

A Case Study on Voluntary Retirement Scheme of Employees Working in MTNL

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Abstract: Telecom Sector is not only considered to be critical for economic development of any country but also is of strategic interest as it provides effective communication channels to security forces. The Indian Telecom Sector has developed tremendously and has turned into the second biggest after China. BSNL and MTNL offered Voluntary Retirement to their employees, aged 50 years and above through attractive Voluntary Retirement Scheme (VRS), the cost of which will be borne by the Government of India through budgetary support. VRS would lead to reduction of recurring expenditure, which can be a good strategy for the future. Study was conducted in Delhi; the main purpose of this research paper is to study the impact of VRS on state run telecom MTNL and its subsequent improvement in performance of the organisation service providers.

Keywords: Telecommunication, Employees, Customers, Voluntary Retirement Scheme

I. Introduction: -

Telecom Sector is not only considered to be critical for economic development of any country but also is of strategic interest as it provides effective communication channels to security forces. The voluntary retirement scheme of public sector enterprises is built on the narrative of overstaffing and inefficiency. With Bharat Sanchar Nigam Limited being the latest to announce a massive VRS, this article examines the path that led to this package. It argues that it is one of the instruments through which labour flexibility is ushered in public sector enterprises, which often end in privatisation. It also discusses the crucial role that BSNL could take up by virtually connecting the physically distanced in the resistance against the ongoing pandemic.

The aim of telecommunication marketing is to get maximum level of revenue from your network and strengthen customer loyalty. In consumer markets, concentrate on selling bundles of products to customers, while in business sectors, aim to create strong relationships as a channel for marketing additional services. Mahanagar Telephone Nigam Ltd (MTNL) was established on 1st April 1986 to provide telephony services in Delhi and Mumbai. The jurisdiction of the corporate comprises the city of Delhi and also the areas falling under the Mumbai Municipal Corporation, New Mumbai Corporation and Thane Municipal Corporation for providing fixed line services. However, for

Cellular services MTNL has the license to supply services in Delhi including NCR (towns of Ghaziabad, Faridabad, Noida and Gurgaon) and in Mumbai including Navi Mumbai, Kalyan & Dombivili.

MTNL has a market share of about 7 per cent in two of India's most lucrative circles. Over the years, various factors affected the performance of these companies which resulted in deterioration of quality of their services resulting in the present economic crisis. In view of private telecom companies like Vodafone, Airtel and now JIO the state owned MTNL and BSNL have suffered badly in the terms of reduction in consumers, etc. Company incurred losses for the first time in 2009-10 and have been continuously in red since then because of mounting debt. MTNL has lost its Navratna status in the last 9-10 years. VRS stands for voluntary retirement scheme, whereby an employee given an option to voluntarily retire from services before the retirement date. The scheme allows companies to cut the strength of employees. It may be implemented by both the general public or the private sectors. VRS is also known as 'Golden Handshake'. Indian labour laws don't allow direct retrenchment of employees under a union. According to the industrial Disputes Act, 1947, employers cannot reduce excess staff by retrenchment. In fact, any plans of retrenchment and reduction of staff and workforce are subjected to strong opposition by trade unions. So, VRS was introduced as an alternate legal solution to resolve this problem. The voluntary retirement scheme wasn't vehemently opposed by the Unions, because it's 'voluntary' in nature and not compulsory.

Right-sizing man power has become a vital management strategy today because of intense competition. VRS is considered the foremost humane technique that firms can use for reduction of staff.

(i) VOLUNTARY RETIREMENT SCHEME (VRS): Government of India announced on 23rd October 2019 the revival package of BSNL & MTNL, in which the employees who completed 50 years of age are eligible for opting VRS. Under this ex-gratia of Rs.17,169 Crore was allotted to meet the expenses towards pension, gratuity and Commutation. As 92,500 employees of BSNL and MTNL opted for VRS nearly Rs.8,500 crores will be saved annually towards salaries. From BSNL nearly 78,500 employees opted for VRS. Those who opted VRS will receive 100-125% of the salary for the remaining service to a maximum of 42 months.

(ii) BSNL ASSETS MONETIZATION: Government of India agreed to Rs.38, 000 crores worth of BSNL assets monetization over a period of 4 years. This will help to raise resources for retiring debt, servicing of bonds, network up-gradation and expansion and also meeting the operational expenses. In order to smoothen the process, BSNL management also wants to allocate its land resources in principle to other government departments and agencies.

(iii) ALLOTMENT OF 4G SPECTRUM: Due to non-allotment of 4G spectrum both MTNL & BSNL losing the revenues in the Mobile sector, as at present these companies offering data with 3G technology only. Except BSNL & MTNL all the Telcos in India already introduced 4 G services and due to disruptive pricing recently private operators shut down their operations in India. Government of India allocated 4G spectrum and would be funded through capital infusion at a value of Rs.23, 814

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Crores and will be borne by GOI through Budgetary resources. BSNL aiming to roll out 4G services from 1st March 2020.

(iv) RESTRUCTURING VIA Rs.15, 000 CRORE WORTH OF BONDS: BSNL & MTNL will raise long term bonds of Rs.15000 crore for which sovereign guarantee will be provided by GOI. It will restructure the existing debt and partly meet capital (CAPEX) and Operational (OPEX) expenditures.

(v) MERGER BETWEEN BSNL & MTNL: Under the revival another decision of GOI is that merger of MTNL with BSNL. MTNL was created by an enactment in the Parliament and its stocks are listed, while BSNL was created under the Company's Act and it is not a listed Company. Until the resolution of all the issued MTNL will continue as a subsidiary for the BSNL

Research problem:

In India VRS basically means to induce excess workers to retire prematurely. It is basically a premature termination of agreement. Voluntary Retirement scheme is optional and the employee opts for it. The employer may have proposed such schemes but it is an option chosen by an employee. It is a more hassle-free way to downsize, it helps the organization rationalize employee strength, attain cost effectiveness, helps recover and improve our productivity. Many of us are of the view that VRS is a profitable way of management. This study is to ascertain the impact of VRS on state run telecom and its subsequent improvement in performance of the organisation. The main objective of this scheme is to scale back the strength of employees for a company that's unable to pay the staff because of the financial problem. By offering voluntary retirement the company can reduce the cost of establishment which is of recurring/ repetitive nature Under this scheme, there are many benefits that are also offered to the workers like rehabilitation facilities to staff, advice on managing funds, etc which can automatically improve their income.

II. Review of Literature

Kaustav Dey et al. (2003), have scrutinized in their article VRS and Its Effect on Productivity and Profitability of a Firm. They have studied nine companies from a wide variety of sectors who had offered VRS for the purpose of downsizing. The company's financial performance was studied for the last 10 years. This researcher concluded that there's no strong evidence that VRS and consequently downsizing actually contributes to the growth of the organisation.

Pragya Singh (2018), has discussed in her paper about VRS as a technique of managing human resource in organizations. The researcher has analysed the impact of VRS-on-VRS holders with special reference to Wagholi, Pune. It was inferred that VRS is a powerful tool to manage human resources and it is very useful technique to reduce the excess workforce. The voluntary retirement scheme has not created any problem to employer, employees and trade union, but plan of reducing excess workforce of an organization must be compatible to its strategic plan.

Payal (2021), has examined in her research paper the Voluntary Retirement Scheme and its impact on the Public Sector Banks. Additionally, efforts have also been made to find out the reason for not opting VRS. They have been categorized into financial reasons, Job related reasons and Personal reasons.

The research also aimed at analysing & highlighting the impact of VRS on existing employees and on working of the branch. In various departments like internal audit, concurrent audit, monitoring etc. Acute shortage of staff was observed and employees who had a high workload went on work-to-rule agitation, blaming the scheme for their problems.

Sivasankaran, Vadivel (2016), have analysed in their work the CRS/VRS holder's satisfaction and impact after retirement with Special Reference to OOTY Taluk. The findings of the pair were that CRS/VRS respondents are not highly satisfied with their retirement package. So, the government should form a special committee under CRS/VRS scheme to frame the retirement package. The government should reduce the retirement percentage under CRS and should also create awareness among the CRS/VRS holders regarding utilization of retirement money in the proper way like investment in shares and deposits in banks etc.

Sanjay Kumar, Nishi Tripathi (2015), has scrutinized in their research paper, the VRS policy, its impacts on the employees and the organization in terms of the benefit. The study projects that employees felt that VRS policy is only good for the company but not for the employee. The researcher also observed that the expectations of the employees in terms of their wellbeing as in most of the cases employees who had already opted VRS, suggested that company should continue medical facility even the employee had availed VRS because medical reason it's one of the important reasons that employees availed VRS. Children's marriage, repayment of loans and family circumstances also emerged as of the prominent reasons for the necessity of funds in Indian society.

Sunil Kumar Maheshwari, Vilas Kulkarni (2003), examined in their study the characteristics of VRS, factors that influence their effectiveness in India and find the relationship between the contents of the VRS of the organizations and improvement in their performance. They observed that no 'fixed' pattern has evolved for VRS among Indian organizations. All the organizations had some unique characteristics in their VRS. No specific sector of organizations has fully benefited from VRS. For VRS to be successful, it has to be carefully planned. The organizations should be clear in their objectives of offering VRS, make the scheme as transparent as possible and be open for any communication and clarifications to make the employees develop trust.

Research Objectives:

1. To study the the impact of VRS on state run telecom MTNL
2. To ascertain the subsequent improvement in performance of MTNL.

Research Methodology:

The population of the study was very large; the researcher has used Qualitative research. The population of the study covers MTNL employees belonging to Delhi. Data was collected on the basis of objectives of the study by conducting Interview. Being empirical study, it is completely based on secondary data collected by the researcher through Open ended interview. Around 50 in – depth interviews were conducted. Field notes were also collected during each interview. Data collected from each interview and also the researcher's field notes were compared to point out the themes. The themes synthesized from the research results helped to answer the studies research questions. The qualitative research methods used for this study include purposive sampling, open-ended interviewing, and

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systematic and concurrent data collection and data analysis procedures. Specifically, the grounded theory or constant comparative method was used to analyze the data. Field notes served as a supporting data source for this study. Field notes were typed during each interview and later analyzed and compared to the interview transcriptions. On the initial page of every set of notes, the researcher recorded the date and time and a working title that indicated the content of the notes. Topics addressed in the field notes included points of clarification, connections that the researcher detected between or among participants' perceptions, observations about the participant's attitude and direct quotes that caught the attention of the researcher. The researcher immediately highlighted quotes from participants in red that caught his attention so they may be easily found during data analysis.

III Analysis and Interpretation

The researcher interviewed many current and former employees of all ranks regarding the impact of VRS. Analysis occurred in three phases. First, interview transcripts were reviewed several times, sorting out "recurring regularities". The researcher highlighted quotes and phrases from the interviews that were significant to the study. Using the constant comparative method, the researcher went back and forth among transcripts until categories emerged that were consistent, yet distinct. The researcher named these categories, coded the transcripts, and placed sections in labeled folders representing each category. Second, the researcher brought together the coded interviews and field notes and explored for relationships within and across the information. Thirdly, A table was developed to check various coded interviews. As tentative categories emerged, the researcher tested them against the inputs.

A major chunk of the respondents was of the view that Employees have retired but MTNL has not hired new staff at the same rate for years. Maintenance of landline phones typically requires one technician for every 500 phones. But MTNL barely have one technician for every 2,000 landline phones. In the months since the VRS plan was implemented and the Covid-19 lockdown came into force hence there has been a surge in the number of applications from customers seeking to surrender their landlines.

A rise in customer complaints in the past nine months has also been observed. Many retired employees were still getting distress calls from customers since no proper communication regarding whom to contact for faulty numbers. According to employees downsizing made it nearly impossible for MTNL to provide satisfactory services to consumers during the lockdown period when most people were working from home.

One of the drawbacks of VRS has been that many good employees specially from technical field have also left resulting in a vacuum. This has been the cause of long pending complaints of landline phones and internet etc.

The staff shortage isn't the sole reason why MTNL is floundering, say the present and former employees. They believe that it was known since a long time that old landline copper cables need to be upgraded to fibre cables, but no budgets have been allotted. But the foremost glaring disadvantage for MTNL is that the undeniable fact that it's still stagnant with 3G technology, while a great number

of consumers have rapidly moved on to 4G since 2016. The government has not allowed MTNL to get a 4G license despite the fact that all private sector competitors provide 4G. There have been incidences where landlines in Mumbai have been down for 4-6 weeks at many places and so has been grievance about erratic broadband connection in the city. The VRS has reduced the work force all over India hampering the service quality. The users are noticed shifting to private service providers especially for landline connections. So naturally MTNL is losing customers – they cannot be blamed for choosing better and faster services. The combined impact of outdated services and fewer staff will inevitably mean a reduction in customer base and even bigger financial losses. Few of the employees were of the view that the government is giving encouragement to private players in the industry, but letting its own organisation stagnate.

On the other hand, some of the employees argued that the cost of any organisation/Project is about 70% on its establishment. The salary and perks of employees is so much and as such if strength of the employees is reduced, 70% of the expenditure is reduced. Only consideration is how much of these employees contribute in achieving the output of the goal/ profit of the organisation and the customer satisfaction remaining in the limitations of government rules and regulations. In this direction, Golden Handshake is a scheme which gives a win-win situation to employees and the employers as well. The success of a scheme like VRS can also be measured by the share value in the Share Market. In case of MTNL the share price was Rs. 9.50 in Nov 19 but is Rs. 23.20 in the end of May 2020. It simply shows the success of VRS adopted by MTNL. By VRS scheme the MTNL narrowed down its standalone loss to Rs. 623.63 crore in Q4 mainly on account of reduction in head counts. This was Rs 759.63 crores in the corresponding period a year ago. VRS of both the companies is expected to save Rs 8800 crores annually in salary bills only. Employees who have left after VRS are happy and the existing employees have responded well.

It is expected that there shall be increased casualisation of labour especially for field duties. But this way VRS may lead to reduced cost of employees and increased customer satisfaction. Those who have taken VRS are not debarred to take small small contracts for field duties and are thus doubly benefitted financially. The income tax payables by the VRS beneficiaries are also in their favour

Around 30% of the employees were of the view that VRS has been very much beneficial to MTNL since financial implications have been reduced. Their outlook was that VRS has definitely lead to cost cutting in employees benefits which tend to more profit.

Cost reduction measures such as sharp cut in wages and implementation of voluntary retirement scheme opted by 92956 employees of BSNL and MTNL combined helped improve the performance of the two companies.

Retired by 31.01.2020

BSNL	MTNL
78569	14387
Reduction in salary per month	
Rs.600 crores	Rs. 140 crores

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(50%)

(75%)

But 65% were of the view that instead of spending money on VRS for the ex-gratia paid to employees the same money should have been utilized for upgradation of MTNL technology which would have resulted in improved services and satisfied customers. The money should have been utilized to procure modems, routers, wires etc. Neither MTNL services grew, neither the income, nor the customers grew. To reduce man power by 75% in one was a suicidal step taken by MTNL. MTNL is a service provider organization. Services are deteriorating day by day even after VRS. Due to scarcity of working field staff, services have been hampered. Managing funds for meagre salary has become a challenge. Due to more and more disconnection's income has gone down. There is no customer interaction due to lack of staff. Several Sanchar Hatts have been closed. Mental health of existing employees is another very big factor of concern, due to the uncertainty which prevails. With VRS, MTNL lost many potential and experienced employees. Additionally, the hurried manner in which it was planned out left little time for the employees to at-least train employees who were still working. It could have been planned better. It was presumed that with less employees, MTNL could run its business efficiently as the expenditure on salary head would be reduced significantly.

IV. Conclusion

There have been no incentives to the employees for any of their innovative ideas, career promotion and lack of training to the employees to upgrade their technical acumen. MTNL had downsized without any policy or programme. Succumbing to the pressure to produce short term results, the major changes in organisational relationships were ignored therefore met with disastrous results.

MTNL should have carefully targeted the employees for VRS. They should have taken care that the crucial manpower required for running MTNL is not allowed to go out.

Instead, the Government should have supported MTNL and MTNL would have achieved heights at the time of Pandemic since all services were dependent on telecommunications.

As for as expenditure on salary head is concerned, yes...!! it is beneficial. But as far as to manage the current situation of running its business is concerned, VRS was a loss for MTNL. MTNL has lost a good asset called 'talented and experienced employees' The customer satisfaction has fallen down remarkably No new connections are being applied and no advertisements, publicity or personal interaction is there to increase the marketing for new connections. Only VRS as a strategy will not be functional unless it is associated with other strategies of marketing at various levels i.e. from ground level to the top.

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