ASTO WELCOMES

3rd Pay Revision Committee

Association of Scientific and Technical Officers (ASTO)

Nature of upstream business

ONGC India's energy anchor

Pay revision

Association of Scientific and Technical Officers (ASTO)

Founded in 1961

Representing 23,000 Executives

Working in Maharatna, India’s Top Energy Company

Driving force for phenomenal growth of ONGC Group

Nature of upstream business

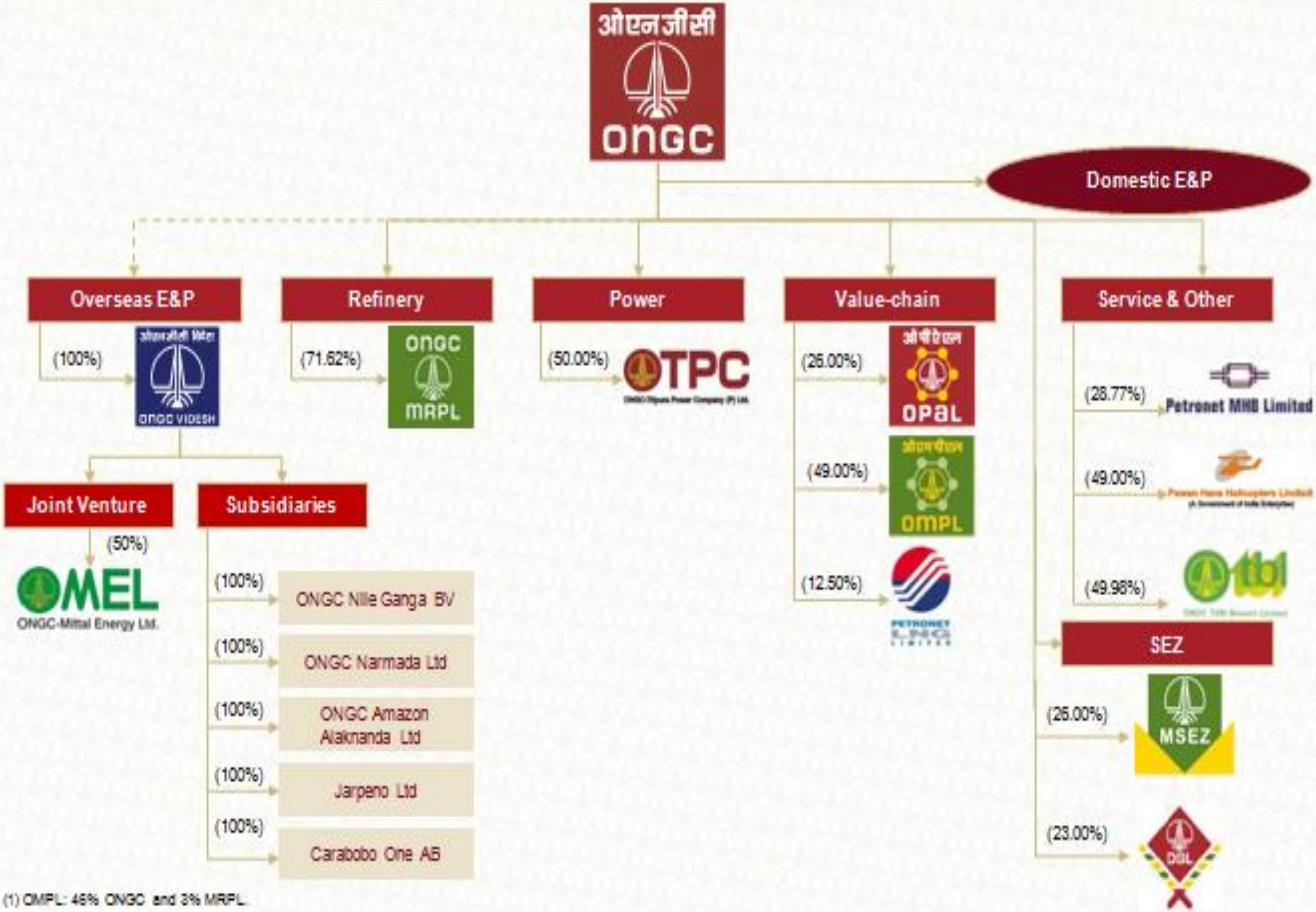
- Exploration & Production of Hydrocarbons
- To provide energy security to Nation
- Remote and extremely hazardous working conditions & Highly uncertain business environment
- High skilled and specialized manpower
- High remuneration provided world wide because of nature of work

ONGC India‘s energy anchor

ONGC VISION

To be global leader in integrated energy business through sustainable growth, knowledge excellence and exemplary governance practices

To Provide energy security to Nation



(1) OMPL: 46% ONGC and 3% MRPL.

ONGC India's energy anchor

Performance

FY 15-16

Strong exploratory record 2P Reserve accretion of 65.58 MTOe, RRR1

Scheme/Projects

1) FY'15 8 projects -Rs.26,929 Crore

80 Mmtoe

2) 7 Projects Rs. 48,000 Cr. approved in FY 15-16 add 97 MMtoe.

3) KG-DWN-98/2 highest-ever investment 23.526 MMT of crude oil and 50.706

BCM

Production accounts 70% country's hydrocarbon output.

Crude Oil production 25.93 MMT

ONGC India's energy anchor

- ONGC Videsh Limited, ONGC 100% subsidiary. OVL interests span across 17 countries through 37 projects including 15 producing properties. OVL oil and gas output 8.92 MMtoe in FY'16

- With 26% stake in Vankorneft ONGC's OVL Production to be close to 15 Mmtoe.

- MRPL registered its highest ever throughput at 15.53 MMT. Impressive GRM of US$ 5.2 per barrel in FY 16

- Gas Hydrates Potentially next 'game-changer' in the sector. ONGC has taken a lead role in the National Gas Hydrates Program drilled 42 gas hydrate wells till July 15. Shale gas, CBM
- OTPC, OPAL, C2 - C3

ONGC India's energy anchor

Performance

Rs. in Crore

Gross Revenue	78,565
PAT	16,004
Subsidy in	1,096
Return on capital employed	33.69%

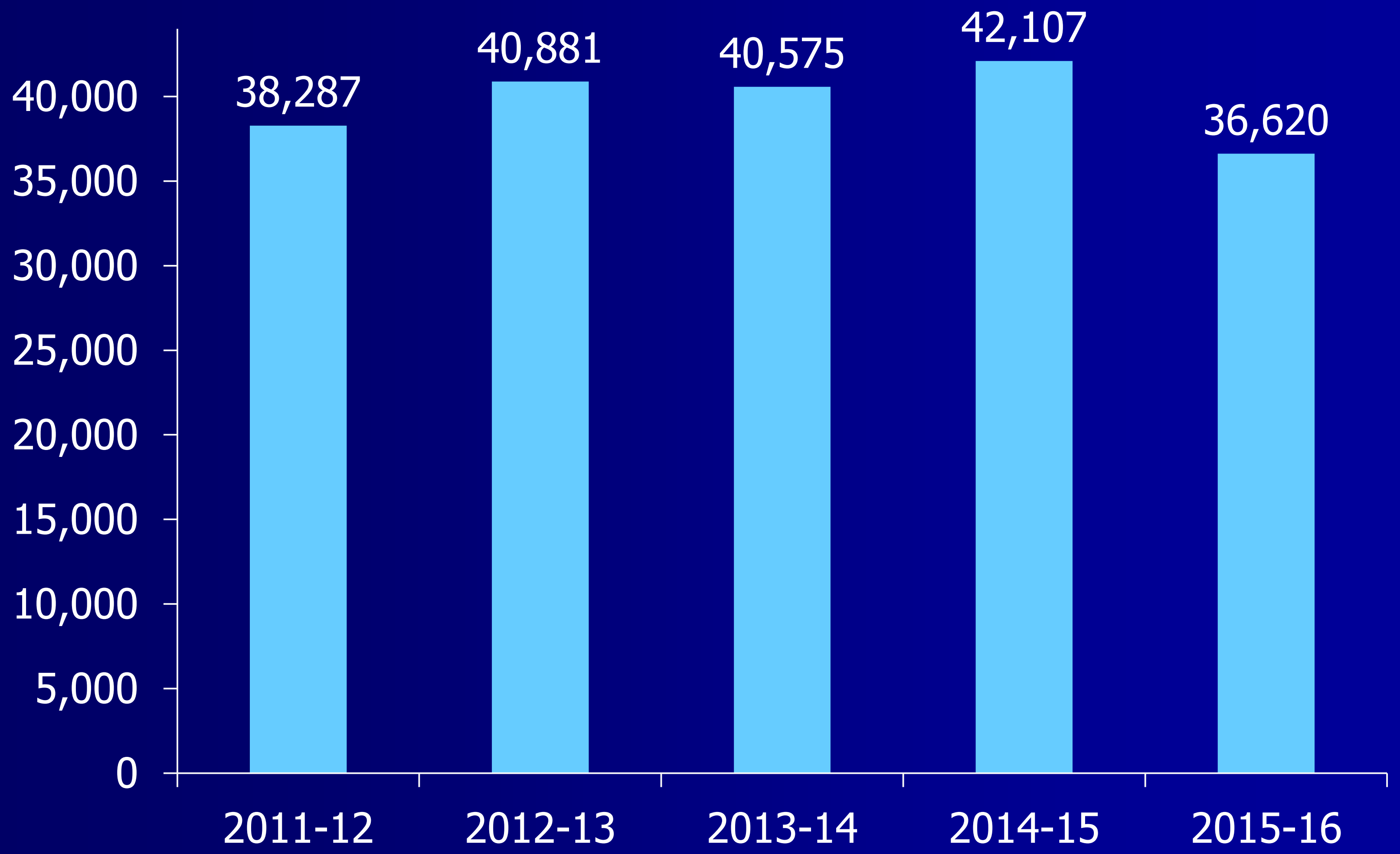
Per Employee turnover in the range of 2.6 to 2.7

(Maintained over the years in spite of downtrend in Crude Oil price)

ONGC India's energy anchor

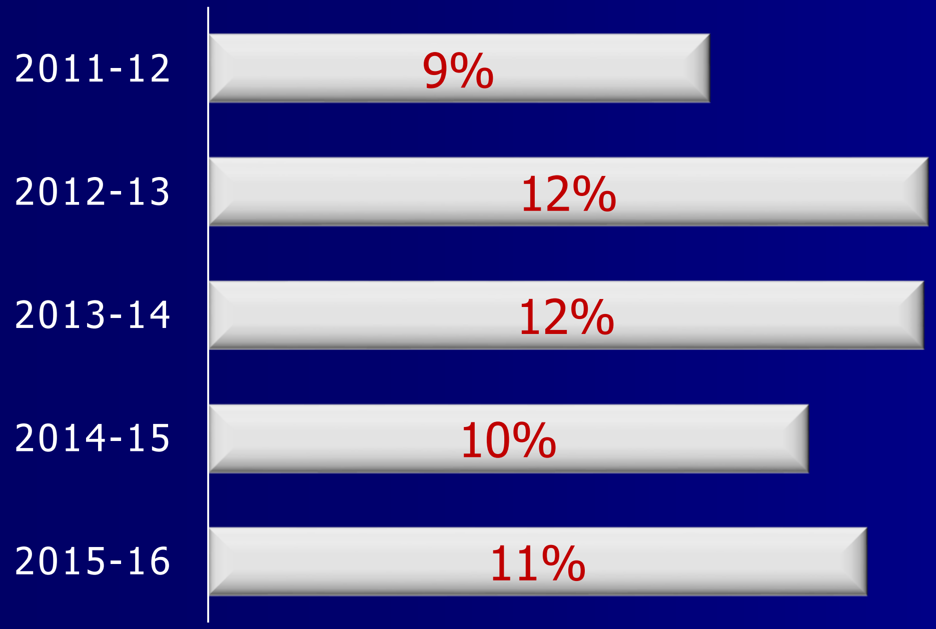
Contribution to Exchequer

Rs. in Crore



ONGC India's energy anchor

ONGC Employee Expenditure to turnover

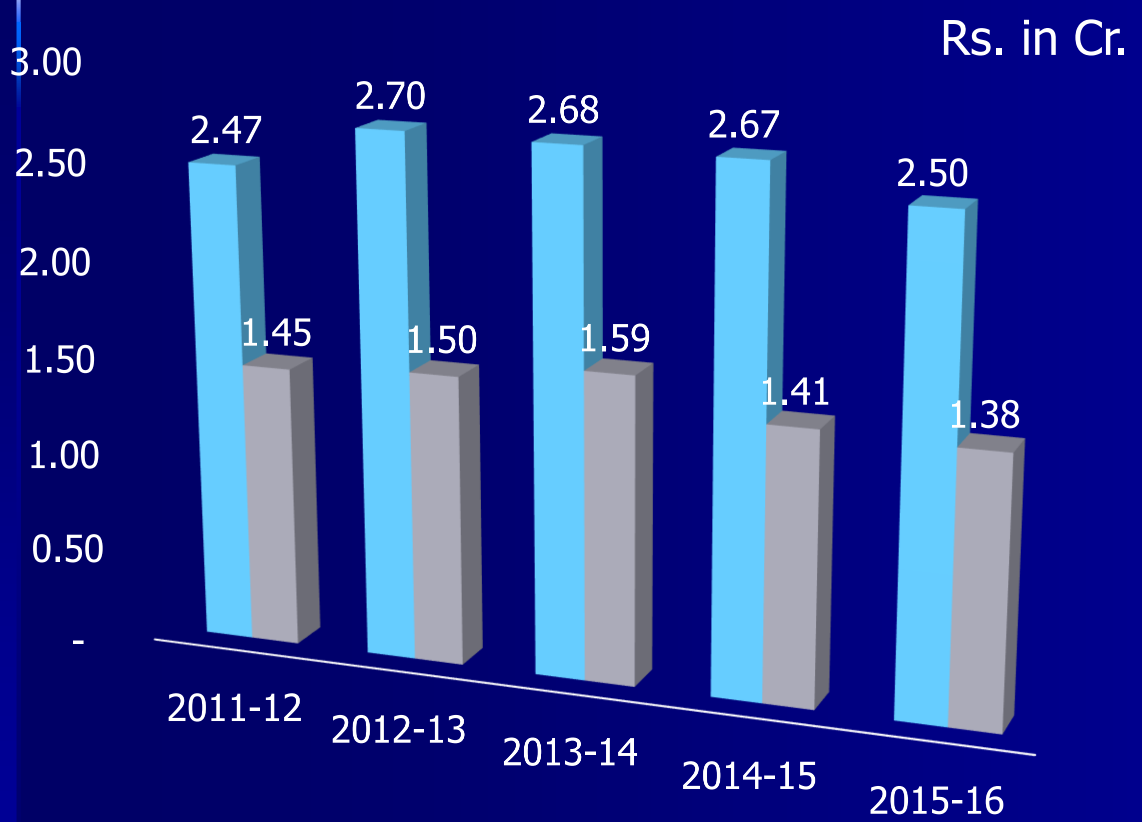


No of Employees

2011-12	2012-13	2013-14	2014-15	2015-16
32,909	32,923	33,911	33,185	33,927

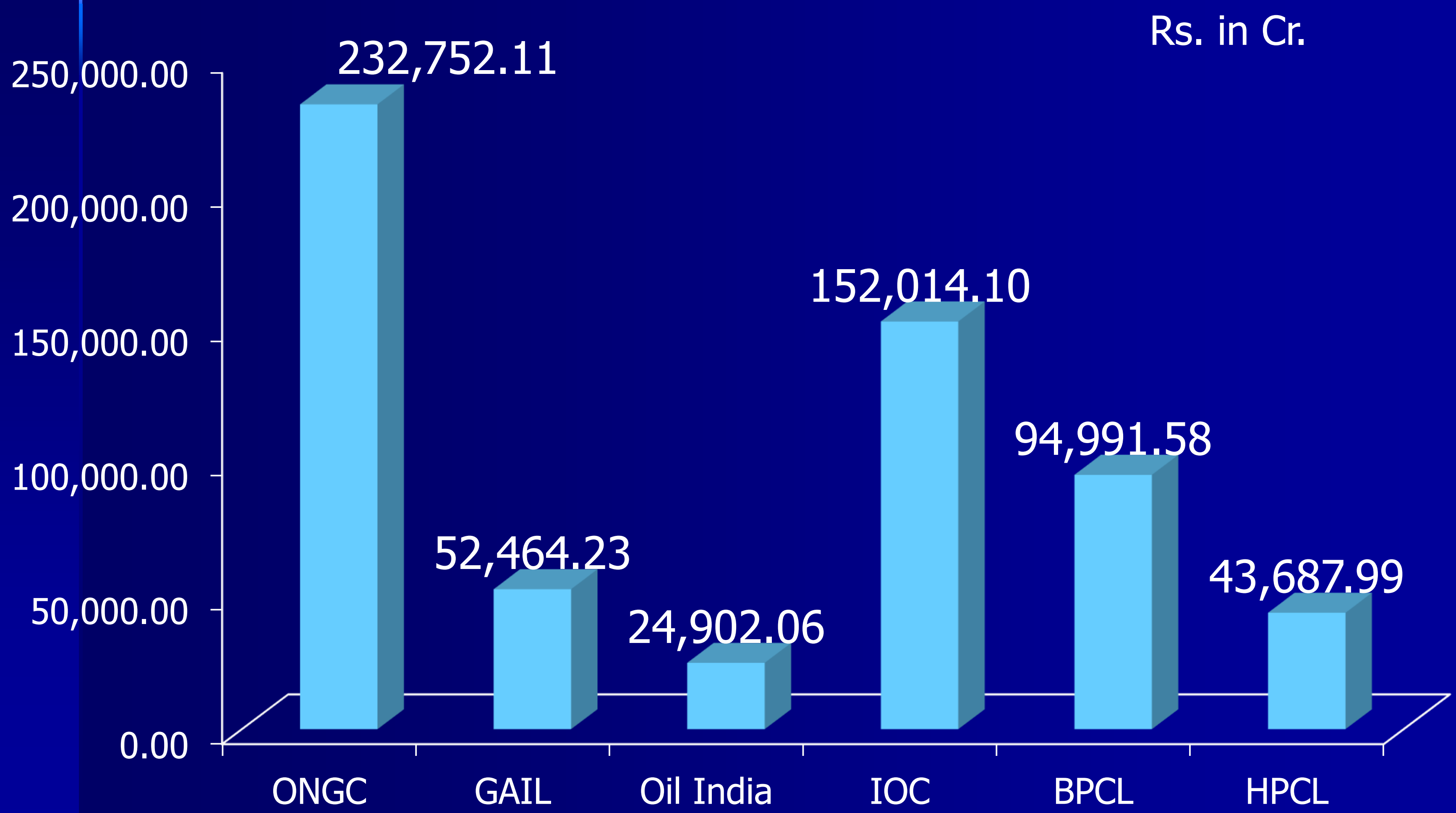
ONGC India‘s energy anchor

Per employee Turnover
Value added per employee



ONGC India's energy anchor

Market capitalization in Oil CPSEs



ONGC India's energy anchor

Challenges

- To reduce Crude Oil import bill of India by 10% before year 2022

- Trained manpower not available in market and hence ONGC invest huge sum of money and efforts to train its' manpower.

- To retain experienced Geo-Scientist, Drilling, Production and other professionals

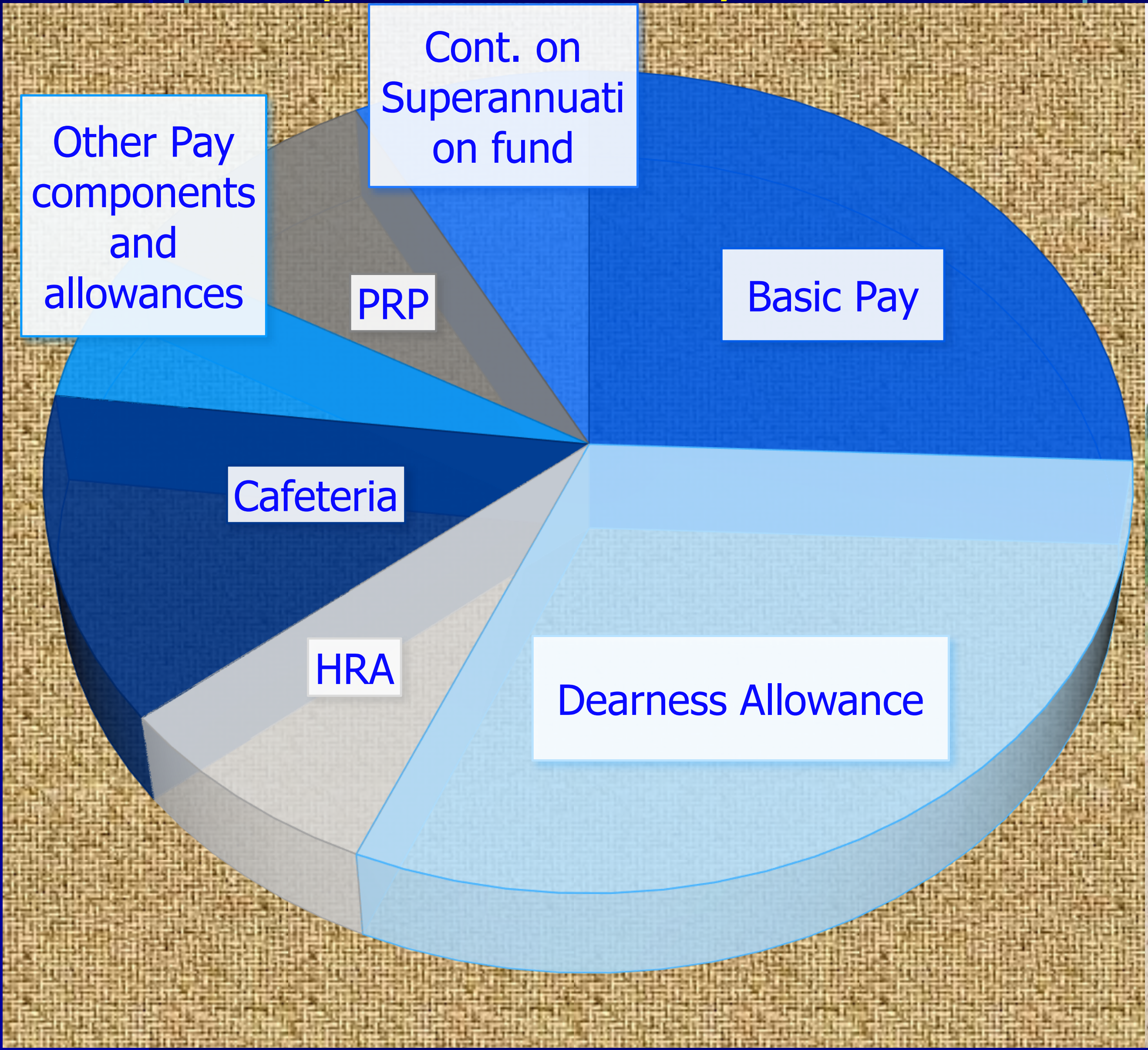
- Lower compensation package fails to attract and retain suitable talent

- Susceptible to poaching

Submissions

1. Pay Scales & Fitment
2. Annual Increment & promotional increment
3. Pay anomaly issues
4. Cafeteria Approach
5. Performance Related Pay (PRP)
6. Superannuation Benefits Scheme
7. Voluntary Retirement Scheme (VRS)
8. Employee Stock Ownership Plan (ESOP)

Components of salary



Pay Scales & Fitment

Issues :

1. ONGC remuneration packages are not matching with remunerations offered by E&P MNCs even operating in India
2. Graded fitment recommended by MJ Rao Committee not accepted in Pay Revision 2007-2016
3. Govt. approved uniform pay scales for all CPSEs–"same size fit for all"
4. The periodicity for pay revision is not mentioned in 2nd PRC.
5. Cafeteria approach introduced in 2nd PRC has not been linked to DA indexation.
6. Entry level Executives are getting significantly lesser pay than Supervisory cadre

Pay Scales & Fitment

Submission

1. To attract suitable talent, Compensation package for executives of CPSEs should be decided independent of what is proposed for the Central Government Officers moreover CPSEs are working professionally in commercial competitive environment.
2. Pay Scales of CPSEs working especially in Oil & Gas exploration should additionally factor in working conditions, complexity of Industry and hazardous nature of work environment.
3. Differentiation of scales based on classification of companies as Ratnas.
4. Open ended pay scale be adopted based on point to point fixation (i.e. pay matrix) for elimination of pay anomaly and stagnation related issues.

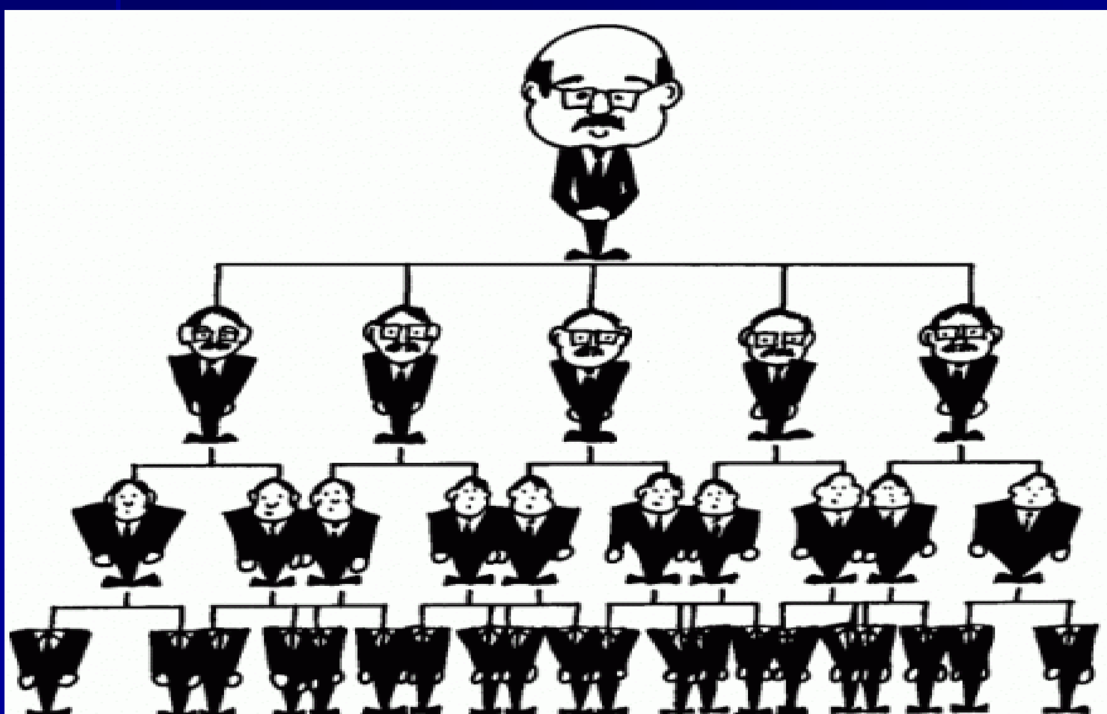
Pay Scales & Fitment

Submission

6. Minimum and maximum pay may be defined by the Committee for respective CPSE ‘Ratna’ classification. Further, the number of pay scales may be left to respective CPSEs.
7. A ratio of 1:1.2 should be maintained between scales of supervisor and Executives immediately above level of workmen.
8. The existing minimum and maximum pay ration of 1:4 in Executive level need to be reviewed as this narrow band has lead to mass-scale stagnation and consequential demoralization.
9. Stagnations due to last pay revision need to be addressed during this revision F:\ASTO CWC\pay reVISION\pay_revsion\Data\Stagnation details 30.09.16.xls
10. To merge DA and treat the same as pay for all purposes as and when the DA entitlement reaches 50%.
11. Supervisory pay scales should not exceed entry level Executive pay scales

Fitment on ONGC scales

ONGC pay scale could not be mapped by 2nd PRC resulted in to bunching of scales at E6, E7 & E8 level Executives.



CMD : 58%
Director : 54%

E9 : 50%

E7 – E8 : 46%

E4 – E6 : 42%

E0 – E3 : 38%

ONGC Proposed Scales – Open ended

	EXISTING			PROPOSED	
Level	Min	Max	DA @ rate 120	Fitment	Minimum
E0	20600	46500	24720	38%	62,600
E1	24900	50900	29880	38%	75,600
E2	29100	54500	34920	38%	88,400
E3	32900	58000	39480	38%	99,900
E4	36600	62000	43920	42%	114,400
E5	43200	66000	51840	42%	135,000
E6	51300	73000	61560	42%	160,300
E7	51300	73000	61560	46%	164,800
E8	51300	73000	61560	46%	164,800
E9	62000	80000	74400	50%	204,600
Director	75000	100000	90000	54%	254,100
CMD	80000	125000	96000	58%	278,100

Increment

2nd PRC recommended 2% to 4% annual increment linking performance of the company

Submission

Annual increment 5% and on promotion 8% for Maharatna CPSEs

Pay Anomaly

Submission

Instructions to be issued to the individual organizations to resolve all the pay related anomalies prior to implementation of 3rd Pay Revision Committee recommendations

Dearness Allowance
Submission

1. 100% Dearness Allowance neutralisation w.e.f. 01.01.2017.

2. To merge DA and treat the same as pay for all purposes as and when DA entitlement reaches 50%.

House Rent Allowance

I. The present slabs of HRA 30 % /20%/10% are inadequate due to annual rent increase is in the range of 8% -10 % as against hardly any increase in HRA amount

II. The rates for HRA proposed is 10% (Class 'C' cities), 20% (Class 'B' cities) & 30% (Class 'A' cities)

III. The classification of cities may be kept as it is.

IV. DA indexation may be introduced on annual basis for HRA to offset the annual increase in rentals

Company leased accommodation

1. *In Metro cities like Delhi, Mumbai, Chennai and Kolkata it is very difficult to get a suitable accommodation at HRA and these flats also attracts significant maintenance cost per month.*
2. *Provision for payment of Lease rental brokerage charge for hiring and renewal of lease.*
3. *Provision for interest free deposit upto 6 months lease amount subject to actual.*
4. *HRR recovery Ceiling to be reduced from 10% of the Basic pay or actual rent, which ever is lower to 5% of the Basic pay .*
5. *Company leased accommodation is subject perquisite tax for CPSEs employees, the same may be treated at par with Central Govt. Employees.*

Cafeteria Allowances

Issues in existing system :

I. Reduction in Purchasing Power Parity between 2007 to 2016 as Cafeteria linked to Basic Pay only.

II. DA escalation not considered.

III. No monetization of fringe benefits & adjustment in cafeteria, because these infrastructural facilities had been created in remote operational areas where general public also utilizes

IV. The Ceiling on Cafeteria Allowances of 50% of Basic is too low in comparison to the private players in the industry.

Cafeteria Allowances

Suggestion :

1. 50 % Cafeteria cap on (Basic + DA)

2. LFA, Higher Education Allowances & Family planning incentive should be considered out side cafeteria limit

Other Allowances

2nd PRC, no specific provision for working in Hazardous Industry (Classified under MSIHC Rules).

Existing :

1. Non Practicing Allowance 25% of Basic.
2. North East Allowance 12.5% of Basic.
3. Underground Mining allowances - 15% of Basic
4. Special Allowances 10% for far-flung areas

The above allowances need to be continued

Other Allowances related to Field duty

Submissions

I. Every CPSE exists and operates in a different environment.

II. Challenges being specific to each CPSE

III. Government has already granted greater autonomy to the Boards for investments, which are huge compared to annual financial implication on Perks & Allowances.

Other Allowances related to Field duty

Decision regarding fixation of Allowances be left to the Maharatna Board

Allowances related to performance of duties in Exploration, Drilling & Production Fields pl. be considered as below:

a) 35% of Basic for Offshore

b) 20% of Basic pay for Onshore

Performance Related Pay (PRP)

1. Existing Rates i.e. % of Basic Pay payable as PRP at different grades in different Schedules of CPSEs should be continued
2. Existing Weightage for different MoU ratings at different grades may be continued.
3. Percentage ceiling of PRP be considered as below:

Level	Existing % of Basic	% of Basic +DA
CMD #	200%	300%
Director #	150%	200%
E7-E9	70%	150%
E4-E6	60%	100%
E2-E3	50%	80%
E0-E1	40%	60%

Performance Related Pay (PRP)

4. To be function of (BP + DA)
5. Distributable amount to be considered as 1% of Turnover + 8% of PBT + 10 % of incremental profit
6. PRP component based on physical performance be increased from 60% to 90%(pool-I) and component based on incremental profit should be reduced from 40% to 10%(pool-II)
7. Minimum guaranteed PRP @ 2 Months (BP + DA) in year company physical targets achieved in VG & Excellent; 1 Months (BP + DA) for Company rating for other cases.

8 Guideline for no PRP to bottom 10% should be dispensed with

Superannuation Benefits Scheme

1. Employer contribution towards superannuation benefit may be increased from 30% to 35% of Basic + DA
2. PF at 12% and balance towards Employer contribution to Pension
3. Expenditure on Gratuity and Post-retirement Medical may be kept outside the purview of 35% of Basic + DA superannuation benefits.
4. Post-Retirement Medical must be compulsorily funded through Trusts.
5. Employee's accumulated corpus due to rendered services under pension scheme needs to be guaranteed after separation.
6. In untimely death cases a minimum pension of 50% of last Basic + DA drawn should be considered. The carpus for the same shall be contributed by employer.

Gratuity

1. Enhancement of ceiling of Gratuity from existing Rs. 10 lakh to Rs. 20 lakh w.e.f. 01.01.2016.

2. Annual indexation of Gratuity with amount of DA admissible at the time of retirement/payment.

Voluntary Retirement Scheme (VRS)

Autonomy to be given to respective Board within the overall guidelines of DPE.

Periodicity for pay revision

1. Periodicity of pay revision may be considered for 5 years.

2. Provision of automatic merger of DA as and when DA crosses 50 %

Employee Stock Ownership Plan (ESOP)

- ✓ ESOP Scheme not implemented in CPSEs
- ✓ ESOP should be considered outside the purview of PRP

THANK YOU