

## COMPARING EMPLOYEE ATTITUDES AND PERCEPTIONS TOWARDS VOLUNTARY SEPARATION SCHEMES: A STUDY OF ITI AND BHEL

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### Abstract

The aim of this study is to find out about the employee's perception about Voluntary Retirement Scheme and their work-life in public sector companies which were established as the backbone for the progress of the country. The two companies taken for the study are Indian Telephone industries and Bharat Heavy Electricals Limited. The two giants on which laid the great responsibility to develop the economy and to develop the demography where they are placed. From broader view one can find many similarities in these two companies. But when we take a narrow view two companies rarely seems different as one is the part of Navratna and another is loss making unit". The two companies also differ in their style of perceiving different objectives.

**Keywords:** Voluntary Retirements Scheme, employee perception, Downsizing, Golden hand shake and public sector units

### Introduction:

Liberalization and opening up of the Indian economy have exposed the Indian companies to foreign Competition. This has forced many Indian companies to adhere a strict cost cutting measures and to increase productivity and to overcome the existing losses This situation of existing losses had lead to emergence of various

revolt from trade unions as company cannot cut down the facilities of employees on the sake of losses. Manpower adjustment is an effective strategy for cost cutting as it is leading to high labour cost by 25- 30 % which the organizations could not afford, as the direct cost of the employee for the company is 60% and indirect cost is 40% which is much more than the cost of the closing the unit. Since the extra manning was there company could not provide job to every employee this resulted into mass indiscipline in the organization and because of various labour laws management could not terminate the services of employees so the company has to find out the medium by which employee could get extra amount over and above their legal dues and can leave their job willingly.

The major golden rule of striking balance between demand and supply does not only offer a solution to this problem, and because of growing competition it is not possible for the companies to retain surplus labor even at a very lower wage level .The two hard options before the struggling companies are "Ship out" or "Shape out"(B.P Guha 1996). The right sizing contributes to better decision-making and the control of human resource so that the cost of expenditure can be cut short effectively. It develops a value system of proactive work culture where the

members in the organization get opportunity for better participation and involvement in the decision making process. It develops an ownership mentality among members and they shoulder forward an organization with more collaboration fidelity and accuracy.

Downsizing has been defined as an attempt to increase organizational effectiveness (Kozlowsky, et. al. 1993). Freeman & Cameron 1993; Tomasco 1990; indicate from their findings that the presumed benefits of downsizing include faster decision making, greater flexibility, improvements in quality and increased efficiency and productivity. Human Resources Management report (2001) indicates that "this mandatory retirement system gives firms a slow but sure way to cut back employment levels through attrition, whereas the call for voluntary retirement is seen as a more proactive way to move ahead with the reorganization of a firm". Voluntary retirement is seen as an unaggressive way of reducing employment levels which can result in solutions acceptable both to the employee and to management, there is concern that firms and the government pay adequate attention to the career development of employees and to their smooth movement through the labor market after taking such retirement.

### **Literature Review: Studies on Perception towards VRS**

VRS is not only Perceived as voluntary retirement scheme but it can also perceived as Voluntary Retirement Scandal, because the real benefit from downsizing is usually to be found in the balance sheets of the companies, as they can show lower costs and therefore possibly higher profits. This is what creates the competitive pressure across an industry for other companies to follow suit, and to try and reduce the

number of their workers. (Jayati Ghosh 2006)

VRS is not actually Voluntary Retirement scheme but this is very Rewarding Scheme in perspective of Public sector units in Uttar Pradesh where they not only ended up by paying emoluments to the employees who were not entitled but also threw the VRS open to employees who were not entitled to opt for it under rules. Voluntary retirement Scheme should more appropriately be termed as voluntary early retirement (K.R Chitra 2000) as it is the innovative concept evolved in India in the post economic reform environment .The scheme was initially implemented in financial year 2000-2001 by public sector banks .This is an attempt to downsize the work force of public sector Banks with employee willing acceptance. Voluntary retirement scheme is the latest mantra of many corporate and public sector units (B.S Thaur 2001) earlier it was called as Golden Hand Shake. Company declares VRS on their HR plan and suitability as it is less painful strategy adopted by the government after looking into various option i.e. golden hand shake, voluntary separation scheme. (Vipin Agnihotri 2005).

The study was conducted to know what employees' perceives about Voluntary retirement Scheme. Though many researchers had already worked on implication of the VRS in different sectors, there still lies a wide scope for further study in this field. The objective developed for the study is perception of employees towards VRS.

### **Research Methodology**

#### **Area of Study:**

The study was carried out in four cites. These four cities were selected on the basis of the need of a study. Out of these four

cities two has ITI unit and two has the BHEL unit which are the main units of the study.

### Study Plan:

The study was conducted in two phases: Pilot study and Main study.

**Pilot study:** Pre-pilot testing was done before framing the questionnaire. The major objective behind pre pilot testing is to know about the major responses from the sample. Initially ten respondents were interviewed in order to check the relevance and clarity of the questions. All the respondents found no difficulty in understanding the questionnaire. So there was no ambiguity in framing of the questions. The respondents also reported that the questionnaire was relevant to tap the difficulties and problem faced by them in the process of VRS. The major objective behind pre pilot testing was to know about the major responses from the sample.

**Main study:** On the basis of the pilot study, the main interview schedule was finalized for the study. A list of employees opted VRS from ITI and BHEL was obtained. The interview took place in the separate room. Before starting the interview, a good rapport was established with the employees through asking their name, hobbies, interest, occupation etc. Most of the employees were contacted in their homes. Before the final interview respondents were told about the objectives of the study which was to understand the difficulties and benefits of these employees which they had faced. Each interview took 50- 60 minutes.

**Research Instruments:** All the respondents found no difficulty in understanding the questionnaire. So there was no ambiguity in framing of the questions. The respondents also reported

that the questionnaire was relevant to tap the difficulties and problems faced by them in the process of VRS. They felt that the questions were relevant.

## Results and Discussion

### Demographic Profile of the Respondents

A total of 200 employees Participated in the survey. Majority of employees are from ITI (52%). The age group respondents are from 55 years to 69 years who had already opted for VRS. The maximum number of people took VRS is in the year 2001. Survey indicates that (33.5%) employees are just inter pass as they are working on lower or middle level in the organization.

Table 1: Perception of the Respondents' Towards VRS

| Variables                          | Freq. | %    |
|------------------------------------|-------|------|
| Retrenchment without tears         | 195   | 97.5 |
| Golden Hand Shake                  | 170   | 85   |
| Govt. Pressure                     | 176   | 88   |
| Mgmt. Policy                       | 178   | 89   |
| Very Rewarding Scheme              | 39    | 19.5 |
| Reduces Surplus manpower           | 172   | 86   |
| improves age-mix of employees      | 16    | 8    |
| Improves skills level of employees | 84    | 4    |
| Mandatory as per govt. policy      | 170   | 85   |

The finding of the Table No. 1 presents the perception of employees towards VRS. From the results it can be easily depicted that( 97.5%) respondents reported that VRS is a policy to retrench employees without tears. 89 % respondents perceived that VRS is implemented because of management policy. 88 % respondents' perceived VRS as management policy to overcome financial losses.86 % respondents perceived it as a tool to reduce surplus manpower whereas 85% respondents perceived VRS as golden handshake and Mandatory for the organization as per govt. policy, and only 8% and 4% percent respondents perceived

that VRS Improves age-mix of employees and improves skill level of employees.

Table 2: Correlations between Personal Profile & Perception towards VRS

| S.No. | Perception towards VRS                                | Perso  |           |                         |                  |
|-------|---|--------|-----------|-------------------------|------------------|
|       |   | Age    | Education | Grade before opting VRS | Family structure |
| 1     | Retrenchment without tears                            | .137*  | .041      | .074                    | .025             |
| 2     | Sort of Golden hand shake                             | .141*  | .024      | -.032                   | .046             |
| 3     | Due to Government's pressure on the Company           | .032   | -.080     | .148*                   | -.038            |
| 4     | Management policy to overcome Financial loss          | .085   | -.024     | .043                    | -.068            |
| 5     | Very rewarding scheme                                 | .029   | .163*     | .094                    | .057             |
| 6     | Helps to reduce surplus manpower                      | -.052  | -.001     | .137*                   | .073             |
| 7     | Improves the age mix between officers and non officer | .049   | .083      | .085                    | .039             |
| 8     | Improves overall skill level of Employees             | .002   | .078      | .025                    | -.087            |
| 9     | Mandatory for organization as per Government policy   | -.128* | .134*     | .071                    | .133*            |

Table 3: Mean Comparison on the basis of Age and Perception towards VRS (N=200)

| S. No. | Variables Name                      | A                       |                        | FR   | FP (df=199) |
|--------|-------------------------------------|-------------------------|------------------------|------|-------------|
|        |                                     | Age gr.1(55-63) (N=104) | Age gr.2(64-69) (N=96) |      |             |
| 1.     | Perception and Attitude towards VRS | 1.89                    | 1.75                   | 6.00 | .01*        |
| 2.     | Retrenchment without tears          | 1.92                    | 1.81                   | .59  | .44         |
| 3.     | Sort of Golden hand shake           | 1.90                    | 1.79                   | .01  | .90         |

| S. No. | Variables Name   | Age gr.1(55-63) (N=104) | Age gr.2(64-69) (N=96) | FR   | FP (df=199) |
|--------|--|-------------------------|------------------------|------|-------------|
| 4.     | Due to Government's pressure on the Company            | 1.60                    | 1.76                   | .12  | .73         |
| 5.     | Management policy to overcome Financial loss           | 3.82                    | 3.73                   | 8.09 | .005***     |
| 6.     | Very rewarding scheme                                  | 2.14                    | 2.17                   | 1.24 | .27         |
| 7.     | Helps to reduce surplus                                | 3.69                    | 3.72                   | .157 | .69         |
| 8.     | Improves the age mix between officers and non officers | 2.96                    | 2.83                   | .01  | .91         |
| 9.     | Improves overall skill level of Employees              | 1.82                    | 1.97                   | 1.27 | .26         |

\* P < .05, \*\* p < .01, \*\*\*p < .001

Table 2 presents the correlation results of employee's who had opted VRS. The results reveal that that the age of the employees was found positively correlated with Retrenchment without tears( $r=.137^*$ ), and Sort of Golden hand shake ( $r=.141^*$ ) the items of perception towards VRS, which indicates that the employees with increasing age reported VRS as a sort of Golden hand shake and Retrenchment without tears. On the other hand the results further show that the age of the employees

was found negatively correlated with Mandatory for organization as per Government policy ( $r=-.128^*$ ) ninth item of perception towards VRS, which indicates that the employees with higher age perceived that VRS should not be mandatory for organization as per government policy. Other items of perception towards VRS were not found significantly correlated with age.

The Table 2 further reveals that education was positively correlated with Mandatory for organization as per Government policy ( $r =.134^*$ ), ninth item of perception towards VRS, which indicates that highly qualified employees perceived that VRS is Mandatory for organization as per Government policy. The Table further reveals that there was positive correlation between education and fifth factor of perception towards VRS i.e. Very rewarding scheme ( $r=.163^*$ ), which indicates employees having higher education perceived VRS as very rewarding scheme.

The findings of Table 2 further show the significant positive correlation between grade before opting VRS and the third factors of perception towards VRS i.e. due to Government's pressure on the Company ( $r =.148^*$ ), which suggests that employees having higher grade before opting VRS perceived that VRS is implemented because of government pressure.

The results show that for Perception and Attitude towards the VRS, F value was 6.00 (Significant at  $P < .01^*$ ). Which indicates that on the whole employees from group 1 (55-63) had more positive perception towards VRS as compare to group 2 (64-69) employees. The findings further suggest that F value was 8.09 (significant at Policy to overcome the financial losses.

## Discussion of Findings

This research attempts to find out employees' perception towards VRS in BHEL and ITI employees. BHEL and ITI are set up by Indian government for infrastructural development of the country, but later in late nineties because of new economic policy any multinational companies got a chance to be a part of open economy. As multinational companies performed better than the public sector, Public sector companies now running into losses and among many reasons of financial losses large number of employees employed in public sector also emerge as main reason for the losses and now it is difficult for the government to sustain these companies government had adopted many ways to get shut down these companies as privatization, closure of units, Voluntary retirement scheme etc. Study also demonstrated that majority of respondents were of 55-69 years age group and majority of the respondents were from ITI because in ITI VRS is implemented more seriously than in BHEL. Majority of the respondents are inter qualified and very nominal percentage of the respondents are postgraduate. It was found in the study that in the year 2000 very few employees opt for it as the policy is new employees are less aware about its benefits and losses. But later management took various steps to make policy successful by persuading employees to opt for the policy willingly or forcefully and in year 2001 (26.5%) employees opted for VRS which is the highest percentage of employees opted for VRS as the policy. Later in the year 2003 only 18% employees opted for VRS as by this time trade union understood management tactic to force employees to opt for VRS. Again in later years the percentages of the employees opted for VRS improved and in the year 2003 (24.5

%) employees opted for VRS and in the year 2004 (22.5%) employees opted for VRS this improved percentages of VRS opted employees is because of many reasons.

Finding of the study presents the perception of the employees related to voluntary retirement scheme. Variables of perception are selected by the interview method through pilot study. Among all the variables (97.5%) respondents strongly perceives VRS as retrenchment without tears which itself is the basic idea behind VRS policy higher percentage to this variable clearly signifies that VRS is implemented according to the policies of the government. Findings clearly indicate that all employees have proper knowledge about the VRS policy Results of the ANOVAs (table 3) show that age was compared by different variables of the study. Age when compared with the variables of perception indicates that the employees of age group 1(55-63) has more positive perception than the employees from group 2 as they age opting for the policy at the right age where they can derive the maximum benefit of the policy, but the results further show that the employees from group 1 are not fully aware about the policy as they think that the policy is only implemented by the management to overcome financial losses which is not the only reason for implementing the policy. Significant factor for the reasons of opting VRS as the results indicates are that the employees from group 2 (64-69) opted for VRS because of the age as with the grown age they are not able to do their work efficiently along with that the employees from group 2 (64-69) also complain that there was irregularities in salaries.

## Limitation of the Study

Sincere efforts were made to make this study as much objective and systematic as possible, but the findings of the study are based on the opinion expressed by the respondent's. Hence objectivity would be limited only to the extent of information received from the respondents. Following limitations were realized during the conduct of study.

- Finding of the study is confined only to two industries thus findings of the study cannot be generalized.
- The entire population is represented by sample taken for the study.
- Some of the findings of the study are inferential in nature, which require further investigation to be concluded as facts.

### **Conclusion and Recommendations for Future Research**

The present study had indicated different type of perception of employees from both public sector companies. Study focus on different variables constitute together in framing the perception of any employee. It is evident from the study that the employees of BHEL had positively perceived VRS while the employees of ITI had a negative perception about VRS because in ITI management had applied different tactics to make this policy forcefully voluntary which lead to some revolt in organization. Study also reflects that some dues are still not settled in ITI but it is all clear in BHEL. Finally we can conclude that perception basically refers to the manner in which a person experiences the world. We suggest that future studies in this area be made independent of the human resource or any department in the sample organization so that fair response can be extracted.

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