

# BSNL's VRS PROPOSAL

# VR scheme Proposal

- In view of the company's very high wage bill, serious financial situation and in light of Pitroda committee recommendations on BSNL's revival, BSNL proposes to offer VRS to about 1 lakh employees

- BSNL proposal:

VRS based on guidelines of the Dept. of Public Enterprises:

Ex-gratia amount of 60 days salary(basic+DA) for each completed year of service or salary for number of months of service left, which ever is less.

# Opportunities to employees after availing VRS

## Proposal for additional work opportunities from BSNL to VRS optees after retirement

- VRS optees can either work on individual basis or can form co-operatives after retirement.
- BSNL can outsource some works to these co-operatives. This would create win-win opportunity for both.

# Activities which can be outsourced to cooperatives

## (1) Provisioning, O&M of fixed lines, passive infrastructure

- Operation and Maintenance of small exchanges (below 5K)
- Outdoor network Rehabilitation work
- Local loop maintenance
- U/G cable jointing and maintenance.
- EPABX installation and O&M
- Broadband provisioning and maintenance
- Passive infrastructure Operations and Maintenance (Power plant, batteries , Battery, Air-conditioning units)

# Outsourcing model

- BSNL can make available small exchanges (<5K RSU), passive infrastructure i.e. Power plant /battery, local loop for complete maintenance to the cooperative.
- Ownership of entire equipment and other assets will continue to be with of BSNL.
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- All operational expenditure may be borne by the cooperative and revenues to be shared

## Other activities which can be outsourced to cooperatives (contd...)

### 2) Selling BSNL products and services by becoming:

- Direct Selling Agent (DSA)
- Rural Distributor
- Franchisee
- Channel Partner for small Enterprise Customers

### 3) Bill Distribution

### 4) Recovery of Outstanding amount

Commission and incentives will be given as per BSNL's policy

# Eligibility for VRS



# Eligible age group and estimated no. of VRS optees

Scheme to be made open to all employees above 45 yrs

Groups	Estimated VRS Optees*
Group A	1483
Group B	6262
Group C	76655
Group D	15214
<b>Total</b>	<b>~99,700</b>

**\* About 24% of employees in group A&B and 50% in Group C& D above 45 years as on 31/3/2012 have been estimated**

# BSNL VRS offer for employees across all Groups and cadres-Rationale

- In BSNL, there is extreme shortage of critical skills required for success in the fiercely competitive Indian telecom market such as IT, sales, marketing and customer service.
- Skill set of large proportion of employees especially in Group C&D is outdated in context of the rapidly evolving technology, declining wired line business and dominance of wireless networks.
- Pitroda Committee has also recommended induction of significant young talent to meet this skill deficit
- With the objective of **improving age profile and inducting skilled manpower**, VRS offer has been proposed across all groups and cadres

# VRS offer for employees across all Groups and cadres-Rationale

- While preparation of this scheme, it was debated whether to offer VRS to all employees (irrespective of age) in certain cadres in Group “C” in which no induction is being done for a long time viz. TOA, Draughtsman, Lineman, Phone inspector etc
- However, considering that in many such cadres, redeployment has already been done after re-skilling and retraining, it was felt that it may not be prudent to create any disparity by way of specifying different age brackets for VRS options
- It is thus proposed to offer VRS option to all employees above 45 years of age throughout the organization.
- In 2007, VRS scheme proposal targeted only at TOAS/Sr. TOAs by vehemently opposed by the unions and could not be offered.

# Estimated Manpower strength in BSNL post VRS

S.N.	Group	Current strength	Estimated VRS optees	Likely strength post VRS ( with outsourcing )
1	Group A	7705	1483	6,222
2	Group B	47314	6262	41,052
3	Group C	180389	76655	1,03,734
4	Group D+Industrial workers	40898	15214	25,684
	<b>Total</b>	<b>276306</b>	<b>99614</b>	<b>1,76,692</b>

## Benefits to VRS optees

# Financial benefits to employees opting for VRS

(Tentative Benefits -package for 50 yr old VRS optee)

Level	Pay scale	ExGratia (60)	Leave Encashment	Gratuity	Pension Commutation	Transfer Grant	Total	Monthly interest @ 10%
<b>NE-1</b>	07760-13320	767,648	153,530	191,912	220,482	13,566	1,347,138	<b>11226</b>
<b>NE-2</b>	07840-14700	775,744	155,149	193,936	222,807	13,676	1,361,312	<b>11344</b>
<b>NE-3</b>	07900-14880	785,312	157,062	196,328	225,555	13,806	1,378,063	<b>11484</b>
<b>NE-4</b>	08150-15340	841,984	168,397	210,496	241,832	14,576	1,477,285	<b>12311</b>
<b>NE-5</b>	08700-16840	865,536	173,107	216,384	248,597	14,896	1,518,520	<b>12654</b>
<b>NE-6</b>	09020-17430	896,448	179,290	224,112	257,475	15,316	1,572,641	<b>13105</b>
<b>NE-7</b>	10900-20400	1,078,240	215,648	269,560	309,689	21,610	1,894,747	<b>15790</b>
<b>NE-8</b>	12520-23440	1,238,688	247,738	309,672	355,773	25,290	2,177,161	<b>18143</b>
<b>NE-9</b>	13600-25420	1,348,352	269,670	337,088	387,270	29,780	2,372,160	<b>19768</b>
<b>NE-10</b>	14900-27850	1,474,208	294,842	368,552	423,418	31,490	2,592,510	<b>21604</b>
<b>NE-11</b>	16370-30630	1,619,200	323,840	404,800	465,062	33,460	2,846,362	<b>23720</b>
<b>E-1 (E1A)</b>	16400-40500	1,622,144	324,429	405,536	465,908	41,500	2,859,517	<b>23829</b>
<b>E-2 (E2A)</b>	20600-46500	2,040,192	408,038	510,048	585,979	48,440	3,592,697	<b>29939</b>
<b>E-3</b>	24900-50500	2,466,336	493,267	616,584	708,375	54,230	4,338,792	<b>36157</b>
<b>E-4</b>	29100-54500	2,882,176	576,435	720,544	827,811	59,880	5,066,846	<b>42224</b>
<b>E-5</b>	32900-58000	3,257,536	651,507	814,384	935,621	69,340	5,728,388	<b>47737</b>
<b>E-7</b>	43200-66000	4,273,216	854,643	1,000,000	1,227,342	83,140	7,438,341	<b>61986</b>
<b>E-9 &amp; E9A</b>	62000-80000	5,372,800	1,074,560	1,000,000	1,543,162	106,900	9,097,422	<b>75812<sup>24</sup></b>

# Attractions of VRS offer

- The substantial VRS amount received by optees can be utilized for meeting diverse needs such as purchase of movable / immovable assets , higher education of children, solemnizing marriage of children etc.
- The whole or a part of the VRS amount can also be deposited in various high-interest bearing long-term investments or in investments which bring in monthly interest components.
- The amount received by optees will enable them to plan their future much better and at a relatively younger age,
- Thus, VRS amount will enable optees to significantly enhance their lifestyle and social status as also plan a safe and secure future for their family.

# Attractions of VRS offer (contd...)

## **Benefit of early restoration of full pension**

- In the event of retirement on normal superannuation, full pension is restored at the age of 75 years (15 years after the normal retirement age).
- However, a younger VRS optee, e.g. a 45 year old VRS optee, will get full pension restoration at the age of 60 years (45+15 yrs).
- Restoration of full pension at a younger age (compared to 75 years )will be highly beneficial because the person would in much better physical and mental condition to make optimum utilization of money.



## Attractions of VRS offer (contd..)

- Furthermore, after taking retirement, an individual will be free to take up employment elsewhere or to start any entrepreneurial venture.
- A group of BSNL VRS optees can also form a cooperative and undertake works outsourced by BSNL.

# Financial Implications and cost benefit analysis

# VRS- Financial implications

## Expenditure

- i) Lump-sum Ex-gratia amount based on guidelines of the Dept. of Public Enterprises: i.e. ex-gratia amount of 60 days salary(basic+DA) for each completed year of service or salary for number of months of service left, which ever is less .
- ii) Normal retirement benefits which are payable in any case. In case of VRS optee, payment of these benefits is preponed

## Savings

- Savings in wages for the period that employee would have continued in service (till normal superannuation)

# Financial Implications of proposed VRS

One time lump sum expenditure for DoT and BSNL\*

-Estimation for ~1 Lac VRS Optees

S.N.	Item of Expenditure	DoT liability	BSNL Liability
<b>A</b>	<b>One time lump sum expenditure on</b>		
1	Ex-gratia	₹ 11,276 Cr (DoT is requested to fund )	
2	Gratuity**	₹ 3,347 Cr	
3	Pension commutation**	₹ 3,474 Cr	
4	Leave encashment**		₹ 2,455 Cr
5	T.A. for settlement at place of choice**		₹ 250 Cr
	<b>TOTAL</b>	<b>₹ 18,097 Cr</b>	<b>₹ 2,705 Cr</b>

\*There will be annual additional expense on Pension/DR (due to early retirement)-next slide

\*\* Committed Expenditure due to statutory/terminal benefits but preponed

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## Cost Benefit Analysis for Complete project- Estimation for ~1 Lac VRS optee (contd. in next slide) (All figures in Rs crores)

ITEM	1 st Year	2 <sup>nd</sup> Year	3 <sup>rd</sup> Year	4 <sup>th</sup> Year	5 <sup>th</sup> Year	6 <sup>th</sup> Year	7 <sup>th</sup> Year	8 <sup>th</sup> Year
<b>BENEFITS (INFLOW)</b>								
<b>A) SALARY SAVINGS</b>	3779	3722	3647	3548	3423	3252	3010	2695
<b>COSTS (OUTFLOW)</b>								
<b>B) ADDITIONAL EXPENDITURE ON PENSION &amp; DR*</b>	1072	1006	940	870	802	731	651	561
<b>C) SALARY SAVING-ADDL. PENSION/DR EXPENSES (A-B)</b>	2707	2716	2707	2678	2621	2521	2359	2134
<b>D) NPV of (C ) above</b>	2461	2245	2034	1829	1627	1423	1211	996

\*Gratuity, pension commutation, Leave Encashment etc. not included keeping in mind that these are committed expenditure due to statutory/terminal benefits which are paid earlier and there would be higher expense on these items even in the case of normal retirements. These benefits would be fixed at higher levels in normal course because of pay-revisions, promotions, increments, etc.



## Summary of Savings to BSNL on account of wages

Estimation for ~1 Lac VRS optees

Year	Saving in Rs Crores
2012-13	3,779
2013-14	3,722
2014-15	3,647
2015-16	3,548
2016-17	3,423
2017-18	3,252
2018-19	3,010
2019-20	2,695

Year	Saving in Rs.Crores
2020-21	2,338
2021-22	1,966
2022-23	1,544
2023-24	1,109
2024-25	718
2025-26	390
2026-27	124

**Total savings on wages ~ Rs 35,266 Crore. Besides this, there will be additional savings on office space, electricity, stationary costs, vehicles etc.**

# Average cost of VRS per Employee

## Total cost of proposed VRS

Including one time lump sum expenditure on ex-gratia, Pension commutation, Gratuity, Leave encashment/TA\*

for 1 Lac employees = Rs 20,802Cr.

Average cost of VRS per employee = Rs 20.8 Lac

Annual expenses on account of additional pension payments not included considering that:

- Recurring pension would get fixed at much higher level if the employee retires on normal superannuation because of the effect of normal pay-revisions, promotions, increments, etc.
- The effect of higher pension fixation would be for entire post retirement period whereas the additional pension here is only for limited years (60 yrs- Age at the time of VRS)



# Proposal to DoT

- Government may provide non-interest bearing lump sum grant to BSNL or infuse additional equity in BSNL to the extent of Rs 11,276 Crore.

BSNL's existing capital structure

Total Authorized Capital = Rs. 17,500 crore

Paid up Capital

Ordinary Equity = Rs. 5,000 crore

Preferential Equity = Rs.7,500 crore

This amount will be utilized by BSNL for making ex-gratia payment to estimated 1 lakh VRS optees and ;

- Govt. may pay other normal retirement benefits viz pension, gratuity etc. which are in any case payable by the Govt. but would be preponed in the case of VRS optees