

Sittings of the 2ND Pay Revision Committee

Sr No.	Meeting No. & Date	Venue
1.	1 st (13/12/06)	New Delhi
2.	2 nd (16/01-17/01/07)	New Delhi
3.	3 rd (12/2-13/2/07)	New Delhi
4.	4 th (5/3-6/3/07)	New Delhi
5.	5 th (02/04)	Kolkata
6.	6 th (03/04)	Ranchi
7.	7 th (16/4-17/04)	New Delhi
8.	8 th (3/5-4/5)	New Delhi
9.	9 th (24/5-25/5)	Hyderabad
10.	10 th (11/06-12/06)	Bhubaneswar
11.	11 th (27/06)	New Delhi
12.	12 th (24/7-25/07)	New Delhi
13.	13 th (08/08-09/08)	Mumbai
14.	14 th (20/08-21/08)	New Delhi
15.	15 th (06/09-07/09)	New Delhi
16.	16 th (21/09)	New Delhi
17.	17 th (15/10-16/10)	New Delhi
18.	18 th (23/10-24/10)	Bangalore
19.	19 th (01/11)	Guwahati
20.	20 th (26/11)	Chennai
21.	21 st (27/11)	Kochi
22.	22 nd (29/11)	Goa
23.	23 rd (13/12-14/12)	New Delhi
24.	24 th (28/12)	Hyderabad
25.	25 th (19/01/08-20/01/08)	New Delhi
26.	26 th (03/02)	Hyderabad
27.	27 th (19/02-20/02)	Hyderabad
28.	28 th (04/03-05/03)	New Delhi
29.	29 th (13/03)	New Delhi
30.	30 th (26/03-27/03)	New Delhi
31.	31 st (02/04-04/04)	New Delhi
32.	32 nd (15/04-18/04)	New Delhi
33.	33 rd (24/04-25/04)	New Delhi
34.	34 th (30-04-03/05)	New Delhi
35.	35 th (08/05-10/05)	New Delhi
36.	36 th (15/05-16/05)	New Delhi

37.	37th (23/05)	New Delhi
38.	38th (27/05-28/05)	Hyderabad
39.	39th (29/05-30/05)	New Delhi

QUESTIONNAIRES

Questionnaire- Pay Revision Committee for executives and non-unionised Supervisors of CPSEs – w.e.f 1.1.2007.

1. Role of the Government

1.1 In view of present liberalised and competitive economic scenario and keeping in view the Government being the owner, what should be the role of the Government with reference to pay structure, perks and allowances of CPSE executives?

2. Scales of Pay & uniformity in pay packages

2.1 (a) Should the present classification of schedule of CPSE (A,B,C,D) be revised? If so what alternatives do you suggest and the reasons thereof?

(b) Should the present system of uniformity of pay scales within each of 4 schedules (A,B,C,D) continue or should it be revised?

(c) Should there be separate pay scales for Nav Ratnas and Mini Ratnas I & II?

2.2 Should there be any stipulation regarding some uniformity of pay scales and perks among CPSEs, or should the decisions on these matters be left entirely to each CPSEs?

2.3 If the Government is not to prescribe any degree of uniformity, what steps, if any, would need to be taken to minimize the migration of superior talent to those CPSEs which are financially better placed than those which are not, or for minimizing the possibility of any unhealthy competition amongst CPSEs or between CPSEs and Private Sector, to raise the salaries etc. to attract or even just retain efficient and productive personnel?

2.4 What should be the reasonable ratio between the minimum and the maximum of the pay scale?

- 2.5 Do you feel whether the existing number of pay scales should be retained or increased or decreased or whether the same should be replaced by a running pay scale?
- 2.6 What is the desirable ratio of pay scale between top level and entry level?
- 2.7 What is the expected ratio of manpower cost to cost of production/sales turnover in your industry.
- 2.8 How should pay be fixed in the revised pay scales? Should there be a point-to-point fixation? If not, please suggest a method by which it can be ensured that senior personnel are not placed at a disadvantage vis-à-vis their juniors and due weightage is given for the longer service rendered by the former.
- 2.9 Do you feel that the pattern of pay scales of Board level executives should be re-designed so as to attract candidates of the requisite calibre; what emoluments would you suggest for the board level executives in CPSEs.

3. Increments.

- 3.1 What should be the criteria for determining the rates and frequency of increments in respect of different scales of pay? Should these bear a uniform or varying relationship with the minima and/or maxima of the scales?
- 3.2 Whether the rate of increment would be fixed or based on percentage basis. If yes, indicate the percentage.
- 3.3 What should be the level of annual increment in terms of absolute value or/and percentage of basic pay?
- 3.4 Whether there should be stagnation increment for executives who reach the maximum of the scale. If so what should be the frequency.
- 3.5 Which are the scales in which comparatively a larger number of executives are stagnating?

4 Composition of the package

- 4.1 Presently the compensation packages include a number of allowances and perks. Would it be preferable to adopt a system of clubbing these into a consolidated salary in the interest of rationalization?
- 4.2 If a mix of basic salary, allowances (including HRA and CCA), perks, incentive payments etc. is to continue, what should be the proportion of each in the package?
- 4.3 What are present allowances. What are the changes you propose.
- 4.4 Should there be fixed salary and a variable component which is related to the performance of the individual. If so what should be the amount/proportion.
- 4.5 Should incentives be made available to the members of the Board of Directors, and if so, what should be their nature and extent?
- 4.6 Should there be uniformity in perquisites, allowances and incentives amongst all CPSEs, or amongst CPSEs within the same schedule, or should there be no need to prescribe any uniformity?
- 4.7 What should be the limit on perks of CPSE executives in terms of percentage of basic pay.

5. Company's Performance Related Payments.

- 5.1 What should be the criteria for performance related payments?
- 5.2 Whether performance related payment be allowed on the basis of distributable profit of the Enterprise?

6. Recruitment, Promotion, Flight of Talent.

What has been the number of functional directors, executives and officers leaving your organization annually over the last ten years and how does it compare with a few similarly placed representative units in private sector? What could be the main reasons for their leaving? (Priority and weightage may please be indicated to the extent possible.)

What is the number of executives leaving in each category and its percentage to the total strength in the concerned category?

What is the system and what are the parameters for recruitment of management trainee or equivalent levels in your organization?

Please indicate the names of institutions from which management trainees have been recruited through campus recruitment. Institution wise number recruited for the last 5 years and how many have left the company to be indicated. What is the criteria for identifying the institution from which campus recruitment is to be made.

What is the current promotion policy in your CPSE and the changes you suggest?

7. Issues of relativity and comparison with Government/Private sector/Multinational Corporations.

7.1 Should the compensation packages in CPSEs for the period 2007 onwards be based on the packages as they now exist, with some percentage increase, or would you suggest any other method?

7.2 Should CPSE pay scales and allowances have any linkage to the pay scales and allowances in the Government? If so, what are your suggestions?

7.3 How do the current compensation package in CPSEs compare with their competitors which are listed companies in private sector or multinationals.

7.4 What should be the relativity between the top management and workmen? If so, what should be the norms?

- 7.5 What should be the measures to be taken by relatively weaker CPSEs with inadequate resources to attract better people who would be essential for its performance improvement? What should be the measures for additional resource mobilization by weaker CPSEs?
- 7.6 If a very substantial increase in the package of emoluments for CPSEs is recommended to bring them closer to the private sector, what changes in terms of performance targets, evaluation, accountability and other conditions of service etc., should be prescribed?
- 7.7 If it is not found feasible or justified to bring the public sector emoluments at par with those in the private sector, how close need the compensation package in CPSEs be brought to the private sector to attract and retain comparable talent?
- 7.8 Taking into account the benefits, excluding pay, derived by employees in CPSEs and the private sector from security of tenure, promotional avenues, retirement packages, housing and other invisibles, can there be any fair comparison between the salaries available in the Public Sector vis-à-vis the salaries in the private sector?
- 7.9 What are your suggestions on how to harmonize the functioning of CPSEs with the economic conditions in the country and the demands of global economic scenario?
- 7.10 Some countries have Civil Service/CPSEs pay scales almost to levels prevalent in the private sector on the hypothesis that a well-paid, executive is likely to be honest and diligent. To what extent would such a hypothesis be valid and how far would such a course of action be desirable in the case of executives of CPSEs?
- 7.11 Would you suggest any changes in the existing relationship between pay packages of workmen and executives/supervisors immediately above level of workmen.

8. Issue of resources

- 8.1 Given the problem of resource constraints in many CPSEs, is it possible to enhance the overall compensation packages without increasing the financial burden on the enterprise? If so, how can this be done?

- 8.2 Should enhanced payments be deferred and linked to the future performance of the CPSEs and if so, to what extent? How can the employees be rewarded without a direct or immediate burden on the organization? Schemes like stock option provide an appreciation in the value of the holdings of the employees through the capital market mechanism – what other schemes of this nature can be suggested?

9. Central Dearness Allowance (CDA) related issues

- 9.1 Should the scales of pay of employees of CPSEs on CDA pattern be revised on the same conditions applicable to the employees of IDA pattern to maintain uniformity of pay revision.
- 9.2 Whether employees of CPSEs on CDA pattern be brought on IDA pay scales in case of promotions or otherwise on mandatory basis.
- 9.3 Should CDA pattern of scales be totally done away with?

10. Pay revision in Sick/BIFR referred CPSEs

Whether pay revision in sick CPSEs referred to BIFR be allowed as per present procedure only (i.e strictly as per rehabilitation packages approved by or to be approved by the BIFR and after providing for the additional expenditure on account of pay revision in their package).What should be the pay revision policy for sick CPSEs which are not referred to BIFR/BRPSE?

- 10.2 Whether the same condition would also be made applicable in case of pay revision of CPSEs following CDA pattern of scales of pay to maintain the parity between these two categories of employees in the same CPSE to avoid legal complication.

11. Specific proposals

11.1 In what manner can CPSEs functioning be improved to make them more professional, citizen-friendly and delivery oriented?

11.2 Please outline specific proposals, which could result in:

- (i) Reduction and redeployment of staff
- (ii) Reduction of paper work
- (iii) Better work environment
- (iv) Economy in expenditure
- (v) Professionalisation of services
- (vi) Reduction in litigation on service matters
- (vii) Better delivery of services/product by CPSEs to their users
- (viii) Any other suggestions.

11.3 Do you think the concepts of contractual appointment, part-time work, flexible job description, flexi time etc., need to be introduced in CPSEs to change the environment, provide more jobs and impart flexibility to the working conditions of employees?

11.4 What steps should be taken to ensure that technical professionals with sophisticated education and skills are retained in their specialized fields in Central Public Sector Enterprises? Should they be appointed on contract with a higher status and initial pay, advance increments, better service conditions, etc?

12. Holidays.

12.1 Kindly comment on the appropriateness of adopting a five-day week in some CPSEs Offices when other sectors follow six day week. Whether the number of gazetted holidays in CPSEs offices should be reduced? Please also comment on the appropriateness of declaring holidays for all major religious festivals?

12.2 What do you think is the state of work ethics and punctuality in CPSEs officers? Kindly suggest ways of improving these?

13. Voluntary Retirement Scheme.

13.1 Whether VRS is the only way to rationalise manpower?

13.2 Whether the VRS scheme notified by DPE on 5.5.2000, 6.11.2001 and 26.10.2004 should continue or VRS package should be modified? If yes, indicate the suggestions?

14. Performance Appraisal

14.1 What is the present system of performance appraisal and what are the suggestions for any change?

COMPENSATION PACKAGE IN CPSEs AS ON 31.12.2006

1. **Name of CPSE:**
2. **Financials Status of CPSE (loss making/BIFR referred/profit making/
Miniratna/Navratna)**
3. **Status of Pay Revision: (in IDA scale of pay - 1987, 1992 and 1997)
(in CDA scale of pay – 1986 and 1996)**
4. **Total No. of employees:**

In scales pay/ scales pay	IDA of CDA of	Workman	Non-unionised	Executives	Board	Total
		(unionized)	supervisors	below Board level	level	

5. **Nature of employees: Regular(State No.) Contractual(State No.)**
6. **Status of scales of pay: DPE model scales of pay Deviated scales of pay**
7. **Reasons for deviation in scales of pay:**
8. **Approval of competent authority for deviation:(Please state the authority
approving the deviations)**
9. **Periodicity of wage/ pay revision:**
10. **Increments fixed/if percentage basis then indicate
the percentage of basic pay:**

11. Compensation Parameters	Workmen (unionized employees)	Non- unionized supervisors	Executives below Board level (E-0 to E-9)
i. Salary			
Basic (incl. PP & any other type)			
DA			
Sub-Total			
ii. Performance Related Payments			
Incentive/Reward			
Bonus/Ex-gratia			
Sub-Total			
iii. Allowances/Reimbursements/ Benefits			
Conveyance Reimbursement			
Night shift Allowance			
Magazine/HRD Allowance			

LTC/LLTC			
Canteen			
Entertainment Allowance			
Leave Encashment			
Furnishing Allowance (soft/hard)			
Any others, if any (pl. specify)			
Sub-Total			
iv. Social Amenities/Benefits			
Education			
Housing (Township)			
Medical			
Others (pl. specify)			
Sub-Total			
v. Retiral Benefits			
PF			
Gratuity			
Medical Benefits/facilities			
Company's contribution to Pension			
Sub-Total			
vi. Any other items			
vii. Total (Cost to Company)			
(i+ii+iii+iv+v+vi)			

Note:- (i) While information on all components is requested for, at least total under each of the heads may kindly be furnished for detailed analysis by the pay Panel.

(ii) Whether performance related payments is based on distributable profit. If yes, indicate the percentage of distributable profit.

12. Remarks, if any:

List of CPSEs/Association/Agencies with whom PRC Interacted

(A) CPSEs :

Sr No.	Name of the CPSE
1.	Hindustan Latex Ltd
2.	Coal India Ltd.
3.	Hindustan Paper Corp Ltd
4.	GRSE Ltd
5.	Central Coalfields Ltd
6.	Power Finance Corp
7.	ONGC Ltd
8.	NMDC
9.	Electronics Corp of India Ltd
10.	RINL
11.	NALCO
12.	Mahanadi Coalfields Ltd
13.	Dredging Corp of India
14.	NTPC
15.	BSNL
16.	Shipping Corporation of India Ltd
17.	Cotton Corp of India
18.	Mazagaon Dock
19.	Air India
20.	Bharat Electronics Ltd
21.	Bharat Earth Movers Ltd
22.	Hindustan Aeronautics Ltd
23.	Bharmaputra Valley Fert Corp Ltd
24.	NEEPCO
25.	NEHHDC
26.	Neyvelli Lignite Ltd.
27.	Chennai Petroleum Ltd.
28.	Ennore Port Ltd.
29.	Cochin Shipyard Ltd
30.	Goa Shipyard Ltd

(B) **Associations:**

Sr No.	Name of the Assoc.
1.	National Confederation of Officers' Association
2.	Power HR Forum
3.	HCL Officers Assoc
4.	AIFBS Officers Assoc
5.	MECON Exe. Assoc
6.	Coal Mines Off. Assoc
7.	HEC Officers Assoc
8.	MTNL Exe. Assoc
9.	OSOA Assoc
10.	BHEL Officers Assoc
11.	NTPC Officers Assoc
12.	NMDC Officers Assoc
13.	NALCO officers Assoc
14.	RINL Exe Assoc
15.	Off. Assoc of Dredging Corp of India Ltd
16.	Officers Assoc of HPC
17.	SCI Officers Assoc
18.	NFDC Officers Assoc
19.	Rashtriya Chemicals Officers Assoc
20.	MDL Officers Assoc
21.	MECL Officers Assoc
22.	Officers Assoc of BSNL- SNEA, BEA, NTEA, GETOA
23.	ITPO Exe Assoc
24.	SEFI Exe Assoc
25.	BEL Officers` Assoc
26.	NCOA, Karnataka Zone
27.	Non Pentioned Retirees Association
28.	BEML Officrs` Assoc
29.	HAL Officers` Federation
30.	ITI Officers` Assoc.
31.	BVFCL Officers` Assoc
32.	OAs of Oil sector CPSE in NE Region
33.	NLC Officers` Assoc
34.	CPCL O/A
35.	CSL O/A
36.	FACT O/A
37.	CSL Supervisory Staff Assoc
38.	NCOA, Kerala Zone

(B) Other Agencies/Thematic Papers/Consultants :

Sr No.	Name of the Agency
1.	SCOPE
2.	Institute of Public Enterprises
3.	Thematic Study- ESOP (IOC)
4.	Thematic Study- VRS/VSS(MMTC)
5.	IPE
6.	Interaction with 6 TH Central Pay Commission
7.	Thematic Study- CDA/IDA (NTC)
8.	Mercer (SCOPE)
9.	Hewitt (Oil Sector)
10.	Deptt of Atomic Energy
11.	Thematic Study- PRP/PLI (NTPC)
12.	Post Retirement Benefits (NALCO)
13.	Thematic Study- IDA/CDA (DPE)
14.	Deptt of Defence Prod
15.	IPE Study
16.	BIFR Interaction
17.	Thematic Study- VRS/VSS (MMTC)
18.	Discussion on Thematic Studies
19.	Discussion of Chapter Writing
20.	PESB Interaction

List of officers associated with Pay Revision Committee

S.No	Name	Designation	Organisation
1	G.S. Bothyal	Director	DPE
2	P.C. Cyriac	Director	DPE
3	Kailash Bhandari	Assistant Director	DPE
4	K.D. Dhondyal	Private Secretary	DPE
5	Bharat Mohan	PA	DPE
6	A.K. Jain	Private Secretary	DHI
7	Jitender Kumar	PA	DHI
8	V.K. Batra	Chief Manager	Balmer Lawrie
9	D.P. Misra	Sr. Manager	BPCL
10	Shivaram	Manager, Liaison	Coal India Ltd.
11	S.K. Vaid	Chief Manager	GAIL
12	V.C. Aggrawal	Director (HR)	IOC
13	Nishant Prasad	Dy. Manager	IOC
14	K. Bagga	Protocol Officer	IOC
15	B.R. Mehra	Chief Manager	IOC
16	V.K. Pandey	GM	MMTC
17	D.S. Banja	GM	NALCO
18	Avinash Kumar	Chief HR Manager	NHPC
19	Ekramul Haque	Sr. Manager	NHPC
20	D.S. Velu	Retd. DGM	NMDC
21	Ms Priyadarshini	Sr. Manager (HR)	NMDC
22	S. Saptarishi Roy	GM	NTPC
23	P.K. Sinha	DGM	NTPC
24	P.H. Saxena	Sr. Manager	NTPC
25	K.I. Neb	Sr. Manager	NTPC
26	N. Mani	Chief Manager	ONGC
27	S.C. Shukla	Sr. Manager	ONGC
28	Ravi P Singh	Executive Director	PGCIL
29	Ashok Mishra	Sr. Manager	PGCIL
30	Bikram Uppal	Sr. Manager	SAIL
31	Pardeep Kumar	Asstt. Manager	SAIL
32	Mukesh Kumar	Asst. Manager	SAIL
33	S.A. Khan	Chief Manager	SCOPE
34	A. Zaman	Manager	SCOPE

(A) Questionnaire Responses Received from CPSEs

Sl. No.	Name of CPSE
1.	Airports Authority of India Ltd
2.	Andrew Yule & Company Ltd
3.	Artificial Limbs Manufacturing Corp of India
4.	Balmer Lawrie & Co. Ltd.
5.	Bharat Dynamics Limited
6.	Bharat Earth Movers Ltd.
7.	Bharat Electronics Ltd
8.	Bharat Petroleum Corp. Ltd.
9.	Bharat Pumps & Compressors Ltd.
10.	Bharat Refractories Limited
11.	Bharat Sanchar Nigam Limited
12.	Bharat Heavy Electricals Limited
13.	Biecco Lawrie Limited
14.	Brahmputra Valley Fertiliser Corporation Ltd
15.	Burn Standard Company Limited
16.	Central Electronics Limited
17.	Central Warehousing Corp
18.	Chennai Petroleum Corporation Limited
19.	Coal India Limited
20.	Cochin Shipyard Limited
21.	Container Corporation of India Limited
22.	Cotton Corporation of India Ltd
23.	Dredging Corp of India Ltd.
24.	Educational Consultant India Ltd
25.	Electronics Corp of India
26.	Engineers India Limited
27.	Ennore Port Limited
28.	GAIL (India) Limited
29.	Garden Reach Shipbuilders & Engineers Ltd.
30.	Goa Shipyard Limited
31.	Heavy Engineering Corporation
32.	Hindustan Aeronautics Ltd.
33.	Hindustan Copper Limited
34.	Hindustan Fluorocarbons Ltd.
35.	Hindustan Latex Limited
36.	Hindustan paper Corporation Ltd
37.	Hindustan Photo films Manufacturing Company
38.	HMT Limited
39.	India Trade Promotion Organisation
40.	Indian Medicines Pharma Corp Ltd
41.	Indian Oil Corporation (IOC)

42.	Indian Rare Earth Ltd.
43.	Indian Renewable Energy Development Agency Ltd
44.	ITDC Ltd
45.	ITI Ltd.
46.	Konkan Railway Corporation Ltd
47.	Kudremukh Iron Ore Company Limited
48.	Manganese Ore India Ltd
49.	Mazgon Dock Limited
50.	MECON Limited, Ranchi
51.	Mineral Exploration Corporation Ltd
52.	Mishra Dhatu Nigam Ltd
53.	MSTC Ltd.
54.	National Aluminium Company (NALCO)
55.	National Buildings Construction Corporation Limited
56.	National Fertilisers limited
57.	National Films Development Corp. Ltd
58.	National Handloom Development Corporation Limited
59.	National Hydroelectric Power Corporation Limited
60.	National Mineral Development Corporation Limited
61.	National Research Development Corporation of India
62.	National Scheduled Tribes Finance & Development Corporation
63.	National Seed Corporation Limited
64.	National Textile Corp (U.P.) Ltd.
65.	NEPA Limited
66.	Neyvelli Lignite Corp
67.	North Eastern Electric Power Corporation Ltd
68.	North Eastern Handicraft & Handloom devp. Corp Ltd
69.	Northern Coalfields Limited
70.	NSIC Ltd.
71.	NTC, Delhi
72.	NTPC Ltd
73.	Oil & Natural Gas Corporation Limited
74.	PEC Limited
75.	Power Finance Corporation
76.	Power Grid Corporation of India
77.	Rail Tel Corporation of India
78.	Rashtria Chemicals Fertilisers Ltd
79.	Rashtyriya Ispat Nigam Ltd (RINL)
80.	Rural Electrification Corp Ltd
81.	Satluj Jal Vidyut Nigam Limited
82.	Sponge Iron India Limited
83.	State Farms Corporation of India Limited
84.	State Trading Corporation of India
85.	STCL Limited
86.	Steel Authority of India Limited
87.	Tehri Hydro Devp Corp Ltd

88.	Telecommunications Consultants India Ltd
89.	The Fertilisers & Chemicals Travancore Ltd.(FACT)
90.	The Handicrafts & Handloom export Corp of India Ltd
91.	The Shipping Corp. of India Ltd.
92.	Tungabhadra Steel Products Limited
93.	Uranium Corporation of India Ltd.
94.	WAPCOS Ltd.

(B) Questionnaire Responses Received from CPSEs (With No comments or comments which are not directly related)

Sl. No.	Name of CPSE
1.	Alliance Air
2.	Bharat Immun. & Biological Corp Ltd (BIBCOL)
3.	Bharatiya Nabhikiya Vidyut Nigam Ltd
4.	Bongaigaon Refinery & Petrochemical Limited
5.	Cotton Corporation of India Limited
6.	Export Credit Guarantee Corporation of India Limited
7.	Guru Gobind Singh Refineries Limited
8.	HMT Limited
9.	IBP Company Ltd
10.	Indian Airlines
11.	Indian Strategic Petroleum Reserves Ltd(ISPRL)
12.	Mumbai Railways Vikas Corp Ltd
13.	Nuclear Power Corp. of India Limited
14.	ONGC Videsh Ltd.
15.	Pyrites, Phosphates & Chemicals
16.	Security Printing & Minting Corp. of India Ltd.
17.	Tamilnadu Trade Promotion Organisation

(C) Questionnaire Responses Received from Officers' Association of CPSEs

Sl. No.	Name of CPSE
1.	All India BSNL Exe. Association
2.	All India Off. Ass. of NFDC
3.	Balmer Lawrie Supervisor's Association
4.	Bharat Dynamics Officers' Association
5.	Burn Standard Officers' Association
6.	BVFCL Officers Association
7.	Chennai Petroleum Corp
8.	Coal Mines Officer Association
9.	Coal Mines Retired Executives Association
10.	Cochin Shipyard Officers' Association
11.	FACT Officers Association
12.	GAIL Officers Association.
13.	GRSE Officers' Association
14.	HEC officers Association
15.	Hindustan Fluorocarbons Limited
16.	Hindustan Photo films Officers` Association
17.	HPC Officers Association
18.	India Trade Promotion Organisation Employees Union (Regd)
19.	Indian Airlines Officers Association
20.	ITI Executives Association
21.	ITI Officers Association, Srinagar
22.	Kayamkulam Exec. Ass. of NTPC
23.	Kundermukh Iron Ore Company Ltd Officers Association- NO COMMENTS
24.	Mazgaon Dock Officer`s Association
25.	MECL Officers' Association
26.	MECON Executives Association
27.	MOIL Executives Association
28.	MTNL Executives Association
29.	National Confederation of Officers' Association (NCOA)
30.	National Fertiliser Off.Association (FOA)
31.	National Telecom Exe. Association (BSNL)
32.	NFDC Officers Association
33.	NHPC Officers Association
34.	NLC Officers Association
35.	NTPC Exe. Association
36.	Oil India Executive Employees Association
37.	Oil Sector Officers' Association
38.	OSCOM Officers Association (Indian Rare Earth Ltd)
39.	PRAGA Officers Association
40.	Sanchar Nigam Association of Telecom Tech. Assistants (BSNL)

41.	SCI Officers Association, Mumbai
42.	Steel Executives Fed of India (SEFI)
43.	TCIL Officers' Association
44.	WAPCOS Officers Association

(D) Questionnaire Responses Received from Ministries/ Deptt.

Sr No	Ministry/Department
1.	Department of Banking
2.	Department of Atomic Energy
3.	Department of Space
4.	Deptt of Defence Production
5.	Deptt of Space, Antrix Corporation Ltd
6.	Deptt of Space, Semi conductor Laboratory
7.	Deptt of Urban Development
8.	M/o Consumer Affairs, Food & Public Distribution D/o Food & Public Distribution
9.	Ministry of Agriculture Deptt of Agriculture & Coop
10.	Ministry of Comm & Industry, Deptt of Comm
11.	Ministry of Comm. & Information Tech
12.	Ministry of Finance, Deptt of Disinvestment
13.	Ministry of Power
14.	Ministry of Science & Technology
15.	Ministry of Social Justice & Empower
16.	Ministry of Steel
17.	Ministry of Urban Development
18.	Ministry of Water Resources

RESPONSES TO QUESTIONNAIRE

The PRC undertook the exercise of collecting and assimilating the primary source of information pertaining to existing compensation and benefits from various agencies so that the views of the stakeholders who are likely to be affected by the decisions taken by the PRC is made available. Based on the replies received from 184 different agencies [Annexure II] including 111 CPSEs and their subsidiaries, 44 Officer's' Associations; 19 Ministries/Departments and 10 Consultants/Task Force members, a detailed analysis has been done on each of the question and is given as under:

1. In view of the present liberalized and competitive scenario, what should be the role of Government as owner in deciding pay structure, perks and allowances of CPSE executives?

As regards Pay Structure, 44% CPSEs have favour for complete autonomy in the pay structure. Nearly 66% of the CPSEs feel that there should be broad guidelines for pay structure but the issue of finalization of perquisites may be left to the individual organization. So far as Perks are concerned, 58% respondents are in favour of autonomy in fixing perks, 14% felt that the perks may be decided by the government. 27% did not respond. 44% of the CPSEs are of the view that as the pay and perks of the employees in the organization have to be generated through internal resources these may be decided by the individual organization.

2. Should the present classification of schedule of CPSE (A,B,C,D) be revised? If so what alternatives do you suggest and the reasons thereof?

52 % of all the respondents are of the view that classification according to Schedule i.e. Schedule A, B, C or D should continue. 33 % of Schedule A, 24 % of Schedule B and 50% of Schedule C organizations felt that this classification may be revised.

3. Should the present system of uniformity of pay scales within each of the four schedules (A,B,C,D) continue or should it be revised?

58% of the CPSEs (including 40% of Schedule A, 50% of Schedule B and 60% of Schedule C) are in favour of uniformity of pay scales within the same schedule. A majority i.e. 82% of the CPSEs, however, are against the uniformity of the pay scales in all CPSEs. 18% advocated pay parity irrespective of schedules.

4. Should there be separate pay scales for Nav Ratnas and Mini Ratnas I & II?

35% of the respondents are in favour of separate scales for Navaratna and Mini Ratna CPSEs. 45% of the respondents are not in favour of separate pay scale for Nav Ratna and Mini Ratna CPSEs, while 20% remained silent on this issue.

5. Should there be any stipulation regarding uniformity of pay scales and perks among CPSEs, or should the decision on these matters be left entirely to each CPSE?

60% of these CPSEs including 40% in Schedule A and 70% each in Schedule B & C felt that there should be some guidelines regarding uniformity of pay and perks from the Government.

6. If the Government is not to prescribe any degree of uniformity, what steps, if any, would be required to minimize the migration of superior talent to those CPSEs which are financially better placed, or for minimizing the possibility of any unhealthy competition amongst CPSEs or between CPSEs and Private Sector, to raise the salaries etc. to attract or just retain efficient and productive personnel?

In order to minimize the migration of superior talent, 43% CPSEs suggested uniform pay structure amongst different categories of CPSEs. Uniform pay structure may be in profit making CPSEs, 36% felt that the emoluments may be commensurate to the market, 32% indicated that the factors other than money may help in minimizing the same. 24% of all CPSEs felt that migration is inevitable.

7. What should be the reasonable ratio between the minimum and the maximum of the pay scale?

17% indicated their inclination towards open-ended scales whereas others have suggested the ratio ranging from 1:15 to 1:20.

8. Should the number of pay scales existing now be retained, increased or decreased or the same should be replaced by a running pay scale?

55% of all the respondent felt that no. of pay scales existing now may be retained, while 23% suggested to replacement of the same by a running pay scale.

9. What is the desirable ratio of pay scale between top level and entry level?

Desirable ratio of pay scale between top level and entry level has been suggested to range from 1:3 to 1:30 by these CPSEs.

10. What is the ideal ratio of manpower cost to cost of production/sales turnover in your industry and what is the actual ratio in your company?

Actual ratio of manpower cost to turnover in different CPSEs ranges from **1:1.5 to 1:70** and different for each company and depends on their type of business. Ideal ratio of manpower cost to turnover indicated by the respondent PSEs ranges from 1:5 to 1:50 and different for each company and depends on their type of business.

11. How should pay be fixed in the revised pay scales? Should there be a point to point fixation? If not, please suggest a method by which can be ensured that senior personnel are not placed at a disadvantage vis-à-vis their juniors and due weightage is given for the longer service rendered by the former.

68% (A-80% B-50% and C-70%) of the respondents have favored the idea of point-to-point fixation of the pay in the revised pay scale. This is to tackle pay anomaly on a later stage. 26% favored additional increment for senior personnel.

12. Should the pay scales of Board level executives be redesigned in order to attract candidates of the requisite caliber, what emoluments would you suggest for the Board level executives in CPSEs.

88% of the respondents felt that the pay scales of Board level executives be redesigned in order to attract candidates of the requisite caliber. 100% of Schedule A and 70-80% of Schedule B and Schedule C CPSEs indicated the need to redesign the pay scales of

board level executives, whereas almost 27% of these respondents felt the need to link the pay scales of board level executives with company performance.

13. What should be the criteria for determining the rates and frequency of increments in respect of different scales of pay? Should these bear a uniform or varying relationship with the minima and/or maxima of the scales?

90% have advocated the frequency in Increment as Annual.

14. Should the rate of increment be fixed or on percentage basis. If on percentage basis, indicate the percentage?

80% organization says that the rate of increment should be on percentage basis. 20% organization says that the rate of increment should be on Fixed basis.

15. What should be the level of annual increment in terms of absolute value or/and percentage of basic pay?

Same as above.

16. Whether there should be stagnation increment for executives who reach the maximum of the scale. If so what should be the frequency.

88% have advocated that there should be stagnation increment. 68% said that there should not be any cap. The increment can go upto retirement. This is possible if the pay scales are open ended. 10% have informed that there should be maximum 3-5 increments limit on stagnation. 22% did not respond correctly. 61% have asked for Annual Stagnation Increment and 19% has asked for stagnation increment alternate year (once in two years).

17. Which are the scales in which comparatively a larger no. of executives are stagnating in your Company?

The stagnation is mainly at Executive Levels mostly in E4, E6 & Above Level. There is 3% stagnation in Sup/Workmen category and in 33% has indicated that there is no stagnation or it is not applicable to them. Increase from 7% in E9 to 51% in E1-E5.

18. Presently the compensation packages include a number of allowances and perks. Would it be preferable to adopt a system of clubbing these into a consolidated salary in the interest of rationalization?

Most of the CPSEs have sought minimum Tax impact on account of Perks and Allowances. 21 % said that decision on this issue may be left to the concerned CPSE. 40% feel that present system holds good hence may be continued.

19. If a mix of basic salary, allowances (including HRA and CCA), perks, incentive payments etc. is to continue, what should be the proportion of each in the package?

The compensation packages should be structured in such a manner so that the tax liability on the part of employee is reduced. 55% organizations are of the view that present system of Fixed Pay + Perks may continue. 20% organizations have said that it should be left to the discretion of the CPSE. 25 % feel that HRA percentage should be more. Some of them have advocated for HRA based on market rate.

20. What are present allowances? What are the changes you propose?

Allowances vary from organisation-to-organisation, depending on and their nature/location of work. Some of common allowances are HRA/CCA/Entertainment allowance/Night Shift Allowance etc. 32% proposed some change in Allowances. 14% wished it to be left to concerned CPSEs 7 % did not wish to change and 61% did not respond. It is the general feelings that the present HRA and CCA are inadequate to compensate the inflation rates. HRA and CCA should be treated separately and according to the city and based on actual data/ market rates.

21. Should there be any fixed salary and a variable component, which is related to the performance of the individual, If so, what should be the proportion?

65% have advocated for the fixed and variable components of Salary. 15 % did not agree with the idea. 20% did not respond to this question. 26 % want that the proportion may be decided by the concerned CPSE. As regards proportion of Fixed and variable pay, 35 % organisations did not respond, 9% felt that the variable

component may be 10-20% of Fixed Salary, 21 % feel the proportion should be 20-30% where as 20 % are of the view that it may go upto 30-50%. 7% advocated the variable component as 100% or more of the fixed salary. The observation is that payment of Fixed salary while the variable component is based on the performance of the individual.

22. Should incentive be made available to the Members of the Board of Directors, and if so, what should be their nature and extent?

88 % advocated for payment of incentive to Members of the Board (Profit sharing). 3% of the respondents have answered negatively and 8% did not respond to the question overall, 40% wanted that the incentive to Members of the Board to be decided by the concerned CPSEs and 60% did not answer on this issue. Some of them proposed incentive to be in the range of 5% to 50% of Basic, while two to three wanted percentage in profit or market rate.

23. Should there be uniformity in perquisites allowances and incentives amongst all CPSEs, or amongst CPSEs within the same schedule, or there is no need to prescribe any uniformity?

45 % CPSEs have answered negatively to the question of Uniformity in Perquisites, allowances and incentives amongst all CPSEs. 19 % answered in favour and 34 % were not in favour of uniformity in everything. 12 % advocated for uniformity in Perquisites, allowances and incentives amongst the same Scheduled CPSEs. 9 % said no to this issue and 77 % were silent on this issue. Overall it should be structured to minimize the tax liability.

24. What should be the limit on perks of CPSE executives in terms of percentage of basic pay?

Limit on perks of CPSEs Executives could be considered to ensure a fair compensation system for the employees. Overall it should be structured to minimize the tax liability or tax free. 34 % of the organisations advocated for 50% of BP or BP+DA as the limit for perks. 17 % of the organisations advocated for 75% of BP or BP+DA as the limit for perks. 21 % wished the limit of more than 100% of Basic. 26

% did not specifically answer the question. 11% thought of additional percentage based on performance.

25. What should be criteria for performance related payments?

75 % of the organisations were in favour of Performance Related Payments and have set the Organisations Performance, Group Performance (Performance of Business Unit), Productivity and Profit as the Criteria for such payments and more than 22% remain silent on this issue. Overall 33 % of organisations wished to include the employees Performance rating as one of the criteria for performance related payments but 67% remained silent on this issue because many thought that in PSUs, true employee performance rating may be difficult or biased due to preferences.

26. Whether performance related payments be allowed on the basis of distributable profit of the Enterprise?

Majority of the company (73%) have responded that performance related payment be allowed on the basis of distributable profit of the Enterprise. 18% answered negatively to the question and 8 % did not specifically answer the question. Some have requested raise in the limit from 5% to 10% for distributable profit.

27. What has been the number of functional Directors, executives and Officer's leaving your organization annually over the last ten years and how does it compare with a few similarly placed representative units in private sector? What could be the main reasons for their leaving? (Priority and weightage may please be indicated to the extent possible.)

For most of the CPSEs , only a few of the functional Directors have left and that too for joining other CPSEs through PESB. Among Executives below Board level, 34 % of CPSEs have shown attrition rate of < 5%, 10% of CPSEs have shown it between 5-10%, 2 CPSEs have shown it above 10% and others have not maintained any data base for such study. Also, none of them has been able to compare its attrition trends with other similar or private companies for lack of data from private firms. Major portion of total attrition has been found to be at the entry level.

28. What is the number of executives leaving in each category and its percentage to the total strength in the concerned category?

In most of the CPSEs attrition rate has been maximum at entry level grades (E1 to E3) and it is negligible in middle management. However, in ONGC, maximum attrition has been in the middle management (E4-E5), particularly in the last two years and here attrition is still low at entry level. In 20% of the CPSEs notable attrition has been observed at senior level (E6-E7) grade. 60 % of Officer's Associations have offered no comments.

29. What is the system and what are the parameters for recruitment of management trainees or equivalent levels in your organization?

About 70 % of the CPSEs are recruiting through open all India level competitive examination. (Subject to Minimum level of qualifications, Marks Percentage & age etc.). About 27 % are recruiting both through all India level examination as well as campus recruitment. Only 6 % are going for campus selection alone. Some of them have reported limited success for some courses in case of campus selection e.g. for naval architect, Fire services & Mining. Such candidates are available in a few institute only. Officer's Associations have either offered no comments or comments similar to the management on system & parameters for recruitment.

30. Please indicate the names of institutions from which management trainees have been recruited through campus recruitment. Also give institution wise details of number recruited and number resigned during the last 5 years.

The common list of institutes includes premiere institute like IIT's, IIM's, other top 10 Management institutes, RECs, ISM Dhanbad, NFC Nagpur, NIETE Mumbai etc. A few of the CPSEs have recruited from less reputed technical institutions on the expectations that attrition rate of candidates from less popular institutes will be low. Officer's Associations have either offered no comments or comments similar to the management on names of institution & campus selection.

31. What is the criterion for identifying the institution from which campus recruitment is to be made?

Institutes for campus selection have been short listed based on ranking by various technical rating agencies, management magazines, infrastructure, faculty, results of institutes, performance of previous students already in the organization, industrial focus & industrial interaction of the institute and past experience of campus recruitment process at different institutes. Officer's Associations have offered no comments or Comments similar to the management on criteria for identifying the institution for campus selection.

32. What is the current promotion policy in your CPSE? Are any changes required? Please give your suggestion.

Different CPSEs have different promotion policy depending upon the nature of business, working conditions and competitive business scenario. But, common to these policies is that up to middle management (say E4), it is time bound subject to certain minimum standards being achieved by the individual. Above this level, it is based on vacancy-cum-merit. Cluster system is being followed in most of the CPSEs. Promotion within the cluster is based on time-cum-merit (as explained above) and between cluster it is vacancy-cum-merit.

In as much as above middle management (say E4), vacancies are limited, the problem of stagnation occurs in most of the CPSEs (approx 65 %) above E4/E5.

33. Should the compensation packages in CPSEs be based on the packages as they now exist with some percentage increase, or would you suggest any other method?

Around 45% of CPSEs are of the view that the compensation packages in CPSEs should be largely based on pay packages existing now with some percentage increase. Around 9% feel that this increase should be substantial. However, around 20% respondents have asked for parity with the private sector / market. Around 7 % want freedom for CPSEs to structure their compensation packages with only broad guidelines being issued by the Government. Majority of Officer's Associations (around 45 %) want parity in compensation with the private sector / market. 22 % are of the view that compensation packages in CPSEs needs to be increased substantially.

34. Should CPSE pay-scales and allowances have any linkage to the pay-scales and allowances in the Government? If so, what are your suggestions?

Most CPSEs (around 68 %) do not want linkage of pay-scales and allowances of CPSEs with that in the Government. Around 42 % of these have asked for linkage with the market instead and 15 % have asked for pay-scales and allowances better than that in the Government. Further, CPSEs should be given the freedom to design their compensation structure in consonance with their philosophy and strategy. 40% of Officer's' Associations are of the view that pay scales and allowances of CPSE employees should not be linked to that of Central Government employees. 15% have asked for linkage with the market instead and 20% want better pay scales and allowances than similarly placed Government employees.

35. How does the current compensation package in CPSEs compare with their counterparts amongst listed private sector or multinational companies?

Majority of CPSEs (around 67 %) are of the opinion that CPSEs compensation packages do not compare favorably with the counterparts amongst listed private sector / multinational companies. 7 % are of the view that compensation package in CPSEs compares favorably with private sector at lower levels but private sector compensation packages are significantly higher from middle management levels onwards. Around 9 % have not offered comments citing non-availability of data. Majority of Officer's' Associations (74 %) are of the view that CPSE compensation packages do not compare favorably with counterparts amongst listed private sector / multinational companies.

36. What should be the relativity in remuneration between the top management & workmen?

Responses to this question vary from 2:1. to 35:1. Around 26 % are of the opinion that relativity should be 10:1. Around 14 % feel that this relativity should be 15:1 and 20:1. Around 7% feel that this relativity should be 8:1 and 5:1. The Navratnas, have suggested relativity of 15:1 between the highest and the lowest paid employee. So far

as Officers' Associations are concerned, responses to this question give varying ratios between 2:1 to 25:1. Around 16% are of the opinion that relativity in remuneration between the top management and workmen should be 25:1. 16% of the respondents have suggested relativity of 10:1. 11% have suggested relativity of 20:1.

37. What measures should be taken by the relatively weaker CPSEs with inadequate resources to attract better people who would be essential for improved performance? What should be the measures for additional resource mobilization by weaker CPSEs?

1) To attract better personnel, 20% of CPSEs suggests performance-linked payments. 14% have suggested attractive compensation package. 12% have suggested deputation of competent professionals for a fixed tenure and 9% have suggested that CPSEs be given freedom to decide their strategy.

2) Measures for additional resource mobilization, 47% have suggested financial assistance / subsidy by the Government. 14.28% have suggested that such CPSEs should tap the buoyant stock/debt market. 23% of Officer's Associations have suggested tax sops for such mergers, diversification (becoming multi-product) and tapping the buoyant stock / debt market. 15% of Officer's Associations are of the opinion that purchase preference needs to be given to products of such weak CPSEs.

38. If a very substantial increase in the package of emoluments for CPSEs is recommended to bring them closer to the private sector, what changes in terms of performance targets, evaluation, accountability and other conditions of service etc; should be prescribed?

Majority of CPSEs, around 53 % are of the opinion that there should be greater thrust on performance. These organizations want a sound Performance Management System (PMS) with measurable performance targets and objective evaluation. Out of these, 4 companies also want greater thrust on performance linked incentive schemes / compensation package linked to performance and one each has opined that the MOU system should also be strengthened / made more stringent and CPSEs should be given greater autonomy. 23% organizations want greater thrust on performance linked

incentive schemes / compensation package linked to performance. 17% organizations want performance targets, evaluation, accountability and other conditions of service also to be in line with that prevailing in the private sector. 30% of Officer's Associations are of the opinion that there should be greater thrust on performance, measurable performance targets with objective evaluation i.e. implementation of a sound Performance Management System (PMS).

39. If it is not found feasible or justified to bring the public sector emoluments at par with those in the private sector, how close need the compensation package in CPSEs be brought to the private sector to attract and retain comparable talent?

23% companies have maintained that public sector emoluments should necessarily be pegged as close as possible to comparable private sector enterprises. Around 9% suggest that the same has to be at par with private sector if the public sector is to attract and retain comparable talent. Some have also suggested that design of compensation structure be left to the CPSE Boards to decide. Among Navratna companies the view is that compensation in PSEs needs to be pegged at least at the 30th percentile of the market. 14% feel that if not at par, public sector emoluments should be at least 80% of the emoluments in comparable private sector enterprises. However, 7% feel that public sector emoluments cannot be compared with private sector emoluments. More than half (55%) of Officer's Associations are of the view that public sector emoluments should be at par with comparable private sector emoluments if the public sector is to attract and retain comparable talent. On the other hand, 11 % of Officer's Associations feel that emoluments in the public sector could be pegged at around 50% of emoluments of comparable private sector companies.

40. Taking into account the benefits, excluding pay, derived by employees in CPSEs such as security of tenure, promotional avenues, retirement packages, housing and other invisibles, can there be any fair comparison between the salaries available in the public sector vis-à-vis the private sector?

30% of CPSEs are of the opinion that the afore-mentioned benefits are available in the private sector also. 24% feel that CTC concept should be adopted to compare compensation in the public sector with the private sector. Around 13% feel that barring security of tenure, the benefits mentioned above form part of compensation of

most premier private enterprises / multinational companies and security of tenure is no longer valued, focus have shifted from employment to employability. 22% of Officer's Associations are of the view that comparison of emoluments in the public sector with that existing in comparable private sector companies is fair as benefits like security of tenure, promotional avenues, retirement packages, housing etc are available in comparable private sector companies also. Equal number (22%) has gone further stating that Cost to Company (CTC) in competing private companies is in fact higher.

41. What are your suggestions on harmonizing pay package of CPSEs with the economic condition of an average Indian and the demands of global competitive economy?

Majority of CPSEs, around 79 % are of the view that the pay package of CPSEs cannot be compared / harmonized with the economic condition of an average Indian and does not come in the way of improvement in the economic condition of an average Indian. Other opinions are that the pay package must be linked with capacity to pay, harmonization should be left to market forces and, pay-package of CPSEs has no impact on economic condition of an average Indian. 22 % of Officer's Associations are of the opinion that pay package of CPSEs cannot be compared / harmonized with the economic condition. 11% of Officer's Associations have expressed that compensation in CPSEs should be determined by the market. Equal number says that CPSE compensation packages need to be made more attractive.

42. Some countries have Civil Service / CPSEs pay-scales almost to levels prevalent in the private sector on the hypothesis that a well-paid executive is likely to be honest and diligent. To what extent would such a hypothesis be valid and how far would such a course of action be desirable in the case of executives of CPSEs?

Around 20% of CPSEs hold the view that while the hypothesis that a well-paid executive is likely to be honest and diligent may not be valid or may be valid to a limited extent. Pegging CPSE pay-scales almost to levels prevalent in the private sector would be desirable. 22 % of PSEs are of the opinion that said hypothesis is valid and granting CPSEs pay scales comparable to private enterprises is required. 10 % of organizations have cautioned that paying capacity of the concerned CPSE should be taken into account while granting private sector pay scales.

43. Would you suggest any changes in the existing relationship between pay packages of workmen and executives / supervisors immediately above level of workmen?

41 % of CPSEs do not want any change in the existing relationship between pay packages of workmen and executives / supervisors immediately above workman level. Around 13 % want substantial difference to be there in pay-package of workmen & executives / supervisors immediately above the level of workmen. 28% of Officer's Associations are of the opinion that the gap between pay-packages of workmen and executives / supervisors immediately above the level of workmen should be significant. Equal number (28%) are of the view that no changes are required, i.e. existing relationship should be maintained. 12 % Associations have suggested relativity of 1:25.

44. Given the problem of resource constraints in many CPSEs, is it possible to enhance the overall compensation packages without increasing the financial burden on the enterprise? If so, how can this be done?

41% of CPSE's felt that compensation packages may be enhanced without increasing the financial burden by enhancing the productivity, effective utilization of man power/ resources while 22% have preferred not to voice their comments. 16% of CPSE's have suggested for rationalisation of manpower and stoppage of wasteful expenses. 6% of CPSE's have suggested for freedom in introducing VRS scheme and out sourcing of non-core activities. 32% of Officer's Associations of CPSE's have not preferred to offer their comments. 13 % felt that compensation packages may be achieved by effective utilization of manpower/ resources and cutting of wasteful expenses while another 15% felt that it can be managed by enhancing productivity.

45. Should enhanced payments be deferred and linked to the future performance of the CPSEs and if so, to what extent? How can the employees be rewarded without a direct or immediate burden on the organization? Schemes like stock option provide an appreciation in the value schemes of this nature can be suggested?

60% of the CPSEs felt that enhanced payment can be linked with the performance of concerned CPSEs while 21% of CPSEs preferred not to voice there comments on this

matter. 8% of CPSEs are against the idea of enhanced payment linked with performance. Majority of Officer's Associations (36 %) have preferred not to offer their comments while 22 % are of the opinion to release enhanced payment immediately. 12% felt that enhanced payment can be linked with the performance of the concerned CPSE, while equal percentage is in favour of employees stock option scheme. 5% each felt that it should be as per prevailing condition and environment, while one CPSE wants 5% special packages for IT companies.

46. Should the scales of pay of employees of CPSEs on CDA pattern be revised on the same conditions applicable to the employees of IDA pattern to maintain uniformity of pay revision?

50% of CPSEs felt that CDA pattern be revised on the same conditions applicable to the employees of IDA pattern to maintain uniformity of pay revision while 19% have not offer their comments on this issue. 16% of CPSEs are in favour of IDA pattern while 7% of CPSEs are in favour of CDA pattern. Majority of Officer's Associations (around 48%) have preferred not to voice their comments on this matter while approx 18% felt that CDA pattern be revised on the same condition applicable to the employees of IDA pattern to maintain uniformity on pay scales while 10% are in favour of CDA pattern only.

47. Whether employees of CPSEs on CDA pattern be brought on IDA pay scales on promotions or otherwise on mandatory basis.

38 % of CPSEs felt that CDA pattern be brought on IDA pay scales on promotion or otherwise on mandatory basis, while 30% have not offered their comments on the same. 21 % of the CPSEs are in favour of IDA on a "mandatory basis". 10% CPSEs felt that there is no need to have Dearness Allowance patterns. 25% of Officer's Associations of CPSEs felt that CDA pattern be brought on IDA pay scales on promotion or otherwise on mandatory basis, while large number of Associations (45%) have not preferred to offer their comments. 10% Associations of CPSEs are in favour of mandatory basis while equal percentage felt that it should be based on net profit of the CPSE.

48. Should CDA pattern of scales be totally done away with?

68 % of CPSEs felt that CDA pattern of scales should be totally done away with, while 27 % of CPSEs preferred not to voice their comments on this matter. On the other hand, 6% of CPSEs have answered in negative. 2% CPSEs have left the issue to the Government. Majority of Officer's Association (around 43 %) have preferred not to voice their comments on this matter while equal percentage felt that CDA patterns of scales should be totally done away with. 10% are in favour of uniformity.

49. Whether pay revision in sick CPSEs referred to BIFR be allowed as per present procedure only (i.e. strictly as per rehabilitation packages approved by or to be approved by the BIFR and after providing for the additional expenditure on account of pay revision in their package). What should be the way revision policy for sick CPSEs, which are not referred to BIFR/BRPSE?

43% of the CPSEs felt that pay revision CPSEs referred to BIFR may be allowed as per existing procedure. However sick CPSEs not referred to BIFR/ BRPSE should be given an option to work out there own compensation strategy while 22% have preferred not to voice their comments on this matter. 18% of the CPSEs wanted uniformity in pay revision irrespective of BIFR/BRPSE. 26% of Officer's Associations of CPSEs wanted uniformity in pay revision irrespective of BIFR/ BRPSE, while 25 % felt that pay revision in sick CPSEs referred to BIFR may be allowed as per present procedure.

50. Whether the same condition would also be made applicable in case of pay revision of CPSEs following CDA pattern of scales of pay to maintain the parity between these two categories of employees in the same CPSE to avoid legal complication.

49% CPSEs felt that the two categories of employees, one group on CDA and other on IDA pattern should be brought into one uniform pattern while 39% have offered no comments. 35 % of Officer's Associations of CPSEs felt that 2 categories of employees, one group on CDA pattern and other on IDA pattern, should be brought on uniform pattern while 69 % have not offered their comments.

51. In what manner can CPSEs functioning be improved to make them more professional, citizen-friendly and delivery oriented?

The CPSEs have sent variety of suggestions to improve their functioning. The gist of these suggestions can be summarized as follows: More autonomy to the Board after fixing proper responsibility & accountability through signing an MOU or otherwise by out-sourcing of non-core activities, limited vigilance enquiries, reduced political/ Government interference, limited number of monitoring agencies avoiding unnecessary data collection & storage etc.

The Officer's Association believes that CPSEs are already citizen friendly & Delivery oriented, but some misconceptions remain in the public domain. Most of them (90 %) have asked for more autonomy in operations & decision-making, less interference by Government & Government sponsored agencies such as Vigilance, CAG etc. Some of them have asked for division of CPSEs into Strategic Business Units (SBUs).

52. Please outline specific proposals, which could result in:

(i) Reduction and redeployment of staff, (ii) Reduction of paper work , (iii) Better work environment, (iv) Economy in expenditure, (v) Professionalisation of services, (vi) Reduction in litigation on service matters, (vii) Better delivery of services/product by CPSEs to their users, (viii) Any other suggestions.

Specific proposals regarding above is Rationalization of manpower by offering Good VRS, Use of IT enabled Services (ITeS), ERP system implementation. Multi-Skilling, Job rotation, Job enrichment of manpower. Cost control exercises, Reduced Procedures/Formalities will avoid unnecessary data collection. Regular interaction with Customer to know their Feed Back & Exact requirement, Customer care centre for better delivery of services/product by CPSE`s. Some other suggestions would include Defined Punishment/Reward system, Specific incentives & rewards to performers and Responsibility & targets to be clearly defined. Officer's Associations have also favoured the view of CPSE`s.

53. Do you think the concepts of contractual appointment, part-time work, flexible job description, flexi time etc., need to be introduced in CPSEs to change the environment, provide more jobs and impart flexibility to the working conditions of employees?

Most of the CPSE`s (82 %) have said `YES` to the concept of Contractual appointment, out of which upto 18 % have said that these appointment should be in the Non-core activities or the activities carried out in a remote areas with limited facilities. Regarding Flexi timings & Part time work, around 65 % CPSE have not offered any comments,10 % believe that it would be OK & 25 % has suggested that Flexi timings concept will NOT be successful in Indian context.

54. What steps should be taken to ensure that technical professionals with sophisticated education and skills are retained in their specialized fields in Central Public Sector Enterprises? Should they be appointed on contract with a higher status and initial pay, advance increments, better service conditions, etc?

For retaining the talent, About 33 % of CPSE`s have suggested better pay packages, Perks & benefits like offering ESOPs, Profit linked incentives etc will help, 32 % have asked for continuous training & Development efforts for up-gradation of technical skills and remaining (35 %) has have said that they should be given higher status, more autonomy & better services condition along with full responsibility & accountability of their related area. Regarding Contract appointment, about 78 % has approved the concept & also suggested that their responsibility & accountability has to be fixed in a time bound manner. Remaining 20 % has said `NO` to this concept & asked for improvements in one`s own staff to get the desired skills by good training & Development programmes. Such CPSE`s have also suggested for Contractual appointment of Expert/Trainers for providing above referred training. From Officer`s Association, 90 % has said `YES` to the concept of Contractual Appointment with initial High pay & perks.

55. Kindly comment on the appropriateness of adopting a five-day week in some CPSEs Offices when other sectors follow six day week. Whether the number of gazetted holidays in CPSEs offices should be reduced? Please also comment on the appropriateness of declaring holidays for all major religious festivals?

Regarding no. of week days, 28% of CPSE`s have said that the concept of 5 days week would be better and only a few of these have suggested for increasing the working hours while following 5 days week and remaining said that stress should be on raising the productivity & not on no. of work hours. 21% has said that 6 days week format should be for both Administration Staff as well as Plant location. 39% has said that present system of 5 days week for Admin staff along with 6 days week for Works area staff should be continued. As regards Officer`s Association, 35% have asked for 5 days week, 27% have asked for 6 days week, 12% have asked for present system of 5 days week for Admin staff & 6 days week for Operational Staff, 25% are of view that decision should be left to individual CPSE concerned, 7% have not offered any comments on it.

56. What do you think is the state of work ethics and punctuality in CPSEs Officer`s? Kindly suggest ways of improving these?

Most of them (92%) have indicated that Ethics & Punctuality in employees of CPSE`s is already better. Although it can further be improved by installing Electronic Attendance recording systems, enforcing discipline, strictly adhering to CDA rules & adequate scope for Reward /Punishment should be kept, linking some sort of incentive for punctuality and including Punctuality & Ethics as a parameter in ACR.

57. Is VRS the only way to rationalize manpower?

In response of to the question 67% agreed with the same, whereas 30% disagreed stating that VRS in not the ONLY method of rationalizing the manpower, rather there are other methods of doing the same, or VRS has never been a true method for achieving the process of rationalizing the manpower of an organization. 30% respondent have highlighted that VRS only skims out the performers from the organization leaving behind ‘Dead Wood’ (non-performers) .Out the 30% who have stated that VRS is not the ONLY method of rationalization of manpower, following methods have been suggested:

- I. Compulsory retirement of non-performers as an effective method.

- II. Refurbishing the recruitment methods can be a preemptive method for achieving rationalization.
 - III. Competency mapping methods as a solution by highlighting the process of matching job requirements with the skills of employees.
 - IV. Golden handshake policy in the form of an alternative to VRS and Retrenchment.
 - V. Pre-mature / Forced retirement on medical grounds. Retraining, Re-deployment and manpower re-structuring. Outsourcing the non-core activities and contractual appointments. Job rotation / shifting to jobs which can utilize their skills. Designing a better package for non-performers.
58. Should the VRS Scheme notified by DPE on 5.5.2000, 6.11.2001 and 26.10.2004 continue or VRS package should be modified? If yes, give your suggestions?
- 80% respondents reacted positively stating that the VRS notified by government should be modified to some extent, whereas 17% stated that the existing scheme notified by the DPE should continue. 3% of the respondents did not furnish their comments on the issue A few suggestions have been made for change in VRS terms & conditions:
- I. Enhancement of Ex-gratia amount under the VRS.
 - II. VRS should be formulated by the concerned organization keeping in views its own advantages, disadvantages, etc and a thorough cost-benefit analysis.
 - III. Additional contents like HRA should also be considered as part of Salary while calculating Ex-gratia.
 - IV. VRS package to be made more attractive by stipulating provision for payment of a monthly amount in addition to the one-time benefits under VRS till notional age of superannuation. Eg: One Time Voluntary Separation Scheme in IOC Ltd. Besides, to make VRS more alluring ‘Gujarat Pattern’ has also been proposed with slight modifications.
 - V. VRS to be allowed after attaining the age of 55 years.
 - VI. VR optees should be provided with both pension and a comprehensive medical insurance.

59. What is the present system of Performance Appraisal? What are your suggestions?

68% stated their satisfaction with the present system of appraisal, while 30% suggested some changes in the existing system. Organizations have suggested the following changes in their existing appraisal system:

- I. Annual increase in salary to be linked with submission of performance appraisal by individual employees.
- II. Performance measurement system to be made more objective and measurable targets set at the beginning of the year.
- III. Systematic feedback from subordinates on the performance of superiors / 360 degree appraisal system / Multi-rater appraisal.
- IV. Periodicity of Performance appraisal should be made quarterly / half yearly instead of yearly.

Various organizations have provided an insight into the Performance appraisal system existing in the organizations, a brief of such systems is as under:

- I. In some organizations there flows a simple system of Self Appraisal against targets followed by review by Superior Officer's. And finally accepted by the Accepting Officer. Then there is a moderation committee, which moderates the assessment, if any, to ensure fairness and uniformity.
- II. In some organizations a Balance Score Card approach is pursued and Key Performance Indicators are indicated.
- III. Ratings system of appraisal in some cases based on parameters like Knowledge, Aptitude, Health, Managerial Skills, Leadership, Aptitude, etc.
- IV. Performance Appraisal in some cases is carried out by fixing targets based on the MoU parameters.

**STUDY REPORT ON EXECUTIVE COMPENSATION IN PSEs BY
SCOPE THROUGH M/S MERCER
HUMAN RESOURCE CONSULTANTS**

1. PSEs are being encouraged to look for business growth in global markets, seek opportunities for expansion through mergers and acquisitions, seek Finance from open markets to fund their business plans, all with little support from the Government. In this context, the rationale or foundation that forms the basis for establishing pay practices in PSEs requires a serious rethink. In an environment where PSEs are competing head to head for business and growth opportunities in the open markets with other employers, determining the basis for pay should be based on an appropriate mix of the following factors:
 - (i) Affordability or Capacity to pay,
 - (ii) Job content, managed through an evaluation of positions in CPSEs,
 - (iii) Cost of living,
 - (iv) Market benchmarks for Pay and Benefits in comparable companies,
 - (v) Individual performance or contribution,
 - (vi) Qualifications and Competencies.

2. PSEs need the operational freedom to manage their own business as well as greater autonomy on selective basis to determine wage policy in view of the fact that different PSEs operate in different sectors and exhibit vastly different norms in work content and levels of skills required. Also, they do not recruit on a common basis from a common pool. In such a situation, there seems to be no sound basis for uniform wage determination. A “One size fits all approach” for determining compensation and benefits seems to be counterintuitive and unreasonable in such circumstances. It is desirable to set wages, organization wise, treating each PSE as an individual entity with due regard to productivity and profitability.

3. Salary differential between lowermost grade (workmen) and top management in PSEs is decreasing over the period of time. It is felt that the workers/staff category pay is higher than the private sector whereas it is not the case as far as management is

concerned. PSEs are losing their management level employees to the private sector due to non-competitive pay levels.

To recruit the top in the job market, companies must understand the local salary market and what companies are offering Indian recruits to ensure competitive salary levels. As the demand for talent continues to increase, the companies which do not offer competitive salary packages risk losing talent.

4. Gone are the days when an employee was recruited to a public sector organization with a hope and assurance that he or she would retire from the same organization, after serving the organization for over 30 years. There seems to be a growing trend amongst employees in our public sector organizations leaving these organizations for lucrative opportunities in the private sector, both in India and abroad. While the actual attrition count may not carry much significance given the large headcount in many of the PSEs, the following patterns are visible to a discerning eye:

- (i) Attrition rates seem to be the highest at the top executive level and in the officer categories.
- (ii) More employees appear to be leaving PSEs from functions that are core or critical to the business in question. For instance more employees have left the Power Technologies function in our Power PSEs, Pipeline Engineering in our Petroleum Refining and Distribution business and Earth Sciences in Exploration business. Pilots in the aviation industry and telecom engineers from the communication industry are also leaving in large numbers sometime debilitating the business operations.
- (iii) Fiscal year 2006-07 has experienced an unprecedented increase in resignations across all categories, particularly, the junior management staff.
- (iv) Employee attrition issues also seem to be impacting our Navratnas and Mini ratnas to a greater extent.

This is indeed a matter of concern given that our PSEs are experiencing tremendous growth and have drawn up fairly ambitious and aggressive plans for business growth and expansion. It is in these circumstances that our PSEs need the services of committed and talented employees.

5. In such a scenario, the Government has a major role to play in setting guiding principles of Human Resources Management in public sector enterprises. While the Government may define the broad financial objectives, targets and ratios in managing employee costs in public sector organizations, they may also establish the mechanisms to ensure implementation and review of these norms. Having put this broad framework for compensation and benefits management for individual public sector organizations, it would be the responsibility of the Government to ensure that they facilitate and ensure implementation of the broad principles in the individual PSEs. In these circumstances, the Board of Directors of each of the PSEs should have the autonomy to approve pay programmes that are developed keeping in mind the business imperatives of each organization. As an alternate arrangement, the Board of Directors could also constitute an independent Remuneration Committee to take into account all relevant factors while reviewing and approving decisions pertaining to any new or changes to existing Remuneration programmes being considered for the organization and specifically, with respect to Executive Remuneration. The Remuneration Committee can act a body independent of management and free from any business or other relationship which could interfere with the exercise of their independent judgement.
6. Further in allowing every public sector organization to define its own pay programmes, it is imperative for them to define their Total Rewards Strategy within their Human Capital Strategy and which is aligned with their long term business strategy. The total package may include:
 - (i) Compensation (including base pay, short term incentives and long term incentives)
 - (ii) Benefits (including health and group, retirement, work/life and other benefits).
 - (iii) Careers (including build/buy strategy, training and development and career opportunities)
7. In the scenario that most public sector organizations find themselves in these days, there is an increasing awareness of the need to link salaries to market wages in order to attract and retain the talent necessary to improve and sustain public sector performance. Current policies link remuneration levels in public sector organizations

to those practiced for the civil services. However, given that public sector enterprises are finding themselves functioning as business entities facing the same challenges and constraints as any other industrial organization, it seems the time is right to make a transition from the present regime to one where the remuneration policies link to the business objectives and economic and market circumstances peculiar to the organization.

- 8.** Of equal if not greater importance is the competitiveness of public sector pay vis-à-vis that of the private sector. It is commonly held that pay in the public sector is much lower than pay in the private sector. However, this conclusion may not apply to all grade levels in the public sector. For example while senior managers in the public sector are often paid substantially less than their counterparts in the private sector, the junior executives and unskilled positions are paid competitively. In our experience, the more skills a public sector post requires, the lower the pay as compared to the private sector.
- 9.** In PSEs, allowances and in-kind benefits play a substantial role in remunerating employees, which is why getting the right balance between pay and benefits and allowances is so important. An initial step in pay reform could be to consider monetizing these benefits in order to enhance the take home pay packages of the staff, particularly those in senior executive levels and also manage the escalating costs that go hand in hand with providing benefits in kind. Any comprehensive pay programme needs to take this factor into account and not simply the Base Salary rates, which, although a starting point, usually give an incomplete picture of actual earnings, particularly of senior PSE staff.
- 10.** Performance based compensation seems to be a favorite buzzword in corporate circles these days. As increasing employee costs hit corporate business houses, they are seeking to provide for a portion of an employee's remuneration through performance based bonus plans. While the PSEs have been allowed to provide for pay for performance, the use of it has been fairly restricted. Varied opinions on the basis and the nature of performance based pay are typically advanced and there appears to be no clear consensus emerging on the subject. There however, not much difference of opinion exists on leaving the design of these programmes in the hands of respective organizations. Also, setting aside a portion of the salary increases and allowing for its

payout contingent on the achievement of business results, could sweeten any demand for higher wages. Besides, well crafted variable pay programmes are known to drive behaviours that the organization wants to promote and such programmes are sometimes known to bring about a change in mindset and culture within the organization. A word of caution will not be out of place at this juncture – if performance based variable pay programmes are implemented without the design and implementation of a robust performance management system, the system of performance payouts could get vitiated and lose credibility.

- 11.** The periodicity of salary reviews is another issue that has been much debated. In a fast growing and buoyant economy, where organization are dealing with issues of attraction and retention further intensified by the shortage of skilled and competent talent, and against a scenario where market remuneration levels are growing at an aggressive pace, the once in ten years periodicity is completely out of sync with the realities that the businesses find themselves in.
- 12.** Retirement Age is another matter that has been often raised for debate. At present, the majority of PSEs have 60 years as their retirement age. Given the attrition rate and the demand for specialist/technical skills, the study suggested that the retirement age be reviewed on a selective basis, allowing individual companies to extend the years in employment to 62 years and further allow, PSEs to retain critical and specialist talent and senior and top management staff beyond the age of 62 to 65.
- 13.** Provision of Retirement Benefits remains one of the most contentious issue concerning benefits in PSEs. While all the PSEs provide for the statutory minimum (Provident Fund and Gratuity) in terms of retirement benefits, there is an increasing demand for a third retirement benefit akin to what is available to government employees, public sector banking industry and select private companies. With a favourable tax regime prevailing presently, a strong case exists for introduction of a contributory superannuation scheme based on the principle of defined contribution.
- 14.** Long Term Incentives serve as effective vehicles to allow for wealth generation, employee involvement and retention and achievement of long term objectives of the business. Several organization have used long term incentives effectively to ensure that employees see the value in contributing for long term results of the organization

and in return gain access to the rewards of the long term growth in the “value” that they create for the organization. In the current scenario, when public sector organization operate in a market driven economy, long term incentives play the dual role in ensuring wealth creation which is in line with business achievement and retention of employees at the senior levels of the organization. Going forward, individual organizations may design appropriate programmes that fit their business context and talent situation.

- 15.** Another area for review in PSEs is the Compensation strategy for top level executives. Currently salaries of top executives in PSEs are linked to that for civil servants. However, given the competitive environment that PSEs find themselves in and the enhanced role that top level executives of PSEs will be called to play, it is necessary to take a relook at the basis of establishing Executive salaries. An Executive Compensation strategy should address questions as:
- (i) Will our strategy generate superior returns for investors?
 - (ii) Are we measuring appropriate performance?
 - (iii) Do our people know how their decisions impact performance and how to make the right decisions?
 - (iv) Are our pay practices fair to both employees and shareholders?
 - (v) Are our incentives really driving business results?
- 16.** Clearly, the development of an effective total reward strategy requires good information and analysis in order to both make sound decisions and measure the impact of those decisions. The good news is that many powerful, new statistical tools and approaches are available today to bring more rigor and science to this process. Using these new approaches, it has become possible to measure the short and long term returns on investing in various reward programs, and even the relative value of investing in one program over another. It is therefore recommended that PSEs give more consideration to the development of better systems and methodologies to further improve the collective and analysis of data on wages and employment in the public sector.
- 17.** Making a shift from the current regime of determining Remuneration policies in public sector enterprises to the proposed one would be radical and path breaking.

However, given the realities of the market economy within which public sector enterprises operate, this transition is inevitable. The timeframe required to make this transition may be debated. The earlier that the move to business aligned and market driven Remuneration levels happen, the greater would be the chances of the PSEs to drive business success.

COMPENSATION & BENEFITS BENCHMARKING STUDY BY OIL & GAS CPSEs THROUGH M/S HEWITT ASSOCIATES

1. 'Total Guaranteed Cash Compensation' should be used to assess competitiveness in compensation with the comparator group. The reason being it mirrors the take-home pay closely and is a key consideration for comparison in talent pool.
2. Ratio of compensation for executives at entry level to the top level should be 1:10. In the private sector this ratio is 1:20 or higher. A ratio of less than 1:10 will cause top management salaries in Oil & Gas PSUs to drop way below the minimum of the market seriously impacting attraction and retention.
3. Allowances should be 50% of basic for Levels 1 to 4 and equal to Basic for Functional Directors and CMD. This differential will also show progression. The exact nature of allowances can be determined by each organization.
4. In addition to Provident Fund and Gratuity, there should also be a defined contribution superannuation scheme, with a contribution equal to 15% of annual base salary from the employer.
5. Current limit of 5% of distributable profits as performance incentive or variable pay is adequate, though restrictive. Some Oil & Gas PSUs may need to have an aggressive pay for performance to retain and motivate talent even where profits are inadequate. In such circumstances the Board of Directors should be empowered to exceed the limit. (The Government has already recognized this principle by announcing an incentive of upto Rs.10 lacs to the CMD and functional directors of sick PSUs if they achieve a turnaround).
6. The performance based pay as a percentage of basic pay should be higher for the higher grades. For example it may 10-15% of Base Pay at entry level and go up to 150% for the Directors and the CMD.
7. An employee Stock Option Scheme should be introduced. This will introduce a long term performance element in the compensation as well as help enhance compensation at a relatively low cost. Benefits should continue unaltered from past practices.

- 8.** Compensation should be benchmarked once in at least 2 years, so that the response time in keeping salaries competitive can be minimized. Keeping the scale dynamic will also result in fewer employees reaching stagnation.
- 9.** In case an employee reaches stagnation on the pay scale, the current system of stagnation pay may continue. However, correct if any, may be delivered as an additional allowance.
- 10.** The pay range should be such that, on an average, not more than 8-10% of the Officer's should reach stagnation. In the recommended scales, for example, employees may progress to the maximum of the scale as follows. For example: At outstanding rating (12% increments) in 5 years and at average rating (8% increments) in 7 years.
- 11.** Salary increases in Oil & Gas PSUs should be calculated on the basis of market price of the role and Performance on the job.
- 12.** Increment should be in terms of a percentage of compensation rather than an absolute amount. High performers would receive, in percentage terms, double the increment awarded to an average performer. Below average employees may receive a sub-inflation increment.

STUDY REPORT ON COMPENSATION IN PUBLIC, PRIVATE AND OTHER SECTORS WITHIN AND OUTSIDE INDIA BY IPE, HYDERABAD

Background

The Institute of Public Enterprise (IPE), Hyderabad was assigned the task of taking up a study on the existing compensation of the Executives and Non Unionized Supervisors of the Central Public Sector Enterprises along with the comparative pay levels of (a) Officers of the Government of India (b) Executives in the private sector and multinational corporations in India (c) public enterprises and private sector abroad.

Methodology

In order to collect information for the study, IPE circulated a questionnaire to all CPSEs requesting for relevant information regarding the executive remuneration in CPSEs. The information furnished in response to the questionnaire sent out by DPE to all the CPSEs during February, 2007 was also used to the extent possible. Information pertaining to the Central Government salaries has been collected from the Government Officers of some departments and from official publication/websites. Compensation related information is treated as very confidential by the Private Sector companies and MNCs. Hence, IPE had to depend on multiple sources to collect data in this regard. The sources included salary studies carried out by HR and Recruitment Consultants, Annual Reports, Web-based information, one to one contacts with Company Directors, Heads of HR in private companies, present and former employees of private sector companies and MNCs and HRD functionaries of CPSEs.

Coverage

- (i) Response to the IPE questionnaire were received from 84 CPSEs and information could be logically compiled for another 42 companies based on the data furnished in response to DPE questionnaire and the known status of implementation of the earlier wage revisions. The data covers 2,09,007 executives and 50,587 Non Unionized Supervisors (NUS) which implies a coverage of 84% of the total of 3,07,794 executives and NUS as on March 31, 2006.

- (ii) With respect to the officers of the Central Government, compensation details have been worked out for the Officers in 8 grades, i.e., Section Officer to Secretary to Government of India.
- (iii) The present work has drawn inputs from the salary studies carried out by Oman Consultants (102 companies scanning 14 sectors), Gallup Team (55 companies spanning 9 sectors) and from *www.paycheck.in* (54 companies spanning 3 sectors). The coverage also includes data sources from annual Reports regarding compensation details of Board level executives of about 190 private sector companies and Multinational Corporations (MNCs). Similarly, the data obtained by IPE during personal interaction with various senior executives relating to compensation in various industries in the private sector has also been suitably included in this study. The study has extensively relied upon the data on the CPSEs included in “Public Enterprises Survey”, brought out by the Department of Public Enterprises. The Institute had to essentially depend on web-based data for the wage information concerning other nations. The compensation details with regard to Canada, Singapore, Australia, USA and France form a part of the study.

Classification and distribution of employees : Based on performance, the CPSEs can be classified into (a) Navratna, (b) Miniratna, (c) other profit making CPSEs, (d) marginally profit/loss making and (e) sick CPSEs. It can broadly be stated that out of 3,07,794 executives and NUS in all the CPSEs, 2,28,613 (74%) are working in six Navratna/Miniratna CPSEs. Another 36,555 are working in the 46 other profit making CPSEs. Thus, 86% of the executives and NUS are working in financially healthy CPSEs. Only 18,006 (6%) are working in financially weak CPSEs (54). The rest of the executives and NUS constituting around 8% are employed in other CPSEs, a majority (55) of which are making marginal profits. Based on the size and importance, CPSEs are categorized into four schedules namely, A, B, C, D. The number of executives and NUS working in Schedule ‘A’ companies is 2,39,313 which account for 77% of the total of such employees. While 56,510 executives and NUS are working in Schedule ‘B’, 5923 are working in Schedule ‘C’ and 533 in Schedule ‘D’ CPSEs.

Talent erosion in CPSEs : For a long time, the institution of the Public Sector has been the best reservoir of Engineering and Managerial talent for the Private Sector Companies and MNCs to ‘poach’ at the junior management levels. For many bright engineering graduates, the CPSEs have been excellent training schools and were the coveted destinations in the sixties

and early seventies of the last century. They are no longer so, for the past ten years or more because of the better remunerations and career growth opportunities available in the private sector and MNC enterprises. This is one of the reasons for apparent low attrition rates at the junior levels of CPSEs as the talent in demand is going elsewhere. The other features of IPE study were;

- (i) In the recent past, very senior level executives left CPSEs to join private and MNC organizations for better compensation packages and perks. This will be a matter of serious concern. The changing value systems and the environmental institutions – the result of decades of effort and nurturing of talent – unless effective steps are taken to attract and retain talent at various key levels of engineering and managerial cadres.
- (ii) A case in point is the near impossibility of nurturing higher caliber software talent in CPSEs. Some of the IT companies which developed the maximum domestic software relevant to the country's needs are unable to attract the needed talent even for the most critical and strategic applications needed by the country today because of the inability to match the paying capacity of private companies and MNCs working in the field of IT – who almost totally work for applications needed by foreign countries. The poaching of talent is not limited to Indian private sector companies and MNCs operating in the country alone. India has become an important hub for talent hunting for worldwide placements.
- (iii) The attraction of India, for talent, is owing to the availability of human resources needed for intellectually intensive jobs. Several MNCs are setting up their R&D Centres in India and recruiting among the limited manpower.

Inter and Intra Group comparison within CPSEs : Even though there are 157 profit making CPSEs as on March 31, 2006, the maximum profitability is occurring in CPSEs belonging to Petroleum, Power, Power Generation Equipment (BHEL), Telecommunications, Steel, Coal, and Minerals & Metals in a large measure. These healthy CPSEs are certainly doing their best to enhance the well-being of their executives, both during service and in the retirement phase – especially in the area of health care. The intra and intergroup differences in CPSEs essentially relate to the extent of implementation of the wage revisions recommended from time to time, better starts at the entry level, creation of intermediate scales, significant improvements in performance related payments and making available handsome allowances and perks to the executives depending on the financial strength of the companies. In addition to improving the compensation packages of the executive cadres, the financially strong

CPSEs like HAL, BEL and a few other enterprises have substantially increased the entry level emoluments by releasing a large number of additional increments to attract talent.

- (i) Though the DPE guidelines based on Justice Mohan Committee recommendations allowed payment up to 5% of the distributable profits, as performance related compensation, only a limited number of CPSEs implemented this recommendation. In some cases, the 5% is shared by all employees while in some others it has been distributed according to performance.
- (ii) Comparative compensation details (inter group) of select groups and select grades are indicated below to outline the differentials across the groups.

Table 1 – Group-wise averages of annual emoluments in CPSEs

(Rs. in lakhs)

Group	E1 (8600-14600)	E5 (16000-20800)	E8 (20500-26500)	CEO-Sch A (27750-31500)
Coal & Lignite	2.68	4.73	6.74	10.05
Minerals & Metals	2.91	5.00	6.27	10.36
Steel	3.23	5.15	6.36	11.17
Petroleum	4.22	6.07	8.00	12.39
Power	3.52	5.66	7.29	11.45
Heavy Engg. (BHEL only)	3.26	4.97	6.53	11.71
Fertilizers & Chemicals	2.38	4.08	5.31	8.67
Agro based Industries	2.27	3.71	-	-
Textiles	2.69	4.56	5.60	9.58
Consumer Goods	2.73	4.87	6.12	10.27
Medium & Light Engineering	2.82	5.12	6.49	9.82
Transport Equipment	3.01	5.27	7.12	10.57
Trading & Marketing	2.65	4.61	5.82	9.51
Transportation Services	3.12	5.38	6.74	10.84
Contracts & Construction	2.51	4.71	5.85	10.03
Industrial Dev. & Tech Consultancy Services	2.90	4.92	6.17	10.46
Financial Services	3.04	5.23	6.33	10.81
Telecommunication & Information (BSNL only)	3.10	4.87	7.45	10.62

Note: *The entry level scales in respect of certain CPSEs like NTPC, Petroleum enterprises, BHEL, BSNL, etc, are much higher as compared to the E1 scale.*

- (iii) As mentioned earlier, the employee cost to turnover in the petroleum group is the lowest, hovering around one to two percent even though they are paying handsome performance incentives. Thus for example, Bharat Petroleum Corporation Limited is paying 37% of (Basic pay + DA) as performance incentive. These average annual emoluments are the highest among all the groups. The CPSEs in the power group are also giving very handsome compensation packages and probably the highest performance linked payments in 06-07.
- (iv) Intra group variations in the emoluments are mainly on account of dissimilar scales of pay in operation. With regard to NUS, similar information could not be compiled because of data limitations.

Comparison between Central Government and CPSEs: Traditionally, parity was attempted to be maintained between the executives of CPSEs and the Officers of the Central Government. This parity remain even now when the salaries of Central Government Officers are compared with the salaries of the CPSEs characterized by lack of significant variable pays and valued perks.

- (i) The salaries of the Central Government were revised in 1996 and that of the CPSEs in 1997. In respect of one-to-one remuneration parity between Government Officers and CPSE executives, the main difference is that there is no performance related pay to the Government Officers and considerably fewer allowances/perks, which are applicable to CPSEs.
- (ii) Another important difference is that when a wage revision takes place, it is uniformly implemented for the Central Government employees whereas the implementation in CPSEs is determined by the affordability of the concerned CPSE. As per information gathered from DPE, as on 1-1-2007, the pay scales of 14 CPSEs are still based on 1987 pay revision and those of 28 CPSE at 1992 level. Perhaps, this might be one of the reasons for the reluctance of the executives of CPSEs following the Central Pay scales and Central Dearness Allowance (CDA) pattern, to switch over to Industrial Dearness Allowance (IDA) pay scales.

In addition, the pension, for those who have joined service prior to 2004 and post-retiral medical benefits available to the Central Government employees who live in metros, State capitals and important cities are not available to a majority of the retired CPSE executives and employees.

Compensation in Private Sector companies: While uniformity has been by and large the guiding principle in respect of the salary fixations in CPSEs within and across the sectors, differentiation is the driving force with regard to the compensation levels of the Private Sector companies. The differentiation arises from the nature of business, profitability of business, demand and supply position of talent, the industry standards, the function carried out by the executive and the performance of the executives at both individual and collective levels. The contribution of the executive(s) to the wealth generation of the enterprise has a direct correlation to the compensation package of the executive in private sector companies.

- (i) While at the junior levels, the individual performance (vis-à-vis the agreed and assigned targets) is given higher weightage, at more and more senior levels, the section level, division level and company level, performances play a key role in the fixation of compensation packages. The 'Fixed' or 'Assured Pay' together with allowances and reimbursements, in percentage terms, is higher at the junior levels and the variable (performance based) pay, valued perks and retrial benefits are more pronounced at the senior levels. Needless to say, the productivity, responsibility and accountability standards will be in proportion to the compensation packages and they go up steeply as one goes up in the corporate ladder. Average CTC levels are reported to be ranging from Rs.3.5 to 4 lakhs at the Junior Management levels, Rs.11 lakhs at the Middle Management levels and Rs.25 to 30 lakhs at the Senior Management (below Board) levels.
- (ii) At the Board level, even for the professional managers (distinct from the promoters) the commission and performance based pay set them apart substantially from the rest of the executive cadres. The ratio of the compensation between the junior most executive to the CEO of the company can range from 1:20 to 1:50 or more, even in the case of median class of Indian private companies.

Compensation levels in MNCs : While the information regarding compensation package in MNCs, is included in the available survey reports, the differential pay packages between a

conservative MNC company and a median Private Sector company, at the entry level, can be in the ratio of 1.3:1. The difference at the senior levels can vary from 1.5:1 and 2:1.

CPSEs Vs. Private Sector: The contrast in the compensation levels between CPSEs and Private Sector companies goes up asymptotically as the employees become more and more senior in the private sector. While the salaries are almost comparable with respect to healthy CPSEs at the entry level, the divergence becomes more and more pronounced as the executives go up the corporate ladder. At the middle level, the comparison between CPSEs and Private Sector employees will be in the ratio of 1:2, while at the senior level (say at GM and ED levels) the difference can be as much as 1:4 or 1:6. At the Board level, the factorial difference (considering only professional managers and not promoters or owners), can be as much as 1:15 to 1:20 – without considering other rewards like ESOPs.

- (i) Variable Pay or Performance related pay being paid by some CPSEs, comes to around 15% of the total compensation. Since some of the CPSEs are paying uniform amounts of incentives to all the executives, this percentage comes down in the case of middle and senior level executives. Conversely, this component is uniformly around 10-15% in the junior and middle management cadres and much higher in the senior cadres in private sector companies. Needless to say, these higher percentages are applied on much higher base salaries as compared to CPSEs.
- (ii) While the average annual increases in salaries are being reported in the range of 14-15% in the last one or two years (touching 30% in some cases) in the Private Sector, the yearly hike in emoluments in CPSEs is around 8% which is an inbuilt mechanism through increase in DA and annual increments. Such automatic year on year increases are inherent in the system of CPSEs compensation, which is applicable to all the enterprises irrespective of their financial status,
- (iii) Select compensation levels in different sectors below Board level are indicated as under:-

Table No. 3 – Sector Averages in CPSEs & Private Sector

Groups as per DPE	No. CPSEs	E1	E5	E8	Sectors BT Surveys	No. Cos.	JMII	MMII	SMII
Avg. of Coal, Minerals & Metals, Steel, Power, Petroleum sectors “Core”	44	3.31	5.32	6.93	Core	9	3.50	7.49	19.30
Chemicals, Pharmaceuticals & Fertilizer	22	2.24	3.69	4.35	Chemicals, Pharmaceuticals & Fertilizer	15	4.06	11.71	31.09
Heavy & Light Engg.	35	3.26	4.97	6.53	Engineering	9	2.95	6.95	17.39
Textiles	15	2.69	4.56	5.60	Textiles	7	2.63	7.25	18.62
Consumer Goods	11	2.73	4.87	6.12	FMCG	6	5.59	14.54	39.90
					Consumer Durables	10	3.93	19.65	27.13
Trading & Marketing	13	2.65	4.61	5.82	Retail	5	2.96	11.02	26.76
Contract & Construction	11	2.51	4.71	5.85	Real Estate	8	3.13	8.32	21.66
Industrial Dev. & Tech. Consultancy	15	2.90	4.92	6.17	ITES & BPO	5	3.13	15.29	27.80
Telecommunications & IT	4	3.10	4.87	7.45	Telecom	5	4.52	13.02	28.00
					IT	9	4.58	12.31	24.37
Financial Services	9	3.04	5.23	6.33	Banking	5	4.49	15.07	31.54
Transport Equip	10	3.01	5.27	7.12	Automotives	9	5.41	13.44	33.25
Transportation Services	11	3.12	5.38	6.74					
Average		2.88	4.85	6.28		3.93	11.11	26.48	

Summary of comparison of compensation of the executives of CPSEs, with Officers of the Government, executives of private sector and MNCs in India: For a more liberal comparison, the averages of the highest payers in each group in CPSEs are considered. Since separate data in respect of MNCs is not available, the figures of the private sector were considered at 150%. Based on these assumptions, the summary comparison of compensation of the executives of CPSEs vs. Officers of the Government, executives of private sector and MNCs in India is depicted hereunder:

Shifted Compensation in CPSEs : Though the entry level salaries are by and large comparable in the CPSEs/Private companies and MNCs, the reluctance of bright talent to get into CPSEs is because of the known limitations in the increase in remuneration through periodic pay revisions, and the long gestation times in the growth paths. The factorial difference between remuneration at entry level and Board level in the context of a CPSE may range from 1:3 to 1:4. In any case, every body cannot hope to reach the Board level status and even if one aspires to reach the topmost position below the Board level, say to the level of GM or ED, it takes a person around 30 years to reach that position in a CPSE. The factorial difference between the two levels will be at best 1:2.5 to 1:3. Bright youngsters of today, will not be willing to choose this option when the alternatives are so lucrative and promising.

Accountability & Reward Systems in Private Sector Companies & MNCs vis-à-vis CPSEs : In respect of private sector companies and MNCs, the degree of accountability and responsibility, at the individual level vis-à-vis the goals and targets to be reached, is far more pronounced and directly linked to their reward schemes. As the individuals ascend the corporate ladder, especially to the Senior Management and Board levels, achievement of the corporate goals related to the profitability, determines the degree of their monetary benefits either in the form of variable and performance linked compensation and/or commissions. This is in sharp contrast to the uniformity principle followed in the CPSEs and general reluctance/difficulty in differentiating between ‘performers’ and ‘non-performers’ in the CPSE environment.

While it is true that the average year-on-year increase in compensations are reported to be in the range of 14-15% in the executive cadres of private sector companies, it is also to be noted that these rises are directly linked to the performance standards of the personnel.

Notwithstanding the differences in the nomenclature used, all executives are reported to be ranked on a scale of 1-5 i.e. 'excellent', 'very good', 'good', 'average' and 'poor'. Executives belonging to the 'average' and 'poor' are said to receive no increase in salaries. Executives categorized as 'good' and 'very good' are reported to receive increases ranging from 8-12% and 15-18% respectively. Executives ranked as 'excellent' are said to receive raise as much as 20-25%. It is also gathered that these rankings follow a deterministic profile like the 'excellent' category not crossing more than 5% while a minimum of 5% being ranked 'poor'. The category of 'good' employees is pegged at around 60% whereas the 'average' and 'very good' categories of employees constitute of 15% each.

Affordability and Sustainability: Notwithstanding the sharp differentials between private sector companies/MNCs and CPSEs in the salary levels, the survival and growth of the CPSE will have to be the first priority of the CPSE and the Government in deciding on the proposed pay revision. In the backdrop of increased and intense competition in almost every activity of the CPSEs from private sectors and MNC companies per unit contribution or margins will sharply come down in the years to come. To improve the profitability levels or even to protect the existing levels of profits, the volume increases called for will be much higher. These issues will be sector specific and CPSE specific and linked greatly to the future prospects as perceived by the CPSE concerned. Careful consideration is warranted in this regard and the CPSEs and the Administrative Ministry/Department would be best suited to come to the right conclusions. The projected GDP growth rates in excess of 9% offer tremendous growth opportunities and there will be a great demand for talent. CPSEs certainly have great opportunities ahead and have to gear up to exploit them.

Situation Abroad : From the limited studies that could be conducted in the time frames available, the nature of work carried out by Government run business houses abroad is fairly limited in scope and content compared to the breadth and depth of Indian CPSEs. The Government Business Houses, in a country like Canada called Crown Corporations at the federal level are engaged in Rail transport, Postal Services, Broadcasting, Air transport Security, Mint operations, Land acquisition operations, Mortgage and Housing, Currency trading, lottery trading, Banking, and generation of Nuclear Power. At the provincial level, the business houses handle activities related to lotteries, gaming businesses and alcohol sales.

At the local level, the activities handled include utilities like Bus transport and Electricity distribution.

- (i) The compensation packages are decided on a yearly basis by designated committees. The studies carried out by these committees, in the Labour (Job) market covering various functions and various grades enable them to make recommendations on the compensation structures and packages of the executives and Dy. Ministers in the Government and the CEOs of the Crown Corporations. The salary levels of various grades (Grade 1 to Grade 10) are systematically tracked, by the study teams and median values fixed. It is reported that 50 percentile compensation packages of the previous years in respect of the private sector companies are adopted to fix the current year's compensation levels of CEOs. The practice has commenced in the year 2005. Prior to this, the 25 percentile figures were adopted for the purpose. The risk or performance related pay is said to range from 10-15% of the salary at the CEO level.
- (ii) The observation is that all levels-either Government or in Government run Business Houses – the linkage is with the labour (or job) market.
- (iii) The private sector companies, on their part, will be monitoring the likely trends of the job markets for the coming years. Similar practices are adopted in a country like Singapore also. It is reported that in Singapore, the ratio of the salaries of the lowest employee to the Chief Executive is 1:20 and between the lowest executive and the Chief Executive is 1:6. At the Chief Executives level, the profit linked commissions far outweigh the annual salaries in a country like USA. The year on year increases in advanced countries are far less compared to India at the aggregate level but they are very judiciously distributed to the contributing and deserving executives.
- (iv) In all the countries studied, there is a central agency functioning like a holding company to monitor and guide the functioning of the Government owned business enterprises. The remuneration levels of these business houses are continuously mapped to those of comparable private sector companies in the country irrespective of the fact whether the implementation of the parity is on 1:1 basis or otherwise. These decisions are highly decentralized and board driven and are made based on demand-supply situations. The skills and talent are the major guiding factors, and not the remuneration, in the policies of the business organization.

- (v) The range and differentiation of compensation levels are dictated by industry type and size, location, functions to be handled and vary from country to country.
- (vi) The CEO salaries are without doubt the highest in USA in large corporations even though the averages across large sample sizes are comparable to other advanced countries. Compensation levels appear to be almost equal between USA and Canada for comparable positions. The CEO/COO/CFO/President positions indicate considerable variation depending on the sample under question. The salaries in Singapore generally are 66% of the levels in USA in terms of US dollars.
- (vii) The variable pay, bonuses, commissions and stock options form a major part of CEO salaries in USA. There are orders of magnitude differences between the CEOs of Fund Managing Companies and other leading listed companies in USA.
- (viii) The annual raises in compensation in most of the advanced countries range from 3-4%. It is reported that considerable differentiation is practiced when the salary budgets become more and more flat linking the rewards with individual performance.

General Feedback: The feedback obtained during the one to one interactions IPE had with several senior executives of CPSEs can be summarized as under:

- (i) Decisions related to employee compensation should be Board driven and shall be linked to market conditions, and the affordability and sustainability of the pay hikes as determined by the profitability of the CPSE.
- (ii) The element of the executive compensation can be broadly divided into four parts:
 - The basic salary and allowances which can be fitted into some frame work of standardization and structure, linked again tot eh paying capacity of the CPSE.
 - Allowances, suitably formulated to make the compensation packages industry specific for increase conformity to industry standards.
 - Variable and performance based pay related to the organization’s profitability and individual performance.
 - Compensation suitably designed to offset/alleviate the occupational hazards and difficulties in working conditions.
- (iii) Based on the responses received to the DPE’s questionnaire, and various presentations by the Officer’s Associations, the following observations could be made:

- The pay scales of the CPSEs within the Schedule should be uniform. Separate pay scales may be decided by performing/non-performing CPSEs.
- The number of pay scales may remain the same as at present, but the existing pay scales should be replaced by open ended pay scales.
- More emphasis to be laid on variable components of pay, which will help Managements to liberally bring about variations in the pay structure to retain talent at individual or group level.
- The decisions regarding the perquisites should be left to the individual CPSEs to be decided depending upon their capacity to pay, their productivity and profit.
- The desirable ratio of pay between top level and entry level executives may be kept at 1:6 or more; and the ratio of pay between the lowest workmen and CEO to be 1:10 or more.
- The desirable ratio of minimum and the maximum of any pay scale should be 1:2. However it depends on the periodicity of pay revision. Sufficient care is to be taken that employees do not stagnate at the max. of the scale.
- A better pay package may not always be the sole factor for migration of talent. Working environment, work culture, job satisfaction, area of operations, personnel policies are some of the intangible factors which people take into consideration before moving to another organization.
- The individual CPSEs will have to ensure that the quality of working environment, avenues for growth and development and empowerment to facilitate inculcating a sense of ownership amongst the executives, are taken care of, to retain the talent in the organization.
- One of the measures to retain talent could be to revise the pay scales every five years since the economic/industry scenario changes drastically over a long period of 10 years, thus rendering the exercise of pay revision ineffective.
