

The Periodicity of Pay Revision – An Analysis

Pay Revision is rather a misnomer. There has been no pay revision in real term but it is only merging the DA with basic and giving a fitment benefit above that. This is what exactly has been done by various CPCs and PRCs of PSUs. In fact the staff unions or executive associations are also allergic in disturbing the relativity of pay scales between the cadres since it is a touchy issue.

Every CPC or the PRC had only merged the DA with basic and given a fitment benefit over and above that. Certain retirement benefits had been modified but given the price increase and the changes in the society at large they are very marginal. The only real revision of pay was that of the SDEs in V CPC. Even the increase in pay for JTOs after IV CPC was not really an increase since it was done after their agreeing to certain extra work load, i.e. reduction of staff and foregoing certain available benefits like overtime etc., The other real pay revision was only in case of SGJAG and above both in CPC and in PRC. For staff cadres or for Executives upto JAG mostly there has been no real pay revision.

Since in any pay revision the revised pay is to be based on the AICPI on that date, it is imperative that the DA on that date is fully merged with the basic pay. So the gain in any pay revision is only the fitment benefit and the consequent increase in allowances like HRA.

With this understanding we have to analyse the periodicity of pay revision. Whether a reduced periodicity will benefit?

Earlier CPCs had recommended DA merger when the DA crossed 50 %. But the VI CPC has been against any DA merger in future and this has been accepted by Govt. The PRC has not suggested anything reg. DA merger.

In this background if the periodicity of pay revision is reduced from 10 years to 5 years then in effect it is a DA merger once in 5 years with an additional fitment benefit and resultant increases in allowances. So, at first look it is good and welcome.

But what if it comes with a rider of a reduced fitment benefit?

The letter from BSNL shows that with a periodicity of 10 years they are offering 30 % fitment benefit (which was given to executives) and the non executive will get an increase of Rs.1500 to 4500 but if 5 years periodicity is given the increase will be between 400-1200. Here the management has not stated what is the fitment benefit for 5 years periodicity. But working out the ratios between 1500 to 400 or 4500 to 1200 it comes to just 8 %. **Of course the fitment benefit depends on the bargaining strength but it is obvious that it also depends upon the paying capability of the PSU** (as given in 2nd PRC). It is also true that the number of years of periodicity and the fitment benefit are not directly related in any order of DPE or PRC. Nevertheless a longer periodicity

makes the staff committed for demanding no wage revision for a longer period thereby providing flexibility for a better offer.

If the reduced periodicity could be achieved without any reduction in fitment benefit then it is most welcome. But if a reduced periodicity comes with a rider of reduced fitment benefit then which is better?

- (i) Longer periodicity with higher fitment benefit (or)
- (ii) Shorter periodicity with reduced fitment benefit.

Since the fitment benefit depends upon the bargaining strength and the paying capability of the PSU while asking for a reduced periodicity we should also think over the likely bargaining strength and paying capability of the PSU after the reduced interval, say 5 years. We should also think whom do we serve? That is, out of our present membership how much percentage will be on rolls after 5 years and after 10 years.

In case of non executives there has been ban on recruitment from 1984. Except regularization of RMs and a few compassionate appointments there had been no recruitment in staff cadres for the past 25 years. Hence even the youngest person will be above 45. The staff is reducing every year. In next 15 years all those recruited in DoT and absorbed in BSNL will retire out. Due to high technology, recruitment in staff cadres are not expected to be much even in future. If you take the past 8 years after BSNL formation, the staff cadres have reduced by 30 %. No body is retrenched. Thus the 30 % is due to retirement alone. At this level, one can expect, another 35 % retirement in next 5 years and a total of 80 % reduction in next 10 years. So, what will be the bargaining strength with the reduced staff strength after 5 years? or after 10 years ?

Further the bargaining strength also depends upon the indispensability of the Executives/Non-Executives.

Now a higher fitment benefit gives an immediate higher benefit. And this higher benefit is assured for next 10 years. But a lower fitment benefit gives a reduced benefit only for the next 5 years with an assurance of another fitment after 5 years. But that depends on how much fitment benefit we have now and how much we get after 5 years which depends on our bargaining strength at that time. If we have a greater bargaining strength after 5 years and get a higher fitment benefit than now making the sum total of these two fitment benefit, very much higher than what is proposed now for 10 years, it is good. But here again it is good only for those who are going to be on rolls after 5 years. They may lose now in the first 5 years but making a substantial gain in the next 5 years. But for those who retire in the next 5 years it is only a loss.

With a reduced fitment benefit and consequent reduced basic pay those who retire in next 5 years will lose substantially in terms of their pay drawn and also in terms of their terminal benefit.

Even for those who are in service after 5 years if their bargaining power is low after 5 years and they could not get a substantial benefit in the second five years they also stand to lose.

In short a reduced period of pay revision will be of advantageous only if

- (i) The fitment benefit is not reduced.**
- (ii) We are sure of higher bargaining power in the next 5 years**
- (iii) The paying capability of your PSU is improved substantially in next 5 years.**
- (iv) We become more indispensable in our job**
- (v) There is a better political climate at that point of time.**

If the above 5 points are not satisfied then a reduced periodicity of pay revision if coupled with a lower fitment benefit is only a loss.

An .xl sheet to show the relative fitment benefit in 5 years and 10 years is enclosed.

Assumptions made in the .xl sheet.

- (a) That the fitment benefit is 30 % for a periodicity of pay revision 10 years.
- (b) That for a periodicity of pay revision at 5 years the fitment benefit is calculated at different levels of fitment – at 8 % (offered in BSNL letter to non executive Union), at 10 %, at 15 %, at 20 %.
- (c) Another fitment benefit of the same percentage is again given after 5 years. i.e., you continue to maintain your bargaining strength after 5 years and is not reduced..
- (d) The increase in DA is likely at 8 % p.a. (present rate of inflation)
- (e) Only pay plus DA is taken into account.
- (f) Allowances like HRA are not taken since they are variable with reference to place of duty and they do not affect terminal benefit/ pension.

Conclusions arrived by xl sheet workout:

In case of reduced fitment formula for reduced periodicity in pay revision

- (1) If the fitment benefit is upto 15 % for five years pay revision and again another 15 % in next pay revision it is only a loss for every body. No gain for any. (What is offered now is 8 % only)
- (2) Only in case the fitment benefit is 20 % or more for first pay revision for 5 years and again assured 20 % or more for next pay revision, there is marginal gain.
- (3) Even in this case officials retiring before eight years will be at loss with respect to total income in service upto 8 years. For those who have service 9 to 10 years there is marginal gain.

(4) For those who could see next pay revision after 10 years, that is those who have more than 10 years of service, there is a good gain since pre revised pay for the pay revision after 10 years will be more.

Hence unless you are so sure of getting more than 20 % or above in first five years pay revision and again you are sure of your future bargaining strength of getting more than 20 % fitment benefit you stand to lose only.

Also a higher percentage of staff should have service for more than 10 years otherwise in reality there is no benefit.

In short when the periodicity of pay revision is reduced from 10 to 5 years, at least 70 % of fitment benefit that is offered for 10 year period should be achieved.

Even in this case persons retiring in first 8 years will be losers.

So if you are capable and have a good bargaining power of getting the periodicity of pay revision reduced without much reduction in fitment benefit it is well and good.

Otherwise think of the famous proverb "A bird in hand is worth two in the bush"
