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## Voluntary Retirement Scheme: A Turnaround Strategy for Firms during Pandemic

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### **Abstract:**

*Voluntary retirement scheme i.e. VRS also known as 'Golden Handshake' is offered to an employee to get voluntarily retire from services before the actual retirement date. The scheme helps firms to reduce the number of employees and eventually related expenses against them. It can be implemented in both the public and private sectors. During COVID, while firms are trying to find out the way to work with a reduced size of workforce, employees, concerned about their health, are thinking about retiring and not to come back on work. Hence VRS is a nice opportunity for both the employer and the employee agreeing for early retirement. While the choice to retire early is a challenging decision for both employers and employees, providing a plan and continued support can make it an effective turnaround strategy for an easier transition from loss-making firm to profit making firm.*

**Keywords:** VRS, Pandemic, COVID, Turnaround Strategy, HRM

### **Introduction:**

VRS is applicable to employees who have completed 10 years of service or with the age of above 40 years. It applies from workers to executives of companies. Though voluntary retirement scheme is considered as an overall reduction in the existing strength of employees, firms must obtain prior approval of the government and follow the guidelines of labour laws as Industrial Disputes Act, 1947 do not allow direct retrenchment of employees under a union. However VRS was introduced as an alternative legal solution to solve this problem and was not opposed by the Unions. Besides mandatory packages of the scheme companies can also offer additional benefits to the employees

such as counseling session for the employee's future, advice on managing funds received under VRS including rehabilitation facilities to staff.

### **VRS during Pandemic:**

Many firms have seen a significant downfall in their revenues in this situation of pandemic. During COVID most of the firms are now changing their business model with different measures under turnaround strategy to control the damage. Turnaround is a restructuring process that can convert the loss-making firm into a profitable one. It can get the firm into its original position and help to stabilize its performance. One significant way to tackle volatile economic environment is to cut down the compensation and benefits paid out to their employees. For this many firms are providing voluntary retirement scheme rather than unexpected large layoff in their human resource. In this pandemic situation, VRS is considered as the most humane technique that firms can adopt to keep their work force in right size. Pandemic situation is causing many employees to consider leaving the job before retirement age due to health issue and benefits offered under the VRS. According to research, 39% employees aged 55 and above have taken the voluntary retirement between February and May 2020.

In 2019, public telecom operator BSNL launched VRS for its employees and over 92,000 BSNL, MTNL employees opted for it. In a similar case the SBI has planned a voluntary retirement scheme for its 30,000 eligible employees. Due to weak demand for commercial vehicles in the automotive industry due to COVID-19 pandemic has forced many manufacturers to reduce employees. Ashok Leyland has offered a Voluntary Retirement Scheme and additional Employee Separation Scheme (ESS) for those employees who are not eligible for VRS. Tata Motors has also introduced a third voluntary retirement scheme (VRS) in the last five years making nearly half out of total 42,500 employees eligible for the scheme. Honda Cars India has offered a voluntary retirement scheme for its employees having age of over 40 years or completed 5 years of tenure with the firm.

### **Conclusion:**

Early retirement offers a way for struggling companies to mitigate financial losses in pandemic situation. VRS has been used before even in other situations like an industry slowdown that were not a global issue. It's a way to reduce the workforce in a healthy way where both employers and employees can enjoy benefits. However firms should provide a proper plan for making their employees agree to accept voluntary retirement plan. Though these voluntary retirement schemes give firms more control over the compensation and benefits given to their employees, they can even provide extra incentives in terms of a severance package to make more employees voluntarily participate in the schemes. In some examples firms have allowed retired employees to continue to work as consultants or contingent workers to train the newly appointed employees. These plans

could also extend to provide mental health support for employees making this transition easy and better.

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