

Salient features of Recommendations of 2nd Pay Revision Committee for PSU Executives

- ❖ CPSEs be grouped into 5 Categories namely A+, A, B, C and D, based on the Total Income, Size of Manpower and Geographical spread of their Operations for the purpose of deciding the ‘Fixed’ component of the package. **(BSNL has been put in Category A+)**
- ❖ This classification should be used by the Government to bench mark performance standards for fixing MOU targets and by the Remunerations Committees, to decide Performance Related Payment (PRP).
- ❖ Performance and affordability should be the key factors in deciding compensation payable to the executives.
- ❖ The Committee recommends ‘**Fixed Pay#**’ with two sub-components, i.e. **Basic Pay** and **Risk Pay**. All CPSEs that are making cash profits and will not incur cash loss by implementing these recommendations should pay the Basic Pay, HRA and linked statutory contributions to its executives. Risk Pay, other allowances, and PRP will be paid based on the financial position of the CPSEs.
- ❖ A dip in profit for the year 2007 – 08 of a CPSE should not exceed 20% in respect of executives.
- ❖ The Companies that may not afford to pay entire package at one go, will implement it in the following stages;
 - ❖ Stage 1 Basic Pay + HRA + Statutory contributions
 - ❖ Stage 2 Basic Pay + Risk Pay + HRA + Statutory contributions
 - ❖ iii)Stage3 Basic Pay + Risk Pay + HRA + Statutory contributions +Part allowances + Part PRP
 - ❖ iv)Stage 4 Full package
- ❖ Government Officers on deputation to the CPSEs, will continue to draw the salary as per their entitlement in the parent department. **Only those who come on permanent absorption basis will get the benefit of CPSE scales, perks & benefits.**

Table 6.6 Fitment Benefit

	Category of CPSE				
	<i>% benefit on the existing basic pay + DA</i>				
Grade	A+	A	B	C	D
E0 to E3	30	20	15	9	3
E4 to E6	37	25	19	12	6
E7 to E9	42	30	23	15	9
Director	Fixed Pay				
CMD	Fixed Pay				

Table- 6.1 Fixed pay for Executives in Category "A +" Enterprises

S. No	Grade	Pre-revised Pay Scale	Revised Pay Scale (Basic Pay)	Risk Pay	Total Fixed Pay	
					Minimum	Maximum
1.	E0	6550-200-11350	14500-25000	1300	15,800	26,300
2	E1	8600-250-14600	19000-32100	1700	20,700	33,800
3	E2	10750-300-16750	24000-37000	2200	26,200	39,200
4.	E3	13000-350-18250	29000-40100	2500	31,500	42,600
5.	E4	14500-350-18700	33500-44000	3500	37,000	47,500
6.	E5	16000-400-20800	37000-48200	4500	41,500	52,700
7	E6	17500-400-22300	41000-52000	6000	47,000	58,000
8	E7	18500-450-23900	45000-58000	8000	53,000	66,000
9	E8	20500-500-26500	50000-64000	9000	59,000	73,000
10	E9	23750-600-28550	55000-70000	10000	65,000	80,000
11	E10	New Scale	65000-75000	15000	80,000	90,000
12	Director	25750-650-30950	80000 (Fixed)	20000	1,00,000	1,00,000
13	CMD	27750-750-31500	100000 (Fixed)	25000	1,25,000	1,25,000

Table 6.7 Fitment Method

A		B		C		D
Basic Pay + Stagnation increments as on 1.1.2007 (Personal Pay / Special Pay not to be included)	+	Corresponding DA of 68.8% as on 1.1. 2007	+	Graded fitment benefit as per the Table above on (A+B)	=	Aggregate amount rounded off to the next Rs.10

- Since, there are no fixed stages in new scales and pay is revised based on fitment as proposed above, there would not be cases of bunching.

- **Increment:** The Committee recommends that **annual increments may range from 2% to 4% of the Basic pay depending on the performance of the individual as determined by Performance Appraisal System and the capacity of the CPSE to pay.** Since there is no fixed increment, management can use its discretion in fixing the pay when an executive is promoted from a lower grade to a higher grade. The individuals who have reached the maximum of the Scale may be allowed to **draw maximum three stagnation increments every two years at 2% of Basic Pay provided they get a performance rating ‘Good’ or above.**
- **Dearness Allowance:** The Committee is not recommending any change in the system of paying the Dearness Allowance. DA as on 01.01.2007 will become Zero. Link point will be All India Consumer Point Index (AICPI) 2001= 100, which is 126.33 as on 01.01.2007.

Cities with population Rates of HRA

Cities with population	Rates of HRA
50 lakhs and above	30% of Basic Pay
5 to 50 lakhs	20% of Basic Pay
Less than 5 lakhs	10% of Basic Pay

- **City Compensatory Allowance: dispensed with**
- Instead of having a fixed set of allowances, the CPSEs may follow ‘cafeteria approach’ allowing the executives to choose from a set of perks and allowances.
- **Performance Related Pay (PRP): *(In place of the present PLI)****
- The PRP should be directly linked to the profits of the CPSE/unit and performance of the executives.

* comment is ours

Table 6.8 PRP as Percentage of Basic Pay

Grade	A+, A, B Categories	C & D Categories
E0 to E1	40	40
E2 to E3	40	40
E4 to E5	50	50
E6 to E7	60	60
E8 to E9	70	70
E10	100	--
Director	150	100
CMD	200	150

- If the CPSE achieves ‘Excellent’ MOU rating, the PRP can be paid at 100% eligibility levels as outlined above. If the enterprise is rated ‘Very Good’, the

eligibility should be scaled down to 80%. In respect of 'Good' and 'Fair' ratings, the eligibility levels could be brought down to 60% and 40% respectively. If the CPSE is rated 'Poor', there will be no eligibility for PRP irrespective of the profitability of the CPSE.

- **Performance Management System:** Since PRP to individuals and Groups will be based on performance against Key Result Areas, the Committee recommends that all CPSEs should develop a robust and transparent PMS system. CPSEs should adopt "Bell curve approach" in grading the officers so that not more than 10% to 15% executives are Outstanding / Excellent. Similarly 10% of executives should be graded as below par.
- **Conveyance: The Company Car should be provided to the Directors and CMD only. All other Executives should use their own transport to commute to the office.** For purposes of CTC, the expenditure on Car provided to Directors & CMD, should be excluded.
- CPSEs should allow 30% of the Basic Pay as superannuation benefit which should include CPF, gratuity, pension and post-superannuation medical benefits. For purpose of paying the gratuity or post- superannuation benefits, the Committee recommends that there should not be any upper ceiling limit Pension and Medical Benefits, minimum of 15 years of service in the CPSE
- All Enterprises should formulate Employee Stock Option Plan (ESOP) and **10% to 25% of the PRP should be paid as ESOPs.** In order to see that Enterprises are able to operate ESOP schemes, **the Government should encourage companies to get listed on the stock exchange.**

Fixed Pay

The fixed pay be divided into two components -

Basic Pay and Risk Pay. Risk Pay will have following three objectives:-

- 1) **Risk pay will not be considered in determining pay-linked benefits.** Thus, while leaving enough cash in the hands of the executives, it will reduce long term liabilities of the companies.
- 2) **While normally Risk Pay will form part of the fixed pay, in exceptional situations, if the company is passing through a crisis and there is serious erosion in profitability, Risk Pay may be withdrawn partially or in full**
- 3) While implementing recommendations of the Committee, all companies except those reporting cash losses should pay basic pay proposed. **Risk Pay can be allowed in phased manner, keeping in mind company's ability to pay.**

BSNL ranks No.4 out of 216 CPSEs

Category – 1 or A+

(Rs. in Crores)

		Net Worth	Profit / Loss	
		2006-07	2005-06	2006-07
1	Indian Oil Corporation Ltd.	34700	4915	7499
2	Oil & Natural Gas Corporation Ltd.	61410	14431	15643
3	Food Corporation of India	2275.25	-	-
4	Bharat Sanchar Nigam Ltd.	85717	8940	7806
5	Steel Authority of India Ltd.	17184	4013	6202
6	Coal India Ltd.(Holding Company)*	12656	1712	2823
8	Bharat Petroleum Corporation Ltd.	10274	292	1805
9	Hindustan Petroleum Corporation Ltd.	9599	406	1571
7	NTPC Ltd.	49253	5820	66865
10	Bharat Heavy Electricals Ltd.	8788	1679	2415
11	GAIL (India) Ltd.	11393	2310	2387

Composite Scores of Category A + CPSEs in descending order (Scores based on average income, No. of employees and Geographical Spread)

S.No	Name of the Enterprise	Present Schedule	Status	Avg Income (Rs Cr.)	No of Employees	Score
1	Indian Oil Corporation Ltd. (Holding company and its Subsidiaries)	A	NR	205508	35314	99
2	Oil & Natural Gas Corporation Ltd. Holding company and its Subsidiaries)	A	NR	79916	34929	99
3	Food Corporation of India	A	-	45226	41358	97
4	Bharat Sanchar Nigam Ltd.	A	MRI	38661	320506	96
5	Steel Authority of India Ltd.	A	NR	32186	132973	96
6	Coal India Ltd.(Holding Company)*	A	MRI	33028	438103	96
7	Bharat Petroleum Corpn. Ltd. Holding company and its Subsidiaries)	A	NR	84790	14690	95
8	Hindustan Petroleum Corpn. Ltd.	A	NR	74301	10899	95
9	NTPC Ltd. Holding company and its Subsidiaries)	A	NR	30792	24162	95
10	Bharat Heavy Electricals Ltd.	A	NR	14427	42124	89
11	GAIL (India) Ltd.	A	NR	15174	3474	85

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