**Voluntary Retirement Scheme (VRS) – Steps and Procedures**

The various steps and procedure for voluntary retirement scheme (VRS):

1. H.L. Kumar further emphasises that before embarking on a Voluntary Retirement Scheme (VRS), companies must work out other alternatives for improving performance. VRS should be the last alternative because it is a painful process and has social implications on the departed employees and the society.

2. The strategy to be developed will be dependent on the history of labour management relating to the company, the role of internal and external trade union leaders, the profile and capability of the human resource and company’s financial ability to bear the cost of compensation under VRS. The reduction process should match with strategic corporate plan.

3. The effect of downsizing, including that on the work or activities of the organisation is to be considered, i.e., post-reduction operations such as deployment, training, etc., should also be planned.

4. The management has to notify the decision to offer VRS through a circular, which should cover –

i. The reason for rightsizing,

ii. Eligibility, i.e. who can apply for VRS,

iii. The age limit and minimum service period of employees who can apply (Employee who are 40 and above and those who have completed minimum 10 years of service in the establishment), and

iv. The benefits that employees who offer to retire voluntarily are entitled as per law and rules – the benefits of Provident fund, Gratuity and salary for balance of privilege leave up to the date of their retirement, besides the voluntary retirement benefits. Managements are offering lucrative separation benefit which is much above the retrenchment compensation under ID Act.

One public sector has offered the terms as under –

a. 60 days salary for each completed year of service,

b. Monthly salary for remaining period of service before normal retirement, whichever is less. This is subject to maximum of 60 months’ salary,

c. Continue to avail medical facilities as applicable to their retired employees,

v. The right of an employer to accept or reject any application for voluntary retirement,

vi. The date up to which the scheme is open and applications are received for consideration by the employer,

vii. To indicate income tax exemption on voluntary retirement benefits up to of Rs.5 lakhs, which is maximum tax free benefit,

viii. If the company is public sector undertaking, obtain approval of the government,

ix. If there is a union of employees in the establishment, involve the union by communicating to them the reasons, the target group and the benefits to be offered to those who opt for the scheme,

x. Motivate the managers and employees. The VRS should be made attractive and no pressures should be used to ease out persons. There should be complete transparency, and

xi. Provide professional assistance to employees who accept VRS to plan their post-retirement, activities and financial management.

**Voluntary Retirement Scheme (VRS) – Advantages and Negative Consequences**

A firm offering VRS to its employees can reap the following advantages:

(i) VRS is a more humane way to reduce surplus workforce than terminating services of employees. The firm’s reputation remains intact.

(ii) Payment of heavy compensation to retiring employees prevents resentment on their part.

(iii) Trade unions also do not object to VRS as it is voluntary in nature.

(iv) Despite heavy initial upfront costs in the form of heavy compensation package, VRS reduces payroll costs or wage bills significantly over time. The firm is saved from paying monthly wages or salaries to the employees opting for VRS.

However, VRS can also lead to the following negative consequences:

(i) Efficient employees may leave the firm and inefficient stay back. This would reduce the skill base of the firm.

(ii) VRS might increase the workload of existing employees if it is used to cut the pay bill.

(iii) VRS might create a sense of insecurity in the minds of employees not opting for VRS and deciding to stay with the firm.