

Preface

In approaching our task, we have been guided by several major considerations. First, we have to attract suitable managerial talent to the public sector system. Secondly, we have to prevent the on going exodus of managerial talent. It was curious to be told by many of the public sector chairmen etc. who appeared before us that in the last few years the public sector system failed to attract any IIT or IIM graduate in any of the public sector enterprises and visits to their campuses for placement very often yielded no result. This is in sharp contrast with the situation in 1950s and 1960s when public sector was the preferred choice for most enterprising young men after the governmental system. The phenomenal hike in the salaries in the private sector after the 1970s, the advent in India of large number of multinationals in 1980s and 1990s and the sky high salary level that they introduced for managers had changed the perspective completely. Public sector salary levels appeared to be far far less attractive. This also explains the on going exodus from the public sector system especially at the middle level and higher level management. Incidentally, this is also the phenomenon facing the private sector itself as here also the globalization as a factor is playing havoc and many of the managers from private sector companies are often being drawn to positions in other parts of the world under MNC. Something drastic needs to be done – (a) to prevent this on going exodus; and (b) to attract right managerial talent to the public sector system. It is, therefore, absolutely necessary that the remuneration levels are cut off from the umbilical chord that traditionally ties public sector salary level with government salary level. The CPSEs need to be taken away from day-to-day government control and placed side by side with the private sector units with whom they compete. In fact, our major concern is to help turning the CPSEs into commercially profitable organizations. Indeed, this is also a mandate given to us in the Government's terms of reference.

We noticed that since the days of the Justice Mohan Committee, public sector system has gone through sea changes. Many of them are today successfully competing with their commercial rivals including multinationals. About 45 public sector corporations which are listed on the stock exchange are responsible for over 25% of the prevailing level of capitalization in the stock market. A significant number of them are star performers in the sensex system. The privileges they enjoyed through purchase preference etc. in the earlier years have by and large been removed and they are successfully competing with others. We, therefore, see no reason why the level of remuneration in the commercially successful CPSEs should not be significantly higher than the present level, although they may not be able to go to the level that prevails in highly successful private sector entities. We have recommended a system where a significant portion of the remuneration recommended will depend on the profitability and performance of the concerned enterprise.

Thus, let there be no fear that our recommendations will saddle the government with any financial outgo. In fact, wherever major enhancement has been proposed, it will only be applicable to companies which make good profits. Wherever companies are not making sufficient profits our stage 1 recommendation will apply. In fact, time has come when government should seriously consider whether a number of companies, around 70, which are chronic loss making, will have to be continued as business enterprise any longer. BRPSE has been set up to give a clear answer to this question. Wherever an enterprise cannot be run in the long run on a profitable basis, it should be closed down and the employees given compulsory retirement with attractive superannuation benefits.

A question that was repeatedly raised in our discussion with CPSEs was that 10 years are too long a period for pay revision in the public sector and that this time gap should be reduced to five years or so. Our general preference will be that once our recommendations have been given effect, the responsibility of future revision should be given to the Board of Directors of a company subject to the approval of the concerned Ministry in discharge of its role as shareholders. We would like to see that we are the last such committee for deliberating on the remuneration structure in the

public sector as a whole and that hereafter no such committee will be necessary. Revision can be considered by the Board of Directors and the concerned Ministry as and when necessary on the basis of the economic situation and the nature of the concerned industry.

Finally, we feel that time has come when we should no longer look at all these CPSEs spreading over a vast spectrum with a common approach. If one industry is different from another and has its own peculiar problem, it is neither possible nor desirable that the concerned CPSEs should continue to be treated together just because they are government owned. The concerned Ministries might well follow different approaches specific to the particular industry. Eventually, the Board of Directors of the company should be the agency primarily responsible for fixing up remuneration of officers. Only the emoluments of the Chairman & Managing Director should be settled by the Ministry discharging its role as the shareholders of the company. We are, thus, advocating a complete shift of paradigm and a complete change in the environment different from what has been prevailing hitherto.

We even feel that some of the recommendations that we are making should have come about much earlier.