CHAPTER VIII

VOLUNTARY RETIREMENT SCHEME (VRS)

1. **Introduction of a revised Voluntary Retirement Scheme (VRS).**

The Government had announced a Voluntary Retirement Scheme (VRS) vide OM No. 2(36)/86-BPE(WC) dated 5th October, 1988. Government have revised the scheme to make it more efficacious having regard to both, the interests of the employees and the need to enable Public Sector Enterprises (PSEs) to rationalize their surplus manpower.

2. Enterprises, which are financially sound and can sustain a scheme of VRS on their own surplus resources may devise and implement variants of the existing VRS cited in para 1 above. However, in no case shall the compensation exceed 60 days salary for each completed year of service or the salary for the number of months service left, whichever is less. Salary for the purpose of VRS shall consist of basic pay and DA only and no other element.

3. Enterprises that make marginal profits or loss-making enterprises may adopt the revised scheme of VRS, which is modelled on the Scheme that exists in the State of Gujarat. The details of the scheme are set out hereunder:

   (i) The compensation will consist of salary of 35 days for every completed year of service and 25 days for the balance of service left until superannuation. The compensation will be subject to a minimum of Rs. 25,000/- or 250 days salary whichever is higher. However, this compensation shall not exceed the sum of the salary that the employee would draw at the prevailing level for the balance of the period left before superannuation.

   (ii) Salary for purpose of VRS will consist of basic pay and DA only.

   (iii) Arrears of wages due to revision etc. will not be included in computing the eligible amount.

   (iv) Payment of bonus should conform to the provisions in the Bonus Act; Casual Leave may be encashed in proportionate measure upto the date of VRS.

4. A suitable variant of the arrangement in para 3 above may be developed by the Ministry of Textiles in respect of Textiles units subject to the conditions attached thereto.

5. For sick and unviable units, the VSS package of Department of Heavy Industry will be adopted. As a corollary, the VSS scheme may be modelled on Gujarat pattern and be made applicable as in para 3 above. However, employees would have to opt for VSS within 3 months from the date of offer failing which they would be eligible only for retrenchment compensation. The details of VSS are as under:-
(i) An employee would be entitled to an ex-gratia payment equivalent to 45 days emoluments (pay + DA) for each completed year of service or the monthly emolument at the time of retirement multiplied by the balance months of service left before the normal date of retirement, whichever is less;

(ii) All those who have completed not less than 30 years of service, will be eligible for a maximum of 60 (sixty) months salary/wage as compensation. This will be subject to the amount not exceeding the salary/wage for the balance period of service left (at the rate of monthly salary/wage at the time of voluntary retirement).

6. The compensation under VRS/VSS will be in addition to terminal benefits.

7. Employees of industrial cooperatives with Government equity participation and who are not members of the cooperative will also be covered under the VRS.

8. Budgetary support will be provided to the marginally profit or loss making enterprises and to the sick enterprises for implementing VRS only in case bank credit is not available. The funds would normally be made available at the beginning of the financial year. However, before seeking budgetary support in cases of unviable/sick PSUs other sources of funding should be fully explored such as asset securitization and bank loans against Government guarantee for funding VRS/VSS.

9. VRS will be applicable to the permanent employees, badli workers, work charged established and temporary workers but not to the casual workers. There will be no recruitment against vacancies arising due to VRS.

10. It will be the responsibility of the concerned administrative Ministry to assist those opting for VRS in getting loans from banks for pursuing gainful self-employment.

11. NRF in its present form will cease to exist. The funds required for retraining/rehabilitation of employees availing of VRS will be placed with the Department of Public Enterprises under arrangements to be evolved.

12. In implementing the VRS scheme, managements shall ensure that it is extended primarily to such employees whose services may be dispensed without detriment to the company. Care will be exercised to ensure that highly skilled and qualified workers and staff are not given the option. As there shall be no recruitment against vacancies arising due to VRS – it is important that the organization is not denuded of talent. The managements of the PSUs shall introduce the VRS with the approval of their Boards and the administrative Ministries.
13. The administrative Ministries/Departments are requested to bring the details of the Voluntary Retirement Scheme and the Voluntary Separation Scheme to the notice of the Public Enterprises under their administrative control and to ensure that PSEs implement the schemes strictly in accordance with the provision set out herein.

14. This O.M. supersedes O.M. No. 2(36)/86-BPE(WC) dated 5th October, 1988 and subsequent circulars issued on the subject.

(DPE O.M. No. 2(32)/97-DPE(WC)/GL-XXII dated 5th May, 2000)

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CHAPTER VIII
VOLUNTARY RETIREMENT SCHEME (VRS)

2. Voluntary Retirement Scheme/Voluntary Separation Scheme for the employees of Public Enterprises.

The parameters on the basis of which the VRS could be formulated by the PSUs for their employees have been spelt out in this Department’s OM of even number dated 5.5.2000. However, there are certain points on which clarifications have been solicited by the PSEs as well as the administrative Ministries/Departments. These points have been examined in the Government. The points as well as the clarifications are given here under:

1. Whether allowances like Personal Pay, HRA, NPA, Family Planning increment are to be included for computation of ex-gratia?

Basic pay plus DA only is to be taken into account for computation of ex-gratia under VRS.

2. Whether the post of the employee who has taken VRS is to be abolished?

There shall be no recruitment against vacancies arising out of VRS.

3. Whether any arrears of ex-gratia are to be paid in the event of pay revision being sanctioned subsequent to voluntary separation?

Ex-gratia will be re-calculated on the basis of revised pay scale and the difference be paid.

4. Can notice pay in lieu of notice and TA for settling in the Home Town or elsewhere be paid to the employees who are to opt or have opted for VRS?

One month/three months notice pay (as per service conditions applicable to the employees) may be paid. TA for the employees and family would also be admissible to the place where he intends to settle down after taking VRS. For this purpose, the entitlement will include transportation cost of personal effects and travelling cost of self and family members, as admissible under the entitled classes.

5. Under the Gujarat pattern, will the compensation for the balance service be calculated @ 25 days for every year of service left?

Compensation under VRS modelled on the Gujarat pattern will consist of salary of 35 days for every year of service completed and 25 days for every year of service left until superannuation.

6. Under VSS, will the employee be entitled for 60 months salary even if he has not completed 30 years of service?

No.

7. 60 months salary as ex-gratia is permissible under VSS scheme of Department of Heavy Industry. If the VSS scheme is modelled on Gujarat pattern (para 5 of O.M. dated 5.5.2000), will the employee be still entitled for 60 months salary if he has completed 30 years or more service?

Sixty months salary as compensation is attached to VSS package of the Department of Heavy Industry only and not under the Gujarat model.

8. Whether PF, leave encashment, gratuity, notice pay, LTC are payable to employees in case of voluntary retirement?

These are to be paid to the employees opting for VRS as per the provisions of the relevant statutes and the service conditions. These are outside the computation of ex-gratia on voluntary retirement.

9. Is any minimum qualifying service necessary for opting for VRS?

No age bar or minimum qualifying service is prescribed.

10. Do the companies have the choice to opt for either the Gujarat model or VSS on DHI model for the sick and unviable units?

The Boards of the sick and unviable PSUs are obliged to offer VSS on DHI pattern to the employees. The Board have the option to offer, in addition, VRS on Gujarat pattern, in which event the employees will have a choice between the two schemes.
11. The managements have the right to reject the VR application of certain employees as they have to ensure that the company is not denuded of talents. In that case, what would be the treatment given to such employees who have been retained by the management in case the PSU is closed. Will they be offered VSS in case the PSU is closed. Will they be offered VSS even after a lapse of three months or will they be paid retrenchment compensation under ID Act?

The cases of such employees will be covered under he final settlement on closure of the unit. If the benefit of VSS is extended on closure, such employees will also receive it.

12. Whether Casual Leave may be encashed up to he date of notification of VRS or actual date of relief of employee?

CL may be encashed on pro-rata basis up to the date of relief of employee.

13. What would be the compensation payable in case where the balance of service left under superannuation is less than 250 days and sum of the salary for the balance period is less than Rs. 25000/-.

The computation is explained in the enclosure.

14. Whether he notice period pay is to be paid in addition to 60 months salary as compensation in case an employee has completed 30 years of service and the remaining period of service is 75 months.

If the application of an employee for voluntary retirement is accepted instantaneously and payment is arranged by the management on the same day, the concerned individual would be entitled to payment of ex-gratia along with the notice period pay. It is, however, clarified that payment of ex-gratia for service rendered or left over service before superannuation as well as the amount payable for the notice period should not exceed the basic pay plus DA that would have been paid to the employee who has opted for voluntary retirement till the date of his superannuation. For example, if an employee opts for voluntary retirement a few months before the date of superannuation, say at 57 years and 10 months, the payment should be restricted to 2 months basic pay plus Dearness Allowance.

In circumstances where the management takes time to take a decision about the acceptance of an application submitted by the employee for voluntary retirement and allows the notice period to lapse or the individual concerned has drawn full salary during the notice period served by him, in these cases notice period pay would not be admissible as the individual has already drawn the salary during the notice period.

15. Whether it is mandatory to introduce new VR Scheme or continue with the existing scheme?

The new scheme has been introduced in supersession of the old scheme.

16. If the VRS is implemented in the middle of any particular month, whether full months salary is to be computed for VRS purpose?

An employee is entitled to payment of salary till the date of voluntary retirement, regardless of the date of implementation of the VRS. As for computing the completed years and months of service for the purpose of ex-gratia, the datum will be the date on which the employee in question had joined service.

17. If the employee has completed 20 years and 9 months service whether he will be paid compensation for 20 years service or compensation for 20 years of service plus proportionate days salary for the nine months service also?

The calculation would have to be based on every completed year of service or part thereof. The part of the complete year served shall be entitled for ex-gratia on pro rata basis.

18. Whether service rendered in other PSEs would be taken into account for purpose of computation of VRS from the latter employing organization?

This would be taken into account only on transfer of cash equivalent of Earned Leave and Provident Fund. Gratuity would be as per the provisions of the Act.

19. Will notional pay revision from 1992 and 1997 be taken for computation of VRS/VSS benefits?

In the new VRS/VSS scheme, there is no scope for computation of the ex-gratia on notional salary revision.

20. Will encashment of sick leave at the time of taking VRS/VSS be permissible?
Encashment of sick leave has nothing to do with VRS/VSS. Its encashment will depend on the management decision, based on the service conditions.

21. Will the casual workers be included for the purpose of VRS/VSS who have completed more than 20 years of service?

Casual workers will not be entitled for VRS/VSS. Refer to para 9 of O.M. dated 5.5.2000.

22. Whether the contract employees appointed on contract basis can be considered as temporary employees for purposes of VRS? If yes, how the compensations would be calculated?

Contract employees are outside the purview of VRS.

23. How would the computation of ex-gratia (VRS) under Gujarat pattern be done?

As per enclosure.

All the administrative Ministries/Departments of the Government of India are requested to bring the foregoing clarifications to the notice of the Public Enterprises under the administrative control for their information and necessary action.

(DPE O.M. No. 2(32)/97-DPE(WC)GL-XXXV dated 8th December, 2000)

**Enclosure**

**VRS Compensation Under Gujarat Pattern**

**Computation of one Day’s Salary in Gujarat Pattern**

Basic + DA

Rs. 7000 + Rs. 2500 = Rs. 9500

Rs. 9500 26 days = Rs. 365.38 (one day’s salary)

Completed 32 years service.

32 Yrs. X 35 days X Rs. 365.38 = Rs. 409225.60

**NOTE:** (i) for computation of one day’s salary 26 days a month is taken.

1. similar is for the remaining period of service left.

Remaining 3 years service:

3 years X 25 X Rs. 365.38 = Rs. 27403.50

Total amount payable: Rs. 409225.60 + Rs. 27403.50 = Rs. 436629.10

Amount to be paid shall be restricted to: 3 X 12 = 36 months

Total amount to be paid as VRS compensation: 36 X Rs. 9500 = Rs. 342000/-

**NOTE:** The payable amount would have to be restricted to Rs. 3,42,000/-.
CHAPTER VIII
VOLUNTARY RETIREMENT SCHEME (VRS)

3. Further modification in the revised Voluntary Retirement Scheme.

The Government have decided further to modify, with immediate effect, the Revised Voluntary Retirement Scheme for Central PSUs introduced vide this Department’s O.M. of even number dated 5th May, 2000 as under:

a) Ex-gratia payment in respect of employees on pay scales at 1.1.87 and 1.1.92 levels, computed on their existing pay scales in accordance with the extant scheme, shall be increased by 100% and 50% respectively.

b) The option of the Gujarat or the DHI pattern shall be available to the employees of marginally profit/loss making, as well as sick and unviable units.

c) Under the Gujarat pattern, the salary for VRS/VSS shall be calculated on the basis of 30 days in a month and not 26 days. Consequently, the method of calculation of ex-gratia for VRS and VSS shall be similar.

d) Once an employee avails himself of voluntary retirement from a PSU, he shall not be allowed to take up employment in another PSU. If he desires to do so, he shall have to return the VRS compensation received by him to the PSU concerned. Where the compensation was paid out of a Government grant, the PSU concerned shall remit the refunded amount to the Government. In case the PSU is already closed/merged, the VRS compensation shall be returned directly to the Government.

2. All other provisions of the DPE guidelines dated 5.5.2000 are to continue.

3. The clarifications given in the DPE’s O.M. of even number dated 8th December, 2000 stand modified in consequence of the foregoing.

4. The employees, who have already been released by the PSUs before the date of issue of this O.M., shall not be covered under the modified scheme.

5. The administrative Ministries/Departments are required to bring the modified VRS/VSS to the notice of the public enterprises under their administrative control and ensure strict compliance with the provisions of the scheme.

(DPE O.M. No.2(32)/97-DPE(WC)/GL-LVI dated 6th November, 2001)
CHAPTER VIII
VOLUNTARY RETIREMENT SCHEME (VRS)

4. Voluntary Retirement Scheme/Voluntary Separation Scheme for the employees of Public Enterprises.

The parameters on the basis of which the VRS could be formulated by the PSEs for their employees have been spelt out in this Department OM of even number dated 5.5.2000 and 6.11.2001. However, there are certain points on which some more clarifications have been solicited by the PSEs as well as by the administrative Ministries/Departments. These points have been examined. The points raised as well as the clarifications thereon are given here under:

1. Whether computation of VRS compensation would be on pro-rata basis for both part of completed year of service and the part of the remaining period of service?

DPE’s clarification (dated 8.12.2000 – Item 17) states that calculation of compensation would be on the basis of completed years of service or part thereof. The part of the year served shall be entitled for ex-gratia on pro-rata basis. Logically, this pro-rata calculation should also be on the remaining part of service.

2. Whether compensation of VRS @ 26 days a month would be allowed even for VRS optees who have gone out before 5.5.2000?

Till 5.11.2001, calculation of VRS @ 26 days a month was allowed under the Gujarat pattern only. As there was no concept of Gujarat pattern VRS before 5.5.2000, the employees who have already opted VR under the 5.10.88 guidelines would be covered under 30 days a month.

3. Can the past service with all PSEs be considered for computation of VR?

If the service with each PSU is continuous (without break) and PF and Earned Leave have been transferred from one PSU to other PSU, then past service may be counted in case the employee avails himself of VRS/VSS as per the scheme notified by DPE’s OM dated 5.5.2000.

4. Whether an employee whose pay revision was effected from 1.1.1992 and having one year balance service left would be entitled for 50% increased compensation as per DPE’s OM dated 6.11.2001?

The compensation has to be first worked out in accordance with DPE’s OM dated 5.5.2000 alongwith the riders. Thereafter, the recent amendment issued vide OM dated 6.11.2001 would be applied to determine compensation payable in both the cases of VRS/VSS.

5. Whether the executives/non-executives whose scales of pay have been revised with effect from 1.1.1992 but no further revision has taken place are entitled to 50% increase on their existing pay scales?

Yes, the executives/non-executives who got the benefit of revised scales of pay effective from 1.1.1992 as per DPE’s OMs dated 12.4.93, 17.1.94 and 19.7.95 are entitled to 50% increase in compensation.

6. Whether the payments made as ex-gratia (with 50% increase), gratuity, leave encashment and pay arrears are recalculated in case pay revision would be allowed at later date w.e.f. 1.1.97?

Ex-gratia will be recalculated on the basis of revised scales of pay in case the revised scales of pay are made effective subsequently (actually with effect from 1.1.1997). The increased ex-gratia (50%) paid would also be adjusted. The other elements like gratuity, leave encashment etc. are to be paid as per the provisions of the relevant statutes and service conditions. These are outside the computation of ex-gratia on voluntary retirement.

7. Whether the encashment of casual leave is permitted only in Gujarat pattern?

Please see item 8 of DPE guidelines on VRS dated 8.12.2000.

8. Whether the employees who have completed 30 years of service are eligible for ex-gratia amount subject to a maximum of 60 months both under DHI pattern and Gujarat pattern VRS?

Please see item 7 of DPE guidelines on VRS dated 8.12.2000.
9. Whether the workman and staff wage revision effected from different date other than 1.1.87 and 1.1.92 are entitled for the benefit of 50% or 100% increase? If so, at what basis?

Any wage revision permitted by the PSEs for a period prior to the date of effect from 1.1.92 would be treated at 87 level. Similarly, any wage revision permitted by the PSEs for a period commencing before 1.1.97 would be treated as at 92 level. The increase in ex-gratia compensation of 100% or 50% would be effected accordingly. This would also be followed in the cases of workers/staff not covered by DPE guidelines.

10. Whether leave salary and gratuity payment would be made on the basis of increase in compensation as 50% or 100%?

Please see item 8 of DPE guidelines on VRS dated 8.12.2000.

(DPE O.M. No. 2(32)/97-DPE(WC) dated the 28th February, 2002)
CHAPTER VIII
VOLUNTARY RETIREMENT SCHEME (VRS)

5. Further modification in the revised Voluntary Retirement Scheme (VRS).

In continuation of modification vide OM No.2(32)/97-DPE(WC) dated 6.11.2001 in the revised Voluntary Retirement Scheme introduced for Central Public Sector Enterprises (CPSEs) vide this Department OM No.2(32)/97-DPE(WC) dated 5.5.2000, the Government have decided to further modify the scheme with immediate effect as under:

Payment of ex-gratia amount under Voluntary Retirement Scheme in respect of employees in CPSEs following Central Dearness Allowance (CDA) pattern of pay scales at 1.1.1986 level computed on their existing pay scales in accordance with the extant scheme of VRS shall be increased by 50%.

2. All other provisions of the DPE guidelines dated 5.5.2000 and 6.11.2001 shall continue to be operative.

3. The employees who have already been released by the CPSEs before the date of issue of this OM shall not be covered under this modified scheme.

4. The administrative Ministries/Departments are requested to bring the aforesaid modification in the VRS/VSS to the notice of the CPSEs under their administrative control and to ensure strict compliance with the provisions of the scheme.

(DPE O.M. No. 3(21)/01-DPE(WC)/GL-XII dated 26th October 2004)

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OFFICE MEMORANDUM

Subject: Further clarifications on DPE’s O.M.s on Voluntary Retirement Scheme (VRS) / Voluntary Separation Scheme (VSS).

Reference is invited to DPE’s O.M. No. 2(32)/97-DPE(WC)/GL-XXXV dated 8.12.2000, O.M. No. 2(32)/97-DPE(WC)/GL-LVI dated 6.11.2001 and O.M. No. 2(32)/97-DPE(WC) dated 28.2.2002 regarding clarifications on implementation of Voluntary Retirement Scheme (VRS) / Voluntary Separation Scheme (VSS) in Central Public Sector Enterprises (CPSEs). Further clarifications on some of the issues related to VRS/VSS Policy are annexed.

(Dr. M. Subbarayan)  
Director

To,

All the administrative Ministries/Departments of the Government of India.

Copy to:
1. Chief Executives of All Central Public Sector Enterprises.
2. Financial Advisers in the administrative Ministries/Departments
3. Department of Expenditure, E-II Branch, North Block, New Delhi.
4. The Comptroller & Auditor General of India, 9, Deen Dayal Upadhyay Marg.  
New Delhi-110002.
5. NIC, DPE with request to upload this O.M. on the DPE website.
**Example for Calculation of VRS ex-gratia arrears**

**Assumptions:**

(i) VRS (on DHI pattern) takes place in the CPSE on 01.01.2012  
(ii) 2007 Pay Scales have been extended retrospectively to the employees of the sick CPSE w.e.f. 01.01.2007  
(iii) Arrears paid to all employees w.e.f. 01.01.2007  
(iv) Employee in E-5 grade completed 30 years of service with left over period of five years (i.e. 60 months)

(Figures in Rupees)

<table>
<thead>
<tr>
<th>Before the implementation of 2007 pay scales</th>
<th>After the implementation of 2007 pay scales</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>E-5 Scale (Pre-revised)</strong> 16000-400-20800</td>
<td><strong>E-5 Scale (2007 scale)</strong> 32900-58000</td>
</tr>
<tr>
<td>Ex-gratia payment will be paid @ 45 days (1½ months)’ emoluments (Basic pay + D.A.) for each completed year of service. Hence for 30 years of completed years, it would be 45 months. Since this is less than 60 months of left over service, 45 months would be considered for the purpose of calculating the ex-gratia.</td>
<td>As already mentioned in the previous column, 45 months would be considered for the purpose of calculating the ex-gratia.</td>
</tr>
<tr>
<td>Basic pay - 16,000</td>
<td>Basic pay - 32,900</td>
</tr>
<tr>
<td>D.A. (164.6 %) - 26,336</td>
<td>D.A. (56.7 %) - 18,654</td>
</tr>
<tr>
<td>Total for 1 month - 42,336</td>
<td>51,554</td>
</tr>
<tr>
<td>Amount of ex-gratia payable to the employee: 42,336 x 45 = 19,05,120</td>
<td>Amount of ex-gratia payable to the employee: 51,554 x 45 = 23,19,930</td>
</tr>
<tr>
<td><strong>Difference to be paid:</strong> 4,14,810</td>
<td>(23,19,930 minus 19,05,120)</td>
</tr>
<tr>
<td>Sl. No.</td>
<td>Reference</td>
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<td>---------------------------------------------------------------------------</td>
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<tr>
<td>1.</td>
<td>O.M. Dated 8.12.2000 (Sl. No.3 of the Clarifications)</td>
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<td>2.</td>
<td>O.M. Dated 8.12.2000 (Sl. No.19 of the Clarifications)</td>
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<td>4.</td>
<td>O.M. Dated 8.12.2000</td>
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<td>5.</td>
<td>O.M. Dated 6.11.2001 [Para 1(c) of the Clarifications]</td>
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<tr>
<td>6.</td>
<td>O.M. Dated 28.2.2002 (Sl. No.7 of the Clarifications)</td>
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