to be covered under VRS, a suitable compensation package can be offered. For example, in Hindustan Unilever, the VRS package consisted of a lump sum equal to 2.25 times the July 1992 salary multiplied by the remaining years of service plus pension equal to 70 per cent of the July 1992 sal­ary payable till the age of 60 (the company’s decided retirement age for employees) plus prizes such as computers on the basis of a lucky draw. In most of the public sector banks, the compensation package offered comprises 45 days of service for every year of service completed or service for balance years, whichever is less.

**(3) Role of Employees’ Unions in VRS:**

VRS, no doubt, is a voluntary scheme and it works on the mutual agreement between the employer and the employee. Nonetheless, cooperation from the employees’ unions is still desirable and may even be necessary if the management-union agree­ment stipulates.

The influence of unions is so powerful on employees that they are always able to influence employees to accept or reject VRS. Unless the VRS package is patently against the interests of employees, unions generally do not oppose the scheme. Responsible unions perceive VRS as a painless method of trimming surplus labour.

**(4) Crucial Issues:**

When the employer decides to go for VRS, there are some crucial issues on which a balanced thought is required.

They are as follows:

i. Rationale for VRS:

It is important to explore as may options as possible before intro­ducing VRS in the organization. If the management feels that due to less demand, adhoc workers can be dispensed with or working hours can be cut down, then VRS is not warranted. Many big automotive companies like TATA, Mitsubishi etc., have not resorted to VRS in the past even at times of lean demand.

It is not good to carry out workforce reduction during temporary lean seasons. If reliable workforce is lost due to VRS, it will be an irreparable loss to the organization. The professional organizations identify the workers who are becoming a liability and use this weapon of VRS to bid them goodbye.

VRS, therefore, should be taken up as the last measure to reduce the workforce. The workforce which needs to be shown the door has to be first prepared with caution to accept the VRS. Any lapse in this regard may lead to endless troubles for the organization.

ii. Personnel to be Covered in VRS:

When the decision has been taken to introduce the VRS, the next crucial decision has to be identifying the workforce which has to be brought in VRS. The personnel which will have least impact on the operations if dispensed with should be covered in VRS. This scheme should not cover the key men in the company.

There could be different criteria for offering VRS to unskilled workers, skilled workers, junior management, middle management and senior management. HRM should have adequate power to make such a criteria as ultimately the HRM will only be giving response to all employee queries about VRS.

Determination of Compensation:

The VRS has to comply with the law of the country. The compensation packages have to be attractive enough to compel the workers to think about retiring early. It is always

suggested by professionals to take trade unions into confidence while deciding compensation packages.

If labour unions are not involved, severe labour management problems may be surfaced. When labour union leaders are used to convince employees about fairness of VRS, it will be more effective. It is a greater challenge to assure the employees who are not taking VRS that such a step has been taken to keep the company lean and viable.

If all the above challenges are met by the management of an organiza­tion, VRS would work successfully across all divisions of the organiza­tion. If management cannot meet these challenges duly, implementa­tion of VRS would prove to be a liability for the employer.