**Voluntary Retirement SchemeVRS)**

Voluntary retirement scheme is a method used by companies to reduce surplus staff. This mode has come about in India as labour laws do not permit direct retrenchment of unionised employees.

In the present globalised scenario, right sizing of the manpower employed in an organization has become an important management strategy in order to meet the increased competition. The voluntary retirement scheme (VRS) is the most human technique to provide overall reduction in the existing strength of the employees. It is a technique used by companies for trimming the workforce employed in the industrial unit.

It is now a commonly used method to dispense off the excess manpower and thus improve the performance of the organization. It is a generous, tax-free severance payment, to persuade the employees to voluntarily retire from the company.

It is also known as ‘Golden Handshake’ as it is the golden route to retrenchment. Downsizing of the work force generally implemented through VRS in India, and the Industrial Disputes Act, 1947 puts restrictions on employers in the matter of reducing excess staff by retrenchment, by closures of establishment and the retrenchment process involved lot of legalities and complex procedures. Also, any plans of retrenchment and reduction of staff and workforce are subjected to strong opposition by trade unions.

Hence, VRS was introduced as an alternative legal solution to solve this problem. It allowed employers including those in the government undertakings, to offer voluntary retirement schemes to off-load the surplus manpower and no pressure is put on any employee to exit.

The voluntary retirement schemes were also not subjected to not vehement opposition by the Unions, because the very nature of its being voluntary and not using any compulsion. It was introduced in both the public and private sectors. Public sector undertakings, however, have to obtain prior approval of the government before offering and implementing the VRS.

VRS is different from downsizing because here employee are asked to retire voluntarily and are not laid off by force. Secondly, in VRS employees are given attractive severance package whereas in downsizing they are not given any monetary or non-monetary benefits.

VRS refers to a scheme of an option given by the organization to its employees to retire before superannua­tion (i.e., before the actual date of retirement) in exchange for additional severance payment and benefits.

VRS is based on mutual agreement between the employer and employees, under which an employee agrees to voluntarily separate from the organization on payment of agreed compensation by the employer. VRS is also known as ‘early retirement buyout’ (because the organization buys the retire­ment of an employee before superannuation by paying for it) and ‘golden handshake’ (because both the employer and the employee happily bid a final goodbye to each other).

VRS is not new to the Indian corporate sector and has been practised in the past by many organi­zations, including public sector enterprises. However, the scale was not large enough to attract atten­tion. Bharat Heavy Electricals Limited (BHEL), a public sector enterprise, launched VRS in 1988. The response from its nation-wide workforce, however, was lukewarm.

VRS came back into the limelight post 1991, when economic liberalisation was ushered in India. This time, many organizations actively sought a congenial solution to the problem of over-staffing, something that was eating into their profits without adding anything to it. VRS provided them with the solution to deal with it and become more competitive in a liberalised market.

Downsizing of workforce is generally implemented through Voluntary Retirement Scheme (VRS). Under this scheme, the organisation and its employees enter into a mutual agreement under which employees agree to voluntarily retire on payment of agreed compensation by the employer.

VRS has come to be recognized as GOLDEN HANDSHAKE because of the benefits for both the employees and the employers. The employees get handsome amount under the VRS package and the employers save recurring fat wage bills in the long-run.

VRS has been used in India as a part of downsizing strategy to cut the size of the wage bill. VRS has been executed in both public and private sector undertakings by offering attractive separation package known as golden handshake’. Such organisations include public sector banks, SAIL, TISCO, Bajaj Auto, Philips India, Castrol, Hindustan Unilever Ltd. etc.

Voluntary retirement scheme is a method used by companies to reduce surplus staff. This mode has come about in India as labour laws do not permit direct retrenchment of unionized employees.

**Voluntary Retirement Scheme (VRS) – Nature**

VRS applies to an employee who has completed 10 years of service or is above 40 years of age. It applies to all employees, including workers and executives of a company or of an authority or of a co-operative society, excepting directors of a company or a co-operative society.

It has to result in an overall reduction in the existing strength of employees. The vacancy caused by voluntary retirement is not to be filled up. The retiring employee shall not be employed in another company or concern belonging to the same management.

The amount receivable on account of voluntary retirement of the employee does not exceed the amount equivalent to three months’ salary for each completed year of service, or salary at the time of retirement multiplied by the balance months of service left before the date of retirement on superannuation of the employee. It is the last salary drawn which is to form the basis for computing the amount of payment.

Most large public and private sector companies have implemented VRS in recent years.