

[We are publishing here a dispassionate analysis of the VRS proposals in BSNL by Com.S.Ratnasubramanian, Retired DGM Telecom and former Organising Secretary, TESA (I) CHQ. He had co-drafted the Memoranda to Central Pay Commissions on behalf of TESA (I). His knowledge of Rules and Regulations of the erstwhile P&T and then the Telecom Department and then BSNL which he served upto the year 2006, is vast and deep. His analytical skills have always received praise from all corners. Eventually he is one of the Advisors in the Advisory Committee of AIBSNLOA. His age-group-wise analysis on VRS proposals will be published at the appropriate time]

VRS – An analysis

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It has been on the cards for a year or so and it is finally out of the bag. Yes. BSNL has come out with a proposal for VRS.

There has been opposition from some quarters against the very proposal. I think that we should approach this proposal on a pragmatic stand rather than taking a dogmatic view.

Yes. The VRS proposal is aimed at shrinking the workforce. No doubt. But what would be the effect of the proposal on the employees of BSNL should be the basis of our concern while we analyse the proposal. Further we cannot also lose sight of the past experience obtained in MTNL and in other sectors like Banks on VRS proposal and analyse the outcome if at all the offer is finally made open to the employees.

The experience in Banks have shown that the employees opt for VRS if an attractive offer is made to them and they are not bound by the unions which have stoutly opposed VRS plan. It is also a fact that it is open to the management to offer the VRS proposal to its employees despite the stiff opposition by unions to the VRS proposals. The experience of MTNL has also shown that the employees take their own decision on the VRS issue and are ready to opt for VRS only when the compensation package is attractive and reject the proposal when it is not attractive. This shows that the employees by and large workout their own individual gain/loss in the proposal without being influenced by any ideology or doctrine.

Concern of the Employees:

One of the contentions of those opposing the VRS proposal is that the terminal benefit which he would receive now on VRS based on his present pay and DA will be far less than the terminal benefit he would have received had he continued in service till the date of superannuation since by that time his pay would have increased by the annual increments and time bound promotions. The annual increment is 3 % of basic. Though the word 'promotion' seems as if it is a big one in reality one gets the time bound promotion or even vertical post based promotion after crossing the minimum of the promoted scale only and as such the promotion adds just 3 % more to his pay. Adding these increments and promotions his terminal benefit will surely be higher than what he receives today on VRS. But this is also subject to the ceiling of gratuity of 10 lakhs atleast up to the date of next Central pay Commission. However it should also be seen that though the terminal benefit received now in VRS may be less than the terminal benefit an employee would receive on his normal date of superannuation the fact remains that he gets it earlier by a few years. It is well known that nobody is going to put the money received now in a mud pot in his house. He is going to invest it in FD like any other retired employee and so will get interest for the period. So, for the sake of comparison one has to add the interest and then make the comparison. Of course he may do so after deducting the TAX on interest. Now we have made an analysis which shows that the terminal benefit received now if added with the interest less TAX will be higher than the terminal benefit which the employee would have received on his normal date of superannuation even with calculating terminal benefit on superannuation after applying the annual increments and the increased DA during the interim period. And this is true for employees of any age from 45 to 59 and having any basic. For this we have taken the interest at a modest rate of 9.25 % which is the present FD rate in nationalised banks though other banks and financial institutions offer still a higher rate. So the reason that an employee would get his terminal benefit less if he takes VRS is far from true.

Another reason being put up for opposing the VRS scheme is that the income of the employees will get reduced (if they take VRS) from the day they go on VRS to the date of their normal superannuation. But it should be seen that the VRS optees are not shunted out dry and are given an ex gratia amount. Apart from that they would get the pension and corresponding DA on retiring on VRS. Thus they would get 50 % of their pay and DA as pension and with this pension when the ex gratia amount and the interest there on is added it should be seen whether it is beneficial or not to the individual employee. Of course the

employee if he had continued in service, could get the annual increments and time bound promotion also. Hence these are also to be taken into account while analyzing the benefit.

Now the employees who are offered the VRS proposal by BSNL are from the age group of above 45. That means an employee of age 45 years 1 month to an employee of 59 years plus 11 months can opt for VRS. Now when we work out the comparative income from the date of VRS to the date of normal superannuation and workout the gain or loss it will not be uniform to all age groups. We have made an analysis which will show that an employee at the age of 53 and above will gain in income during the interim period. The Loss in income is only for those from 45 to 53. But it should also be considered that at the age of 45 no one is going to lie down and rest in his house after taking VRS. We have seen a lot of employees even after superannuation try to get some income depending upon their physical health and capabilities. The employees of the age group of 45 today will have more academic qualifications and exposed to higher technologies than those elder to them in the same cadre and pay scale. As such if they are able to get an employment or any opportunity for getting an income which will be at least 50 % of their present pay +DA they stand to gain only in the long run. However if he so thinks that he cannot get an employment even for 50 % of his present pay +DA then let him not opt for VRS and let him continue. It is only VRS. As such VRS is not a devil by itself. It depends upon how we get the good out of it.

The above conclusions are based on our analysis and our worksheet analysis are also based on each individual to make the analysis exclusive to him with reference to his age, his service rendered and the balance service and his pay.

That the BSNL is making huge losses for the past two years and that the expenditure on the employees is the main reason for that is the argument by BSNL management. Though we may definitely dispute the said argument and reason that the main cause of the loss is the mismanagement by the deputationists the fact remains that the deputationists are still here and we bear the burden of the losses of BSNL and the Unions/associations are unable to move a finger to set the management in the right direction. It is hence needless to say that if this situation continues for long the BSNL will be made sick very much to the delight of a few vested interests and will be sold to private at a very low price of which we can just surmise.

What will happen to the employees in that scenario of BSNL's financial health deteriorating further, unable to sustain, sells 51 % of its shares to private ?

Sub Rule 25 and 26 of Rule 37 A clearly states that enough safeguards will be provided to the absorbed employee. And the safe guard ? It includes a VRS scheme applicable to Govt. or the PSU. Now think. God forbid, if such a situation arises then will the VRS package offered at that time will be better or less than what is offered now ?

In that scenario the deputationists will not be affected as they are on deputation and will jump out of the ship. Since now the option of absorption in BSNL for Group 'A' is called for almost coinciding with the VRS proposals being sent for approval it is quite possible that a few under deputation may opt now to BSNL, get absorbed, take a good amount in arrears from Oct 2000, and within a few months opt for VRS, take the ex gratia package also and leave. In which case all these lump sums put together will make them a crorepati just in six months. They may also get lucrative jobs in private as already known in the case of many. So either way it is beneficial to them. It is only the absorbed employees who will be affected. The BSNL recruited young employees will be definitely affected but with the higher academic qualifications and also with the experience in BSNL they may find other jobs and their loss will be the service put up in BSNL. Incidentally since the VRS offer is for those above 45 none of the BSNL recruited employee will be covered by VRS.

Hence though one may not like a VRS proposal ideologically I feel that the present situation drives home only towards the proposal of VRS in the environment of mismanagement of BSNL and the ineffectiveness of Unions/associations in setting it in right direction preventing further loss for BSNL. So at this juncture it is left to each employee to think what is in his benefit whether to accept VRS or not since the scheme will be voluntary only.

A person has to take the decision whether to take VRS or not, depending on many factors which may be personal to him, like his official strains in his job, family responsibilities, his health, etc., apart from the financial implication.

It is argued that by VRS the BSNL will not turn to profit as seen in MTNL. It is true. VRS is not a panacea to all the ills of BSNL today. There are quite a lot of which the employee strength is just one among them. But though over the decade a lot more had been talked of as the reasons for the present state of BSNL by the Unions/associations and a set of suggestions were also given nothing has moved an inch in the set up. Rather it worsens day by day and as years pass more causes get added for making BSNL sick. Again to compare Banks the main issue that affects the Banking industry is the bad debts mounting to thousands of crores due to it not from small individual debtors

but from very big companies. What is done in that direction ? Are the employees of banks not aware of this ? Still when VRS offer was made many jumped in. For they know that though they are not in a position to take the decision on realizing bad debts but surely they are in a position to take the decision on VRS. And they took the decision.

That the removal of one lakh employees is large scale and fixing the target will make it as CRS is feared by some. We know pretty well how the targets are set and met. Any proposal in order to workout the financial implications has to say the quantum expected of it. It is not a target but an expectation. The out come may be less than expectation or even exceed the expectation. Does anybody really think that in today's circumstances the management could force or coerce employees for opting for VRS. If such a situation arises, as feared, then will the Unions/associations who make an agitation today for withdrawal of the VRS proposal keep quiet against CRS ? Will not the management know that ?

That after VRS BSNL will be privatized and the pensioners will lose medical facilities and thus it is an attack even after retirement is argued. Even now the medical allowance is withdrawn already from Oct 2011. There has been curtailment of LTC etc.

That if BSNL is privatized then it will not pay the 60 % contribution towards pension is also stated as an argument. It had been amply repeated by the Govt. a number of times that the responsibility of payment of pension is that of the Govt. and that the 60 % payment by BSNL is their internal arrangement. [The very same Association which boasted one such clarification by DoT as their achievement is now raising doubts over the 60:40 arrangement]. One may think that it is not believable. But it should be known that CCS (Pension) Rules 1972 which contains Rule 37 A is a statutory Rule and the order of 60 % is only an executive order. Which is supreme ? The theory that 'this is not believable' was put up by a few even earlier a decade ago that Rule 37 A is not believable and if we get absorbed in BSNL we may not get pension. Eleven years have rolled by and BSNL absorbed are getting pension not from BSNL but from DoT. Look at the pension payment order of any pensioner absorbed in BSNL and then retired. His PPO reads "Govt. of India. Ministry of Communications Department of telecommunications". How can the Govt. disown his own pension payment order ?

That there will be displacement and disturbance of place of duty after VRS is also put up as one argument against VRS proposal. True. Post VRS BSNL has to necessarily relocate its employees and this will depend on the number of

employees going on VRS in each place or office. Surely there cannot be any recruitment nor there be any quick promotions to fill up the vacancies caused by VRS for some years since the very reason of a VRS scheme is to downsize the staff strength. So the employees who continue in service will have to face it. This will depend on the actual VRS retirees in each cadre and in each station/office. But do anybody think that this argument put up above will make an employee not to opt for VRS ? Perhaps this argument may drive more employees for opting for VRS fearing a possible dislocation in place of posting in post VRS period if they continue in service.

Hence if at all we should learn anything from the experience of VRS in Banks it is that the Unions/associations are to negotiate the package with the management and try to get it improved rather than opposing it totally and leave the employees at bay to receive whatever is given by the management as the compensation package. The employees should be made aware by working out dispassionately the actual gain or loss of an individual employee.

Whatever the arguments placed against the VRS package it will still make a number employees to opt for VRS if the VRS package is attractive. A VRS package of 60 days of pay for each completed year of service subject to the pay of the balance service would be a reasonable one. The same had been offered in MTNL and Banks. The BSNL proposal page 12 mentions this as the proposal of BSNL. Page 24 of BSNL proposal also works out the benefit of VRS based on 60 days pay only. As such it is expected by one and all that BSNL has decided the same as its offer for them to consider the same. A Gujarat model package may not be attractive for any to opt for VRS because one would think his individual gain or loss before deciding on VRS.
