

Public Enterprises Bhavan
Block No. 14, CGO Complex
Lodhi Road, New Delhi
Dated 2nd April, 2009

OFFICE MEMORANDUM

Subject:- Pay revision of Executives of Central Public Sector Enterprises (CPSEs) – Role of Financial Advisors in respect of pay revision proposals of CPSEs.

A reference is invited to this Department's O.Ms. No. 2(70)/08-DPE (WG) dated 26.11.2008, 09.02.2009 and 02.04.2009 regarding pay revision of Executives and Non-Unionized Supervisors in CPSEs following IDA pattern of scales of pay w.e.f. 01.01.2007.

2. Para 17 of the O.M. dated 26.11.2008, inter-alia provides that the Board of Directors of each CPSE would be required to consider the proposal of pay revision based on their affordability to pay and submit the same to the administrative Ministry/Department for approval. It has also been provided that the revised pay and allowances would be implemented by the concerned administrative Ministry/Department by issuance of Presidential Directives in respect of each CPSE under their administrative control separately.

3. While considering the proposal for revision of pay for executives of individual CPSEs and before issue of Presidential Directives, attention is invited to some of the salient features of the pay revision as approved by the Union Cabinet and communicated through the O.Ms. under reference. Various ceilings/limits prescribed are as follows:-

- i) Additional outgo by the pay revision keeping in mind the changes agreed to vide OM dated 02.04.09 for a period of 12 months should not result in more than 20% dip in profit before tax (PBT) for the year 2007-08 of a CPSE in respect of executives as well as non-unionised supervisory staff taken together in a CPSE.
- ii) Maximum ceiling of 50% of the Basic Pay for Perks and Allowances.
- iii) Apportioned amount of recurring expenditure on maintaining and running the infrastructure facilities to be restricted to 10 percent of the basic pay of all executives and non-unionised supervisors.
- iv) Maximum ceiling of 30% of Basic Pay plus DA for superannuation benefits.
- v) Maximum ceilings for variable pay depending on the grade of the executive, his performance rating, MoU rating of CPSE, etc. as prescribed in O.Ms. dated 26.11.08 and 9.2.09.
- vi) The quantum of total PRP of a CPSE would be based on physical and financial performance and will come out of profits of the CPSE. 60% of the PRP will be given with the ceiling of 3 % of PBT and 40% of PRP will come from 10% of incremental profit. The total PRP will be restricted to 5% of PET.
- vii) Ceilings mentioned under various items are the maximum permissible. However, lower ceilings against the maximum permissible limits can be

provided in the Presidential Directives, depending upon affordability, capacity to pay and sustainability of the concerned CPSE.

4. It has been observed that, while implementing last pay revision (1997), there have been aberrations/departures from the pay scales provided, including the increment rate resulting in anomalous situations. The Committee of Ministers has taken a serious note of this and has observed that such aberrations need to be corrected.

5. For the purpose of fitment, O.M. dated 26.11.08 specifically prohibits inclusion of special pay, personal pay, extra ordinary increment(s) and/or increase in the pay in respect of executives/non unionised supervisors granted with retrospective effect, which affects the revision of pay as on 1.1.2007.

6. Each CPSE would have to develop a Performance Management System (PMS). CPSE would have to adopt a 'Bell Curve Approach' in grading the officers so that not more than 10% to 15% executives are 'Outstanding/excellent' and similarly, 10% of executives have to be graded as 'Below par'.

7. Allowances at revised rates are applicable from 26.11.2008 i.e., date of DPE O.M. on pay revision, provided Presidential Directives are issued within one month of DPE O.M. dated 2.4.2009.

8. These are some of the salient features, which are not exhaustive in nature, being highlighted in order to facilitate the Ministries to expedite examination of Pay Revision proposals of CPSEs under their administrative control. Unlike earlier pay revision guidelines, Presidential Directive for this pay revision has to be issued by the Administrative Ministry of the concerned CPSE with the concurrence of its Financial Advisor.

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To

All Financial Advisors in the Administrative Ministries/Departments concerned with CPSEs (By name).

Copy to:

1. The Comptroller & Auditor General of India, 10-Bahadur Shah Zafar Marg, New Delhi.
2. Department of Expenditure (Smt. Sushma Nath, Secretary).
3. All administrative Ministries/Departments concerned with CPSEs of the Government of India (Secretaries by name).

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