

International Multidisciplinary
Research Journal

*Indian Streams
Research Journal*

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RNI MAHMUL/2011/38595

ISSN No.2230-7850

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IMPACT OF VOLUNTARY RETIREMENT ON EMPLOYEES



Nadaf H. R¹ and Shirol V²

INTRODUCTION

The voluntary retirement scheme (VRS) introduced by the State Government in some of its industrial units has had a negative impact. The voluntary retirement scheme has reduced the earnings and the standard of living of families whose heads opted for the scheme. Nearly 70 per cent of the employees who opted for VRS did not get new employment, and only a few opted for self-employment to sustain the family income. The income of employees came down by 55 to 65 per cent after they opted for VRS and the consumption level reduced by 20 per cent, a project study, "Karnataka Public Enterprise Reform Programme (2000-03)," by the World Bank, New Delhi, and the Institute for Social and Economic Change, Bangalore, has found (Hindu, 2003). The processes of globalization, economic liberalization and privatization have been largely

ABSTRACT

Voluntary retirement scheme (VRS) is one of the least studied phenomena in both business and academia. Despite its increasing popularity, field-based scientific literature on VRS is sparse in India. 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. This paper focuses on the first part of VRS i.e., impact on the families of employees opted voluntary retirement. It was studied 360 employees who opted voluntary retirement from Forbes Mill, Gokak in Karnataka. It was found that the socio-economic and psychological life of the families is badly affected after voluntary retirement.

KEYWORDS : Voluntary Retirement, Social, Psychological, Economic.

Short Profile

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initiated in India since 1990s. This has had a severe impact on the human resource, capital and consumable goods. The structural adjustment policies have mandated to bring certain reforms in the industrial sector. The basic philosophy of these reforms was reducing the cost of production at any cost even downsizing manpower. Right sizing of manpower to improve efficiency in use of resource was prioritized with the application of computer-aided technology in almost all the industries (Gendell, 1993). This was seriously taken up during the year 2000-01 by public sector Banks as well as private industries in India by introducing voluntary retirement scheme to reduce the manpower cost (Aravattu and Sonar, 2006). This resulted in loss of job to the employees from both white /blue coloured employment. Of them many

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were at the peak of productive age and hails from rural or semi-urban areas.

Since past two decades, it was witnessed the global economic reforms and the development of international trade with the agreement like GATT 'General Agreement on Trade and Tariffs'. Such inevitable changes have made every nation to meet the demands of global competitive markets. It was done by increasing production with lowest cost and minimizing the cost of production and trimming of labour cost was felt rather essential. This is achieved through introducing downsizing voluntary retirement scheme which further become compulsory retirement scheme. The older workers with specific problem are induced to leave workplace before attaining superannuation (Aravattu and Sonar, 2006).

The modern management in the public as well as private sectors was inevitably adopted the various labour adjustment strategies such as; voluntary retirement scheme or golden handshake or diamond handshake. The voluntary retirement scheme pushes the entire human resource into unorganized sector as most of the employee opted voluntary retirement hardly able to re-enter organized sector. Besides, the employees/workers who opted voluntary retirement scheme voluntarily or under compulsion resulted into loss of job security, better safety, health conditions and forced to take up new jobs on a contract basis (Costa, 1995).

The lack of social security measures and insecurity to the family's opted voluntary retirement pushed into unorganized sector. Sudden stop of regular salary and withdrawal of welfare facilities put their families into hardships. Over a period of time such families develop the economic crisis which directly affected their health, education, living standard, socio-psychological status. The retirement before the age of superannuation has a significant association with marginalization and social exclusion of voluntary retirement opted families. Hence, it is imperative to understand what

happen to the families of the employees who opt voluntary retirement is need of the time to explore and have proper interventions with such families for inclusive development (Aravattu and Sonar, 2006). In view of this and to fill up the research gap identified during review of literature following objectives have been formulated.

1. To understand general background of voluntary retired employees;
2. To understand Socio-economic, psychological and health condition of voluntary retired employees;
3. To suggest possible interventions for the employees who are in the industry and who opted voluntary retirement.

METHODOLOGY

To satisfy objectives of the study, qualitative as well as quantitative methodologies are employed. Further, holistic and participatory approach used to get comprehensive understanding of the problem. The study has been carried out in Gokak city of Belgaum district in Karnataka State. The Forbes Mill is chosen for the study. This mill has implemented voluntary retirement scheme in 1997, 2002 and 2008. In the three times, about 3600 workers have opted voluntary retirement and left the industry. It was practically difficult to identify and get the family with VRS as most of the employees hails from outside Karnataka. Hence, it was decided to interview all employees who are still staying in Gokak town and surrounding places. Altogether 360 employees could be available at the time of interview.

The primary data were collected over face-to-face interviews, focused group discussion with detailed checklist and semi-structured interview schedule and observation from the employee's family members and relatives. The secondary data were collected from the websites, books, journals, newspapers, magazines, and CD Rom. The primary data collected from face to face interview was

subjected for quantification. The data are edited and coded for classification of data. The data was keyed in computer (SPSS) package to work out frequency distribution tables, cross tabulation,

chi-square test and necessarily requirements.

FINDINGS AND DISCUSSIONS

General background of the VRS Opted Employees

N= 360

Age distribution	Frequency	Percentage
30 to 40 years	78	21.7
40 to 50 years	188	52.2
50 years and above	94	26.1
Religion	Frequency	Percentage
Hindu	321	89.2
Muslim	39	10.8
Caste categories	Frequency	Percentage
Scheduled Caste	43	11.9
Scheduled Tribe	147	40.8
Backward Caste	135	37.5
Other Caste	35	9.7
Work Experience	Frequency	Percentage
Up-to 10 years	81	22.5
11 to 15 years	57	15.8
16 to 20 years	49	13.6
21 to 25 years	83	23.1
26 to 30 years	67	18.6
More than 30 years	23	6.4
Occupation	Frequency	Percentage
Coolie	122	33.9
Agriculture labor	52	14.4
Self Employment	57	15.8
Working in private sector	38	10.6
Another Industry	72	20.0
No work	19	5.3

Majority of the employees opted voluntary retirement are aged between 40 and 50 years, married, belonging to scheduled caste and Hindu religion and having work experience between 21 and 30 years. After opting voluntary retirement many of them are working in unorganized sector as Coolie/labour.

SOCIAL BACKGROUND

Most of the workers are living in nuclear family and have 2 to 4 dependent members in family. Among the dependent family members they have minimum one school going children. Before taking voluntary retirement workers had good status in society and now it is at decline.

They had good relationship with relatives before voluntary retirement and now it is moderate. Before opting voluntary retirement, employees had no family worries. Now started worrying about family such as, education of children, marriage of daughters, etc. It is apparent that social relations and status of the employees are at a decline after voluntary retirement. Therefore, familial worries are taking place.

Psychological Aspects

A significant proportion of the employees had habits occasionally before voluntary retirement. After voluntary retirement the type and frequency of habits are at increase. Presently employees are not able to

have adequate recreation. They are not happy with their present life. Whereas, earlier it was not the case. The numbers of psychological worries are increasing after voluntary retirement where as earlier they had no such worries. Due to increased worries employees are finding difficult to get sound sleep. The employees after voluntary retirement confronted myriad of psychological worries.

HEALTH STATUS

A good number of the employee opted voluntary retirement have lost their weight. Health problem are developed in them such as, diabetes, heart problem, hypertension, paralysis, asthma, and rheumatic disorders after voluntary

retirement. For health problems employees are to depend on the government hospitals for treatment. The quality of treatment received at government hospitals is reported to be moderate. However, expenditure on health after voluntary retirement is at increase. The health condition of the retired employees is at a decline. Their routine life got disturbed and unable to cope up with post retirement life. Due to economic burden, social and psychological worries made them to suffer with health problems.

Impact of Voluntary Retirement on Socio-Psychological and Economic of the Employees

Sl. No.	Name of the variable	Chi-square value	Significant Level	Result
01	Relation with friends	13,054	.042	Significant
02	Relation with relatives	15,170	.004	Significant
03	Having habits	45,646	.000	Significant
04	Psychological worries	24,833	.000	Significant
05	Owning house	60,000	.000	Significant
06	Making loan	49,048	.000	Significant
07	Loosing weight	21,600	.000	Significant
08	Taking treatment	61,324	.000	Significant

Significant Level: .05

The above table explores about the association of voluntary retirement with the socio-psychological and economic aspects of the employees. It is significantly observed that the employee relations and closeness with friends and relatives is at threat. They started adopting habits and increased frequency of habits to cope up with increasing stressful and pitiable conditions. Further, they have developed psychological worries, facing problem of residence for not having own house. Economic status is also at decline. They have made loan for the purpose of family. Health condition is also deteriorating. Consequently they have lost

weight, not able to take timely and quality treatment after voluntary retirement.

CONCLUSION

The study is an attempt to examine the impact of voluntary retirement on the socio-economic and psychological life of the employees. It was conducted in Forbes Mill, Gokak city of Belgaum district in Karnataka State. The conditions of employees became pitiable after voluntary retirement. Their socio-psychological and economic status is at decline.

The employees who are poor in managing amount received after retirement, mostly invested in unusual purposes and experienced huge losses.

Consequence of the voluntary retirement resulted in lack of facilities such as; health, housing, recreation, library, canteen, garden, education, etc., which was available before voluntary retirement to the families of the employees. Therefore, their social status is at a decline. They started feeling insecure due to increasing economic burden. The vulnerability of problems weakens them psychologically. Their routine life got disturbed all of a sudden. Coping with post retirement life is very difficult for them as most of them are in the middle age, hardly have technical qualification and having family responsibilities. Hence, trade unions should make aware of the consequences of voluntary retirement well in advance before introducing it. If it is investable, a proper training be given to the workers for post retirement life.

A very purpose of voluntary retirement scheme is to downsize or right size the employee's strength to ensure operational efficiency and profitability. But implementation of such scheme normally has many social and economic implications on the people who opt the scheme. Their dependant will be first affected one of this scheme. These schemes have psychological impact on the persons once they come out from the good status to the insecure, excluding and unorganized situation.

SUGGESTIONS

Voluntary retirement scheme aimed to right size the employee strength to improve operational efficiency and profitability. But this posed innumerable number socio-psychological pressures on the retired people and their families as well as on the economic structures. The results of study reflect that the VRS is accepted as good by some and considered as anti employee or anti working class by many of the employees. In view of empirical findings following suggestions are made;

1.Training of the employees at the retirement level would help to drive them for use of their time productively. The industrial management

should have regular on service interview to understand and collect feedback on the area of their grievance to improve their efficiency and productivity.

2.The family of the younger staff who came out on voluntary retirement scheme did not welcome this scheme and this created a sort of rift and unrest with them. Thus, while implementing such scheme the family members should be informed to avoid a sudden shock of helplessness in the family.

3.The employees after voluntary retirement must provide some kind of security either employment of pension to keep them active, secured and productive.

4.Many face health problems and resultantly increasing economic burden. The employees opted voluntary retirement may be provided with proper health facility with subsidized rates.

5.The employees and their family may be given the services like counseling and guidance to solve their educational, career, familial and other problems.

6.Voluntary organizations can have a great deal in providing comprehensive services to make the families of the employee opted voluntary retirement sustainable.

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