

## REPORT OF THE COMMITTEE

### 1.0 INTRODUCTION

A committee consisting of Shri D. P. De, GM(Estt), Shri Shakeel Ahmad, GM(SR) and Shri P. K. Purwar, GM(CA) was constituted vide No. DIR (HRD)2008-(N) dated 16.12.2008 for examining and suggesting the modalities for implementation of revised pay and allowances in respect of Executives with reference to DPE Order No.2(70)/08-DPE(WC) dated 26.11.2008. The Committee was also asked to take the views of the Executives' Associations and submit the report within a week's time. A copy of the said order is placed at **Annexure-I**. A copy of the DPE order No.2(70)/08-DPE(WC) dated 26.11.08 (hereinafter called **DPE OM**) is placed at **Annexure-II**.

### 2.0 SOME SALIENT FEATURES OF DPE OM:

- a) The financial implications arising out of pay revision are to be fully borne by the PSU.
- b) Uniform fitment benefit @ of 30% on basic pay as on 1.1.07 plus DA @ of 68.8% would be provided to all executives with the aggregate amount rounded up to next ten rupees provided additional outgo by such revision for 12 months (in respect of Executives) does not result in more than 20% dip in the profit before tax for 07-08.
- c) PSUs that cannot afford to pay full package, can implement with either part Performance Related Pay (PRP) or no PRP.
- d) PSUs which are not able to adopt revised pay scales, may give an increase on the basic pay plus DA drawn in the pre-revised scale as on 1.1.07 with a uniform lower fitment of 10% or 20%, depending upon affordability.
- e) The Board of Directors is required to consider the proposal of pay revision based on the affordability to pay and submit the same to Administrative Ministry/Department for approval. The Administrative Ministry with the concurrence of Financial Advisor will issue the Presidential Directive. The revised scales would be implemented after issue of the Presidential Directive by the concerned Administrative Ministry/Deptt. The revised pay scales will be effective from 1.1.07. However, HRA, Perks and Allowances based on revised scales would be from the date of issue of Presidential Directive.

### 3.0 OBSERVATIONS OF THE COMMITTEE:

The break-up of the expenditure incurred by BSNL during the year 2007-08 on salary and various allowances is given at **Annexure-III**. The Committee has observed that for the year 07-08, the various parameters for BSNL are as follows:

- f) No. of Executives (as on 1.1.07): 62,068
- g) No. of Non-Executives (as on 1.1.07): 2,63,546
- h) Revenues (07-08): Rs. 38053.40 cr
- i) Profit before Tax (07-08): Rs. 4451.55 cr
- j) Profit after Tax: Rs. 3009.39 cr
- k) Total expenditure on Salary, Wages, statutory payments and allowances (07-08): Rs. 9081 Cr.

The committee further observes that:

- a) Pre-revised salary of employees as on 1.1.07 = Basic + DP (50%) + DA (18.8%) = 1.782 times of pre-revised basic as on 1.1.07.
- b) Pre-revised salary of employees as on 1.10.08 = Basic + DP (50%) + DA (40.5%) = 2.1075 times of basic as on 1.10.08.
- c) Fitment benefit recommended by DPE = 30% of [Basic + DA as on 1.1.07].
- d) Salary after revision of pay scales as per fitment as on 1.1.07 = [Basic + DA (68.8%)] + 30% fitment = 2.194 times of pre-revised basic as on 1.1.07.
- e) Salary after revision of pay scales as on 1.10.08 = Revised basic as on 1.1.07 + DA (12.9%) = 2.477 times of pre-revised basic as on 1.10.08 [+ plus effect of increments earned between 1.1.07 and 1.10.08].
- f) As per the revised pay scales given in DPE OM, the start of the revised pay scales are between 1.92 to 2.1 times of existing pay scales in respect of E-1 to E-6, 2.3 to 2.6 times in respect of E-7 to E-9 and about 2.9 times in respect of Directors/CMD's (Category A) pay scales.

Thus the revised pay will generally be fixed above the minimum of revised pay scales in respect of E-1 to E-6 and therefore, generally there will be no bunching of

stages. In respect of E7 and higher pay scales, the pay will generally be fixed at the start of revised pay scales with possible bunching of stages.

The maximum of the revised pay scales is on an average, 2.8 times the maximum of existing pay scales. At present, BSNL is already making the payment of pension contribution at 1.5 times of maximum of pre-revised scales because of the merger of 50% DA as DP. Thus effective increase in Pension contribution paid by BSNL to DOT will be  $2.8/1.5 = 1.87$  times.

Pay scales E3, E4, E5, E6, E7 and E9 are operative in BSNL. In addition, non-standard pay scales E-1A, E-2A and E-9A for equivalent grades of JTOs, SDEs and CGMs respectively are operative in BSNL with the approval of DPE, for which no replacement scales have been made available in the DPE OM.

#### **4.0 FINANCIAL IMPACT OF PAY REVISION:**

The profit before tax of BSNL for 2007-08 was Rs. 4451.55 Cr., 20% of which works out to be Rs. 890.31 Cr. The annual outgo on account of pay revision of executives for 07-08 is estimated to be Rs.622 Cr. Allowances are not to be paid for the period 2007-08. However for the purpose of calculations, assuming percentage based allowances are calculated with reference to revised pay scales and other fixed type of allowances are proportionately enhanced, the hypothetical amount comes to be Rs.188 Cr. per annum. Hence, the total hypothetical outgo for 07-08 (taking into account the allowances also) is Rs.810 Cr. Vis-à-vis actual outgo of Rs.622 Cr., and both are within the 20% limit of Rs.890.31 Cr. The financial impact of pay revision, year wise, for executives and non-executives is given at **Annexure IV**.

Thus, by adopting the revised pay scales, there will be an additional annual impact of Rs.622 Crores in respect of Executives. Assuming that identical fitments will be extended to non-executives, the annual financial implication in respect of non-executives comes out to be Rs 1436 crores approximately for year 2007-08.

In order to project the financial implications for arrears and pay separately it has been assumed that revised pay and allowances will be paid from January 2009 onwards

and arrears will be payable for the period 1.1.07 to 31.12.2008. The financial implication by way of payment of arrears is given below

Period	Expenditure on Executives (in crores)	Expenditure on Non-Executives (in crores)	Total Expenditure (in crores)
1.1.07 - 31.03.07	Rs. 160	Rs. 365	Rs. 525
1.04.07- 31.03.08	Rs. 622	Rs. 1436	Rs. 2058
1.04.08 – 31.12.08	Rs. 472	Rs. 1083	Rs. 1555
<b>TOTAL ARREARS 1.1.07 to 31.12.08</b>	Rs. 1254	Rs. 2884	Rs. 4138
1.1.09 – 31.3.09			
Salary	Rs. 151	Rs. 361	Rs. 512
allowances	Rs. 46	Rs. 109	Rs. 155

Thus, it is observed that in accordance with DPE guidelines on affordability, revised pay scales with 30% fitment can be adopted in BSNL. However, an exercise of calculating the impact in respect of wage revision with 10% and 20% fitment benefit on the pre-revised scales as on 1.1.07 has also been carried out and the comparative chart is given in **Annexure-V**.

#### 5.0 ALLOWANCES:

Presently, BSNL is paying allowances in the following categories:

- a. Statutory payments which are not directly paid to the employee e.g. EPF, leave salary and pension contribution etc.
- b. HRA and CCA on which definite recommendations are given by DPE;
- c. Allowances which are operative in BSNL after conversion of DoT into BSNL e.g. Training Allowance, N.E. Allowance, etc.
- d. Allowances which are introduced/ modified in BSNL e.g. food allowance, professional upgradation allowance, transport allowance, medical allowance, etc.

Allowances in categories a & b above are generally linked directly to the pay/ pay scale of the employee and will necessarily be modified once revised pay scales are adopted. Some of the allowances under categories c & d are paid as a percentage of basic pay and, therefore, the amount of allowances automatically get revised with the revision of pay scales. Some of the other allowances which are in the form of fixed amounts and not as a percentage of pay, need a separate decision for revision.

DPE has recommended that allowances and perks admissible to different categories of executives will be decided by Board of Directors subject to maximum ceiling of 50% of basic. Further, instead of having a fixed set of allowances, the PSU may follow cafeteria approach allowing the executives to choose from a set of perks and allowances. Since wage revision in respect of non-executives is by way of negotiations, the same logic will also hold good regarding their allowances and, therefore, decision on such allowances can be taken only after due consultation with the staff representatives. But the decision on allowances either in respect of executives or non-executives will have some impact on each other and cannot be taken in isolation. It is felt since that this exercise cannot be completed in the short period given to this committee, it would be better to get this issue examined by a separate perks committee and till such time, only an interim arrangement can be made.

#### **6.0 VIEWS OF ASSOCIATIONS:**

One of the Executive Associations viz. AIBSNLEA has submitted its views which are placed at **Annexure-VI**. The association has already submitted their demand in this regard to DPE. The views are generally on the following lines:

- a. Adopt standard pay scales E2, E3....etc, instead of E1A and E2A and placing executives working in E1A, E2A, E3, E4, E5, E6, E7 in higher pay scales E2, E3, E4, E5, E6, E7, E8 respectively.
- b. Higher fitment benefit of 42% and higher rates of increment of 4%.
- c. All allowances w.e.f. 1.1.07.

Two major executive associations viz. AIBSNLEA and SNEA were asked to discuss their views with the committee. During detailed discussions with these two associations, they have appreciated that BSNL can carry out pay revision only in accordance with the DPE OM. In connection with the implementation of pay revision orders in BSNL, as per DPE OM, they have given the following views:

- a. The pay revision orders may be implemented in BSNL immediately.
- b. Wherever required revised pay scales are not available (E1A, E2A), pay may be fixed as per fitment benefit as provided in DPE OM and proposal for new pay scales be sent to DPE separately.
- c. Since modalities of following cafeteria approach in respect of allowances will take some time, allowances at existing level may be implemented in BSNL.
- d. Orders in respect of other items e.g. PRP, PMS, MoU etc may be taken in accordance with the DPE OM and views of associations may be taken while finalizing the modalities.

While AIBSNLEA has not expressed any reservation on adopting revised E1 and E2 pay scales as an interim measure for replacing E1A and E2A, pending approval of DPE, SNEA has strongly objected to any such arrangement, even if it is interim, as this will be regarded by large number of executives as degradation of their pay scale and status from E1A and E2A to E1 and E2 respectively. They have strongly demanded that pay fixation for existing employees in E1A and E2A pay scales may be done as per fitment benefit as an interim measure, without specifying the pay scales. In such a situation, where specifying the pay scales is unavoidable (e.g. for pension contribution, fresh appointments etc.), pay scales E1 and E2 may be used.

The committee has finalized its recommendations considering the views and demands of the associations.

## **7.0 RECOMMENDATIONS:**

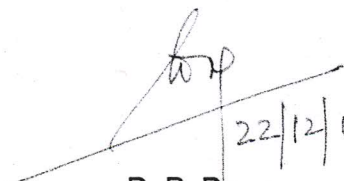
After carrying out a thorough and detailed study of the present financial condition of the company, financial results of 2007-08, provisions contained in DPE memo and views of executive associations, the committee hereby makes the following recommendations:

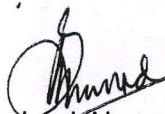
1. Since the affordability requirement as per DPE OM is met in BSNL, revised pay scales may be implemented in BSNL.
2. Revised replacement pay scales E3, E4, E5, E6, E7, E9, Director's (A) and CMD's (A) may be implemented as replacement pay scales for corresponding existing pay scales.
3. As an interim measure, pay of employees in E1A & E2A may be fixed with the fitment of 30% as applicable to other pay scales, subject to the provision of revision as and when appropriate replacement scales are approved by DoT/DPE. Pay of employees in E9A may be fixed with the fitment of 30% in the revised E9 pay scale, subject to the provision of revision as and when appropriate replacement scales are approved by DoT/DPE.
4. In respect of E1A and E2A pay scales, wherever specifying the pay scales is unavoidable (e.g. for pension contribution, fresh appointments etc.), pay scales E1 and E2 may be used as an interim measure subject to approval of proposed scales.
5. Revised pay scales E1A, E2A and E9A have been evolved using pay revision factor as applicable to other pay scales. The details are given in **Annexure VII**. The same may be sent to DoT/ DPE for approval.
6. Abolishing of CCA as per Para 9 of DPE OM from the date of issue of Presidential Directives. Payment of HRA as per Para 7 of DPE OM. The classification of cities based on population have not been received from DPE and therefore the classification of cities based on population as stated in the implementation orders of 6<sup>th</sup> Pay Commission may be followed since the criteria to determine city/ place are same both in the case of 6<sup>th</sup> Pay implementation orders and DPE OM.
7. Allowances paid in BSNL based on Government guidelines and are paid as percentage of basic pay may continue at their existing percentage level calculated on revised pay. However existing cap/ upper limit, if any, may remain unchanged. List of Allowances to be revised is given in **Annexure VIII**.
8. All other allowances either percentage based which were introduced/ modified in BSNL, or fixed amounts paid in BSNL may be frozen to their present level existing as on 1.1.09.

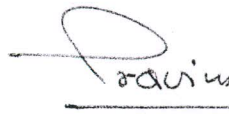
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9. Appointment of a Perks Committee to study various allowances and to recommend implementation of cafeteria approach in respect of allowances in BSNL.
10. Implementation of Performance Management System as per para (iii) of Annexure-III of DPE OM.
11. Appointment of Remuneration Committee as per Para 11 of DPE OM.
12. Management may take suitable decision in respect of payment of arrears in lump-sum or installments, keeping in view the financial condition of BSNL.
13. To send proposal for payment of revised pay and DA w.e.f 01.01.2007 and allowances as mentioned above to DoT for issue of Presidential Directives and to authorize BSNL board to make payment of Allowances and PRP within the prescribed ceiling of 50% of basic pay (for Allowances) and 20% of PBT of 07-08 (for PRP) respectively.

Recommendations of committee in respect of each para of DPE OM are placed at **Annexure-IX.**

  
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