



**THE BOMBAY BURMAH TRADING CORPORATION LTD,  
FORMICA INDIA (DIVISION), AKURDI, PUNE “A CASE STUDY ON VRS”**

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*Abstract*

*Voluntary Retirement Scheme (VRS) is offered to employees to retire earlier than scheduled age of retirement. This has been done with the objective of reducing headcount in order to improve productivity in the company. Organization started looking at the ways for creating competitive advantage on the basis of their surplus human resources. Voluntary retirement scheme (VRS) involves separation of employees – both managerial and operative level –based on mutual agreement between the organization and its employees. Such a movement must aim at convincing the government to frame a clear cut policy defining the circumstances under which the VRS can be adapted by framing rules and regulations in such cases so as to protect the interest of workers and ensuring that industrial development is guided with the interests of workers.*

*Key words :- Voluntary Retirement Scheme ,Separation,competitive advantage, clear cut policy*

## **I. INTRODUCTION**

The emerging business scenario is largely driven by market forces, The business due to market compulsions have resorted to very painful and difficult options like relocation and closure of plants The employees have to undergo a number of hardships as a results of closure and or relocation of plants .The case study is of one of illustration .The Bombay Burmah Trading Corporation Ltd Formica India (Division) which is discussed in this case study .The case discusses the process and dynamics of Voluntarily Retirement .The question that arises now is whether Formica India Division is actually on the verge of closure or will disinvest successfully and give the company a new lease of life .The crux of the project however is to explore the rights and interests of the workers in the current scenario at Formica and to determine best options that should be exercised by them in order to ensure protections of workers interest and a secure future by offering good package .The most humane technique to retrench the employees in the company today is the voluntary retirement scheme. On other hand, voluntary retirement scheme has not considered as “golden handshake” for all employees. This scheme has become the only option today for the companies to downsize their headcount. Companies have taken disadvantage of this



scheme to reduce workforce for maintaining its cost effectiveness in an increasingly competitive world. There are numbers of reasons created by the companies for the employees to opt VRS. As per scheme the company can always accept or reject the application for the VRS. But usually this is not done in practical circumstances as it sends wrong signals to the employees. It might imply that the VRS is not actually voluntary but a selective procedure of downsizing. VRS in mid career stage employees are facing lots of difficulties to survive. Life after voluntary retirement is not at all easy as per employees concern. Many employees are of the view that it is a hard luck for them that they joined this type of organization where an unfortunate end came for which they were hardly responsible. They blamed the management for the ill state of affairs and also are of the opinion that the management should have given enough indication long back by which they could have joined elsewhere and could have planned something else to pass the remaining part of their life. Further some of them are of opinion that even if they get a lump sum amount of money, it gets spent for various social and family obligations. As a result, due to lack of regular source of income and non-availability of appropriate jobs of their choice, one feels demoralized in personal and social life. Thus VRS can provide minimum sustenance security to the retired individual and his family.

## **II. BRIEF HISTORY OF COMPANY**

The company was started in 1964 by Formica UK as Formica India Pvt. Ltd at Pune. It acquired from MIDC on lease basis land spread over 18-21 acres at Akurdi, and employed a work force of nearly 100 employees. The company launched a range of laminates dedicated to the Indian market for both the residential and commercial sectors at Akurdi Plant Pune. The Plant was centrally located and had all the facilities and access to all four metros in India. Formica UK later sold its shares to Nusli Wadia Group Company; Bombay Burmah Trading Corporation Ltd. (BBTCL) in 1977/78. While Formica had entered into a licensing agreement with BBTCL and allowed non-exclusive use of its brand name in India, the agreement between the two firms ended some years later. However, it allowed the non-exclusive use of its brand name by BBTCL under the Licensing agreement. Bombay Burmah Trading Corporation Ltd also manufactured laminates under the brand name Sunmica. Due to increasing labour cost and Municipal taxes, other indirect taxes the cost of the product had become uneconomical. There was no further scope for expansion, and the Company could not compete with the domestic manufactures operating in the small scale sector, since there was no optimum productivity. The Company has currently set up its Plant at Rudrapur, Uttarakhand in the year 2006.

## **III. VRS OVERVIEW**

**At the Bombay Burmah Trading Corporation Ltd Formica India (Division) Akurdi:-**

During the year 1998 a mini VRS scheme was introduced by the company for the workers. The response to this VRS was not very encouraging. Only 19 workers participated in the VRS process. In the year 2006 a new Union Poona Workers Union was formed under the



leadership of trade Union leader Mr. Madhav Roham from AITUC. Subsequently in the year 2006-2007 the Company and the new Union formulated a new Voluntary retirement Scheme. Details of the 2006-2007 VRS scheme was as under: - For every balance year of service payment of 211.5 days wages subject to maximum limit of Rs.10 lakhs was paid to every unionized worker. This was within the total limit of VRS amount of Rs. 12.51 crores agreed between the Union and the Management comprising of the Managing Director, Chief Operating Officer, Vice President (Operations) & Sr. Manager (HR & Administration) in the final meeting which was held in March 2007. The distribution formula was suggested by the Union Committee members. The VRS amount was paid to 175 permanent workmen. Out of the 175 workmen, about 90 workers were below 40 years of age and the balance was in the age group of 41 to 60 years. The number of Management Staff at this point of time numbered about 25. Some of them were offered "Golden Handshake" amount based on the discretion of the Management, and discharged from the services of the Company. While some of the Management Staff from the Operations department were transferred to the new plant at Rudrapur on fresh terms of appointment with continuity of service and some were retained in the Accounts, Commercial and legal departments in the newly set up Head Office of the Company in Pune City. The most significant feature of this Voluntary Retirement Scheme was that the process was carried out smoothly and without any legal hurdles and complex procedures. All the workers accepted the scheme willingly, voluntarily and without any coercion. The Union also needs to be lauded in its efforts to ensure the success of the Scheme.

#### **Closure of manufacturing activities:-**

The manufacturing activities at the Akurdi Plant ceased with effect from the close of office hours of 31<sup>st</sup> March 2007 and the workers were paid all their legal dues along with their respective eligible VRS amount by the 1<sup>st</sup> week of April 2007. Subsequently on 1<sup>st</sup> of November 2011, the Bombay Burmah Trading Corporation Ltd. sold the Laminate Plant at Rudrapur, Utrakand to Aica Laminates (India) Pvt. Ltd a newly set up venture of Aica Kogyo Japan. Aica Kogyo Japan is the leading manufacturer of quality Laminates in South East Asia.

#### **IV. IMPLEMENTATION OF VRS**

##### **At The Bombay Burmah Trading Corporation Ltd Formica India (Division) Akurdi:-**

The scheme was transparent and honest in dealing from day one, the workers knew that the legal process of VRS is long and unpredictable and the best package was given to the workers in successful negotiation with the management. The VRS package was very much suiting to all workers as most of them had more than 15-20 years of service to their credit. This research provided an insight about various qualitative issues relating to VRS .The characteristics of VRS are as:-

1. Detailed reasons for downsizing
2. Eligibility for VRS



3. Discretion with retired Personnel Manager and Recognized Trade Union Office Bearers
4. Compensation and other benefits

**1. Detailed reasons for downsizing:-**

Due to increasing labour cost and Municipal taxes, other indirect taxes, cost of the product had become uneconomical and there was no optimum productivity so the company decided to go for Downsizing.

**2. Eligibility for VRS:-**

All employees on regular pay scales who have been identified by management were brought under the VRS opting for the scheme. The scheme was purely voluntary and the option to apply for its benefits rest with the employee. It also stated that those employees who opt for voluntary retirement and accept the benefits under such scheme shall not be eligible in future for employment in the concern establishment.

**3. Discretion with Management Representative and Recognized Union Office bearers:-**

No employee was forced or coerced to accept the scheme without any unfair means. The management has communicated and put up the notice regarding VRS. The management has taken personal responsibility to ensure that the funds meant for implementation of VRS are utilized for that purpose only.

**4. Compensation and other benefits:-**

Terminal Benefits were included all the other statutory dues as per the norms and per rules. It also included cash equivalent of accumulated earned leave and remaining balance years of service. All outstanding amounts and dues payable to the company such as loans and advances taken by workers, money payable under any court decree etc were adjusted and the net benefit amount arrived at after all such adjustments were to be paid to the workers availing of VRS. This was well communicated and informed to the workers, trade union leaders in advance. Hence the workers were paid all their legal dues along with their respective eligible VRS amount by 1<sup>st</sup> week of April 2007 through mode of cheques.

**Best Practices adapted at The Bombay Burmah Trading Corporation Ltd Formica India (Division):-**

Some of the best practices perceived by the workers are stated below:-

The best practices taken by management was taking employees into confidence bringing trade Union Leaders together, Consultants, and informing the labor Commissioner about the legal process of VRS and getting the overall support of management. The union representative agreed towards the whole process of VRS and has been very cooperative and cordial. The workers view point was that company was supportive and counseled them as how to manage the funds received under the scheme and guiding them to take alternative job because most of the workers were in the age group of 30-40 years and very few were in the age group of 41-60 years. The proposed closure of The Bombay Burmah



Trading Corporation Ltd Formica India (Division) through Golden Handshake has been successful due to Multinational Company and Nusli Group for their cooperation and support. At a glance through legal aspects no case was pending in labour court and no outstanding dues were pending towards disbursing among the workers.

#### **V. DATA COLLECTION**

There were 175 workers in The Bombay Burmah Trading Corporation Ltd Formica India (Division), Akurdi. The researcher had interviewed 40 workers. The research put the case let of 5 workers as a case.

**Caselet 1:** Mr. Babu Thakur from The Bombay Burmah Trading Corporation Ltd Formica India (Division), Akurdi

**Background & History:** Mr. Babu Thakur is a 48 years old person residing in Nigdi-Pradhikaran. He has taken VRS in the year 2007. He worked for 25 years in The Bombay Burmah Trading Corporation Ltd Formica India (Division) Akurdi . He retired as a Spotting operator.

**Impact on Socio- Economic Life after VRS:-**Mr. Babu Thakur is engaged in his shop. After VRS his life style has totally changed. He is survived with his wife and daughter. After VRS he has started grocery shop and busy all the day. He is also attending meditation sessions and yoga classes every day.

**Case let 2:** Mr. Kishore Tirlotkar from The Bombay Burmah Trading Corporation Ltd Formica India (Division) Akurdi

**Background & History:** Mr. Kishore Tirlotkar is a 48 years old person residing in Sambhaji Nagar Chinchwad. He has taken VRS in the year 2007. He worked for 14 years in The Bombay Burmah Trading Corporation Ltd Formica India (Division) Akurdi . He retired as a Machine Operator.

**Impact on Socio- Economic Life after VRS:-**Mr.Kishore Tirlotkar is currently working as marketing officer in company located at Bhosari. He is survived by his wife and two sons. Elder son is school going and younger son is suffering from Cerebral Palsy which has affected his body movements such as posture and balance but he speaks well and is confident.

**Case let 3:-** Mr. Bahadur Manas The Bombay Burmah Trading Corporation Ltd Formica India (Division) Akurdi

**Background & History:** Mr.Bahadur Manas is a 47 years old person residing in Sambhaji Nagar Chinchwad. He has taken VRS in the year 2007. He worked for 20 years in The Bombay Burmah Trading Corporation Ltd Formica India (Division) Akurdi . He retired as a Press Operator.



Impact on Socio- Economic Life after VRS: Mr. Bahadur Manas is currently working as Field officer in some reputed company in Chinchwad area. He is survived by his wife, son and daughter. He spends his life in attending spiritual classes in evening. His wife supports family by stitching ladies clothes at her residence.

**Case let 4:-** Mr. Shrinivas Buddhikot from The Bombay Burmah Trading Corporation Ltd Formica India (Division) Akurdi

Background & History: Mr. Shrinivas Buddhikot is a 58 years old person residing in Kothrud Pune. He has taken VRS in the year 2007. He worked for 30 years in The Bombay Burmah Trading Corporation Ltd Formica India (Division) Akurdi. He retired as a Treating Department Head. He is survived by his wife and one son. His son is employed at Bengaluru in IT Sector.

Impact on Socio- Economic Life after VRS: - He is leading good life and acting as Consultant in various companies of laminates manufacturing companies across states in India.

**Case let: 5** Mr. Bhimsen Salve from The Bombay Burmah Trading Corporation Ltd Formica India (Division) Akurdi

Background & History: Mr. Bhimsen Salve is a 52 years old person residing in Sambhaji Nagar Chinchwad. He has taken VRS in the year 2007. He worked nearly for 20 years in The Bombay Burmah Trading Corporation Ltd Formica India (Division) Akurdi. He retired as a Senior Fitter. He is survived by his wife and one son. His son is studying in Engineering College from Pimpri Chinchwad area.

Impact on Socio- Economic Life after VRS: He is currently associated with Thermax Pvt Ltd Chinchwad as Maintenance Engineer. He is satisfied with his job and supports his family.

## **VI. FINDINGS AND CONCLUSIONS**

### **Findings:-**

The case study findings provide evidence from the employees that the company's forethought and Well guidance were beneficial. The management did not take help of any influential political leaders and other existing trade unions leaders to down size their workforce. The VRS scheme was successful and informed to labour court Shivaji-Nagar Pune. The young workforce took another employment and are leading good life. Some workers had started their own enterprise and few had become self-employed professionals.

### **Conclusion:-**

- Every VRS scheme is unique, for a scheme to be successful; it has to be strategically planned and well communicated.
- Its procedure and reasons for introduction must be discussed with all management staff including top management. The scheme should be transparent, fair and open to debate, in order to develop employee trust and win confidence so that no disputes or strikes should held at workplace.



- Companies should keep the scheme open for appropriate time so that the organizations as well as the employees get enough time to take the decision.
- Managements should be careful that the crucial manpower is not allowed to go out and must decide the target category of employees for VRS very carefully.
- Voluntary retirement schemes may attract opposition from the Unions and fear factor among the workers about uncertainty of future so they need to be informed in advance, who may at the most, try to secure a better package for the employees. Some of the workers were very happy about the VRS package.
- Unions need to include in their contracts pro-retraining, relocation, job search, and outplacement programmes, and imbibing entrepreneurship skills after VRS.
- It also revealed that most of the retired workers were not ready to relocate themselves in same Manufacturing activity of Laminates in other states due to their personal issues

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