CHAPTER II
Performance Audit Report on Human Resources Management in Bharat Sanchar Nigam Limited

HIGHLIGHTS

- **The Company appointed a consultant for strengthening its human resource management functions in April 2002. The consultant submitted two reports in July 2002 and February 2003 but most of the recommendations contained in these reports had not been considered by the Company as of January 2006.**

(Paragraph 2.8)

- **Manpower plans were not prepared by the Company till 2003-04. The Company prepared only one Manpower Plan for 2004-05 while the plan for 2005-06 was still to be prepared.**

(Paragraph 2.9.1.1)

- **The Company incurred an expenditure of Rs 16.82 crore on idle manpower in the Telecom Stores Organization during the years 2000-01 to 2004-05.**

(Paragraph 2.10.3)

- **The Company incurred an expenditure of Rs 838.76 crore on manpower in telegraph offices during the years 2001-02 to 2003-04. The workload in these offices had come down substantially, indicating redundancies in staff.**

(Paragraph 2.10.4)

- **The Company incurred an irregular expenditure of Rs 424.34 crore towards pay and allowances of personnel manning temporary posts without retention sanction during 2001-02 to 2004-05.**

(Paragraph 2.10.5)

- **Group 'A' officers, who were on deemed deputation from the Department of Telecommunications (DoT), had not been absorbed even after five years of formation of the Company. Many vital human resources initiatives including several recommendations of the consultant had been kept pending citing this fact.**

(Paragraph 2.11.1)

- **In spite of an urgent need to integrate human resources functions pertaining to all the disciplines under the overall charge of Director**

(HRD), complete integration had not taken place as of November 2005.

(Paragraph 2.11.2)

- **The Company had not prepared human resources manual even after five years of its formation.**

(Paragraph 2.11.3)

- **A new recruitment policy had not been framed to give a definite direction to the process of recruitment.**

(Paragraph 2.12.1)

- **Only 38 *per cent* of posts created for the Marketing Interface Organization were manned as of November 2005, largely defeating the objectives of better customer care and marketing in the face of stiff competition.**

(Paragraph 2.12.3.2)

- **Regular promotions were not given in time. Test check in nine circles revealed that the prevalent practice of giving local officiating promotions resulted in avoidable expenditure of Rs 1.76 crore on traveling and dearness allowances.**

(Paragraph 2.13.1.3)

- **The Company did not adopt a new transfer policy to suit its needs. The consultant's recommendations regarding tenure and terms of transfer were not considered for implementation.**

(Paragraph 2.13.2)

- **Out of 1,71,256 training slots in 22 Training Institutes, 58,756 slots had not been utilized during 2001-02 to 2004-05. The percentage of utilization of training slots with reference to the slots planned declined from 71 *per cent* during 2001-02 to 59 *per cent* during 2004-05.**

(Paragraph 2.15.2)

- **All Group 'C' officials of the Company were to undergo 'Behavioral and Attitudinal Training' till November 2005 but only 58 *per cent* had been trained till March 2005.**

(Para 2.15.2)

- **The Company had not formulated its own conduct and disciplinary rules, based on the rules generally adopted by Public Sector Undertakings, the guidelines of Central Vigilance Commission and the Department of Public Enterprises. Out of 1,459 cases registered during 1994-2005, only 529 cases, i.e. 36 *per cent*, had been settled up to March 2005.**

(Paragraphs 2.16.1 and 2.16.2)

- **The Company could not implement any voluntary retirement scheme to downsize manpower, as of November 2005.**

(Paragraph 2.18.3)

GIST OF RECOMMENDATIONS

- **The Company should ensure timely preparation of annual manpower plans. The Corporate Office should specify time periods for each stage, including receipt of inputs from the circles, and ensure that these dates are adhered to.**

- **The Company should urgently implement fresh staffing norms for Group 'A' and 'B' officers for the fixed line service, as suggested by the consultant.**

- **The Company should either appoint a consultant or an internal committee to work out fresh norms for Group 'C' and 'D' employees, and implement the same.**

- **The Department of Telecommunications (DoT) and the Company should resolve the issue of absorption of Group 'A' officers urgently as many vital human resources initiatives including several recommendations of the consultant had been kept pending citing this fact.**

- **The Company should urgently complete the integration of human resources functions pertaining to all the disciplines under the overall charge of Director (HRD).**

- **The Company should prepare a human resources manual.**

- **The Company should formulate a recruitment policy to give a definite direction to the process of recruitment to its different cadres.**

- **The Company should devise a selective VRS for cadres whose functions have been phased out, after exhausting the possibility of their redeployment.**

- **The Company should formulate a well defined, fair and transparent transfer policy based on the consultant's recommendations.**

- **The Company should expedite the framing of its conduct and disciplinary rules based on rules generally adopted by Public Sector Undertakings, the guidelines of the Central Vigilance Commission and the Department of Public Enterprises.**

- **Administrative measures should be put in place to ensure that training slots do not go unutilized because of lack of nominations and cancellation of nominations.**

2.1 INTRODUCTION

As a precursor to corporatisation of the service providing functions of the Department of Telecommunications (DoT), the Government of India decided to separate the policy and licensing functions of DoT from the service providing functions in pursuance of the New Telecom Policy (NTP) – 1999. Consequently, the Department of Telecom Services (DTS) was carved out of DoT in October 1999, as a part of the continuing process of opening up the telecom sector. Subsequently, DTS was bifurcated (July 2000) and a new department, known as the Department of Telecom Operations (DTO), was created. DTS and DTO were finally corporatised into a wholly owned Government Company named Bharat Sanchar Nigam Limited in September 2000 and the business of providing telecom services in the country was transferred to the Company with effect from October 2000.

The Company was formed with a paid up capital of Rs 5,000 crore. The authorized capital as of March 2005 was Rs 10,000 crore and the preference share capital was Rs 7,500 crore. It had nationwide licences for providing basic, long distance, mobile and Internet services, barring Delhi and Mumbai. At the time of its formation, the Company had a base of 2.38 crore telephone lines which increased to 3.75 crore as on 31 March 2005. Besides, 94.47 lakh cellular mobile telephone connections were also operational as of March 2005.

The main objectives of corporatisation were:

- To accelerate business development in line with recent global trends
- To introduce appropriate autonomy and flexibility in decision making
- To introduce a commercial culture with a focus on service to customers
- To build infrastructure and accelerate network expansion through increased internal resources and tapping of capital markets
- To meet Universal Service Obligations (USO)[1].

As would be seen from the above, each of the objectives of corporatisation had major implications for human resources (HR) management. The envisaged advantages could only be achieved if the HR policies and procedures in the Company were transformed from the departmental setup to that which suited a corporate entity.

Consequent upon corporatisation in October 2000, all officers and employees of DTS and DTO, other than those retained in DoT, were transferred on deemed deputation to the Company on 'as is where is basis' along with their posts, on the

[1] USO – USO envisaged providing telephones on demand, besides telephone coverage in all villages in the country.

existing terms and conditions. The Company decided to continue with the HR policies and procedures of DoT till it framed its own policies and procedures.

The employees of the Company were divided into four groups, viz., ‘A’, ‘B’, ‘C’ and ‘D’. The Company categorized the Group ‘A’ and ‘B’ cadres as executive class and the Group ‘C’ and ‘D’ cadres as non-executive class. While employees in Groups ‘B’, ‘C’ and ‘D’ had been absorbed in the Company, Group ‘A’ officers were still to be absorbed as of January 2006. As of March 2005, the Company had a staff strength of 3.40 lakh. The details of manpower in different groups as on 31 March 2005 are given at Appendix-XVIII.

2.2 SCOPE OF AUDIT

Performance audit of HR management in the Company covered the period April 2001 to March 2005. Besides the Corporate Office, 35 circles i.e. 20 territorial circles, two metro districts of Chennai and Kolkata and 13 non-territorial circles such as Telecom Stores, Quality Assurance etc. were taken up for performance audit out of a total of 45 circles. In the case of territorial circles, 25 *per cent* of Secondary Switching Areas (SSAs) were selected at random.

2.3 AUDIT OBJECTIVES

The objectives of audit were to examine whether:

- The manpower planning done by the Company was adequate to meet its objectives;
- The Company ensured optimum deployment of manpower;
- The Company introduced new recruitment policies and practices and whether they were adequate;
- Well defined, fair and transparent career progression policies and practices were in place;
- Well defined, fair and transparent transfer policies and practices were in place;
- An effective performance management system was in place;
- The training imparted by the Company was effective;
- Clearly defined and effective conduct and disciplinary rules were in place;
- Incentive and welfare policies and practices were effective.
- An adequate exit policy had been formulated and implemented by the Company.

2.4 AUDIT CRITERIA

The main criteria used for audit were as follows:

- Adequate planning for meeting the requirement of manpower for accelerating business growth in the scenario of frequent technological advancements, a changing business environment and competition from private operators;
- Optimum deployment of manpower based on proper planning;
- Responsive and prompt recruitment procedures;
- Well defined, fair and transparent career progression policies and practices that attract new talents and retain the existing ones;
- Well defined, fair and transparent transfer policies and practices;
- Effective performance management indices that promote the Company's goals;
- Well planned and effective training to help the Company achieve its goals;
- Clearly defined and effective conduct and disciplinary rules;
- Adequate incentive and welfare policies and practices, commensurate with industry standards;
- A comprehensive and effective exit policy;
- Performance indicators fixed by the Company in respect of the above issues; and
- Performance indicators suggested by M/s KPMG, the consultant appointed (April 2002) by the Company to strengthen its HR functions.

2.5. AUDIT METHODOLOGY

The audit methodology involved examination of documents and discussions with the Management to evaluate the performance of human resources management in the Company based on the audit criteria broadly outlined earlier.

2.6 ACKNOWLEDGEMENT

In the course of audit a number of issues were deliberated with the Senior Deputy Directors General, Deputy Directors General concern at Corporate office, Chief General Managers at Circle level and the General Managers at SSA level, besides examination of records and documents. Entry and exit conferences were also held at Circle level and with corporate management. Audit acknowledges the cooperation and assistance extended by all the levels of Management at various stages for completion of the Performance Audit. The Performance Audit Report was issued to the Management and the Ministry in December 2005 and the reply to the same was received (January 2006)

2.7 ORGANIZATIONAL SETUP

The Company is organized into 24 telecom territorial circles and 19 non-territorial circles covering the whole country, besides two Metro Telecom Districts at Chennai and Kolkata. It, however, does not serve the metropolitan cities of Mumbai and Delhi and their adjoining areas, which are served by Mahanagar Telephone Nigam Limited. The territorial circles are further divided into Secondary Switching Areas (SSAs), which are the basic management units of the Company. The non-territorial circles such as Telecom Stores, Quality Assurance, Training, Projects and Maintenance are responsible for specialized activities.

The Company is headed by a Chairman and Managing Director (CMD), who is assisted by a Board of Directors (Board), comprising five functional Directors looking after Finance, Planning and Network Switching, Human Resources Development (HRD), Commercial and Marketing and Operations, besides two non-functional Directors. The Director (HRD) who looks after HR activities is assisted by seven Senior Deputy Directors General and Deputy Directors General, in charge of areas such as establishment, personnel, administration, training, restructuring, staff relations and international relations. The circles are headed by Chief General Managers who are responsible for carrying out day to day administration and management of personnel, besides provisioning, operating and maintaining telecom services in their circles. An organizational chart of the Company related to the HR management is given at Appendix-XIX.

2.8 AUDIT FINDINGS

Realizing the need for streamlining and strengthening the HR functions in the organization to achieve the goals for which it was formed, the Company appointed (April 2002) M/s KPMG, a global management consultant firm, at a cost of Rs 64.20 lakh, to advise it on strengthening of its functions. The Company indicated that HR functions should be aligned to the business strategy of the organization and should be on par with industry norms.

The consultant was required to submit two sets of reports on five human resource deliverables, viz., personnel policy, manpower planning, norms for staffing, incentives/performance appraisal and conduct and disciplinary rules by July 2002 and January 2003. KPMG submitted its first report in July 2002 and the second report in February 2003. Audit observed that the Company had not constituted any specific task force or committee to study the recommendations of KPMG and recommend their feasibility for implementation. The Management stated that the Management Committee had decided (February 2005) to consider acceptance of KPMG’s final report on HR strengthening only after the absorption of Group ‘A’ officers. The Management further replied (January 2006) that a steering committee chaired by CMD and Directors had been formed to over see the implementation of the final report of KPMG in the Company.

Audit observed that although the Company recognized the need for strengthening its HR functions and appointed a consultant for the purpose, prompt and adequate steps in this regard were not taken. The deficiencies observed with regard to manpower planning, deployment of personnel, recruitment, career progression, transfers, performance management, training, conduct and disciplinary rules, welfare and exit policy, are discussed in the succeeding paragraphs.

2.9 MANPOWER PLANNING

In the light of the changed scenario of corporatisation and competition; growth and diversification and technological advancements, the Company's objectives of providing world-class telecom services, including value added services at affordable prices, while ensuring utmost customer satisfaction, could not be achieved without effective manpower planning and deployment. Effective manpower planning and deployment would entail the following:

- Preparation of manpower plans based on the objectives of the Company;
- Regular review and revision of staffing norms;
- Deployment of manpower as per the prescribed norms or actual needs; and
- Effective HR systems to facilitate manpower planning and deployment.

Audit observed that while the Company attempted to improve HR management by addressing all these issues, more needed to be done to achieve its goals and objectives. These issues are discussed in the succeeding paragraphs.

2.9.1 Inadequate Manpower planning

An organization needs to deploy and utilize its available manpower effectively and optimally so as to achieve its goals. This can be done through manpower planning to ensure that the right number and the right kind of people are placed at the right places and at the right time, for completing the tasks economically, efficiently and effectively.

2.9.1.1 Annual manpower planning

Audit observed that the Company had not prepared any long term or medium term manpower plans. The Company decided to prepare an annual manpower plan for the first time in April 2004, almost four years after it was set up. The Manpower Plan for the year 2004-05 was approved in November 2004 and the plan for 2005-06 could not be prepared, as inputs from the circles were not received in time.

The Manpower Plan for 2004-05, submitted to the Board highlighted that the bulk of the prescribed norms related to the fixed line scenario and as the fixed line business was stagnating or coming down, review and redeployment of personnel was necessary. It was also highlighted that the exponential growth of new services such as the Wireless-in-Local Loop (WLL) telephone service and the Cellular Mobile Telephone Service (CMTS) and growth prospects of broadband required significant induction of hands, both in numbers as well as in specific skill sets.

Thus the manpower plan recommended additional posts in SAG[1], JAG[2], STS[3] and Group 'B' posts in the Telecom and Finance discipline of CMTS, WLL and Internet services.

Out of the above proposals Audit, however, observed that the Board sanctioned Group 'A' STS and certain Group 'B' posts for WLL, Internet and Finance based on norms recommended by KPMG in its report. Against the Board's approval for creation of an additional 486 STS posts and 1,767 Group 'B' posts for CMTS, only 150 STS posts and 20 Group 'B' posts had been created between December 2004 and March 2005. Besides, 1,176 posts in STS and Group 'B' approved for WLL, Internet and Finance related posts were not operated which could adversely affect the Company's performance as discussed in paragraph 2.12.3 and 2.18.1.

On this being pointed out, the Management replied (January 2006) that for arriving at the manpower requirements, an estimation approach had been adopted and the actual creation of posts had been done in respect of proposals from circles. The Management further stated that some circles had not submitted any proposals at all or had submitted them at the fag end of the year and due adjustments would be made in the Manpower Plan for 2005-06. The reply that the posts were created on estimation basis is not tenable, as (i) the Board had approved the creation of additional STS and Group 'B' posts for CMTS, WLL and Internet services based on the new norms adopted in January 2003 (ii) the Corporate Office should have ensured, that the circles forwarded the proposals for additional posts promptly

2.9.1.2 No Outsourcing plan

Audit observed that during 2001-02 to 2004-05, an amount of Rs 145.45 crore was incurred in 16 circles, as shown in Appendix-XX, on outsourcing of certain activities, viz. cable laying, house keeping, running of call centres, hiring of vehicles, printing of telephone bills, subscriber identity module (SIM) card packing, watch and ward of buildings, maintenance of exchanges, etc. Though such a large amount was spent on outsourcing during the past four years, neither was the issue included in the Manpower Plan nor were any policy directives or guidelines issued on outsourcing.

2.9.2 Staffing norms not reviewed and revised

The Board approves staffing norms after considering the recommendations of the Vetting Committee on the results of work study. In cases where staffing norms could not be finalised, ad hoc staffing norms of DoT period were adopted for specified periods. These ad hoc staffing norms were to be reviewed from time to time for extending their period of validity based on the working experience during the intervening periods.

[1] Senior Administrative Grade
[2] Junior Administrative Grade
[3] Senior Time Scale

Test checks of 15 ad hoc norms for various posts in cadres such as Directors, Assistant Directors, Divisional Engineers, Sub-divisional Engineers, Junior Telecom Officers, Accounts Officers, Assistant Accounts Officers, Telecom Traffic Assistants and Phone-Mechanics revealed that although these ad hoc norms had been issued during the period 1983 to 1997, they had not been firmed up by the Company till November 2005. Their validity period was initially extended up to March 2002. Thereafter, four ad hoc norms were discontinued and the validity period for the remaining 11 ad hoc norms was extended up to March 2004, as detailed in Appendix-XXI.

KPMG had submitted their report on staffing norms for new services in July 2002 and for Group ‘A’ and ‘B’ cadres in February 2003. KPMG had also suggested the appointment of another consultant for developing norms for Group ‘C’ and ‘D’ cadres. Audit, however, observed that the Company implemented (January 2003) the staffing norms only for new services of CMTS, WLL and Internet. The Company had not implemented the staffing norms for fixed line services in respect of Groups ‘A’ and ‘B’. They had also not appointed any consultant for developing the norms for Group ‘C’ and ‘D’ cadres, as of November 2005.

The Management stated (January 2006) that as most of these norms related to fixed line service, which were lately showing declining trends, the Management Committee decided not to extend the validity of these related norms. It was further stated that the need for engaging consultant for review of Group ‘C’ and ‘D’ norms would be assessed after final view on KPMG recommendations were taken. The reply is not tenable as fixed lines form 76 *per cent* of the total lines and deployment of manpower without any norms is not in the best interest of the Company.

The Management further stated (January 2006) that for the purpose of manpower planning, concept of ceiling limit introduced during 1992 was continued in the Company. As a result of this, the ratio of staff to per 1000 telephones as of March 2005 came down to 7.2, which was 13 as of March 2001. Through this along with need based outside induction, optimal and effective utilisation of manpower was being ensured. The reply is not tenable as this fall in staff to telephone ratio was mainly due to exponential growth in cellular and WLL connections by 110.75 lakh subscribers and approximately 8,000 retirements per annum, rather than through an pro active manpower plan.

Recommendations

- **The Company should ensure timely preparation of annual manpower plans. The Corporate Office should specify time periods for each stage, including receipt of inputs from the circles, and ensure that these dates are adhered to.**
- **The Company should ensure that once the Board approves the manpower plan, there is no delay on the part of the circles in implementing the approved plan.**

- **The Company should invariably include aspects relating to cost of manpower in the plans.**
- **The Company should issue guidelines for outsourcing of jobs. The Company should also identify outsourceable jobs.**
- **The Company should urgently revise the staffing norms for fixed lines as per the changes in the business environment and technology.**
- **The Company should urgently implement fresh staffing norms for Group 'A' and 'B' officers for the fixed line service, as suggested by the consultant.**
- **The Company should either appoint a consultant or an internal committee to work out fresh norms for Group 'C' and 'D' employees, and implement the same.**

2.10 MANPOWER DEPLOYMENT

2.10.1 Manpower not deployed as per the prescribed norms or actual needs

With the decline in the fixed line business and advancements in technology such as digitalization of exchanges, introduction of new services, computerization of various commercial and billing functions and increasing focus on customer care and marketing due to increasing competition, there was a need for a properly planned deployment of manpower. Audit, however, observed various deficiencies in deployment of staff, which was not as per the actual requirements of the Company. These deficiencies are discussed in the succeeding paragraphs.

2.10.2 Idle manpower in fixed line service

Audit observed that out of the 24 circles and two metro districts, seven circles, viz., Andhra Pradesh, Gujarat, Karnataka, Maharashtra, Punjab, Tamil Nadu and Uttar Pradesh (East) and the Chennai Telephones District showed a total decrease of 5.45 lakh fixed lines during 2003-04. Five circles, viz., Gujarat, Haryana, Punjab, Uttar Pradesh (East) and Uttar Pradesh (West) and the Chennai Telephones District surrendered 2.32 lakh fixed lines in 2004-05. During the years 2003-04 and 2004-05, the decreasing trend was most persistent in three circles, viz., Gujarat, Punjab and Uttar Pradesh (East) and the Chennai Telephones District, which warranted a review of the number of existing staff and diversion of surplus staff.

Audit, however, found that no such review had been conducted and excess staff was not diverted. The Management stated (July 2005) that the reduction in fixed lines was spread over all the SSAs of the circles and would have no significant effect, warranting a reduction in the sanctioned posts. They further stated that the working strength in these circles was much less than the sanctioned strength and as such no reduction in posts was required.

The above reply is not acceptable since a test check in the Gujarat Circle revealed that against a total decrease of 3.06 lakh lines during 2003-04 and 2004-05, the decreases were the most in three SSAs, viz., Ahmedabad, Surat and Vadodara. The percentage of decrease ranged between 10.14 to 12.49 for 2003-04 and 3.99 to 8.81 for 2004-05 in these SSAs. Further, the working strength of various cadres in these SSAs such as Assistant Chief Accounts Officer, Senior Telecom Office Assistant (TOA), Phone Mecanic, Lineman, Line Inspector and Telecom Assistant, was in excess of the sanctioned strength ranging from 1 to 59 during the period 2003-04 and 2004-2005. Thus review of the staff strength and diversion of surplus staff was warranted in these SSAs.

The Management further stated (January 2006) that the decline in fixed lines was not uniform in different SSAs of the circles. Hence Group ‘C’ and ‘D’ staff being a SSA cadre could not normally be diverted to other SSAs. It was also stated that specific comments about staff being surplus in any SSA would be possible after complete review of status vis-à-vis norms. Thus the Company failed to review the staff position with reference to the norms and identify the excess staff. Excess staff in fixed lines would also have an impact on the profitability of the Company. Moreover, excess staff should not be allowed to continue in SSAs where the workload had reduced due to decline in fixed lines merely on account of Group ‘C’ and ‘D’ staff being a SSA cadre.

2.10.3 Idle manpower in Telecom Stores Organization

In the DoT setup, the Chief General Manager, Telecom Stores (CGMTS), Kolkata dealt with all aspects of stores such as procurement from telecom factories and private suppliers, stocking and issuing to all the circles. He was assisted by five field units headed by Controllers of Telecom Stores (CsTS) located at Chennai, Jabalpur, Kolkata, Mumbai and New Delhi. Subsequently, DoT decentralized the procurement of stores, whereby the Telecom Stores Organization as well as the other circles dealt with procurement, stocking and issuing of stores. The Company ordered (July 2002) the despatch of all stores to circles or consignees directly by the telecom factories without involving the CGMTS. All these aspects had considerably decreased the workload of CGMTS.

Consequently, the Company, as a first step, issued (October 2002) guidelines for restructuring of the Telecom Stores Organization, which stipulated that CGMTS, Kolkata would continue the procurement of stores for the Andaman and Nicobar, Assam, Jammu and Kashmir, North East-I, North East-II and the West Bengal circles as well as Calcutta Telephones and the Group ‘C’ and ‘D’ employees and industrial staff of the five CsTS would be merged with the territorial circles where they were located. The Company issued (February 2004) clarifications with regard to the exact mechanism of the above merger and also issued (May 2004) orders fixing the deadline for the merger as June 2004.

Audit observed that the complete merger of Group ‘C’, ‘D’ and industrial staff had not taken place even after three years of the issue of the initial orders in October 2002. Further, no decision had been taken to review and redeploy the excess officers of the Group ‘A’ and ‘B’ cadres of the Telecom Stores Organization. Audit further observed that except for CTS Kolkata, the other four CsTS had no stores to handle during the years 2003-04 and 2004-05. A total of 647 officers and employees remained idle in these CsTS and were given pay and allowances to the tune of Rs 16.82 crore during the years 2003-04 and 2004-05. This expenditure could have been avoided had the surplus manpower been redeployed within six months of the issue of the order as envisaged.

The Management replied (June and October 2005) that 50 *per cent* of the staff in the Group ‘C’ and ‘D’ cadres had been released to the respective circles and the remaining manpower would be released shortly. They further stated that since the Group ‘A’ and ‘B’ cadres were Circle cadres, there was no need for their redeployment. The reply was not tenable as Audit observed that only 16 *per cent* of Group ‘C’, ‘D’ and industrial staff had been redeployed till March 2005 i.e. after remaining idle for over two years. Further no stores were handled in CsTS except Kolkata during 2003-05 and hence the redeployment of Gr ‘A’ and ‘B’ posts should have been considered. The Management further stated (January 2006) that the main problem was at Kolkata for which solutions were being worked out.

2.10.4 Idle manpower in Telegraph Offices

Telegraph services to the public were being provided through independent telegraph offices, telecom centres and combined Post and Telegraph offices run by the Department of Posts. Over the years, there had been a steady decline in the telegraph traffic booked from 651 lakh in 1991-92 to 151 lakh in 2004-05, mainly on account of increase in telephone density, improved and easy to use value added services like mobile telephones, e-mail, internet, fax, etc. The decline in workload in independent telegraph offices and telecom centres resulted in idling of staff in these offices.

Audit observed that telegraph traffic had come down by 56.10 *per cent* during the last four years. As a result, the revenue from the operation of telegraph services had decreased over these years but there was no decrease in the expenditure incurred on running these telegraph services. During the period 2001-02 to 2003-04, the revenue earned from these services was Rs 120.21 crore against an expenditure of Rs 955.44 crore, out of which Rs 838.76 crore i.e. 87.78 *per cent* was incurred towards pay and allowances. Inspite of this the Company failed to review its manpower deployment in telegraph services.

On this being pointed out, the Management stated (September 2005) that in order to increase the revenue of telegraph services, additional services like collection of telephone bills, sale of integrated telephone cards, web phone cards, Sancharnet cards, recharge coupons of Cell One etc. had been introduced in telegraph offices. The fact, however, remain that the telegraph services incurred a loss of Rs 835.20 crore during the period 2001-02 to 2003-04. The Management further stated (January 2006) that decline in Telegraph traffic is a global trend due to various reasons and judging the profitability of the same in isolation requires reconsideration in totality of scenario. The reply is not tenable, as the Management being aware of declining Telegraph traffic did not take adequate measures to review and gainfully utilise the excess staff and improve the profitability of this service.

2.10.5 Temporary posts continued without retention sanction

The rules of DoT as adopted by the Company stipulated that a temporary post could be created for temporary activities for a specific period and for any further retention, a proposal with adequate justification had to be sent to the Corporate Office. A temporary post could be converted into a permanent provided that it had been in existence for a continuous period of not less than three years and was required for work of a permanent nature.

It was observed during audit that 16 circles[@] continued to retain temporary posts beyond the stipulated period without obtaining any retention sanctions from the Corporate Office. In all, 21,678 temporary posts were not converted into permanent ones in these circles even though they were continued for more than three years. An expenditure of Rs 424.34 crore, as detailed in Appendix-XXII, was incurred towards pay and allowances of the persons manning these posts during the period 2001-02 to 2004-05. Continuance of temporary posts without retention sanction showed that the Corporate Office had failed to monitor the status of temporary posts in the various circles, which had, in their turn, failed to follow the existing instructions in this regard.

The Management stated (January 2006) that a final view over permanency of posts would be possible only after completion of absorption in totality.

2.10.6 Manpower underutilized in the Electrical Wing

The Company has a separate Electrical Wing to plan and execute all the electrical works required in construction and maintenance of electrical equipment and appliances in its departmental buildings and staff quarters. Audit observed that in the Kerala Circle, although the value of works executed decreased year after year, the manpower remained more or less static during the period 2001-02 to 2004-05. In spite of a steep decline in expenditure on works from Rs 56.38 crore during 2001-02 to Rs 13.59 crore during 2004-05, no corresponding reduction in manpower was carried out.

The Management stated (August 2005) that the value of work done should not be the criteria for deployment of staff. Rather the number of works handled by them should be considered. A test check in the Thiruvananthapuram Electrical Division by Audit, however, revealed that there was considerable decrease both in the number and value of works executed during the period 2001-02 to 2004-05. While the decrease in the number of works was 57.43 *per cent*, the decrease in the

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[@] Northern Telecom Region, Northern Telecom Project, Southern Telecom Region, Southern Telecom Project, Western Telecom Region, Advance Level Telecom Training Centre, Andhra Pradesh, Chennai Telecom District, Data Network, Gujarat, Kerala, Maharashtra, Rajasthan, Uttar Pradesh (East), Uttar Pradesh (West) and Uttaranchal.

value of works was 67.54 *per cent* during 2001-02 to 2004-05. Thus the considerable reduction in workload required review and redeployment of the excess staff working in the Electrical Division.

The Management in its latest reply (January 2006) stated that apart from capital works the Electrical wing undertook maintenance of various electrical services and energy conservation management, which required considerable manpower. The reply is not tenable as capital works, which had declined drastically is labour intensive and hence the Company cannot identify and redeploy the excess staff in its Electrical Wing without carrying out a review which was yet to be conducted (January 2006).

Recommendations

- **The Company should identify staff rendered surplus in the fixed line service and in other areas in a scientific manner for their redeployment or exit.**
- **The Company should ensure that the merger of employees of the Telecom Stores Organization with the territorial circles is completed.**
- **The Company should immediately stop the practice of operating temporary posts without retention sanction.**
- **The workload in Electrical Wings of the circles should be reviewed and surplus staff redeployed for their optimal utilization.**

2.11 INADEQUATE HUMAN RELATIONS SYSTEM

In order to ensure that there is efficient HR management, the HR systems in respect of control over manpower, laying down of HR policies and procedures, manpower information systems, etc should be effective. Audit observed the following issues, which were adversely impacting effective HR management in the Company.

2.11.1 Group 'A' officers on deemed deputation not yet absorbed

As stated earlier, officials belonging to Groups 'B', 'C' and 'D' had been absorbed, but Group 'A' officers transferred from DoT to the Company had not been absorbed as of January 2006. The Group 'A' officers had been on deemed deputation ever since corporatisation. The Cabinet approved (September 2005) a new package for Group 'A' officers for absorption into the Company. This included a 25 *per cent* rise in emoluments retrospectively and an extension of the date of absorption till 15 October 2005. The package was rejected by the Indian Telecom Service (ITS) Association on the ground that it did not meet the career aspirations of the officers. After the deadline was over, ITS officers who did not agree to the absorption package were initially removed (October 2005) from their positions in the Company. Later, 1,185 officers were taken back without absorption as they obtained stay orders of various courts and administrative tribunals on the orders of the Company. The removed Group 'A' officers were subsequently reinstated on the orders of the courts and were given extension up to 9 December 2005 to decide on getting absorbed in the Company.

The issue of absorption of Group 'A' officers, who manned the senior and middle management posts should have been resolved before corporatisation. The delay on the part of DoT in addressing this issue adequately could lead to crisis, which could jeopardize the working of the Company. Non-absorption of Group 'A' officers was the reason given by the Company for not implementing the major recommendations of KPMG like integration of HR functions across different disciplines, implementation of staffing norms for Group 'A' and 'B' officers, appointment of a consultant for reviewing staffing norms for Group 'C' and 'D' employees.

2.11.2 Human Resource functions not integrated completely

In their interim report, KPMG had recommended (July 2002) the integration of the human resources functions of the Company pertaining to all the disciplines under the overall charge of Director (HRD). They had reported that barring some HR functions like staff relations, most HR functions were not integrated and were being administered through the various cadre-controlling authorities. As a result, different disciplines such as Telecom, Finance, Civil, Electrical, Architectural and Factory services were working more or less like different organizations and were not properly aligned to the Company's objectives and goals. The Company accepted and implemented the recommendation and issued orders (April 2003) for the integration of HR functions. Audit, however, observed that although HR functions of the various wings such as Telecom, Civil, Electrical, Architectural and Factory Services were integrated and brought under Director (HRD), the HR functions of the Finance Wing were not integrated due to resistance from the officers of that Wing. The Management replied that the Management Committee had decided (February 2005) to consider total implementation of HR integration after absorption of Group 'A' officers. The reply is not tenable since the fate of absorption of Group 'A' officers continued to remain uncertain and the two issues were not linked. The Management had failed to take adequate steps to implement the HR integration.

2.11.3 Human Resources Manual not prepared

An HR Manual is a comprehensive compilation of policies and procedures and facilitates the smooth discharge of HR functions and staff relations. It was observed in Audit that the Company had not prepared such a Manual even after five years of corporatisation. Management intimated (July 2005) that the preparation of the Manual had been held up in anticipation of the absorption of Group 'A' officers in the Company. The reply is not tenable as the Company should have prepared the portions of the Manual containing general rules and instructions applicable to all employees as well as those applicable to Groups 'B', 'C' and 'D' cadres and should not have held up the entire exercise pending absorption of Group 'A' officers.

2.11.4 Manpower information system not developed

Manpower planning needs to be supported by a reliable manpower information system so that relevant information is always available to the Management for development, deployment and utilization of personnel in a scientific manner. In its report, KPMG had suggested the maintenance of two types of data i.e. Company-wide distribution of employees and employee profiles. The Company-wide database was to assist the Company in efficient manpower planning.

Audit observed that the Company had not set up any manpower information system for the whole Company till July 2005. Statistics on deployment of manpower in various segments of services such as landline, WLL, cellular and Internet and in different functional wings such as Operation, Finance and Accounts, Marketing, and Customer Care were not being maintained at the Corporate Office. Databases were, however, being maintained in 10 circles, viz., Gujarat, Karnataka, Punjab, Rajasthan, Uttar Pradesh (East), Uttar Pradesh (West), Uttaranchal, Data Networks, Northern Telecom Region (NTR) and Western Telecom Region (WTR) and the Calcutta Telephones District. It was observed that out of these circles, data was being updated regularly only in three circles, viz., Karnataka, Rajasthan and NTR. In the remaining 24 circles and one metro district no database was being maintained. Absence of database or its improper maintenance would adversely affect manpower planning and optimal deployment of personnel.

Audit observed, that a new package for entering the data of the employees had been developed (August 2005) by the Corporate Office but as of November 2005, data entry in respect of only 35,930 employees out of around 3.40 lakh employees had been completed.

Recommendations

- **The Department of Telecommunications (DoT) and the Company should resolve the issue of absorption of Group 'A' officers urgently as many vital human resources initiatives including several recommendations of the consultant had been kept pending citing this fact.**
- **The Company should urgently complete the integration of human resources functions pertaining to all the disciplines under the overall charge of Director (HRD).**
- **The Company should prepare a human resources manual.**
- **The Company should develop an effective manpower information system to facilitate proper planning and deployment of manpower.**

2.12 RECRUITMENT

No fresh recruitments had been made in DoT for 15 years across all levels, prior to corporatisation in October 2000. During 2002-03, most of the officials occupying senior management positions were in their late fifties with less than two to three years of service left. Moreover, 75 *per cent* of the work force were matriculates and below leading to skill gaps. The Company needed to make recruitments to cater to the needs of changing technology and introduction of new services like CMTS, Broadband, WLL, Internet, and Voice over Internet Protocol. Recruitment was also necessary for marketing and customer care in order to deal with the competition.

Recruitment was thus a very significant aspect of HR management in the Company. The Company recruited 6,000 JTOs[•] and 650 JAOs[*] in the Group 'B' cadre and 4,500 TTAs[♣] in the Group 'C' cadre during the period October 2000 to November 2005. It recruited JAOs and JTOs through direct recruitment and internal examinations. According to the rules, 50 *per cent* of the vacancies in the JAO's cadre were to be filled by direct recruitment through open competitive examinations, 40 *per cent* by promotion from the employees working in the Company, through internal competitive examinations and 10 *per cent* by promotion from Senior Accountants working in the Company through internal competitive examinations. Fifty *per cent* of the vacancies in the JTO's cadre were to be filled by direct recruitment and 50 *per cent* through limited internal competitive examinations.

Prior to the above recruitments, no direct recruitment had been made in the JAO and JTO cadres. Posts in these cadres were manned through internal promotions, after clearance of departmental examinations and the educational qualifications of the officials normally ranged from matriculation to graduation. Audit observed that the Company fixed the qualifications for direct recruitment of JAOs as M.Com./CA/ICWA/CS (August 2001) and of JTOs as BE/B.Tech.(October 2001) in different disciplines, which was a good attempt at skill building of the organization.

Audit, however, observed certain shortcomings in the recruitment process as discussed in the succeeding paragraphs.

2.12.1 Recruitment Policy not formulated

In order to give a definite direction to the process of recruitment, an organization should issue policy guidelines for the recruitments to be made. Such a recruitment policy should, *inter alia*, specify the procedures to be followed in assessing manpower requirements; fixing the qualifications and skills required for different jobs as well as the time periods for the various stages in the process of recruitment. A recruitment policy should also help the organization to review the staff position in its different units and to create or abolish posts based on the changing scenario. Audit observed that the Company had not framed any such policy for recruitment. In the absence of a policy, reviews could not be conducted

[•] Junior Telecom Officers

[*] Junior Accounts Officers

[♣] Telecom Technical Assistants

by the Company, resulting in continuance of temporary posts as discussed earlier in paragraph 2.10.5.

The Management stated (January 2006) that the Company was broadly following the procedure of recruitment prevalent during DoT period, which was based on availability of posts and recruitment rules of the Company. The reply is not acceptable, as without a recruitment policy the entire recruitment process in the Company would lack direction and purpose.

2.12.2 Non-establishment of a dedicated recruitment cell

KPMG had recommended that the Company should create its own recruitment cell to ensure that the recruitment process received focused attention and also because the services of the Union Public Service Commission and the Staff Selection Commission were no longer available to the Company as a corporate entity. Such a cell would coordinate and monitor the entire recruitment process i.e. assessment of vacancies, notification and selection of candidates, fixing of time taken for recruitment etc. It was observed that as of June 2005, the Company had not created any exclusive recruitment cell to carry out the above activities.

A scrutiny of the recruitment process of JTOs and JAOs revealed that the Personnel and Establishment wings assessed the requirement of JTOs while the Finance Planning wing assessed the requirement of JAOs. The recruitment process, including the examination, was conducted by the Departmental Examination Branch of the Corporate Office. A centralized recruitment cell would have helped in scrutinizing the proposals of the various wings impartially and guarding the process of recruitment from the risks of inequality in career opportunities and lack of uniformity, besides procedural delays.

The Management while agreeing (January 2006) stated that even in the case of recruitments made by the UPSC/SSC the assessment of vacancies was done by the concerned Ministries/Departments and communicated to UPSC/SSC. It is evident from the reply that the Company was still following the Government pattern for identification of the requirement of manpower and assessment of vacancies. The Company needed to develop a recruitment rule that would cater to its needs as a competitive corporate entity.

2.12.3 Recruitment not made to augment skills

It was observed that the ratio of executives (Group ‘A’ and ‘B’) to non-executives (Group ‘C’ and ‘D’) in the Company was heavily skewed in favour of the latter. Group ‘A’ and ‘B’ officers who constituted the best-qualified section of the employees were only around 17 *per cent* of the total workforce as of March 2005. This was far below the benchmark of 33 *per cent* suggested by KPMG in their report, based on the analysis of the performance of some world-class telecom operators. Audit observed that the following efforts of the Company to augment skills met with only partial success.

2.12.3.1 Direct recruitment of Management Trainees not made

KPMG had observed that since the Company was utilizing the services of the existing staff, the latter were unlikely to adopt a professional approach towards their jobs and the desired output might not be achieved. As there was no fresh direct recruitment in the Group ‘A’ category after corporatisation, the Company felt (November 2003) the need for induction of MTs to avoid the serious vacuum in the middle management level. To look into this aspect, they set up (September 2003) a Committee which recommended (November 2003) the recruitment of 200 MTs, 100 through direct recruitment, and 100 through limited internal competitive examinations and internal selection through seniority-cum-fitness in the areas of telecom operations, marketing, finance, HRD and law. However the recruitment rules for MTs could not be finalized by the Board, as a result of which the direct recruitment of the MTs was held up as of November 2005.

The management stated (January 2006) that the recruitment rules were under finalization. Thus delays in finalization of recruitment rules resulted in non recruitment of Management Trainees for more than two years.

2.12.3.2 Inadequate staff in Marketing Interface Organization

A Marketing Interface Organization (MIO) was created (September 2001) by the Company, to put in place a modern and energetic marketing setup at the corporate and Circle levels with a view to accelerate performance and equip the Company to face the competitive environment. Altogether 82 posts were sanctioned to be filled up by internal selection as well as through direct recruitment. The terms and conditions of recruitment for internal candidates were finalized and applications from eligible candidates were invited in January 2002. Audit, however, observed that only 31 candidates were selected for various marketing and public relations (PR) posts. Thus the MIO was functioning with only 38 *per cent* of the posts created for the purpose, even after four years of its formation, which showed that adequate attention was not being paid towards marketing.

The Management stated (January 2006) that officers were appointed in December 2002 (for one year) for MIO and that the Marketing was streamlined. It was further stated that the officers were now fully conversant and undertook their job effectively. The reply is not tenable as it has not addressed the core issue of inadequate manning of MIO and the purpose of setting up the MIO to face the competition from private operators was, therefore, largely defeated.

2.12.4 Prolonged recruitment process

The process of recruitment should be initiated well before vacancies arise, to ensure timely availability of manpower. The time taken for recruitment, from identification of requirement to placement should be reasonable. KPMG recommended the time cycle for completion of the recruitment processes from manpower requisition to induction of the employees in the organization as shown in Appendix-XXIII. However, it was noticed during audit that time periods for the various stages in the process of recruitment for different cadres had not been fixed by the Company. The time taken for recruitment of JAOs and JTOs, from identification of vacant posts to selection and allotment of the recruited personnel to different wings, ranged from six months to two years. Scrutiny of the recruitment process of JAOs revealed that 600 vacant posts were identified as of April 2001, while the examination was held only in May 2003. Candidates were selected and allotted to different circles in July 2003 and sent for training in November 2003. Thus, the process initiated in 2001 could be completed only in 2003, after a delay of more than two years.

Similarly, the notification for recruitment of JTOs was issued in November 2000, the examination was held in March 2001 and the candidates selected were allotted to different circles in October 2001. The time taken to complete the entire process of JTO recruitment was almost one year.

The Management replied (January 2006) that the notification for recruitment of 800 JAOs was issued during March 2003 and the process was completed during November 2003. The reply is not tenable as the need for recruitment of JAOs was identified and a recruitment committee was constituted in December 2000 for evolving a detailed procedure for direct recruitment of JAOs in the Company. Further 600 vacant posts were identified as of April 2001. Hence, there was a delay of over two years from assessment of vacancy to final placement of JAOs.

Recommendations

- **The Company should formulate a recruitment policy to give a definite direction to the process of recruitment to its different cadres.**
- **The Company should clearly spell out the procedures for identifying anticipated vacancies and skill gaps and fixing of qualifications and standards for recruitment of personnel, especially for new services and marketing.**
- **The entire process of recruitment for all the cadres should be integrated and processed through an exclusive recruitment cell for speedy completion and uniformity.**
- **The time to be taken to complete each stage of the process of recruitment should be fixed for timely availability of manpower.**

2.13 CAREER PROGRESSION AND TRANSFERS

2.13.1 Career Progression

Career progression traditionally refers to advancements of employees to positions of increased responsibility i.e. promotions. The promotion process in an organization needs to be fair, transparent and non-arbitrary in order to increase the effectiveness of the process. Promotions are generally based on seniority or competence, or combination of the two.

The Company decided (August 2002) to continue with its inherited promotional policies from DoT such as One Time-Bound Promotion (OTBP), Biennial Cadre Review (BCR) and Assured Career Progression (ACP) for its non-executives i.e. the Group 'C' and 'D' cadres till it framed its own rules. Initially, the Company waited for KPMG's recommendations before adopting a new promotion policy. Audit observed that in the second National Council meeting (July 2003), the Management and the employees' union decided to follow the OTBP and the BCR scheme in its existing form as a general promotional policy for non-executives till the next wage revision, even though KPMG had submitted its report containing its recommendations regarding career progression in February 2003. It was found that the Company had not introduced its own promotion policy as of July 2005. As mentioned earlier in paragraph 2.12, the recruitment rules of JTOs and JAOs framed in September 2001, provided for filling up of 50 and 40 *per cent* of vacant posts in JTOs and JAOs cadres, respectively, through internal competitive examinations from non-executive grades. For Group 'B' cadres, the career progression was as per the recruitment rules in force i.e. promotion to the higher grade was on the basis of seniority-cum-fitness. Both were governed by the rules from the DoT period. The Group 'A' officers had not been absorbed in the Company and continued to be governed by the rules of DoT.

The deficiencies noticed by Audit with respect to career progression in the Company are discussed in the succeeding paragraphs.

2.13.1.1 Career progression opportunities not equal across different disciplines

Although the minimum eligibility period stipulated for promotions from one cadre to another was uniform across all disciplines such as Finance, Technical, Electrical, Civil and Telecom Factories, Audit observed that due to non-availability of posts in the different cadres of the various disciplines, the promotional opportunities varied considerably between them. For example, in 2002, the junior most officers promoted to the Higher Administrative Grade (HAG) in the Finance discipline belonged to the 1974 batch. The same was not true of the Electrical, Civil and Technical disciplines where the junior most officers promoted to HAG belonged to the 1965, 1966 and 1969 batches respectively.

The Management stated (January 2006) that equal career progression opportunities for different disciplines would be considered after the absorption of Group 'A' officers.

2.13.1.2 Lack of equality in career progression opportunities

During September and December 2003, the Company created 92 posts of Principal General Manager (PGM) at the HAG level and 123 posts of General Manager in the Senior Administrative Grade (SAG) level respectively by upgrading an equal number of SAG and Junior Administrative Grade (JAG) level posts. The justification given for creating these posts was the changed scenario of corporatisation, competition, growth and diversification and the necessity for providing career growth opportunities to senior officers so as to arrest the turnover of these employees. No posts were, however, created or upgraded in respect of other levels such as JAG, STS, JTS, SDE, JTO, AO and JAO so as to arrest their turnover. This defied the principle of providing equitable opportunities for growth for all levels of employees.

2.13.1.3 Regular promotions not given in time

Audit observed that the Company did not give regular promotions on time and followed a system of giving local officiating promotions. It was observed during audit that in nine circles, viz., Andhra Pradesh, Bihar, Chhattisgarh, Gujarat, Jharkhand, Maharashtra, Northern Telecom Project, Tamil Nadu and Uttaranchal, local officiating promotions for 90 to 180 days at the level of Group ‘A’ and ‘B’ were made against regular vacancies. Officers were promoted again for 90 to 180 days by providing suitable breaks. This resulted in avoidable expenditure of Rs. 1.76 crore on payment of Travelling Allowance (TA)/Dearness Allowance (DA). The details are given in Appendix-XIV.

The Management replied (January 2006) that there was a substantial decrease in TA/DA to the Accounts & Finance Service Personnel consequent to orders of April 2004 according to which the officials were being transferred to the SSA in the substantive cadre and then given local officiating promotion. The reply is not tenable as the above orders were implemented only in Accounts & Finance Service while the audit observation pertains to all disciplines.

2.13.2 Transfers

The transfer policy of an organization needs to be aligned to its business strategy. At the same time, it has to be employee friendly to check the turnover of staff. Group ‘C’ and ‘D’ employees of the Company were Circle based cadres i.e. they could be transferred only within their Circle. The Group ‘B’ employees were also Circle based cadres, except for JAOs, who had an all India transfer liability like the Group ‘A’ officers. In the absence of a new transfer policy, all aspects of transfers such as request postings, hard tenure postings and minimum periods of postings were governed by rule which were applicable during the DoT period i.e., rules applicable to all Central government employees.

It was, therefore, important for the Company to adopt a transfer policy, which permitted greater flexibility to the Management. In its report, KPMG had recommended the following: -

- Request transfers should not be permitted more than twice in the complete span of service of an employee.
- Employees should be required to serve a fixed minimum period at the post of transfer before requesting for a transfer.

- Minimum and maximum tenures for being eligible for transfer should be fixed.
- Benefits should be fixed for hard tenure transfers to encourage employees to go in for them.
- Disciplinary action should be taken if an employee did not relocate to a newly assigned post within the time frame specified in the transfer order.
- Adequate measures should be taken to ensure that transfers were not used as disciplinary or retaliatory measures.

Audit observed that the Company had not finalized any new transfer and posting policy for its employees even after five years of corporatisation.

The Management agreed (January 2006) that the transfer policy was not formulated as the absorption of Group 'A' officers was still pending. It was also stated that the transfer policy of DoT, which was being followed by BSNL, was time tested and suited the needs of BSNL. However, audit observed that though the existing policy addressed the issues like hard tenure postings, request transfers, action of officials bringing external influence on the transfers etc., issues like inter-Circle transfers of Group 'B', 'C' and 'D' staff to balance the excess or deficit manpower across the circles, measures to ensure that transfers were not used as disciplinary measures, transfer of employees to suitable positions based on their knowledge and experience remained unaddressed.

Recommendations

- **The Company should ensure equitable opportunities of work and growth for employees of different disciplines.**
- **The Company should ensure that all promotions are given in time.**
- **The Company should formulate a well defined, fair and transparent transfer policy based on the consultant's recommendations.**

2.14 HUMAN RESOURCES DEVELOPMENT

Measures such as performance management, enforcement of discipline, training and welfare all combine to ensure the development of human resources in an organization. While appointing KPMG, the Company had identified absence of motivation, indiscipline and the need for more professionalized training as problem areas to be addressed by the consultant. It was therefore imperative on the part of the Company to urgently consider the recommendations of KPMG in these areas, for implementation. The observations of Audit with regard to aspects related to HR development are discussed in the succeeding paragraphs.

2.14.1 Performance Management

A performance management system should support the achievement of the goals of an organization through the setting of targets for employees and evaluating their performance against these targets. The targets for each year should be realistic and growth oriented and should be based on the targets and achievements of the previous year.

In the DoT setup, employees' performance was monitored through their Annual Confidential Reports (ACRs). The Company continued with the same performance management system that existed in the DoT setup.

2.14.1.1 Targets for individual employees not fixed

The Company prepared annual operational plans, which provided physical targets for direct exchange lines (cellular, fixed and WLL), switching capacities, village public telephones, trunk automated exchanges, optical fibre cable and microwave transmission routes. Based on these targets, Circle-wise targets were fixed and the same were communicated to the respective circles for follow up action. Audit, however, observed that individual targets for employees were not fixed. Absence of targets for individuals made it difficult to measure their performances and pinpoint areas of non-achievement, which were required to be strengthened in future.

The Management stated (January 2006) that targets were fixed by the different levels of Management for the officers working under them and targets so fixed were duly assessed to ensure that the overall performance of the organization was improved. Audit, however, observed that employees' performance was monitored only through their Annual Confidential Reports as was done under DoT.

2.14.1.2 Open review system not introduced

Commercial entities the world over use 'open review system' for judging the performance of individuals. In this system, the superior officer discusses the self-appraisal submitted by his/her subordinate so as to make the appraisal of his/her performance totally transparent. Despite KPMG's recommendations of introducing this system in the Company, the Company continued with the old system of secret evaluation of the performance of its employees.

The Management stated (January 2006) that the KPMG recommendation of implementing Balance Business Score-Card methodology of Performance Management system had been accepted by the Management Committee and a group had been formed for implementation of the scheme. However the fact remains that the open review system is yet to be implemented.

Recommendations

- **The Company should fix performance targets for each individual employee.**
- **The Company should consider switching over to the 'open review system' of performance management as recommended by the consultant.**

2.15 TRAINING

Training is a continuous process for improvement of the skills of an organization's manpower. Training assumes greater significance in the case of the Company because of the frequent technological advancements in the telecom sector and the increasing competition from private service providers. With the introduction of new services like CMTS, WLL, leased lines, Internet and broadband, the development of training courses suited to these services is of optimum importance to equip the employees in these areas. Special attention must also be paid to training in marketing skills and customer care to retain the existing subscribers as also to attract new subscribers.

The Company has 42 training institutes, comprising three apex level institutes, 14 Regional Telecom Training Centres (RTTCs), 19 Circle Telecom Training Centres (CTTCs) and six District Telecom Training Centres (DTTCs). The three apex training institutes, viz., the Advanced Level Telecom Training Centre (ALTTC), Ghaziabad, the Bharat Ratna Bhim Rao Ambedkar Institute of Telecom Training (BRBRAITT), Jabalpur and the National Academy of Telecom Finance and Management (NATFM), Hyderabad are independent units and develop their own training modules. The Training Cell of the Corporate Office along with BRBRAITT, controls and coordinates the training activities of all the RTTCs, CTTCs and DTTCs. The Training Finance Cell acts as a coordinator for the various activities of NATFM and plans and coordinates training aspects of Group 'A' and 'B' (Accounts and Finance) officers. The training courses are mainly of two types, viz., induction courses for new recruits and promotees and in-service courses for existing employees. Training needs arising out of induction of new services and new technologies are addressed initially by the suppliers.

Audit observed certain deficiencies in the area of training in the Company, which are discussed in the succeeding paragraphs.

2.15.1 Training not adequately planned

It was observed in Audit that the Company had not framed any mission statement or medium and long term plans for training. Annual training schedules were, however, being framed by the various institutes. Audit also observed that KPMG's recommendation of establishing training goals in terms of percentage of revenue or number of hours per employee was not implemented.

It was further seen that the Company had not fixed any targets for training till 2003-04. In the year 2004-05, a target of 10 *per cent* of staff to be trained was fixed. As the Company did not maintain any database indicating the profiles of employees, viz., qualifications, field of duties, past experience, future training needs, etc either at the Corporate Office level or at the training institute level, it could not select its trainees in a scientific manner. The Management intimated (January 2006) that database was now being prepared by Information Technology Project Circle. However 65 *per cent* data porting was yet to be completed.

Audit also observed that out of 42 training centres, only six had so far obtained International Standards Organization (ISO) certificates and that there was no action plan to get ISO certificates for other institutes.

2.15.2 Training slots not utilized

A test check of records in 22 Training Institutes (RTTCs, CTTCs and DTTCs) revealed that out of 1,71,256 training slots, 58,756 slots had not been utilized during 2001-02 to 2004-05. The percentage of utilization of training slots with reference to the slots planned declined from 71 *per cent* during 2001-02 to 59 *per cent* during 2004-05. It was also seen that 177 course weeks were cancelled in BRBRAITT during 2000-01 to 2004-05 due to non-receipt of nominations from the circles and SSAs. In BRBRAITT and three CTTCs, viz. Kalyani, Raipur and Kurukshetra, against 32,381 personnel sponsored for training, only 22,836 attended the courses.

In the CTTCs at Bhopal and Raipur, the average number of personnel trained per batch was only three during 2004-05 and seven during 2001-02. This was because CTTC, Bhopal had not been closed despite the shifting of its work to CTTC, Indore and the training slots at CTTC, Raipur remained vacant as employees were not relieved for training by the concerned circles and SSAs.

In order to develop effective communication skills and to inculcate courteous behaviour for dealing with customers, the Company introduced (November 2000) a scheme of "Behavioral and Attitudinal Training” of Group 'C' staff to inculcate the values of punctuality, cleanliness at the work place and team spirit amongst them. As per the scheme, 20 *per cent* of Group ‘C’ staff was to be trained per year so that all officials could be trained by November 2005. Against this, 58 *per cent* of Group ‘C’ employees were imparted training up to March 2005.

The Management while accepting the facts (January 2006) replied that under-utilization of slots was because the circles did not relieve their staff due to shortage, pressure to achieve the targets and provide new services. Regarding “Behavioral and Attitudinal training” it was intimated that the training for the remaining employees would be completed by March 2006

2.15.3 Inadequate feedback and assessment of impact of training

There was no mechanism available in the Company to evaluate the impact of training on its employees. This sort of evaluation would have helped the Company to judge whether the existing training courses needed any further modifications and improvement. On this being pointed out, the Company decided (July 2005) to create separate cells in training centres to evaluate the impact of training, after receiving feedback from the offices of the trainees.

2.15.4 Foreign Training

For training abroad, a Screening Committee comprising Director (HRD) and the Director related to the concerned course, selected officers from the nominations received from various wings. Approval of DoT for selection of these officers was to be obtained except for the period from March 2003 to April 2005 when CMD of the Company was given the powers. It was noticed in audit that in two cases, officers were selected by DoT for foreign training without the receipt of any recommendations from the Screening Committee.

Audit also observed that the proforma for calling for nomination particulars from field offices for foreign training though standardized did not contain certain important information such as Vigilance or discipline cases if any, against the personnel.

Audit further noticed that the Company could not utilize three free training programmes offered by three sponsors, Asia Pacific Telecommunity, Japan International Co-operative Agency and United States Telecom Training Institute. In the first case, the nomination could not be finalized due to shortage of time while in the other two cases, approval was not received from DoT in time.

2.15.5 Training activities not adequately monitored and integrated

The Training Cell at the Corporate Office did not have a proper MIS and monthly activity reports were received from training institutes in varying formats. The information from these reports was being used mainly to compile the total number of officials trained during the period.

The Management stated (January 2006) that instructions already existed in this regard, which had since been reiterated. The fact however, remains that proper MIS and activity reports were not received by the Company's Corporate office to monitor the training activities.

Recommendations

- **The Company should select its trainees in a scientific manner. For this purpose, it should maintain a database of employee profiles.**
- **Administrative measures should be put in place to ensure that training slots do not go unutilized because of lack of nominations and cancellation of nominations.**
- **In-house training should be imparted to cover shortfalls in training through the training institutes.**
- **Feedback should be obtained and made use of in respect of improvements made in the performance of employees as a result of training. The Company should ensure that the cells created in the training institutes for the purpose perform effectively.**

2.16 DISCIPLINE AND CONDUCT RULES

While appointing KPMG, the Company identified indiscipline as one of the problem areas facing the Company. KPMG was expected to study and review the existing framework of conduct and disciplinary rules and recommend modifications to ensure compliance of the Company's goals.

2.16.1 Conduct and Disciplinary rules not formulated

KPMG formulated conduct and disciplinary rules, taking into consideration the rules generally adopted by Public Sector Undertakings, the guidelines of the Central Vigilance Commission and the Department of Public Enterprise. Audit, however, observed that the Company did not adopt these rules. Instead, it decided (May 2004) to continue with the existing CCS (Conduct) and CCS (Classification, Control and Appeal) Rules, applicable to Central Civil Services, for its employees in the Group 'B', 'C', and 'D' cadres. A Committee was, however, constituted (November 2001) by the Company to draft new Conduct, Discipline and Appeal policy guidelines. The Committee submitted its report in May 2002 but the Board had not finalized the policy till June 2005.

2.16.2 Delayed Settlement of disciplinary cases

Delays in settlement of disciplinary cases could on the one hand undermine the discipline in an organization due to delays in meting out punishments for the deviant behaviour of its employees. On the other hand, it could affect the morale of the employees, resulting in poor performance and non-achievement of targets. KPMG also identified delays in finalizing disciplinary cases as an issue of concern. Audit observed that out of 1,459 disciplinary cases registered during 1994-2005, 529 cases i.e. 36.26 *per cent* were settled during the period October 2000 to March 2005, leaving 930 cases pending as of March 2005. Audit also observed that the number of pending cases had consistently increased over the years after formation of the Company as detailed in Appendix-XXV.

Audit also noticed that there was a shortage of officers and staff in the Vigilance Cell in the Corporate Office, which was responsible for monitoring the settlement of disciplinary cases. In spite of the orders (July 2004) of the Board for creation of more posts in the Vigilance Cell of the Corporate Office so that these cases could be expedited, no action had been taken till date. Against the sanctioned strength of the Cell of one Chief Vigilance Officer, three Deputy Vigilance Officers, five Senior Vigilance Officers and five Vigilance Officers, the Vigilance Cell in the Corporate Office was functioning with one Deputy Chief Vigilance Officer and three Senior Vigilance Officers only as of November 2005.

Recommendations

- **The Company should expedite the framing of its conduct and disciplinary rules based on rules generally adopted by Public Sector**

Undertakings, the guidelines of the Central Vigilance Commission and the Department of Public Enterprises.

- **The Company should adopt proper measures to minimize delays in settlement of disciplinary cases.**

2.17 WELFARE MEASURES

Welfare measures in an organization comprise financial and non-financial benefits paid to facilitate the growth and well being of employees and their families. These benefits relate to health, insurance, retirement, vacations, holidays, leave, child care, education, etc. The Company pursued several welfare programmes, including scholarships and book awards; incentives for meritorious students; financial assistance to physically handicapped and mentally retarded children of employees; financial assistance in cases of serious or major illness and death; financial assistance for victims of natural calamities riots etc; grants-in-aid for recreation clubs and subsidy on transport for excursion trips. Besides, holiday homes and crèches etc. were also established. To oversee these activities, a Welfare Board was created in December 2000. The Company released Rs. 50.57 crore since corporatisation to this Board for carrying out the welfare activities. Audit observed that the Welfare Board had met only three times till November 2005 to deliberate on welfare issues.

2.17.1 Grievance Redressal Machinery was not framed in all circles

As per the orders (December 1988) of DOPT, grievance redressal machinery was to be set up in each office for redressal of grievances of staff. The National Federation of Telecom Employees also raised (March 2004) a demand for creating a grievance redressal mechanism in the Company. A staff grievance cell was created (October 2004) at the Corporate Office and instructions were issued to all the field units to set up cells in each of the circles and SSAs. Audit observed that cells had been framed in all the units by November 2005 except for four circles viz., Jharkhand, North East-I, North East-II and Uttaranchal.

The Management stated (January 2006) that in Uttranchal Circle staff grievance cell was formed in December 2005 and the CGMs Jharkand, NE-I and NE-II circles were instructed to immediately form the staff grievance cell in their circles.

Recommendations

- **Welfare measures are an integral part of healthy industrial relations. Hence the Companys', Welfare Board should be proactive and promote various welfare measures in the Company.**
- **Management should expedite setting of staff cell in the remaining four circles.**

2.18 EXIT POLICY

In order to have a staff to line ratio[α] comparable with industry standards, the Company needed to identify surplus staff and take measures to downsize their workforce with the help of a proper exit policy. This would have enabled the Company to bring down the cost of operations and face competition squarely. At the time of corporatisation, the Company had set itself a target of bringing down the staff to line ratio from 12.7 in 2001 to 6 per 1,000 by 2005. Audit observed that the staff to line ratio had come down to 7.2 in March 2005. However, this fall in staff to line ratio was mainly due to the exponential growth in cellular and WLL connections by 110.75 lakh subscribers and approximately 8,000 retirements per annum, rather than through an effective exit policy.

While developing options for the Company to achieve the targeted staff to line ratio, KPMG had recommended three options, viz., freezing recruitment, exit from non-core businesses and a targeted voluntary retirement scheme (VRS). With regard to freezing of recruitment, KPMG had opined that it could result in skill gaps, warranting redeployment of existing staff in large numbers. Considering the age and skill profile in the Company, they declared this option as undesirable.

Audit found that the Company had failed to identify its surplus staff and its non-core businesses and had not implemented any VRS scheme. These issues are discussed below.

2.18.1 Surplus staff not properly identified

As would be seen from Appendix XVIII, which shows the persons-in-position in different groups in the Company, as of March 2005, there were 2.33 lakh employees in Group ‘C’ as compared to 6,947, 51,242 and 48,791 in Groups ‘A’, ‘B’ and ‘D’, respectively. While Group ‘A’ and ‘B’ categories of employees were faced with skill gaps and required further recruitment, it was basically the Group ‘C’ and to a lesser extent the Group ‘D’ cadres, which needed to be downsized.

As mentioned earlier in paragraph 2.10.3 and 2.10.4 the work in the telecom stores organization, telegraph offices, etc had come down considerably, rendering the staff surplus. The Telecom Office Assistant (TOA) cadre in Group ‘C’ had already been declared (November 2003) a wasting cadre by the Company due to computerization of various activities in the offices. Faced with such a situation, the Company needed to review the manpower deployed in different wings, especially in the fixed line business, to identify the surplus staff, initiate action for their redeployment and to plan their exit after exhausting the options of their effective redeployment by imparting necessary training.

KPMG had recommended the appointment of a consultant for developing norms for Groups ‘C’ and ‘D’ cadres based on the existing business scenario so that

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[α] Number of staff per 1000 direct exchange line redundant manpower could be identified. As stated earlier, no consultant had been appointed for the purpose.

2.18.2 Non-core businesses not identified

KPMG had pointed out exit from non-core business as one of the options for downsizing manpower. They had identified telecom factories and building works as non-core businesses and had recommended a detailed feasibility study for their exit. Audit, however, observed that the Company as of November 2005 had carried out no such feasibility study. As such, the number of staff which would become surplus as a result of the closure of non-core businesses could not be identified.

2.18.3 Non implementation of voluntary retirement scheme

As a third option, KPMG had recommended a targeted Voluntary Retirement Scheme (VRS) for downsizing manpower. A targeted VRS would identify a particular group of employees who could be urged to accept the scheme. The Management Committee approved (October 2004) a VRS for consideration of the Board. The scheme envisaged voluntary retirement for Group 'C' and 'D' employees of 55 years of age and above. A rough estimate of surplus manpower in the Group 'C' and 'D' cadres, totaling around 20,000, as proposed by KPMG was considered, while drafting the VRS. This was an open-ended scheme without any target regarding the number of employees to be covered. Audit observed that the National Council i.e. the committee of members from the staff side and the Management, decided (February 2005) to withdraw the scheme due to opposition from the staff side.

Recommendations

- **The Company should revise the norms in respect of Group 'C' and 'D' employees, especially in the fixed line business, in order to identify surplus manpower.**
- **The Company should conduct a feasibility study to identify their non-core business and plan to exit from the same.**
- **The Company should devise a selective VRS for cadres whose functions have been phased out, after exhausting the possibility of their redeployment.**

2.19 CONCLUSION

At the time of formation of BSNL in September 2000, the Company was faced with a business scenario, which was highly competitive and subject to rapid technological changes. The Company needed to address the challenges with the help of well-qualified and skilled personnel. Recognizing this need, BSNL appointed KPMG for strengthening its human resources management. However, as brought out in the report, the Company till November 2005 had not considered most of the recommendations of the consultant. Although the Company was relatively new and was facing a unique situation of transiting from a bureaucratic governmental setup to a market driven corporate culture, it was yet to gear up to this new challenge by carrying out the necessary reforms in its human resources management.

New Delhi **(A. BASU)**
Dated : **Deputy Comptroller and Auditor General**
cum Chairperson, Audit Board

Countersigned

New Delhi **(VIJAYENDRA N. KAUL)**
Dated : **Comptroller and Auditor General of India**