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No. 252/2/1/2017-Cab. III  
Government of India / भारत सरकार  
Cabinet Secretariat / मंत्रिमंडल सचिवालय  
Rashtrapati Bhavan / राष्ट्रपति भवन

New Delhi, dated the 29<sup>th</sup> May, 2017

OFFICE MEMORANDUM

**Sub: Recommendations of 3<sup>rd</sup> Pay Revision Committee for revision of pay for executives and non-unionized supervisors in CPSEs - reg.**

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The undersigned is directed to enclose a copy of the minutes of the meeting of Committee of Secretaries (Doc. No. 23/2017-CA.III) held on 12<sup>th</sup> May, 2017 at 3:15 PM in the Committee Room of the Cabinet Secretariat, Rashtrapati Bhawan on the subject mentioned above.

2. It is requested that the status of action taken on the relevant decisions may kindly be uploaded in the 'Committee of Secretaries' module of e-Samiksha portal.

(Alok Tiwari)  
Deputy Secretary  
Tele: 23015861

Secretary, D/o Public Enterprises  
Chairman, Railway Board  
Secretary, D/o Expenditure  
Secretary, D/o Heavy Industry  
Secretary, M/o Petroleum & Natural Gas  
Secretary, M/o Power  
Secretary, M/o Steel  
Secretary, M/o Coal  
Secretary, M/o Textiles  
Secretary, D/o Defence Production  
Secretary, M/o Civil Aviation  
Secretary, D/o Fertilizers  
Secretary, D/o Telecommunications  
Secretary, D/o Personnel & Training

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(Alok Tiwari)  
Deputy Secretary

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CABINET SECRETARIAT

Doc. No. 23/2017-CA.III

9

MINUTES OF THE MEETING OF COMMITTEE OF SECRETARIES

Venue : Committee Room, Cabinet Secretariat  
Rashtrapati Bhavan

Date of meeting : 12.05.2017

Time of meeting : 3:15 PM

P R E S E N T

Sh. Pradeep Kumar Sinha, Cabinet Secretary  
Dr. A.R. Sihag, Secretary (Coordination), Cabinet Secretariat  
Ms. Seema Bahuguna, Secretary, D/o Public Enterprises  
Sh. B.P. Sharma, Secretary, D/o Personnel & Training  
Sh. R.N. Choubey, Secretary, M/o Civil Aviation  
Sh. Pradeep Kumar Pujari, Secretary, M/o Power  
Sh. Arun Kumar, Secretary, M/o Coal  
Sh. K.D. Tripathi, Secretary, M/o Petroleum & Natural Gas  
Ms. Bharati S. Sihag, Secretary, D/o Fertilizers  
Sh. Anant Kumar Singh, Secretary, M/o Textiles  
Sh. B.N. Mahapatra, Finance Commissioner, M/o Railways  
Sh. Pramod Kumar Das, Addl. Secretary, D/o Expenditure  
Sh. Subhash Chandra Pandey, Addl. Secretary, D/o Heavy Industry  
Sh. N. Sivasailam, Addl. Secretary, D/o Telecommunications  
Ms. Surina Rajan, Addl. Secretary, D/o Defence Production  
Sh. S.A.M. Rizvi, Joint Secretary, Cabinet Secretariat  
Sh. Rajesh Kumar Chaudhry, Joint Secretary, D/o Public Enterprises  
Sh. S. Meenakshi Sundaram, Adviser, D/o Public Enterprises  
Sh. T. Srinivas, Joint Secretary, M/o Steel  
Sh. A.P. Dwivedi, ED (PSU), M/o Railways  
Sh. Alok Tiwari, Deputy Secretary, Cabinet Secretariat  
Sh. Neeraj Verma, Assistant Director, D/o Public Enterprises

**Sub: Consideration of the recommendations of the 3<sup>rd</sup> Pay Revision Committee (PRC) for Revision of Pay for Executives and Non-Unionized Supervisors in CPSEs – reg.**

**Subject: Recommendations of 3<sup>rd</sup> PRC for revision of pay for Executives and non-unionized Supervisors in CPSEs.**

A meeting of Committee of Secretaries on the above mentioned subject was chaired by Cabinet Secretary at 3.15 PM on 12.05.2017 in the Committee Room, Cabinet Secretariat, Rashtrapati Bhawan, New Delhi.

2. Secretary, DPE made a presentation on the subject. The deliberations of CoS on different recommendations of the 3<sup>rd</sup> PRC are discussed below.

**3. Affordability**

(i) Secretary, DPE apprised the CoS about the recommendations of the 3<sup>rd</sup> PRC regarding 'affordability clause'. She stated that broadly speaking, 3<sup>rd</sup> PRC had recommended that additional financial impact should be within 20% of average PBT of last 3 years preceding the year of implementation. Secretary, M/o Coal expressed the view that CIL and its subsidiaries may be considered as a single unit for the purpose of the 'affordability clause' because the executives in CIL are recruited centrally and are transferrable from holding company to subsidiaries and *vice versa*. He stated that this matter has already been considered and approved by Cabinet earlier at the time of implementation of 2007 pay revision. CoS was of the view that past precedent in respect of CIL may be taken into account for 'affordability'.

(ii) **Recommendation:** The recommendation of 3<sup>rd</sup> PRC regarding 'affordability clause' may be accepted. However, in case of CIL, the holding company and its subsidiaries would be considered as a single unit for the affordability clause as per past precedent.

**4. Fitment benefit**

(i) Secretary, DPE stated that 3<sup>rd</sup> PRC had recommended uniform fitment benefit of 15% of Basic Pay plus DA in case the financial impact of the pay revision is within 20% of the average PBT of last 3 years and part fitment slabs of 10% and 5% in case the financial impact is more than 20%. After detailed discussion, CoS was of the view that these recommendations were acceptable.

(ii) **Recommendation:** The fitment benefit as recommended by 3<sup>rd</sup> PRC may be accepted.

**5. Dearness Allowance, annual increment, promotion increment, stagnation increment and bunching of pay:**

(i) Secretary, DPE apprised that 3<sup>rd</sup> PRC had recommended continuation of 100% DA neutralization. The annual increment and promotion increment were recommended at 3% of basic pay. The provisions regarding stagnation increment and bunching of pay in the situation where a lower fitment benefit (i.e. 10% or 5%) is granted due to affordability issues were brought out. There was consensus in the CoS that recommendations of 3<sup>rd</sup> PRC on these issues may be accepted.

(ii) **Recommendation:** 3<sup>rd</sup> PRC's recommendations regarding dearness allowance, annual, promotion and stagnation increments and bunching of pay may be accepted.

## 6. Pay Protection

(i) Secretary, DPE apprised that 3<sup>rd</sup> PRC had recommended that a 'Special Pay' should be granted to accord pay protection to executives whose pay after promotion or selection to a Board level position exceeds the maximum of pay-scale of that post. Additional Secretary, D/o Expenditure stated that such a provision is not available in Central Government whereby pay could be fixed beyond the maximum of the scale of a post. Hence, the recommendation was not supported by D/o Expenditure. Secretary, DoPT mentioned that government servants are allowed pay only up to maximum of the scale/level of the post to which they are appointed. CoS observed that the 3<sup>rd</sup> PRC has recommended fairly wide pay bands along with up to three stagnation increments and therefore there is hardly any likelihood of stagnation in the event of promotion / selection of an executive to a higher post. Besides, taking into account the above views of DoPT and DoE the recommendation of 3<sup>rd</sup> PRC regarding pay protection may not be accepted.

(ii) **Recommendation:** 3<sup>rd</sup> PRC's recommendation regarding pay protection may not be accepted.

## 7. Pay scales

(i) Secretary, DPE explained that the 3<sup>rd</sup> PRC had recommended continuing with existing levels and number of pay scales linked to Scheduled classification of CPSEs. Thus, 3<sup>rd</sup> PRC had recommended revised pay scales corresponding to existing pay scales for each of the existing Grades.

(ii) **Recommendation:** 3<sup>rd</sup> PRC's recommendations regarding pay scales may be accepted.

## 8. Perks and allowances

(i) Secretary, DPE informed that the 3<sup>rd</sup> PRC had recommended that Board of CPSEs may be empowered to provide up to a ceiling of 35% of Basic Pay towards perks and allowances under the concept of 'Cafeteria Approach'. Further, 3<sup>rd</sup> PRC had recommended that the ceiling shall be partially linked to Industrial DA (IDA) in future whereby it would be enhanced by 25% whenever IDA rises by 50%. In addition, it was recommended that cost of infrastructure facilities should not be covered within the ceiling. As regards company-owned accommodation provided to executives, CPSEs would be able to bear Income Tax liability on the 'non-monetary perquisite' of which 50% shall be loaded within the ceiling of 35% on perks and allowances. It was pointed out by Secretary, DPE that at present, the ceiling for allowances under 'Cafeteria Approach' is not linked to IDA.

(ii) Secretary, DPE stated that 3<sup>rd</sup> PRC had also made recommendations in respect of certain allowances such as location based compensatory allowance, work based hardship duty allowance and project allowance which are outside the abovementioned 'Cafeteria Approach'. In addition, it had also recommended that work related administrative expenditure and reimbursement of telephone/internet facility etc. may be allowed outside the ceiling on perks on allowances.

(iii) Secretary, MoCA stated that certain allowances in CPSEs under MoCA such as flying/engineering related allowances applicable to Air Traffic Controllers, Flying Crew etc. may be kept outside the ceiling of 35% in order to attract and retain talent. Additional Secretary, D/o Expenditure stated that 7<sup>th</sup> CPC has recommended hardship and location based allowances on slab basis and not as a percentage of

pay. A decision on recommendations of 7<sup>th</sup> CPC pertaining to allowances of Central Government employees, many of which are closely related to the allowances of CPSE employees which are outside the 'Cafeteria Approach', is yet to be taken by Government. The matter was discussed in detail. It was suggested that a view on allowances which are analogous to those of Central Government employees may be taken after the latter are finalized.

(iv) **Recommendation:** The recommendations of 3<sup>rd</sup> PRC regarding allowances under 'Cafeteria Approach' up to a ceiling of 35% excluding the cost on infrastructure facilities and 50% of Income Tax liability on 'non-monetary perquisite' related to company owned accommodation may be accepted. Further, the recommendation of 3<sup>rd</sup> PRC regarding work related administrative expenditure and linkage of allowances under 'Cafeteria Approach' with IDA may not be accepted. However, decision regarding other allowances may be taken by DPE in consultation with M/o Finance separately after a decision is taken by Government on the allowances for Central Government employees. Till a decision is taken regarding the other allowances, the existing allowances in CPSEs at existing rates may continue to be paid on pre-revised pay.

## 9. Performance related pay (PRP)

(i) Secretary, DPE informed CoS that 3<sup>rd</sup> PRC had recommended that as in the past, PRP should be paid from 5% of profit accruing from core business activities. However, the ratio of relevant year's profit to incremental profit for calculating PRP has been modified from 60:40 to 65:35. In addition to the existing provision for CPSE and Individual Performance, provision has also been made for Team Performance. Thus CPSE Performance, Individual Performance and Team Performance have been given weightages of 50%, 20% and 30% respectively. Further, 3<sup>rd</sup> PRC has recommended certain changes in Grade Ceilings of PRP for Executives and discontinuation of forced rating of 10% executives as below par/poor performers.

(ii) **Recommendation:** The recommendations of 3<sup>rd</sup> PRC regarding PRP may be accepted.

## 10. Superannuation Benefits

(i) Secretary, DPE stated that 3<sup>rd</sup> PRC had recommended no change regarding superannuation benefits (i.e. PF, gratuity, post-retirement medical benefits and pension) for which the present ceiling of 30% of Basic Pay + DA had been retained. However, ceiling for gratuity has been raised to Rs. 20 lakh from the present Rs. 10 lakh with partial linkage to DA in line with that for Central Government employees. Further, it has been recommended that funding of gratuity beyond Rs. 10 lakh should be kept outside the ceiling of 30% of Basic Pay + DA. Additional Secretary, D/o Expenditure stated that the recommendation regarding funding of gratuity may be reexamined because gratuity per se is part of existing ceiling being a retirement benefit and hence it may not be appropriate to create two segments for gratuity. Moreover, there is no specific reason given for this recommendation by the 3<sup>rd</sup> PRC.

(ii) **Recommendation:** The recommendations of 3<sup>rd</sup> PRC regarding superannuation benefits may be accepted with the modification that funding for the entire amount of gratuity may be met from within the ceiling of 30% of Basic Pay + DA.

## 11. Corpus for Medical and other emergency needs

(i) Secretary, DPE informed that 3<sup>rd</sup> PRC had recommended that the ceiling for contribution to the corpus for post-retirement medical benefits and other emergency needs for retirees may be enhanced from 1.5% of PBT to 3% of PBT. Further, coverage from the corpus may be extended to all retirees instead of the present provision for only pre 1.1.2007 retirees. CoS was of the view that the present ceiling of 1.5% of PBT is sufficient for covering the pre 1.1.2007 retirees. As regards remaining employees, provision for post-retirement medical benefit already exists as part of the stipulated contribution of 30% of Basic Pay + DA for superannuation benefits.

(ii) **Recommendation:** The corpus for post-retirement medical benefits and other emergency needs may be provided for within the existing ceiling of 1.5% of PBT and it may apply only in respect of pre 1.1.2007 retirees. Formulation of suitable schemes in this regard by CPSEs may be ensured by the Administrative Ministries/Departments.

## **12. House Rent Allowance (HRA) and Leased Accommodation including House Rent Recovery (HRR)**

(i) The recommendations of 3<sup>rd</sup> PRC regarding rates of HRA, HRR and leased accommodation etc. were discussed. Additional Secretary, D/o Expenditure apprised that the recommendations of 7<sup>th</sup> CPC on HRA for Central Government employees was under consideration and a final view was yet to be taken. CoS was of the view that decision of the Government on the recommendations of the 7<sup>th</sup> CPC on allowances may be awaited.

(ii) **Recommendation:** A decision on 3<sup>rd</sup> PRC's recommendations regarding HRA, HRR, leased accommodation etc. may be taken by DPE in consultation with M/o Finance along the lines of provisions for Central Government employees after a decision is taken by Government on HRA for Central Government employees. Till then, the existing allowances at the existing rates may continue to be paid at pre-revised pay scales.

## **13. Deputation, Employee Stock Ownership Plan (ESOP) VRS/VSS and healthcare of employees.**

(i) Secretary, DPE stated that 3<sup>rd</sup> PRC has recommended that deputation of employees from one CPSE to another may be allowed in which case the employee would be entitled to pay and allowances as applicable in the parent CPSE. In addition, deputation allowance would also be payable. Further, the same provision would also apply to government officials on deputation to CPSEs, i.e. they would be entitled to pay and allowances as applicable in their parent cadre together with deputation allowance. She further informed that as per extant guidelines, government officers could join posts in CPSEs only on immediate absorption basis except in certain posts. This policy also applies to employees of one CPSE joining other CPSEs regardless of the level of post involved. The executives, who are brought into holding companies from subsidiaries or vice versa on deputation/transfer, will continue to draw their basic pay as drawn in the original company. They will, however, be entitled to draw the allowances and variable pay/performance related pay as applicable to the borrowing CPSE. Secretary, DoPT was of the view that deputationists should have the option to choose between pay of parent cadre plus deputation allowance or pay of the ex-cadre post. Further, the deputationists should get the allowances and other non-pay benefits according to the rules of the borrowing organization.

(ii) Secretary, DPE apprised that the 3<sup>rd</sup> PRC had also made certain recommendations to improve the performance of CPSEs, inter alia, covering Employee Stock Ownership Plan (ESOP), VRS/VSS, and healthcare of employees, etc. She stated that as regards ESOP, 3<sup>rd</sup> PRC had recommended that DPE may elaborate the mechanism in consultation with Government agencies concerned. This recommendation may be delinked from the processing of the other recommendations of 3<sup>rd</sup> PRC and may be examined separately. As regards VRS/VSS, there are existing guidelines of DPE and recommendations of 3<sup>rd</sup> PRC on this issue would also need separate examination. Regarding modifications in respect of healthcare facilities for employees recommended by 3<sup>rd</sup> PRC, CoS observed that most of the CPSEs are already implementing various health schemes and therefore changes in this regard may not be necessary.

(iii) **Recommendation:** 3<sup>rd</sup> PRC's recommendations on deputation of officers between CPSEs and of Government officers to CPSEs may not be accepted and the existing guidelines of DPE and DoPT in this regard may continue to apply. As regards recommendations on ESOP and VRS/VSS, these may also be examined separately by DPE. Further, modifications recommended by 3<sup>rd</sup> PRC in respect of healthcare facilities for employees may not be accepted and present provisions may continue in this regard.

14. After detailed deliberations, it was recommended that:

- i. 3<sup>rd</sup> PRC's recommendations may be accepted except to the extent of modifications recommended in Paras 3 (ii), 6 (ii), 8 (iv), 10 (ii), 11 (ii), 12 (ii) and 13 (iii) above.
- ii. The recommendations of 3<sup>rd</sup> PRC may be implemented from 01.01.2017 (except for allowances as discussed in Paras 8 and 12 above, decision on which will be taken after the Government decision on allowances under 7<sup>th</sup> CPC).

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