

## Illustrative formula for computing PLB in Railways

In Chapter 4.4, the Commission has recommended that the existing PLB scheme in the Railways may be replaced by the PRIS and in the meantime, the existing PLB formula may be reviewed to include financial parameters. One of the options could be to compute the quantum of PLB using the following formula:-

$$\text{Bonus} = \text{AW}_1 \text{ deserved} - \text{AW}_1 \text{ paid}$$

Where

$$\text{AW Deserved} = \text{AW}_0 \left[ \frac{\text{Total wages}_1 + (\text{surplus}_1 - \frac{K_1}{K_0} \text{surplus}_0)}{\text{Total wages}_0 (L_1 / L_0)} \right]$$

AW = Average wage paid in period 0 or 1 as per the subscript

Total wages<sub>1</sub> = wages in period 1

Total wages<sub>0</sub> = Wages in period 0

K<sub>1</sub> = Total capital in period 1

K<sub>0</sub> = Total capital in Period 0

L<sub>1</sub> = Labour in period 1

L<sub>0</sub> = Labour in period 0

Surplus = Total value addition – Total wages  
with subscripts denoting the period

It is possible to exclude the surplus arising only out of fare/freight revisions by considering everything in real terms i.e. taking all aggregates at constant (base period) prices.