

(N) It may be seen from CTC statements that the ratio of CTC between the Entry level Executives and the CMD level is less than 1: 10 in all categories, except in the solitary case of A+ Category company computed at the minimum of the scale with perks and maximum PRP. Since many of the A+ CPSEs do not operate E-0 scale, this ratio may not touch 1:10 in most of A+ CPSEs also. CTC recommended are the maximum limits and actual package could vary for each executive depending upon the affordability of the company and the performance of the individual. CTC does not include DA, cost of cars provided to CMDs and Directors, stagnation increments, cost of leased accommodation over and above the 30% of Basic Pay and special allowances mentioned at Para 6.2.3.(H) above.

(O) Examples of how the pay revision has to be effected by the companies with different profitability are given below;

Illustration of methodology for implementation of Pay revision

Case I:

- a) Profit before tax in 2007-08 before Rs. 1000.00 Cr.
 Implementing the Pay revision
 b) 20% of PBT Rs. 200 Cr.

Different elements of compensation before Pay Revision and after Pay Revision

Rs. Cr.					
S. No.	Component of Pay	Pre-Revised	After Revision	Additional cost due to Revision	% Increase
1.	Basic plus DA	98.64	137.28	38.64	39
2.	HRA	17.53	41.18	23.65	135
3.	Risk Pay	--	12.84	12.84	--
4.	Perks & Allowances	38.67	68.64	29.97	77
5.	Retiral Benefits	23.38	41.84	18.46	76
6.	PRP / Variable Pay	13.12	30.00	16.88	129
7.	Total	191.34	331.78	140.44	73

The additional cost of the Pay revision is about 14% of the Profit before tax which is less than stipulated limit and in view of this the Enterprise can implement the revision in all the components of the Pay.

Case II:

- | | |
|--|-------------|
| a) Profit before tax in 2007-08 before | Rs. 550 Cr. |
| Implementing the Pay revision | |
| b) 20% of PBT | Rs. 110 Cr. |

The Enterprise will not able to implement revision to the full extent in all the components. The additional cost due to increase in Basic Pay plus Risk Pay plus DA plus HRA and Retiral benefits will add up to Rs. 93.59 Crores (Rs.38.64+23.65+18.46+12.84) and this can be accommodated with in the provision of Rs. 110 Cr. The remaining amount of Rs. 16.41 Cr. can be utilized towards additional Allowances and Part Payment of PRP.

Case III:

- | | |
|--|-------------|
| a) Profit before tax in 2007-08 before | Rs. 450 Cr. |
| Implementing the Pay revision | |
| b) 20% of PBT | Rs. 90 Cr. |

The Enterprise will not able to implement revision to the full extent in all the components. The additional cost due to increase in Basic Pay plus DA plus HRA and Retiral benefits will add up to Rs. 80.75 Crores (Rs.38.64+23.65+18.46) and this can be accommodated with in the provision of Rs. 90 Cr. The remaining amount of Rs.9.25 Cr. can be utilized towards the Part Payment of Risk .

Case IV:

- | | |
|--|-------------|
| a) Profit before tax in 2007-08 before | Rs. 250 Cr. |
| Implementing the Pay revision | |
| b) 20% of PBT | Rs. 50 Cr. |

The Enterprise will not be able to implement revision to the full extent in all the components. Since the enterprise is making Cash Profit, they can only pay Basic Pay + DA + HRA and statutory benefits.

- (P) **Retirement Age:** The Committee is not recommending any increase in the retirement age for the reasons stated in the Chapter on Paradigm shift.

6.2.4 SICK COMPANIES

The Committee recommends that Sick Enterprises that are making cash profit may be allowed to implement the pay revision without Risk Pay or Variable Pay. CPSEs that are not making cash profit should be examined by BRPSE in a period of six months for revival or closure. Enterprises that are recommended for revival should include the proposal for revised Pay scales. If Enterprises are recommended for closure, the executives should be compulsorily retired by paying compensation based on the revised basic pay recommended. They may be paid compensation at the rate of 2 months Basic Pay plus DA for every year of service completed or amount equal to the salary for the remaining period of service whichever is less. The Committee also recommends that where a sick company has been brought to the level of earning cash profits on account of the efforts made by the Chairman/Managing Director/Director, such officials should be allowed to continue up to the age of 60 years in order to enable them to continue the good work in reviving the CPSE.

6.2.5 OTHER RECOMMENDATIONS

- a) The Committee recommends some of the Enterprises listed at **Annex- 4.1**, which are not strictly operating on commercial lines or incorporated under Section 25 of the Companies Act, 1956 to implement Government programmes in specific sectors or to service specific Government Departments may be taken out of the recommendations of this Committee. In case this is not considered feasible, the enterprises concerned will implement scales applicable to their respective categories.
- b) Enterprises in Category D having income levels of less than Rs. 50 Crores are too small to be managed by the Central government for the reasons stated in the

Paradigm shift Chapter. The Government may withdraw from these Enterprises through merger, privatization or otherwise.

- c) The Committee recommends that CPSEs may create a corpus by contributing 1% to 1.5 % of PBT to create a fund in order to take care of medical and any other emergency needs of retired executives and also those who are not adequately covered by the Pension scheme

d) Non-unionized Supervisory Staff

Since Non-Unionised Supervisory staff are not uniformly present in all CPSEs, the Committee recommends that appropriate compensation packages for this segment may be decided by the respective Board of Directors of the CPSE where this category of employees are functioning.

6.2.6 All recommendations to be read in conjunction with the chapter on Paradigm Shift.

The detailed reasons on the basis of which recommendations have been made are contained in the chapter on Paradigm Shift. These recommendations should therefore, be read in conjunction with the contents of that chapter.

**Justice (Retired) M. Jagannadha Rao
Chairman**

**Nitish Sengupta,
Member**

**P.C.Parakh,
Member**

**R.S.S.L.N. Bhaskarudu,
Member**

**R. Bandyopadhyay,
Ex-Officio Member**
