

## **VRS IS DANGEROUS TO BSNL AND EMPLOYEES**

The BSNL Management supplied a copy of its VRS proposal to BSNL Employees Union on 20.09.2011 seeking its view on the proposal. The BSNL Employees Union as well as JAC have decided to go on struggle against the VRS, since it is against BSNL and employees. The following are the reasons for opposing the VRS.

### **1. VRS is bad in theory and failed in practice**

VRS is bad in theory since it is in essence nothing but blaming the employees and the expenditure on their wages as responsible for the losses incurred by the Company. It is based on the false presumption that by reducing the number of employees, the losses can be reduced and profits can be revived. 3 rounds of VRS were already implemented in MTNL. But it resulted in further losses to MTNL. Thus VRS is bad in theory and failed in practice.

### **2. Large scale removal of one lakh employees from service**

Since the removal of a small number of employees failed to save MTNL from losses, now the BSNL management proposes to remove employees in large number. Its proposal aims at removing one lakh employees from service, out of the existing 2,76,000 employees. This indicates a large scale attack on the employees.

### **3. It is not VRS but it is CRS**

Fixing the target of removal one lakh employees in the name of VRS reveals that it is not voluntary and the employees will be coerced to take VRS till the target is reached. Therefore in practice it is CRS.

### **4. Further attack is implied**

The proposal aims at handing over the maintenance of exchanges and several other works to the co-operative societies formed by those who will take VRS. Then what work the remaining employees in service will have? In the next installment they also will be sent out. In fact the target is to reduce the number of employees from the present 2,76,000 to a mere 25,000 on par with Airtel where the number of employees are 25,000 only.

### **5. Step towards privatization of BSNL**

As can be seen from the points given below, the VRS is having financially negative impact on BSNL as well as on the employees. The aim of such a large scale VRS which is financially unwarranted, is only to remove the employees in large scale and make BSNL ready for privatization.

### **6. Funding of the VRS is an additional burden on the already loss making BSNL**

(a) As per the para 8 of the DPE O.M. No. 2(32)/97-DPE(WC)/GL-XXII dated 5<sup>th</sup> May, 2000, budgetary support will be provided to the marginally profit or loss making enterprises and to the sick enterprises for implementing VRS only in case bank credit is not available. The immediate expenditure to be incurred for VRS to one lakh employees is shown as Rs 18181 crores. (for exgratia-Rs 8655 cr, for pension commutation--Rs 3474 cr, for Gratuity--Rs 3347 cr, for leave encashment—Rs 2455 cr, for TA for settlement at the place of choice after taking VRS—Rs 250 cr). The BSNL's request for funding the entire expenditure of Rs 8655 crore on exgratia cannot be accepted as per the above said DPE order and it has to take it as loan from a bank. It will be an additional burden on BSNL.

(b) As per the DoT's order on the subject, in case the expenditure on pension for those retired in DoT and retired in BSNL exceeds 60% of the total amount paid by (a) BSNL and MTNL as

license fees (b) dividend paid by BSNL and MTNL and (c) corporate tax, excise duty and service tax paid by BSNL, the additional amount over and above this 60% has to be borne by the BSNL. Giving VRS to one lakh employees at a time and giving pension to all of them every month regularly will abnormally increase the pension expenditure and the amount will be exceeding the said 60% by thousands of crores which BSNL has to bear. This will be a heavy burden on BSNL.

Since BSNL is already a loss making company, it will not make any sense to remove employees in the name of VRS by imposing such a heavy burden.

**7. The saving on wages claimed to be arising due to the implementation of the VRS is imaginary and in fact it will be a loss**

As per the BSNL's proposal, the immediate expenditure for implementing VRS to one lakh employees based on Gujarat pattern is Rs 18181 crores (Rs 8655 crore for ex-gratia, Rs 3347 crores for gratuity, Rs 3474 crores for pension commutation, Rs 2455 crores for leave encashment, and Rs 250 crores for TA for settlement at place of choice after taking VRS). Against this immediate expenditure of Rs 18181 crores for removing one lakh employees, the savings to BSNL on their wages after sending them out are estimated as Rs 35266 crores cumulatively during the years 2012-13 to 2026-27. But if this amount of Rs 18181 crore is deposited in a bank with 10% interest cumulatively, it will become around Rs.60,000 crores by 2026-27 and it is a lot more than the said saving of Rs 35266 crores. Therefore the VRS is a loss making scheme.

Instead of compelling the BSNL to implement VRS with such a great loss, it will be better for the Government to compensate BSNL fully for the losses incurred by it on rural landlines and other social obligations, so that it will become once again a profit making PSU.

**8. Employee taking VRS is loosing much**

a) **Monthly income after voluntary retirement will be far less than the monthly salary in case the employee continues in service until completion of 60 years age**

As per the calculation given by the management in its proposal regarding financial benefits to employees opting for VRS, the total interest on ex-gratia+pension per month for an employee having 45 years age and placed at the 10<sup>th</sup> stage in the NE-7 scale is estimated as Rs 20695/-. Thus the monthly income of this official after taking VRS will be Rs 20695/- only. But in case he continues in service without taking VRS, his monthly salary will be Rs 14680(basic pay)+Rs 6923(47.2% DA)+4403(30% HRA)=26006. Therefore due to VRS, his monthly income will be immediately reduced by 26006-20695=Rs 5311. Further, in case he is in service until completing 60 years age, he will get 15 annual increments, and one or two promotions. Therefore his salary will be much more in his remaining service compared to this. Besides, if he retires on completion of 60 years service, his basic pay will increase by 16 or 17 increments (15 annual increments+ one or two increments for promotion). In such case his pensionary benefit will be much more than what he will get due to VRS now. Thus there is a great loss to the employee on account of this VRS.

b) **Income Tax on exgratia**

The amount in excess of Rs 5,00,000 in the exgratia amount will be taxed @33% rate and thus a considerable amount in the said exgratia will be lost by the employee.

c) **VRS is an attack even after retirement**

The aim of this VRS in large scale is for privatizing the BSNL. Once BSNL is privatized there will be no MRS scheme for the retired officials and the privatized company will not fund the pension expenditure. Even though the government has given guaranty that pension will be paid by it even in such a circumstance, it cannot be believed. It is to be noted that government

assured BSNL to compensate for the losses incurred on rural landlines, but stopped such compensation after a few years, violating the assurance. Therefore VRS will lead to insecurity in the matter of pension.

Since the scheme, as detailed above, is harmful both to the BSNL and to the BSNL employees, the proposal has to be withdrawn.

#### **Alternative for making BSNL as a profit making PSU**

1. The management and DoT have fixed a target of increasing BSNL's revenue on services by 25% in 2011-12 compared to that of 2010-11. The revenue on services in 2010-11 was Rs 27000 crores and if increased by 25% as targeted, it will be Rs 33750 crores for the year 2011-12. The likely expenditure for 2011-12 as estimated by BSNL in its submission to BRPSE is Rs 37000 crores. The loss for the year 2011-12 will be Rs 3250 crores, where as it was Rs 6384 crores for the year 2010-11.
2. The losses to BSNL on account of the rural landlines which are being maintained as a social obligation, is, Rs 10000 crore every year. At the time of the formation of the BSNL, the Government assured that it would compensate BSNL fully for the losses incurred by it on the social obligations like rural landlines etc. In the year 2005-06 the BSNL was compensated to the extent of Rs 8000 crores (Rs 5000 crores as ADC from private operators and the remaining Rs 3000 crore as reimbursement of license fees and spectrum charges. Subsequently due to the pressure from the Indian and American big corporate operating in the name of the Indo-US CEO forum and the private telecom operators, this compensation was reduced to Rs 2000 crore per annum with effect from 2008 and it is totally stopped now. But the BSNL management is still trying to see that this compensation of Rs 2000 crores is continued and so far it has not been rejected by the Government. In case this compensation of Rs 2000 crores is paid, then the loss for the year 2011-12 will be Rs 3250 crores - 2000 crores = Rs 1250 crores only. But if the actual loss of Rs 8000 to 10000 crores incurred by BSNL on rural landlines is fully compensated by the Government, BSNL will get profit instead of loss. Similarly other social obligations being carried out by BSNL by incurring losses (telegraph system, maintaining 3G services and BWA services in economically unviable circles/areas etc) have to be compensated.
3. Therefore the management should procure the required equipment in time, improve the market share of BSNL, and achieve the targeted 25% increase in revenue by improving its performance along with the co-operation from employees and should pressurize the Government for compensating the losses incurred on rural landlines fully. All the non-executives and executives in BSNL must unitedly fight and pressurize the Government so that it compensates fully for the losses incurred by the BSNL on social obligations.

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