



3rd Pay Revision Committee
-
Recommendations

Constitution of 3rd PRC

Constituted on: 9th June 2016

Mandate:

To Review and revise the existing structure of salary and emoluments of Board, below Board level Executives and non-unionized supervisory staff of CPSEs.

Composition:

Chairman: Justice Satish Chandra (Retd.)

Members :

(i) Shri Jugal Mohapatra, (Retd. Secretary GOI)

(ii) Prof. Manoj Panda, Director, Institute for Economic Growth, Delhi

(iii) Shri Shailendra Pal Singh, Ex Director (HR), NTPC Ltd.

Ex-Officio Member : Secretary, DPE

Member Secretary : Additional Secretary, DPE

Applicability

1. **Applicable to** - Executives & Non-unionized Supervisors of CPSEs following 2007 IDA pay scales
2. **Date of applicability**- 01.01.2017 inclusive of revised compensation & benefits / allowances.
3. **No. of CPSEs**– 320 (244 in operation)
4. **No. of Executives & Non-unionized Supervisors in CPSEs:**
Executives : 2,52,645, Non-Unionized Supervisors: 36,730

Key recommendations

- **Affordability clause**
- **15% Fitment benefit on BP + DA**
- **No change in no. of Pay scales**
- **Perks and allowances - ceiling of 35% of BP**
- **Additional allowances introduced- Location based CA, Project Allowance, Hardship Duty Allowance**
- **PRP calculation method modified**
- **Superannuation benefits - 30% of BP + DA.**
- **Ceiling of gratuity enhanced –Rs. 20 lakh**
- **Corpus fund from 3% of each year's PBT for post retirement medical benefits**

Affordability Clause

3rd PRC recommendation	2nd PRC / DPE guidelines
1. Additional financial impact should not be more than 20% of the average PBT of the last 3 FYs preceding the year of implementation.	Dip should not exceed 20% of PBT of the year preceding the year of implementation
2. If additional financial impact is more than 20% then fitment benefit should be implemented partly. (5% or 10%)	CPSEs which are not able to adopt revised pay scales, may give a lower fitment benefit.

**3rd PRC
Recommendation**

**2nd PRC / DPE
guidelines**

3. Part fitment stages:

Part stages	Additional financial impact of the full revised pay package as a % of average PBT of last 3 FYs	Fitment benefit
I	More than 20% but upto 30% of avg. PBT of last 3 FYs	10%
II	More than 30% but upto 40% of avg. PBT of last 3 FYs	5%
III	More than 40% of avg. PBT of last 3 FYs	Nil

CPSEs which are not able to adopt revised pay scales, may give an increase on the BP+DA with a uniform lower fitment benefit of 10% or 20%, depending upon their affordability.

**3rd PRC
recommendation**

2nd PRC / DPE guidelines

4. For Sick CPSEs referred to BIFR / AAIFR : In accordance with rehabilitation package approved by Government

Similar to 3rd PRC.

5. For CPSEs registered under Section 25 of the Companies Act, 1956, or Section 8 of the Companies Act, 2013 affordability condition is applicable.

- These CPSEs should be taken out of proposed pay revision and government may adopt scales of sixth CPC.**
- If not feasible, the CPSE concerned will follow pay package proposed for respective category to which they belong.**

**3rd PRC
recommendation**

2nd PRC / DPE guidelines

6. For CPSEs under construction/ yet to start its commercial operations :

Pay-revision would be decided by the government based on the proposal of concerned Administrative Ministry and in consideration of their financial viability.

- To be regulated as per the projections made in the respective Cabinet Notes / Project Reports.**
- Alternatively, an interim status can be considered till the CPSE becomes fully operational.**

FITMENT BENEFIT

3rd PRC recommendation	2nd PRC / DPE guidelines	7th CPC
15% of BP+DA = Fitment factor 2.52 times of BP (IDA is 119.5%)	30% of BP+DA	14.22% of BP+DA = Fitment factor - 2.57 times of BP (CDA was 125%).

Pay Scales

3 rd PRC	2 nd PRC/ DPE guidelines	7 th CPC
<ul style="list-style-type: none"> • Existing categorization of CPSEs i.e. Schedule A, B, C & D for determining pay scales retained. • 10 pay scales based on existing pay-scales, full DA neutralization & fitment benefit. • Relativity ratio between entry level to top level scale = 1:4 to 1:7 depending upon CPSE schedule. 	<p>Common set of 10 model pay scales continued by DPE.</p> <p>Relativity ratio (for Sch-A) = 1:6.3</p>	<p>New model in the form of Pay matrix with distinct pay levels. (18 levels for staff and officers).</p>

Pay scales –Schedule A CPSE

<u>Grade / Level</u>	<u>Pre-revised</u>				<u>Revised</u>			
	w.e.f. 1.1.2007				w.e.f. 1.1.2017			
	Min.		Max.		Min.		Max.	
<u>Below Board Level Executives:</u>								
E0	12600	-	32500		30000	-	120000	
E1	16400	-	40500		40000	-	140000	
E2	20600	-	46500		50000	-	160000	
E3	24900	-	50500		60000	-	180000	
E4	29100	-	54500		70000	-	200000	
E5	32900	-	58000		80000	-	220000	
E6	36600	-	62000		90000	-	240000	
E7	43200	-	66000		100000	-	260000	
E8	51300	-	73000		120000	-	280000	
E9	62000	-	80000		150000	-	300000	
<u>Board Level Executives:</u>								
Director (Sch-A)	75000	-	100000		180000	-	340000	
CMD (Sch-A)	80000	-	125000		200000	-	370000	

Pay scales –Schedule B CPSE

<u>Grade / Level</u>	<u>Pre-revised</u>			<u>Revised</u>		
	w.e.f. 1.1.2007			w.e.f. 1.1.2017		
	Min.		Max.	Min.		Max.
<u>Below Board Level Executives:</u>						
E0	12600	-	32500	30000	-	120000
E1	16400	-	40500	40000	-	140000
E2	20600	-	46500	50000	-	160000
E3	24900	-	50500	60000	-	180000
E4	29100	-	54500	70000	-	200000
E5	32900	-	58000	80000	-	220000
E6	36600	-	62000	90000	-	240000
E7	43200	-	66000	100000	-	260000
E8	51300	-	73000	120000	-	280000
<u>Board Level Executives:</u>						
Director (Sch-B)	65000	-	75000	160000	-	290000
CMD (Sch-B)	75000	-	90000	180000	-	320000

Pay scales –Schedule C CPSE

<u>Grade / Level</u>	<u>Pre-revised</u>				<u>Revised</u>			
	w.e.f. 1.1.2007				w.e.f. 1.1.2017			
	Min.		Max.		Min.		Max.	
<u>Below Board Level Executives:</u>								
E0	12600	-	32500		30000	-	120000	
E1	16400	-	40500		40000	-	140000	
E2	20600	-	46500		50000	-	160000	
E3	24900	-	50500		60000	-	180000	
E4	29100	-	54500		70000	-	200000	
E5	32900	-	58000		80000	-	220000	
E6	36600	-	62000		90000	-	240000	
E7	43200	-	66000		100000	-	260000	
<u>Board Level Executives:</u>								
Director (Sch-C)	51300	-	73000		120000	-	280000	
CMD (Sch-C)	65000	-	75000		160000	-	290000	

Pay scales – Schedule D CPSE

<u>Grade / Level</u>	<u>Pre-revised</u>				<u>Revised</u>			
	w.e.f. 1.1.2007				w.e.f. 1.1.2017			
	Min.		Max.		Min.		Max.	
<u>Below Board Level Executives:</u>								
E0	12600	-	32500		30000	-	120000	
E1	16400	-	40500		40000	-	140000	
E2	20600	-	46500		50000	-	160000	
E3	24900	-	50500		60000	-	180000	
E4	29100	-	54500		70000	-	200000	
E5	32900	-	58000		80000	-	220000	
E6	36600	-	62000		90000	-	240000	
<u>Board Level Executives:</u>								
Director (Sch-D)	43200	-	66000		100000	-	260000	
CMD (Sch-D)	51300	-	73000		120000	-	280000	

Increments/ HRA

3rd PRC recommendation

2nd PRC / DPE guidelines

Annual increment (3%)

Promotion increment (3%)

Provision for Pay Protection on promotion

HRA

Classification of cities	Rates of HRA
X-class (50 lakh & above popln)	24% of Basic Pay
Y-class (5 – 50 lakh popln)	16% of Basic Pay
Z-class(below 5 lakh popln)	8% of Basic Pay

Same as in Central Government.

Classification of cities	Rates of HRA
X-class (50 lakh & above popln)	30% of Basic Pay
Y-class (5 – 50 lakh popln)	20% of Basic Pay
Z-class(below 5 lakh popln)	10% of Basic Pay

House Rent Recovery

3rd PRC recommendation

- **Board empowered to decide the lease rental ceilings for different level of executives. Amount of lease should be decided on merit keeping in view various factors including pay scale of executive, classification of city, HRA, HRR etc.**
- **If an executive's house is taken as lease accommodation for self-occupation purpose, in such case lease rental ceilings (after adjusting the House Rent Recovery amount) should not exceed the net HRA amount.**

2nd PRC / DPE guidelines

Board of CPSEs are empowered to decide the level of executives who will be provided with leased accommodation and the size, type and locality of such accommodation.

No difference in the guidelines between Company lease and Self-lease (i.e. lease for self-occupation).

3rd PRC recommendation

2nd PRC/ DPE guidelines

7th CPC

LEASED ACCOMMODATION:-

House Rent Recovery (HRR) would be as given below or actual rent for leased accommodation or standard rent for company owned, fixed by CPSE whichever is lower :

HRR for Company leased or owned accommodation @10% of BP.

License fee as stipulated by for the type of accommodation by government

Classification of cities	Rates of HRR
X-class	7.5% of Basic Pay
Y-class	5% of Basic Pay
Z-class	2.5% of Basic Pay

Perks & Allowances (P&A)

3 rd PRC recommendation	2 nd PRC / DPE guidelines
<p>Executives can choose P&A under ‘cafeteria approach’, subject to ceiling of 35% of BP. (Enhancement in ceiling by 25% of 35% whenever IDA rises by 50%)</p>	<p>Executives can choose under ‘cafeteria approach’ subject to a maximum ceiling of 50% of BP.</p>
<p>Cost incurred on infrastructure facilities not to be charged within the recommended ceiling on perks & allowances.</p>	<p>Recurring expenditure on running & maintaining the infrastructure facilities to be loaded within ceiling of 50% of BP.</p>

Perks & Allowances outside ceiling

3 rd PRC recommendation	2 nd PRC/ DPE guidelines	7 th CPC
<p>1. <u>Location based Compensatory Allowances:-</u></p> <p>North East states, Sikkim and Ladakh Region - 10% of BP.</p> <p>Island territories of Andaman and Nicobar Islands and Lakshadweep – 10% / 16% / 20% of BP</p> <p>For serving in the difficult and far flung areas (based on DOE OM dated 29.08.2008)- 4%, 6%, 8% and 10% of BP – location based.</p> <p>With the approval of administrative ministry special allowance upto 10% of BP for difficult and far flung area not covered in DOE OM</p>	<p>Allowance for North East & Ladakh Region limited to 12.5% of BP;</p> <p>For serving in the difficult and far flung areas - 4%, 6%, 8% and 10% of BP – location based.</p>	<p>Same as 3rd PRC</p>

3rd PRC recommendation

2nd PRC/ DPE guidelines

2. Work based Compensatory Allowances:-
Upto 12% of Basic Pay for following hardship duty:-

- In Underground mines,
- At Offshore exploration site, and
- At Hydro-project site located within 200 kilometers from the international border of the country.

Allowance for Underground Mines limited to 15% of BP.

3. Non-practicing Allowance (NPA) for Medical Officers upto 20% of BP (not considered as pay for purpose of other benefits)

Non-practicing Allowance for Medical Officers upto 25% of BP

3rd PRC recommendation

2nd PRC/DPE guidelines

4. Project Allowance:- Upto 10% of BP for Green-field / Grass-root project which are independent and not linked to the existing operating units / establishment.

Not mentioned

(payable only if project falls beyond 50 kilometers from municipal limits of closest X-class / Y-class city).

3rd PRC recommendation

2nd PRC/ DPE guidelines

5. Work-related / administrative expenditure- outside the purview of ceiling with the approval of Government. Usage of telephone / internet facilities be allowed to be compensated.(New Recommendation)

6. CPSEs to have flexibility to avail provision under IT Act to bear tax on 'non-monetary perquisite' in respect of Company owned accommodation on behalf of executives. 50% of such expenses borne shall be loaded within the prescribed ceiling of 35%.

DPE had clarified in 2011 that if 'perquisite tax' has been paid by employer on behalf of the employee, it should be treated as perks and should be within 50% perks ceiling.

Performance Related Pay (PRP)

3rd PRC recommendation

2nd PRC/DPE guidelines

(I) Allocable Profits:

- Overall limit: 5% of the profit accruing from core business activities;
- Break-up of profit between relevant year's profit to incremental profit shall be 65:35.

(II) PRP : Based on addition of following components:-

Part-1 : CPSE's performance :

Weightage = 50% of PRP payout

Part-2 : Team's performance:

Weightage = 30% of PRP payout

Part-3 : Individual's performance :

Weightage = 20% of PRP payout

(I) Allocable Profits:

- Overall limit: 5% of the profit from core business activities;
- Break-up of relevant year's profit to Incremental profit: 60:40. (60% of the PRP shall be given with the ceiling of 3% of the PBT and 40% of the PRP shall be from 10% of the Incremental Profit)

(II) PRP payout: Based on the multiplication of MOU rating of CPSE, Individual performance, grade ceiling & a cutoff factor.

Grade Ceilings

3rd PRC recommendation

2nd PRC / DPE guidelines

Percentage ceiling of PRP:-

Gd.	%age
E-0	40%
E-1	40%
E-2	40%
E-3	40%
E-4	50%
E-5	50%
E-6	60%
E-7	70%
E-8	80%
E-9	90%
Dir(C&D)	100%
Dir(A&B)	125%
CMD/MD (C&D)	125%
CMD/MD (A&B)	150%

Percentage ceiling of PRP:-

Gd.	%age
E-0	40%
E-1	40%
E-2	40%
E-3	40%
E-4	50%
E-5	50%
E-6	60%
E-7	60%
E-8	70%
E-9	70%
Dir(C&D)	100%
Dir(A&B)	150%
CMD/MD (C&D)	150%
CMD/MD (A&B)	200%

Examples for calculating Kitty factor/Allocable profit

Sl.	Parameters	Amount (Rs.)/ %age
1	FY 2016-17	Profit = 5000 crore
2	FY 2017-18 [for which PRP is to be distributed]	Profit = 6000 crore
3	Incremental profit	1000 crore
4	5% of the year's profit	300 crore
5	Allocable profit out of current year's 5% of profit based on distribution in the ratio of 65:35 towards the year's profit and incremental profit:	
a.	PRP payout from year's profit	195 crore [i.e. 65% out of 300 crore]
b.	PRP payout from incremental profit	105 crore [i.e. 35% out of 300 crore]: [105 crore can be fully utilized as incremental profit is 1000 crore.]
6	Full PRP Payout requirement (computed for all executives based on Grade-wise ceilings, CPSE's MOU rating, Team rating & Individual performance rating) – but without applying kitty factor related to year's profit or Incremental profit	500 crore

Sl.	Parameters	Amount (Rs.)/ %age
7	PRP payout break-up based on 65:35 distribution out of year's profit and incremental profit:	
a	PRP amount required out of year's profit (i.e. 65% of Sl. No. 6)	65% of 500 crore = 325 crore
a1	Cut-off factor(1) (in %age) for year's PRP payout with reference to Sl. No. 5(a) & 7(a)	195 crore / 325 crore = 60.00%
b	PRP amount required out of incremental profit (i.e. 35% of Sl. No. 6)	35% of 500 crore = 175 crore
b1	Cut-off factor(2) (in %age) for incremental PRP payout with reference to Sl. No. 5(b) & 7(b)	105 crore / 175 crore = 60.00%
8	Thus, total Profit amount allocated for PRP distribution	195 crore + 105 crore = 300 crore [i.e. 5% of Core business / operating profit]
9	Kitty factor for respective Grade (in %age)	[65% x Grade PRP ceiling (%) x Cut-off factor(1)] <u>Plus (+)</u> [35% x Grade PRP ceiling x Cut-off factor(2)] = Kitty factor

PRP Payout to Individual Executives

Example – 1 : For Grade E-1

Sl	Parameter	Amount (Rs.)/ %age payout
A	CPSE's MOU rating [Weightage = 50%]	75% (Very Good)
B	Team's rating [Weightage = 30%]	100% (Excellent)
C	Individual's performance rating [Weightage = 20%]	60% (Good/Average)
D	Grade ceiling (E1) (Max. of 40% of BP)	40% of BP
E	Cut-off factor (1)	60.0%
F	Cut-off factor (2)	60.0%
G	Kitty Factor for Grade E1 i.e. [65% x D (Grade PRP ceiling) x E (Cut-off factor(1))] <u>Plus (+)</u> [35% x D (Grade PRP ceiling) x F (Cut-off factor(2))]	[65% x 40% x 60.00%] + [35% x 40% x 60.00%] = 15.60% + 8.40% = 24.00%

Sl	Parameter	Amount (Rs.)/ %age payout
E	<u>Net PRP</u>	
i	Factor-X [Company's performance component]	Wtg.(50%) x A x G
		i.e. 50% x 75% x 24.0% = 9.00%
ii	Factor-Y [Team's performance component]	Wtg.(30%) x B x G
		i.e. 30% x 100% x 24.00% = 7.20%
iii	Factor-Z [Individual's performance component]	Wtg.(20%) x C x G
		i.e. 20% x 60% x 24.00% = 2.88%
H	PRP payout distribution	Factor X + Factor Y + Factor Z = 19.08% of Basic Pay

Bell Curve

3rd PRC recommendation	2nd PRC/DPE guidelines
<p data-bbox="86 368 1043 511">Discontinuation of Bell-curve recommended.</p> <p data-bbox="86 654 1043 896">Forced rating of 10% as below par / Poor performer should not be made mandatory.</p> <p data-bbox="86 1039 1043 1368">Capping of giving Excellent rating to not more than 15% of the executive's population in the grade (at below Board level) should be adhered to.</p>	<p data-bbox="1066 368 1866 996">A "Bell curve approach" to be adopted by CPSEs in grading the officers so that not more than 10% to 15% executives are Outstanding / Excellent. Similarly 10% of executives should be graded as below par</p>

Superannuation Benefit

3 rd PRC recommendation	2 nd PRC / DPE guidelines	7 th CPC
<p>CPSEs can contribute upto 30% of BP+DA towards : PF, Gratuity, Post-superannuation medical benefits (PRMB) and Pension;</p> <p>-Gratuity ceiling enhanced from existing Rs.10 lakhs to Rs.20 lakhs.</p> <p>-Funding of additional gratuity amount beyond Rs.10 lakhs to be borne outside the limit of 30%.</p>	<p>30% of BP+DA allowed to include PF, Gratuity (Rs.10 lakhs), PRMB and Pension .</p>	<p>Gratuity – in line with 7th CPC.</p>

NPS

3rd PRC recommendation	2nd PRC / DPE guidelines
<p data-bbox="59 458 1047 708">Requirement of superannuation and 15 years of service should not be mandated for pension (option for NPS suggested)</p> <p data-bbox="59 858 1047 1308">Post-Retirement medical benefits linked to requirement of superannuation and minimum of 15 years of continuous service(except for Board Level Executives).</p>	<p data-bbox="1076 458 1856 1208">Pension and Post-Retirement medical benefits are to be extended only to those executives who superannuate from the CPSE and have put-in minimum of 15 years of continuous service in the CPSEs, prior to superannuation.</p>

Corpus for medical benefits

3rd PRC

A Corpus fund out of 3% of each year's PBT effective 2017-18 for post retirement medical benefits of all employees.

From unutilized portion of corpus created out of 3% of PBT, CPSE may introduce a scheme for ex-gratia relief to mitigate extraordinary personal hardship being faced by the retired employees. (Ceiling of Rs. 50000/employee/year)

2nd PRC / DPE guidelines

CPSEs can create a corpus out of 1.5% of each year's PBT to meeting the medical and any other emergency needs of ex-employees retired prior to 1.1.2007.

Deputation

3rd PRC

For CPSEs executives Pay, allowances, PRP, etc. shall be regulated as applicable in the parent CPSE.

Deputation allowance-5% of BP (Max. Rs.4,500/pm) for same station or 10% of BP (Max. Rs.9,000/pm) if change of station.

Also applicable to deputation to government agencies like PCRA, DGH, CHT etc. as well as movement of an executive between holding CPSE and its subsidiary CPSE.

Same principle applicable to government employees on deputation to CPSEs.

2nd PRC/DPE guidelines

Executives who are brought into holding companies or vice versa on deputation, / transfer will continue to draw basic pay as drawn in original company and allowances and PRP as applicable to borrowing CPSE

Retirement age & periodicity

3rd PRC	2nd PRC/DPE guidelines
No enhancement in the retirement age	No increase in retirement age recommended.
Periodicity of pay revision to be as in case of Government employees but not later than 10 years.	
Periodicity of wage revision of unionized workmen shall not be lesser than that of executives/ non-unionized supervisors.	
The negotiated wage revision of unionized workmen should not come in conflict with pay revision of executives and non-unionized supervisors	Responsibility of future revisions should be given to the Board subject to approval of concerned Ministry.

Voluntary Separation Scheme (VRS)

3rd PRC	DPE guidelines
CPSEs, which can bear the cost of VRS with their funds without budgetary support, to implement VRS on the revised pay scales effective 1.1.2017.	Financially sound enterprises which can sustain VRS scheme on their own surplus resources –same as 3 rd PRC.
VRS compensation/ ex-gratia equivalent to 60 days salary for each completed year of service or the salary for the number of months of service left, whichever is less	For marginal profit or loss making or sick unviable CPSEs, -45 days emoluments (BP+DA) for each completed year of service (60 days emoluments for those who have completed
For CPSEs under closure / being considered for closure or rightsizing with revival package, VRS should be same but on 1.1.2007 scale.	VRS is to be paid taking into account the then existing pay scales in the concerned CPSE.

Miscellaneous Recommendations

- **A fixed medical allowance of Rs.1,000 per month for treatment in Out-Patient Department (OPD) would be allowed.**
- **Cashless policy for providing hospitalization through insurance companies**
- **The healthcare policy / medical facilities proposed to be kept outside the purview of ceiling on perks & allowances.**
- **Board level employees of CPSEs will be allowed Corporate Club membership (upto maximum of two clubs), co-terminus with their tenure.**
- **Setting up of a separate Committee/Commission recommend measures to curb expenditure on Litigation/Arbitration**

Financial implication

Total No. of operating CPSEs	244
Total no. of CPSEs in IDA 2007 scale	190
Total no. of CPSEs with +ve Av. PBT of last 3 FYs.	140
Total no. of CPSEs with less than 40% dip in PBT due to implementation of 3rd PRC	105
Annual salary pay out of 105 CPSEs at the existing level	Rs. 25136.23 crore
Annual salary pay out of 105 CPSEs after the 3rd PRC implementation	Rs. 33103.03 crore
Estimated financial implication	Rs. 7611.93 crore

