

Supplementary Report of Justice Dharmadhikari Committee on

HR issues of Merged Air India

Ministry Of Civil Aviation has constituted a Committee of Experts on 11th May, 2011 under the Chairmanship of Justice DM Dharmadhikari, a retired Supreme Court judge to look into various issues related to pay/wage rationalisation and restructuring in the post merged entity of Air India. Other members of the committee are Prof. Ravindra H. Dholakia, of IIM, Ahmedabad and Sh Rajeshwar Dayal, a retired senior Government official. Syed Nasir Ali, Director MOCA has been nominated as Member-Secretary to the committee. The terms of reference of the committee are as under:

- A. To examine the principles of integration across various cadres and determination of level and seniority.
- B. To examine the principles of Pay/wage rationalization and restructuring between all the employees of the erstwhile airlines.
- C. To examine and suggest harmonized working conditions of various categories of employees of erstwhile airlines depending upon the requirements.
- D. To examine the above A, B and C, in the light of the cost neutrality principle.
- E. To examine the principles governing the structure of pensionary scheme, death-cum-retirement gratuities and other terminal benefits having financial implication.

- F. To examine and make recommendations with respect to the general principle parameters of the different Productivity Linked Incentive Schemes and bring them in line with airline practices.
- G. Any other related matter that would be referred to the Committee.

The Committee has submitted the Report to the Hon'ble Minister for Civil Aviation on 31st of January, 2012. Subsequently the Committee has been asked to make further recommendations on Governing structure of Pensionary Schemes for the Air India employees and on harmonised working condition for the merged entity. Later, the government has requested the committee to further elaborate on the allowances to be paid to Engineers and Cabin Crew category as per industry norms and standards. The Committee during its interaction with the employees Unions and management earlier has deliberated on such issues and has made recommendations in the main report at various relevant paragraphs. However, in order to make it more explicit the committee makes the following clarifications and recommendations which have to be read with the main report submitted earlier on 31st January, 2012. Illustrations have also been annexed with this supplementary report to help better understanding with clarity.

1. **Harmonisation of working Conditions in AIR INDIA:**

One of the basic objectives of merger of erstwhile Air India and Indian Airlines has been to provide an opportunity to leverage skilled and

experienced manpower available with both the companies to their optimal potential, and evolve an integrated international/domestic footprint, which would significantly enhance customer orientation and provide an opportunity to fully leverage strong assets and capabilities. However, it has been noticed that such objectives are yet to fructify completely for want of adequate progress on the ground as more or less the two erstwhile airlines continue to live in the heart and mind of the employees. In order to achieve the stated objective it is necessary that identities of the two erstwhile airlines merge and a unified entity emerges. Only then a strong foundation of a new and vibrant Air India would be ready to claim its deserved place. To this end, it would be essential that there is no official reference to the erstwhile companies in any official or informal communication with Unions or workers etc. Further, so as to ensure total intermingling of the staff, it would be imperative that the management draws up plans to rotate the staff in various departments so as to give them exposure in different areas and bring about total integration.

Some of the areas which need immediate attention in this regard are as under:

(a) Canteen facility:

Even after about 5 years of formal merger, erstwhile AI and IA are still continuing with separate canteen facilities for their employees with different rates and subsidised food. Considering the precarious financial position of the Company, it is unthinkable that the company can subsidise the food to the present level. The Committee is of the view that till the Company comes out of the present financial crisis and until it starts recovering cash cost of

operation, it can ill afford to provide subsidy to the food items through its canteens. Therefore, the Company should run common canteen for their employees at No-Profit No-Loss basis. It can think of subsidising the food only after it start making cash profit. The committee is given to understand that there is some effort on the part of the management to outsource the canteen, which is a welcome initiative and can be replicated in various other fields wherever possible to rationalise manpower utilisation and minimise cost.

(b)Working hour:

Even after almost 5 years of formal merger, the erstwhile AI and IA are still maintaining different working hours for their employees. Air India is following 6 days a week schedule, whereas IA follows 5 days a week schedule. This is not acceptable as post-merged entity should have a common working hour. Airlines sector works round the clock. There are operational staff and non-operational or administrative staffs. There has to be a common minimum working hours per week for operational staffs on rotational basis. Right now there are different working hours for erstwhile IA and AI. As per industry standards there should be a minimum of 44 hours per week norm, which has to be followed by the Company. And considering the present status of the airlines, 6 days week is recommended for the merged entity.

It has been informed that Operational wing, reservation offices and sales and marketing wings are working up to 44 hours a week (7days) whereas non-operating departments e.g. Finance/Personnel /Planning/ Vigilance/ Properties and facilities/

Corporate communication/Internal Audit are working only 38 hours a week. In order to rationalise the working hours across the company it has been recommended that Operating wings including sales and marketing and reservation offices would work for 6 days a week totalling 44 hours a week. The non-operating wing should also work for 44 hours. However, the company would retain its right to have 5 days a week with 40 working hours for Non-operating wing with a right to call such employees of non-operating wing for duty on weekly off days for up to 4 hours per week without any extra allowances.

The Regional Departmental Heads along with their administrative offices should observe fixed weekly offs. The regional Executive Directors within the above frame-work of working hours and days of the week may work out the rotational shift pattern and staggered weekly offs as per operational requirements. While drawing up the shift pattern it must be ensured that adequate number of manpower is available to handle the flight operations in the shift during peak hours.

(c)Uniform

It has been brought to the notice of the Committee that by now, the management has ensured that the uniform worn by different relevant categories of employees in the erstwhile airlines has been made common. The only area of contention has been the eligibility of oak leaves on the cap for the Commanders in the two erstwhile airlines. Since it is more symbolic for the honour and recognition of seniority, the Committee after interacting with the management is of the view that the oak leaves may be permitted

on the cap of the Commander after he has rendered 15,000 flying hours as Commander irrespective of the wide/narrow body aircraft. In addition to the oak leaves and with a view to give honour and recognition to more senior Commanders who have rendered 15,000 flying hours after grant of oak leaves, the Committee recommends placing a star between their oak leaves on their cap. This should distinguish their status *inter se*.

2. **PENSION SCHEME**

In the erstwhile two Airlines there were two separate but essentially similar pensionary schemes operating since 1994 (Air India) and 1995 (Indian Airlines). Both the schemes were not benefit based but were self contributory in nature. The committee was informed that for various reasons the scheme did not operate or work as envisaged with the result that the members lost substantial amount contributed by them and the scheme became unviable. An amendment, giving option to the retirees to pay the difference between the amount of their annuity and their actual contribution if they wish to continue with the scheme or empower the trustees to call back the excess amount over their contribution amount from LIC was challenged in the Bombay High Court and subsequently in the Supreme Court of India. The Supreme Court upheld the right of the trust to amend the scheme but prospectively. However, in the case of Indian Airlines, the matter is pending in the Bombay High Court through which the retirees have challenged the amendment carried out by the Trustees in the year 2003 and they sought the relief from the Hon'ble Court to set aside

the amendment and to grant the benefit as per the old scheme of pension. On account of this pending petition and the petitions on identical issues in various High Courts, it has been informed that about 990 employees of erstwhile Indian Airlines and around 150 employees belonging to the erstwhile Air India will be affected and their cases will be decided in the light of the judgement of the pending litigations since the matter is *sub-judice*.

The Committee is of the view that both the pension schemes are identical in nature and voluntary and essentially the matter is between trustees of such schemes and the LIC. The management is acting as a facilitator only. It would, therefore, be prudent that the matter of continuing with the pension policy is best left to the employees through their trustees. The management may also consider integrating the two schemes and giving the employees an option to continue or not with the pension scheme by handing out a detailed corporate communication in a fully transparent manner highlighting all the material facts and implications to enable them to take a decision, which should be obtained formally from each employee in writing and which will be binding to all concerned.

3. **CABIN CREW AND ENGINEERS:**

The Government has further referred to the Committee to propose recommendations with regard to allowances to be paid to Cabin Crew (Air Hostesses & Stewards) and Engineers in addition to salary and perks as per DPE Pay-scales. In this regard reference is invited to Para 3.58.....**(to be referred to Union Cabinet)**

It is clarified that this para shall be applicable only to flying staff (Cabin Crew only and not to Pilots category) and Engineering Staff. For Pilot category, separate recommendations are given at para 3.39-3.44 of the main report.

Therefore, it is suggested that the Management may like to fix the salary of Cabin Crew including Air Hostesses, Stewards and Engineers within these broad parameters. In our view, after this exercise, there won't be much of a difference in the prevalent market salary to these categories of employees and their emoluments. However, if still there is a gap that the Government may feel to address, then in that case we have given suggestions in paragraph 3.69. For the sake of convenience, the same is reproduced as under:-

Quote.....*It has been brought to the notice of the Committee that the Air Craft Engineers are entitled to the grant of License Allowance up to a maximum of 6 types of Aircrafts. Further, such license allowance is also currently being paid in respect of such Aircraft which are not in service in Air India. The Committee, therefore, recommends that License Allowance should be restricted to those Aircrafts which are in-service (and not phased out) in Air India.....***Unquote**

Appropriate allowance may be considered by the Management to bridge the gap, if any. It may be further clarified that the Committee does not envisage any major gap in this regard and that the view of the Committee is that the allowances for the License are essentially paid so as to encourage them to acquire more and more licenses and enhance

their expertise. The management may consider giving special allowance to Engineers category so as to bring the total pay package comparable with their counterparts in the aviation industry. Their CTC post revised therefore shall also include this component of special allowances. **(specifics to be referred to Union cabinet)**

4. **Cabin Crew:**

In the case of Cabin Crew like air Hostesses and stewards, it is reiterated that their salary would be fixed as per the formula mentioned at paragraph 3.56 to be read with paragraph 3.58. However, as per the industry norms, flying staff are entitled for flying allowances and lay-over subsistence allowance. Therefore, Cabin Crew is also entitled for such allowance as is available to the Pilots. **(details to be under referred to union cabinet)**

NEW DELHI
28th March, 2012

(D.M. DHARMADHIKARI)
(FORMER JUDGE SUPREME COURT OF INDIA
CHAIRMAN OF THE COMMITTEE

(RAVINDRA H. DHOLAKIA)
Member

(RAJESHWAR DAYAL)
Member

(SYED NASIR ALI)
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