

# Formulating the Concept, Principles, and Parameters for Performance-Related Incentives (PRI) in Government

## Cluster III: Department of Posts

Manjari Singh  
Rekha Jain

Indian Institute of Management, Ahmedabad  
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## Executive Summary

Performance Related Incentives (PRI) should be implemented for individual and team based performance. The weightage between the individual and the team will primarily depend upon the nature of job and level in the hierarchy. Team based targets can be divided into four business units: PO, Division, Region and Circle. There are financial and operational measures at each of these levels.

Performance should be measured either on monthly or annual basis based on the nature of job and level in the hierarchy. Increasing computerization will help in tracking outputs/outcomes at the individual level with higher frequency. Measures need to be relevant to the goals of the organization and reflect the changing mandate. The measures should encourage greater business orientation and adaptation of new technology. The rate of change of technological, social and economic environment will have bearing in the future role of Department of Posts. Performance measures need to incorporate these changes.

There should be more focus on output/outcome measures than effort/input measures. These measures should be made as objective as possible. Where subjective measures are necessary, these should be based on multiple assessments at different levels. Annual performance management report (APMR), replacing annual confidential report (ACR), would constitute an important mechanism for such assessment. There should be no APMR for profit-centre heads like CPMG, GPO Head, MMS In-charge, etc. Their performance should be primarily measured on the basis of their units' performance. APMR in such positions reduces the position-holders' autonomy, which may not be good for their unit.

Setting targets at each level for the forthcoming performance cycle should be a consultative process with clear two-way communication. The target setting process has to be scientific incorporating the external environmental factors (GDP growth, literacy rates, level of industrialization, technological changes etc), at a disaggregated level (possibly a district).

The Department of Posts has detailed and comprehensive work norms that can be further updated and used for rewarding employees for exceeding them.

PRI is to reward output/outcomes that are significantly better than those expected as routine in a particular job. It is for the measures of employees' performance that are within the ambit of their influence. Processes related to PRI should motivate employees' to improve their own and team's performance but not to sabotage others' work.

The amount to be disbursed as PRI or the number of employees qualifying for the incentives will depend on the targets specified by the Department of Posts. These targets should be achievable but not easy. While all employees are eligible for PRI, in practice, the number of employees qualifying for PRI and the quantum of PRI will be determined by their performance and pre-specified targets. Care should be taken that PRI should not get viewed as "entitlements" in future. Proper check mechanisms such as Review Committees (elaborated later), need to be instituted to ensure that targets are meaningful and challenging.

The amount of PRI will be given in steps up to a maximum specified percentage. While setting the targets, first the basic targets that need to be exceeded to qualify for PRI should be established and then stretch targets should be instituted in a stepwise manner. The quantum of incentives associated with these steps is then based on these pre specified targets.

The team performance measures have been incorporated in the form of financial and operational measures at the level of the business unit. In addition, these measures have been identified for the different business units. These business units are in a hierarchy. For each person, PRI is linked primarily to the performance measures of the level of business unit s/he is in and is also linked to higher business units. This is based on the principle that an individual's performance affects the outcomes at higher levels. For example, an individual who is working in a PO, will have PRI linked to the performance measures of the PO and of the next higher level, i.e., division.

Since linking incentives to performance will be a significant change for the government, this should be implemented in stages. The stages are based on the implementation of the enabling conditions discussed in the report. The variable component of the senior levels is higher than for more junior levels. This is because senior people are expected to have more autonomy, flexibility and authority. Also, their decisions have wider span of impact.

Performance across circles shows wide disparity. There is a variation in the social, demographic, and economic profile across the circles. In order to reward circle level performance, these variations need to be factored in. Possible ways of doing this are: adopting scientific methods for target setting; benchmarking across similar types of circles; and measuring growth over previous year.

We have recommended incentives linked to fixed/basic pay and not annual increments. Incentives are the payments made without affecting the basic pay where as increments lead to increase in basic pay. In case payouts are in terms of increments, then there will be future gains from current performance, for which we feel there is little justification in the current context.

There should be mechanisms to assess the effectiveness of PRI related processes. Such mechanisms need to be designed right from the inception of PRI. These mechanisms will be evaluating the PRI related processes at the completion of each of the stages. This evaluation should be an ongoing process and institutionalized. The structure, mandate, and working principles of a designated committee to oversee this evaluation process (PRI Executive Committee) should be established. Organizational level design and implementation of PRI-related systems will be the responsibility of this committee.

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## INTRODUCTION

Accountability and efficiency of government employees has become very critical for competent public administration. One of the key ways of achieving this is by linking performance to incentives. Performance related incentives (PRI) has been debated since Fourth Central Pay Commission but has not yet been implemented in Indian context. Government faced a lot of criticism for selectively implementing the recommendations of Fifth Central Pay Commission that increased the burden on public exchequer without bringing in the desired work ethos.

Expectations from PRI are manifold and some of them are discussed below:

1. **To incorporate public accountability:** Metrics developed to measure employees' customer orientation will bring the much-needed shift in their focus from political bosses to ordinary citizens. Transparent system will be a deterrent to corruption among employees.
2. **To provide motivation to employees:** Currently only promotion is linked to performance and so employees have no other incentive to improve efficiency and customer-orientation.
3. **To compete with private sector for managerial talent:** Steep rise in salary and job conditions like autonomy is making private sector jobs seems much more attractive to the younger generation. If government wants to attract good talent in future then PRI with delegation and transparency holds the key.
4. **To reduce undue burden on central exchequer:** The increase in salary will not be across the board but will depend on what each employee deserves.

However, these expectations can only be met with a well thought of and well-designed PRI structure. Looking at the global scene, we find that India is already slow to respond to this need. OECD member countries have started introducing PRP from the mid-1970s because of the economic and budgetary difficulties faced by them.

The proposed study aims to address the following key issues:

- Identifying performance metrics and assessors,
- Linking performance to incentives, and
- Formulating guidelines for enabling conditions.

This study examines the above issues for the Department of Post. Changes in the technological, social and economic environment have caused a dramatic change in the role and profile of postal services. Budgetary constraints to reduce net deficits make it necessary to examine ways to bring about a strategic change and enhance employee productivity.

Further, technological revolution in telecommunication and Internet has changed the mode of communication from physical to electronic, thus reducing the role of the physical mail services. On the other hand, rapid industrial growth and urbanization have led to increases in corporate bulk mail and requirement of rural penetration for postal delivery. This implies that assessment measures for the performance of the postal services as a whole need to incorporate the changed conditions.

## **BACKGROUND**

(Excerpts from secondary sources provided by Department of Posts)

The Indian Postal System currently provides a number of services which can be broadly classified into four categories:

1. Communication Services (letters, post cards, etc.),
2. Transportation Services (parcel, logistics post, etc.),
3. Financial Services (savings bank, money order, international money transfer service, public private partnerships for extending financial service outreach through the post office network, postal life insurance, etc.), and
4. Premium Value Added Services (like speed post, business post, retail post, etc.).

The Post Office Saving Bank is the largest bank in India in terms of network, accounts and annual deposits. Table A in Appendix 1 gives the average cost and average revenue in respect of various postal services. Table B in Appendix 1 shows the registered and unregistered traffic and number of money orders.

### **Objectives of the Department:**

The Department of Post is committed to provide universal access to basic postal services in the country at affordable prices. The objectives of the Department are to:

- ensure availability of basic postal services in all parts of the country, including tribal, hilly and remote areas.
- provide efficient, reliable and economic service.
- provide value-added services according to market requirements.
- modernize the services to handle the growing volume of work with efficiency and thereby enhance customer and employee satisfaction.
- be a forward-looking organization, and
- generate more resources and improve financial performance.

### **Responsibilities, Challenges, and Strategies:**

The role of the post office is undergoing transformation the world over, as electronic mail and new technologies supplement traditional postal activities. Everywhere, the post office is increasingly adopting new businesses that help to optimize its retailing strength, by providing a range of public utilities and new financial services that are relevant to the socioeconomic needs of each country. It is also simultaneously upgrading traditional services through induction of technology, and introducing new products and services in order to meet the challenges of providing faster, more reliable, and more responsive service to the customer in the face of increasing competition from the private courier industry and continuing advances in communication technology. Table C in Appendix 1 shows circle-wise modernization and computerization as on 31.3.2005. In order to streamline the mail processing and dispatch in seven metro cities mail trays have been introduced. During the year 2006-07 it is proposed to computerize 10 Head Record Offices and 51 Registration Sorting Centres with a financial outlay of INR 5.2 millions and INR 34 millions respectively.

India Post is committed to fulfill the Universal Service Obligation in terms of providing basic postal services throughout the country, irrespective of terrain, at an affordable price. For meeting this requirement it has set up a network of 155,333 post offices as on 31.3.2006, out of which 125,350 are branch post offices catering exclusively to the rural areas. Through these offices it ensures daily delivery of 'Dak' at the doorstep of every customer any where in the country and collection of letters through letter boxes. Table D in Appendix 1 gives the rural, urban, population served, and area served as on 31.3.2005. Post offices in urban and rural areas provide a range of basic postal services to the customers, including banking and insurance services. Bill collection facilities are being extended through all post offices in urban areas, and identified post offices in rural areas, while certain value added services are being provided in selected offices in urban areas. The Department of Posts has launched 'Pick Up Mail Facility' with effect from July 18, 2005 in the country. Under this facility the postmen while delivering the 'Dak' will pick up ordinary mails and speed post articles and sell postage stamps & stationery at the doorstep of customers. There has been a steady increase in the 'Pick Up Volume'. India Post has been monitoring the progress of this scheme on a monthly basis. In the financial year up to December, 2006, 305,410 Speed Post articles and 2,718,896 ordinary mail pieces were picked up, while revenue realized from sale of postage stamps/ stationery was to the tune of INR 7.45 millions in the same period.

Besides providing access to affordable means of communication anywhere in the country, India Post also meets the emerging needs of specific segments of society like commerce, industry, Government and institutional bodies that demand quicker, value added services. This has resulted in the need to customize a number of products and services to meet these requirements and modernize postal operations through induction of technology. It has also become necessary to prioritize the processing of different categories of mail according to time sensitivity to meet customer expectations. The value added postal services offered by India Post include Speed Post, Business Post, Express Parcel Post, Greetings Post, Speed Post Passport Service, Bill Mail Post, ePost and eBill Post. A new financial service of Instant Money Order (IMO) has been introduced with effect from January, 2006. Accidental Death Insurance cover to POSB account holders was launched on January 20, 2006 after tying up with the Oriental Insurance Company Limited (OIC). It is very attractive to account holders of rural and remote areas, as generally they do not have any risk cover whatsoever.

The challenge of providing cost effective and viable services to the customer is also a matter of constant concern. The total revenue during 2005-06 was INR 50,234.88 millions against the net working expenses of INR 62,333.72 millions, leaving a gap of INR 12,098.84 millions. Table E in Appendix 1 gives the annual revenue and expenditure from 2000-1 onwards. The increase in postal revenue was to the extent of 13.35% whereas there was decrease in the budgetary deficit by 12.44% over the previous year.

With liberalization of the financial sector in the last decade, the Post Office proposes to meet the rising expectations of its customers by providing dedicated offices rendering a basket of financial services including small savings in line with the international trend of the post office providing exclusive retailing outlets as a One Stop – Post Finance Shop (called Postal Finance Marts). Postal Finance Marts are manned by qualified staff to provide on the spot investment advice to depositors.

With an objective to render quality service in an effective and time bound manner, India Post has laid a target to computerize all Head Post Offices and a large number of Sub Post Offices in urban as well as rural areas and to link all these Post Offices through a network during the

10<sup>th</sup> Five Year Plan with a budgetary support of INR 8362.7 millions. To provide better working environment for the staff and to accelerate their functional efficiency, so as to render greater satisfaction to the customers, India Post has planned to improve ergonomics in 811 Post Offices with an outlay of INR 157.2 millions and also to equip 1600 Post Offices with new electromechanical operational devices with an outlay of INR 40 millions during the 10<sup>th</sup> Five Year Plan.

In consonance with the policy directives of the 10<sup>th</sup> Plan regarding rationalization of the Postal Network, no plan targets have been allotted for opening of new post offices. However, if any justification for opening a new post office is found, it can be opened by relocation of an existing post office which is no longer justified on the departmental norms in its present location. Efforts to provide cost effective postal services and alternative means of providing access to postal services such as franchising are also being explored.

### **Changing Face of Communication:**

The following data has been taken from a survey conducted to see customer needs and preferences. Data here is in terms of percentage of customers using the mentioned service.

- Private Courier Service (57%), telephone (50%) and e-mail (36%) have become the main channels of communication for international correspondence.
- E-mail (46%) is fast emerging as an important channel for business/ official correspondence.
- Private courier service has overtaken speed post in case of correspondence with individuals/ customers, festival greetings and event announcements.
- Speed post (43%) and other India post services are still preferred for legal correspondence.
- Customer expectations have evolved. Popular delivery expectation in case of express service to urban destinations is one day but in the case of rural destinations, it is 2-3 days.
- Popular delivery expectation in case of ordinary mail to urban destinations is 2-3 days but in the case of rural destinations, it is 4-5 days.
- Speed post is still preferred over private courier by urban individuals for educational and legal correspondence (39%). However, the usage of private courier for personal correspondence (42%) has caught up with speed post.
- For international correspondence, e-mail emerges (33%) as the most popular channel; however, the usage of speed post (29%), traditional mail (28%) and private courier (26%) is almost on par.
- On overall basis, individuals account for 55% of the ordinary mail, with a bulk being in the individual-individual segment (40%). The balance 45% is accounted for by the business & official segment. Please see Table F in Appendix 1 for mail segmentation.
- Even 46% of the post cards are sent by the institutional segment.
- Book post is primarily used by the business segment. (64%)
- A majority of the registered letters are sent by individuals.
- Almost 44 % of the parcels and speed post articles are sent by individuals.

### **Management:**

The Department of Posts is under the Ministry of Communications and Information Technology. Figure (i) in Appendix 1 shows the organizational structure. Mr. IMG Khan is

the Secretary, Department of Posts, Director General, Department of Posts and Chairman, Postal Services Board. The Postal Services Board is the apex management body of the Department, comprising the Chairman and three Members. The three Members of the Board hold functional portfolios of Operations & Marketing, Infrastructure and Financial Services and Personnel. The Joint Secretary and Financial Adviser to the Department is a permanent invitee to the Board. The Board is assisted by the Secretary, Postal Services Board. Deputy Directors General, Directors and Assistant Directors General of the Department provide necessary support to the Board at the Headquarters.

The organizational set up of the Department has been undergoing restructuring in recent times as a response to the challenges faced due to induction of technology. The functional restructuring is designed to tackle the transitional problems of change giving due importance to the coordinating and monitoring role of the higher management. Steps have been taken to substitute the traditional pyramidal system with a desk system to support the management. These reforms were introduced to infuse the system with dynamism needed to create a responsive, sensitive & efficient management.

The whole country has been divided into 22 Postal Circles for providing postal services (please see Figure (ii) in Appendix 1). Each circle is co-terminus with a State except Gujarat Circle that includes Daman & Diu, Dadra and Nagar Haveli; Kerala Circle includes the Union Territory of Lakshadweep; Maharashtra Circle includes Goa; North Eastern Circle consists of Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland and Tripura; Punjab Circle includes the Union Territory of Chandigarh; Tamil Nadu Circle includes Pondicherry; West Bengal Circle includes Sikkim and the Union Territory of Andaman & Nicobar Islands. A Principal Chief Postmaster General/Chief Postmaster General heads each Circle. Each circle is divided into Regions comprising groups of field units, called Divisions (Postal/RMS Divisions). Each Region is headed by a Postmaster General who is the Postal Manager of the area. In the Circles and Regions there are other functional supporting logistical units like Stamp Depots, Store Depots and Mail Motor Service. Table G in Appendix 1 gives the total number of administrative offices and functional units and Table H shows the department-wise staff strength. Table I shows the total staff strength from 1990 onwards.

Post Offices in the country are categorized as Head, Sub and Branch Post Office. Table J in Appendix 1 shows the staff strength in different categories of post offices across the circles. Gramin Dak Sewa Post Offices are located in rural areas. The Sub Post Offices are departmental offices located in both rural and urban areas. Head Post Offices are graded into five categories according to their workload and staff strength, the largest being the General Post Offices (GPOs) at Mumbai and Kolkata, followed by GPOs at Ahmedabad, Bangalore, Chennai, Delhi, Kanpur, Lucknow and so on.

Table K in Appendix 1 gives the pay scales of various categories of gazetted & non-gazetted staff

## INTERNATIONAL EXPERIENCE

There were two postal services in the top ten of the Fortune 500 list of largest employers worldwide in 2005<sup>1</sup>. U.S. Postal Service of United States of America (having 803,000 employees) was fourth and Deutsche Post of Germany (having 502,545 employees) was sixth (please see Table 1). Both these postal services have implemented new performance-related pay system in recent years. Postal services of other countries are also trying to incorporate performance linkages in the pay structure.

**TABLE 1: Top Ten Fortune Global 500 Companies in 2006 for the Industry: Mail, Package, Freight Delivery**

Rank	Company	500 Revenues Rank	Largest Employer Rank	Revenues (\$ millions) in 2005	Profits (\$ millions) in 2005	Number of Employees in 2005
1	U.S. Postal Service*	61	4	69,907	1,445	803,000
2	Deutsche Post	75	6	59,990	2,777	502,545
3	United Parcel Service	129	14	42,581	3,870	407,000
4	FedEx	197	50	29,363	1,449	215,838
5	La Poste	252	28	24,018	692	303,405
6	Poste Italiane*	317	NA	20,485	434	147,821
7	Japan Post	385	NA	17,000	-3	114,158
8	TNT	387	NA	16,975	819	128,307
9	Royal Mail Holdings*	417	NA	16,154	705	208,866
10	Nippon Express	426	NA	15,845	165	65,562

Source: July 24, 2006 issue of Fortune magazine<sup>1</sup>

\* Government owned 50% or more.

### U.S. Postal Service:

The U.S. Postal Service implemented a new Pay for Performance System covering nearly 74,000 postmasters, executives, supervisors and administrative workers in October 2003<sup>2</sup>, replacing the earlier Economic Value Added program. This has been considered more successful on the following dimensions:

- The employees covered under the system were happier because they had had higher annual raises and bonuses than they did under the previous system. Increases are averaging 5 percent under the new system, compared with 4 percent previously.

<sup>1</sup> Retrieved on June 28, 2007 from <http://money.cnn.com/magazines/fortune/global500/2006/>.

<sup>2</sup> Davidson, Dan (2006). "Pay-for-performance plan boosts managers' salaries", July 12, 2006. Retrieved on May 25, 2007 from <http://www.federaltimes.com/index.php?S=1936693>.

- The new system allows all participants to score at the highest level, compared with the EVA merit pay, which by design permitted only 10 percent of managers to be rated excellent.
- The earlier EVA system was not so popular because the yardsticks by which employees were measured were perceived as too subjective.
- In the EVA system, since the performance metrics targeted an entire office or department, individuals often did not know what they needed to do to score high.
- The new performance pay plan did not significantly add to Postal Service costs and to the extent it did, it was estimated that it was self-funding. The pay-for-performance plan drove performance and consequently increased revenue and cuts costs, and thus paying for itself.
- The subjective assessment was reduced and objective output measures were added.

The following characteristics of the new system are relevant in the context of our study:

- The new system also provided for individual performance measures.
- Employees' performance was assessed on a number of criteria depending on their position and responsibilities. For example, revenue increases of a particular PO, exceeding the delivery efficiency norms, etc.
- The individual component was mainly based on the superior's assessment and team components like the performance of the particular PO as well as the performance of the Postal Service as a whole.
- It differentiated between performers and non performers with no guarantee of increased pay to any one.
- Unlike the previous plan, this one had concrete metrics (for measuring performance) that people at all levels could understand.
- Improving measures in PRI is a continuous process. For example, US post realized that since rural POs have very little control in increasing their revenue, the weightage of this criterion was reduced.
- Performance targets and results for certain types of mail are used to establish pay-for-performance incentives for postal management employees. Performance information has been considered critical for improving future performance.<sup>3</sup>

### **Deutsche Post:**

In Deutsche Post of Germany, role classification system was introduced for the senior and mid-level executives that allowed for a consistent comparability of management tasks worldwide. This Group-wide uniform evaluation system provides flexibility of classifying all management functions across the various divisions. This helps in recognizing business priorities and in rewarding functions that influences the overall operating performance of the company.<sup>4</sup> After defining approximately 850 second and third-level Group management positions in accordance with a uniform standard, the variable component of the total salaries

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<sup>3</sup> "U.S. Postal Service: Delivery performance standards, measurement, and reporting need improvement", *United States Government Accountability Office Report to Congressional Requesters*, No. GAO-06-733, July 2006. Retrieved on June 28, 2007 from <http://www.gao.gov/new.items/d06733.pdf>.

<sup>4</sup> "New collective agreements for modern compensation in line with the market", *Deutsche Post Human Resources and Social Report 2003*. Retrieved on May 27, 2007 from <http://www.dpwn.de/humanresourcesreport2003/focusonemployees/totalcompensation/collectiveagreements.html>.

of these executives was set at 50% and 40% respectively in 2003.<sup>5</sup> Since January 2004, the new structure for third and fourth-level management was systematically implemented.

Before that in 2001, Deutsche Post started paying employees on a more performance related basis using variable pay components after the new non-civil service collective pay agreement. The salaried employees were rewarded on collective pay scales and civil servants with efficiency bonuses.<sup>6</sup> The earlier collective public-service wage system was replaced by this market-oriented pay agreement by September 2003. Deutsche Post has standardized employment conditions and its compensation structure is arranged in nine pay groups, which are assigned corresponding activities. The key features of Deutsche Post pay-for-performance in 2003 were:<sup>4</sup>

- All employees are eligible for the performance-based variable component, thus rewarding individual's contribution to the company's success.
- The performance evaluation is calculated by a grading system, which is extended by target agreements for employees in the upper pay groups.
- Variable remuneration component included individual performance measures and parameters linked to the company's success. Variable pay for non-executive salaried employees (who are not subject to collective wage agreements) was between 17.5% and 40% of total pay.
- On August 1, 2003, options and stock appreciation rights (SARs) were issued to the members of the Group's Board of Management and the Group's executives. Some of the options are linked to satisfying absolute performance targets, while others can be exercised if relative performance targets are met.

Currently, Deutsche Post has the following variable components in the pay-for-performance for managers:<sup>7</sup>

- i. Performance-based short-term incentive in the form of annual bonus: This is linked to demanding yet attainable agreed-upon targets of the staff. The total variable pay of the manager depends on his/her individual performance and success of the company.
- ii. Long-term incentive in the form of SARs.

A drawback of individual performance appraisal system introduced under the new collective agreement is that the process makes it subjective.<sup>8</sup> Performance-related share of a person's pay depends on how his/her work is assessed. These performance bonuses are paid from a common pool which in any case must be disbursed. Bonuses are not calculated on the basis of turnover or handling times in case of branch or delivery workers. Rather, they are based on superior's assessment of the individual where person's organizational behaviors in general are considered. Deutsche Post wanted to introduce piecework pay, as this would enable the

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<sup>5</sup> "System of fixed and variable remuneration for executives developed", *Deutsche Post Annual Report 2002*. Retrieved on May 27, 2007 from <http://finanzberichte.dpwn.de/2002/report/employees/index.html>.

<sup>6</sup> "Performance-related remuneration for our employees", *Deutsche Post Annual Report 2001*. Retrieved on May 27, 2007 from [http://investors.dpwn.com/en/investoren/veanstaltugen/hauptversammlung/2002/dl\\_doku\\_hauptversammlung/dpwn\\_annualreport\\_2001\\_en.pdf](http://investors.dpwn.com/en/investoren/veanstaltugen/hauptversammlung/2002/dl_doku_hauptversammlung/dpwn_annualreport_2001_en.pdf).

<sup>7</sup> "Based on three pillars", *Investors' Factbook*, June 2007. Retrieved on June 29, 2007 from <http://www2.finanzberichte.dpwn.de/factbook/en/deutschepoststock/managementincentivesystem/based-on-three-pillars>.

<sup>8</sup> Atzmüller, R. and Hermann, C. (2005). "The liberalisation of public services and its effects on employment, working conditions and industrial relations", *Working Life Research Centre Austria's Report*, February 2005. Retrieved on June 30, 2007 from [http://www.akeu.at/pictures/d27/Studie\\_FORBA\\_Version\\_210205EN.doc](http://www.akeu.at/pictures/d27/Studie_FORBA_Version_210205EN.doc).

company to pass the risk of mail volumes to letter carriers. However, since letter carriers cannot influence mail volumes this was considered an unjustifiable process.

### **Royal Mail:**

The Royal Mail of United Kingdom implemented a national bonus scheme for postal workers in delivery offices and mail centres<sup>9</sup>. The objectives of this plan are very similar to the objectives of implementing PRI in India Post. The main ones are: improvement in customer service and satisfaction; improvement in the service; effective implementation of new working methods, equipment, and technology; more structured resource allocation; enhancement of earnings by rewarding high and improved performance; and reduction in overtime. The study also mentioned that the implementation of this new bonus plan led to new ways of working in most of the units of Royal Mail in order to achieve the goals of the scheme. According to this plan:

- At unit level, bonus is linked to productivity targets by assessing improvements in effective performance achieved by a unit.
- Each work unit receives a proportion of the savings they have generated in the form of a monthly bonus.
- Each unit contributes a proportion of their savings into a national pool, which is then used to fund a boost in basic salaries for all postal workers.
- At employee level, high performance quality bonus has been introduced to provide incentive to consistently high performers.

Only senior managers had a performance-related element to their pay progression while pay progression of lower-level managers still have to be negotiated with trade unions. Introduction of performance-related pay (PRP) for the latter category is progressing slowly because of union resistance.<sup>10</sup>

The new pay system for subpostmasters applies only to qualifying commercial offices and has a three tier structure that includes core, sales and bonus component. The last part depends on Royal Mail Group profits.<sup>11</sup>

### **Other Postal Services:**

The sixth enterprise bargaining agreement (EBA6) for staff in Australia Post included performance-related bonus payments linked to meeting on-time delivery performance target.<sup>12</sup>

In La Poste of France, post office managers are paid commissions on the sale of new commercial products (decorated and pre-stamped envelopes).<sup>13</sup>

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<sup>9</sup> Price Waterhouse Coopers (2003). "Report on Research into Allowances and Pay Progression", *School Teachers' Review Body*, May 2003. Retrieved on May 27, 2007 from <http://www.ome.uk.com/downloads/PwC%20Report%20on%20Allowances%20and%20Pay%20Progression.doc>

<sup>10</sup> Brockett, James (2007). "Post office alters pay system". *People Management*, February 22, 13 (4): 14.

<sup>11</sup> "Review of the year 2004". Retrieved on May 27, 2007 from <http://www.subpostmasters.org.uk/research%20briefing%20Review%20of%202004.htm>.

<sup>12</sup> "Highlights and Overview: Managing Director's Report", *Australia Post Annual Report 2004-05*. Retrieved on May 27, 2007 from [http://www.auspost.com.au/annualreport2005/01\\_high\\_md.asp](http://www.auspost.com.au/annualreport2005/01_high_md.asp).

In Europe, part-time employment is common in the field of express delivery (in a particular company 35% of its workforce is made of part-timers). Temps are also used, though they are generally less than 5% of workforce. Most importantly, performance-related pay systems seem to be the norm in this industry.<sup>8</sup>

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<sup>13</sup> De la Burgade, E. (2004). “Le ‘prêt à poster’, pointe avancée du modèle commercial à La poste”, in Deroche, L., Jeannot, G. (Eds), *L'action publique au travail*, Octares, Toulouse, pp. 33-40. In Jeannot, Gilles (2006). “Diffusing values or adjusting practices? A review of research on French public utilities”, *International Journal of Public Sector Management*, 19 (6): 598-608.

## METHODOLOGY

The project started with a meeting with the designated nodal officers (Mr. A.K. Sharma, DDG, Establishment and Mr. P.T.S. Kumar, DDG, (P) on January 5, 2007. It was decided to pick a sample of various wings of the Department of Posts.

In discussion with nodal officers, Mr. A.K. Sharma and Mr. P.T.S. Kumar, we identified the following:

- Directorate in Delhi
- Gujarat Circle
- Mumbai GPO
- MMS in Mumbai
- Remote/hilly/tribal PO in Uttarakhand
- Mail Office in Chennai
- One PO in mofussil town in UP
- One PO and postal dispensary in Jaipur
- One unit each of Speed Post, business centre, postal life insurance and savings, and complaint branch.
- One single person PO
- Employees Union in New Delhi

Note: In consultation with the nodal officer, we selected a PO in a Mofussil town in HP (instead of one in UP) and we visited a dispensary in Ambala Cantonment (instead of the one in Jaipur). In addition, we extended the study to include Circle Office of West Bengal and GPO in Kolkata so as to include the inputs from the Eastern part of the country.

### **Design of the Study:**

We decided to collect data at five levels of granularity.

1. The first level was the secondary data like existing job descriptions given by the Directorate to the Sixth Central Pay Commission, organizational structure, mandate, functioning, Annual Reports, current ACRs formats, formats of monthly reports of Gujarat, Tamil Nadu, Maharashtra and West Bengal Circles. We looked into their existing incentive schemes (Appendix 2). We also reviewed articles/reports related to PRI/PRP in different countries for similar organizations. On the basis of the secondary data we developed a questionnaire that covered the activities and the corresponding performance measures in the current structure (Appendix 3).
2. Interactive sessions with and presentations from focus groups at different levels of hierarchy covering different business/functional units.
3. Direct interviews and questionnaire responses from individuals. The intent was to capture the inputs from those people who were engaged in specific activities.
4. Written/oral inputs from various collectives/associations.
5. A workshop was organized at Indian Institute of Management Ahmedabad on May 1, 2007 that focused on experiences of PRP implementation in different organizations in the corporate sector (Appendix 4)

**Scope and Sample:** This study was spread over six circles and a variety of functional units (as listed in Table 2) in the Department of Posts. It covered the entire spectrum of management levels and types of services. The study group also had meetings with three national unions.

We have interacted with individuals at different levels of hierarchy in Directorate, field postal operations, and MMS. These included Member of PSB, DDGs, CPMG, PMG, Director, Assistant Director, Section Officers, Senior Superintendent, Deputy Superintendent, Assistant Superintendent, HSG I and II, LSG, Supervisors, Postal Assistants, Counter Clerks, Postmen and Sorters.

Table 2 gives the date, group/unit and location of meetings for the study.

**TABLE 2: Date, group/unit and location of meetings for the study**

<b>Date</b>	<b>Group/Unit</b>	<b>Location</b>
January 5	Nodal Officers	Directorate, New Delhi
February 7	CPMG and other senior managers of Gujarat Circle	Gujarat Circle, Ahmedabad
February 8-March 28	Divisional Heads and their subordinates to the level of Postman/Sorter	Gujarat Circle, Ahmedabad
February 19	Member PSB, Nodal Officer, Establishment Section and CGM, Business Development	Directorate, New Delhi
March 12-14	CPMG, PMGs and other managers to the level of Group B officers of Tamil Nadu Circle/Chennai City Region	Tamil Nadu Circle, Chennai
	APMC In-charge and others to the level of Sorters	Chennai City Region, Chennai
	Business Centers and RMS in Chennai City Region	Chennai City Region, Chennai
March 15	PMGs and other managers to the level of Group B officers of Maharashtra Circle/Mumbai City Region	Maharashtra Circle, Mumbai
	GPO Head and others to the level of Group C Officers	GPO, Mumbai
	MMS Unit in-charge and his team	MMS, Mumbai
April 13	National Union of Postal Employees	Directorate, New Delhi
	Federation of National Postal Organization	Directorate, New Delhi
	Bharatiya Postal Employees Union	Directorate, New Delhi
	Officers Association	Directorate, New Delhi
April 25	Doctor-in-charge and her team, Ambala Cantonment Dispensary, Haryana Circle	Ambala Cantonment Dispensary

**TABLE 2: Date, group/unit and location of meetings for the study**

<b>Date</b>	<b>Group/Unit</b>	<b>Location</b>
April 26	In-charge Sub Post Office, Parvanu and his team, Himachal Pradesh Circle	Sub Post Office, Parvanu
	EDS, Branch Post Office, Masoolkhana, Himachal Pradesh Circle	Branch Post Office, Masoolkhana
April 25-May 4	CPMG, PMGs and other managers to the level of Group C officers of West Bengal Circle/Kolkata City Region	West Bengal Circle, Kolkata
	GPO Head and others to the level of Group C Officers	GPO, Kolkata

## MEASURING PERFORMANCE FOR PRI

We looked at performance measures from various perspectives as discussed below. Before elaborating on the specific measures, following need to be kept in mind:

1. **Individual and team/group based:** Since most of the activities are interdependent, it is preferable to have a combination of both individual and team based targets. Based on our discussions, in various circles, we found that team based targets can be divided into four business units as follows:
  - i) Sub Post office/PO/Head PO
  - ii) Division
  - iii) Region
  - iv) Circle

In addition, units for team based targets are other functional/business units such RMS, sorting team, business centres, etc.

The weightage between the individual and the team will primarily depend upon the nature of job and level in the hierarchy.

2. **Measuring Outputs/Outcomes:** Since output in some job categories is difficult to measure, there is a tendency to focus on the input parameters. Care should be taken to avoid measures like “number of files gone through” because they do not reflect efficiency/effectiveness. Output /outcomes measures should be given significantly more weightage in comparison to any parameter related to effort.
3. **Quantification of Outputs:** We recognize the fact that some job categories will have measurable operational and financial outputs (individual or team), others are effort based, with not very measurable outputs (for example, activities related to planning, routine file work, etc). Where outputs are not measurable, assessment of performance will be based on parameters in the APMR.
4. **Periodicity of Measurement for Assessment:** Based on the nature of job and level in the hierarchy, performance will be measured either on monthly or annual basis. In the current scenario the Department of Posts already has a system of accounting for the various activities performed during the day (for post office) and on a monthly basis (from divisional to circle level). These systems can be further improved through tracking of personnel involved in various activities. For example, while the performance of the total business through counters in PO is recorded, only a slight modification is needed to link it with the individuals manning the counter. Increasing computerization of PO, would further facilitate this.

### Measures for Assessment:

Measures for assessment have been looked at from the following perspectives:

(1) Financial measures

- Revenue
- Expenditure coverage ratio

- Reduction in cost per employee
- Value-added in SB accounts
- PLI business procured

(2) Operational Measures

- Ratio of managers to employees
- Extent of computerization
- Modernization
- Handling of complaints, customer satisfaction
- Human resource development (computers, legal)
- Decreasing absenteeism
- Delivery efficiency (for example: delay for “tracked” articles by its value: staggered on per day per letter basis, no penalty if 95% post delivered on time at the right address)

Table 3 shows some examples of financial and operational measures classified as per business units.

**TABLE 3: Some examples of financial and operational measures classified as per business units**

<b>Business Unit</b>	<b>Type of Measure</b>	<b>Performance Measures</b>
Post Office	Financial	(i) Total value of business (revenue) over the counters per day (summed up over the year). This should be disaggregated over core postal operations like stamps, registered articles, speed post, savings bank, PLI, etc. (ii) Expenditure Coverage Ratio (iii) Reduction in cost per employee
	Operational	(i) Total volume of business over the counters (ii) Number of premium products handled (both incoming and outgoing) (iii) Number of Savings Bank Account, PLI Account, etc. opened/ maintained (iv) Extent of computerization/technology upgradation
Division	Financial	(i) Total value of business (revenue) over the counters per day (summed up over the year) across all operative units like PO under it. This should be disaggregated over core postal operations like stamps, registered articles, speed post, savings bank, PLI, etc. (ii) Expenditure Coverage Ratio (iii) Reduction in cost per employee

**TABLE 3: Some examples of financial and operational measures classified as per business units**

<b>Business Unit</b>	<b>Type of Measure</b>	<b>Performance Measures</b>
	Operational	<ul style="list-style-type: none"> <li>(i) Total volume of business across all operative units like PO under it</li> <li>(ii) Number of premium products handled (both incoming and outgoing)</li> <li>(iii) Number of Savings Bank Account, PLI Account, etc. opened/ maintained</li> <li>(iv) Extent of computerization/technology upgradation</li> </ul>
Region	Financial	<ul style="list-style-type: none"> <li>(i) Total value of business (revenue) over the counters per day (summed up over the year) across all divisions under it. This should be disaggregated over core postal operations like stamps, registered articles, speed post, savings bank, PLI, etc.</li> <li>(ii) Expenditure Coverage Ratio</li> <li>(iii) Reduction in cost per employee</li> </ul>
	Operational	<ul style="list-style-type: none"> <li>(i) Total volume of business across all divisions under it</li> <li>(ii) Number of premium products handled (both incoming and outgoing)</li> <li>(iii) Number of Savings Bank Account, PLI Account, etc. opened/ maintained</li> <li>(iv) Extent of computerization/technology upgradation</li> </ul>
Circle	Financial	<ul style="list-style-type: none"> <li>(i) Total value of business (revenue) over the counters per day (summed up over the year) across all regions under it. This should be disaggregated over core postal operations like stamps, registered articles, speed post, savings bank, PLI, etc.</li> <li>(ii) Expenditure Coverage Ratio</li> <li>(iii) Reduction in cost per employee</li> </ul>
	Operational	<ul style="list-style-type: none"> <li>(i) Total volume of business across all regions under it</li> <li>(ii) Number of premium products handled (both incoming and outgoing)</li> <li>(iii) Number of Savings Bank Account, PLI Account, etc. opened/ maintained</li> <li>(iv) Extent of computerization/technology upgradation</li> </ul>

**APMR:** This is a much-modified system of ACR. ACRs have been used for promotion. We suggest replacing them with APMR stage wise. This will require awareness, consultation, and

training for evolving the APMR and implementing the new assessment system based on it. The APMR should have components related to the following job aspects:

- Key result areas (other than recorded outputs)
- Initiatives for Attracting/Improving Business
- Customer Care
- Timeliness
- Subordinate Assessment & Development
- Behavioral Aspects
- Self Development
- Complaint Handling (complaints from citizens)
- Grievance Handling (grievances of employees)

In APMR, immediate superior is to be the assessor and his/her superior is to be the reviewer. Reviewer has to ensure that there is no leniency/strictness bias on the part of assessor. One of the ways in which organizations avoid leniency bias is forced ranking method. However, forced ranking method may have a negative impact on team work and employee morale. In case of Department of Post, forced ranking method is not at all advisable in the current scenario.

In order to strengthen reviewers' role and to increase superiors' accountability, subordinate assessment is one of the parameters in superiors' APMR.

Key result areas (other than recorded output) need to be discussed with the assessor at the beginning of the performance cycle. Such discussions also include targets, intended deadlines, initiatives planned, and resource/support needed.

The subjective measures of APMR should be balanced with objective output measures.

There should be no APMR for profit-centre heads like CPMG, GPO Head, MMS In-charge, etc. Their performance should be primarily measured on the basis of their units' performance. APMR in such positions reduces the position-holders' autonomy, which may not be good for their unit.

**Work Norms:** The Department of Posts has detailed and comprehensive work norms which they use for human resource planning. These can be further evolved and used for rewarding employees for exceeding them. However, it needs to be ensured that these are updated.

**Review of Existing Incentive Schemes** (given in Appendix 2): Special incentive need to be reviewed in the current context. In addition, once PRI is implemented, it can replace the existing scheme of productivity linked bonus (PLB). The main problems of PLB schemes are:

1. Most of the measures are neither objective nor clearly linked to productivity.
2. The assessment process (ACRs) has major flaws that are discussed in the next section.

The new PRI scheme addresses these concerns and will be more suitable incentive mechanism than existing PLB.

**Customer Inputs:** The current system of assessment is mainly based on the inputs from within the Department of Posts. Citizens' inputs in assessment of performance are only those where they have explicit complaints against an employee or a group of employees. It will be good for the Department of Posts to evolve mechanisms for more direct interaction with

citizens. Once such a system is evolved, it may be linked to the rewards of an employee or a group of employees. However, we think that in the current scenario, this would have led to biased assessment and so our recommendations in the next section have not incorporated this.

## LINKING INCENTIVES TO PERFORMANCE

### Key points for our Framework of PRI:

1. PRI is to reward output/outcomes that are significantly better than those expected as routine in a particular job.
2. PRI is for the measures of employees' performance that are within the ambit of their influence.
3. Processes related to PRI should motivate employees' to improve their own and team's performance but not to sabotage others' work or indulge in unethical behavior.
4. The amount to be disbursed as PRI or the number of employees qualifying for the incentives will depend on the targets specified by the Department of Posts. These targets should be achievable but not easy.
5. While all employees are eligible for PRI, in practice, the number of employees qualifying for PRI and the quantum of PRI will be determined by their performance and pre-specified targets. Care should be taken that PRI should not get viewed as "entitlements" in future. Proper check mechanisms such as Review Committees (elaborated later), need to be instituted to ensure that targets are meaningful and challenging.
6. In case of transfers, within the assessment cycle of year, the PRI should be calculated on a pro rata basis with respect to the positions held by her/him.
7. In case of fraud detection by an employee or a group of employees, they should be given a bonus based on a percentage of fraud detected.
8. The amount of PRI will be given in steps up to a maximum specified percentage in Tables 5-7. While setting the targets, first the basic targets that need to be exceeded to qualify for PRI should be established and then stretch targets should be instituted in a stepwise manner. The quantum of incentives associated with these steps is then based on these pre-specified targets.
9. The team performance measures have been incorporated in the form of financial and operational measures at the level of the business unit. In addition, these measures have been identified for the different business units. As seen in the earlier section, these business units are in a hierarchy. For each person, PRI is linked primarily to the performance measures of the level of business unit s/he is in and is also linked to higher business units. This is based on the principle that an individual's performance affects the outcomes at higher levels. For example, an individual who is working in a PO, will have PRI linked to the performance measures of the PO and of the next higher level, i.e., division.
10. Employees who are not meeting their individual targets should not be eligible for team rewards at various levels of business units.

11. Since linking incentives to performance will be a significant change for the government, this should be implemented in stages. The stages are based on the implementation of the enabling conditions discussed in the next section. The variable component of the senior levels is higher than for more junior levels. This is because senior people are expected to have more autonomy, flexibility and authority. Also, their decisions have wider span of impact.

*Stage 1* is envisaged to be implemented based on changes in assessment of performance management from ACR to APMR and updation of work norms, incorporating changes in technology. Building employee trust and acceptability of PRI will be essential for implementation of Stage 1. Efforts will need to be made to ensure that Stage 1 is implemented within 6 months to a year of accepting the recommendations. Delays in Stage 1 will be very detrimental to the subsequent implementation and may jeopardize the entire efforts.

*Stage 2* is envisaged to be implemented only after two years of Stage 1 implementation. A full year of Stage 1 implementation should be reviewed. We expect that the review to take 3-6 months and recommendations to be developed in another 3-6 months. Stage 2 should incorporate the recommendations/suggestions for improvement.

For Stage 2, targets for all levels should be evolved in a very scientific and transparent basis, taking into account, changes in productivity due to technology. Although targets exist for all levels in the Department, these targets need to be reviewed in the context of GDP growth, literacy rates, level of industrialization, technological changes etc, at a disaggregated level (possibly a district). More importantly, there is a need to make employees at all levels aware of this scientific process used for target setting.

The work for developing these targets should start right away and not await the completion of Stage 1.

*Stage 3* should be implemented at least three years after Stage 2 implementation. Stage 2 should be reviewed after two years of its implementation.

As we move from Stage 1 to Stage 3, the performance of higher business units is given increasing weightage for all levels. For example, for the Postman, Stage 1 has only individual performance measures. In Stage 2, Post Office, Division and Circle's performance is also incorporated. As we go from Stage 2 to Stage 3, the weightages for the business units' performance is increased.

For posts starting from LSG/HSG, from Stage 2 onwards, business development measures are also incorporated. The weightage increases in Stage 3. For posts starting from Assistant Post Master General/Regional Post Master General, in addition to business development, employee productivity and reducing absenteeism are incorporated in Stage 2. The weightage increases from Stage 2 to Stage 3.

Table 4 links incentives to performance for circle-level postal operations and specifies the maximum limit for each dimension of measures.

**TABLE 4: Stage-wise linkages of incentives to performance for postal operations (circle-level)**

Name of the Post/ Designation	Stage 1	Stage 2	Stage 3
Chief Post Master General	Maximum of 20% of basic/fixed pay Exceeding Circle Targets: up to 8% Reducing Absenteeism: up to 2% Increasing Employee Productivity: up to 2% Business Development: up to 3% Overall Department of Posts: up to 5% Financial (up to 1%) USO (up to 1%) Operational (up to 1%) Productivity (up to 1%) Business Development (up to 1%) Complaints: up to (-5%)	Maximum of 30% of basic/fixed pay Exceeding Circle Targets: up to 12% Reducing Absenteeism: up to 3% Increasing Employee Productivity: up to 5% Business Development: up to 5% Overall Department of Posts: up to 5% Financial (up to 1%) USO (up to 1%) Operational (up to 1%) Productivity (up to 1%) Business Development (up to 1%) Complaints: up to (-5%)	Maximum of 40% of basic/fixed pay Exceeding Circle Targets: up to 15% Reducing Absenteeism: up to 3% Increasing Employee Productivity: up to 5% Business Development: up to 7% Overall Department of Posts: up to 10% Financial (up to 2%) USO (up to 2%) Operational (up to 2%) Productivity (up to 2%) Business Development (up to 2%) Complaints: up to (-5%)
Assistant Post Master General/ Regional Post Master General	Maximum of 20% of basic/fixed pay APMR: up to 3%, Exceeding Region Targets: up to 5%	Maximum of 30% of basic/fixed pay APMR: up to 4%, Exceeding Region Targets: up to 10% Circle: up to 3%	Maximum of 40% of basic/fixed pay APMR: up to 5%, Exceeding Region Targets: up to 12% Circle: up to 7%

**TABLE 4: Stage-wise linkages of incentives to performance for postal operations (circle-level)**

Name of the Post/ Designation	Stage 1	Stage 2	Stage 3
	<p>Reducing Absenteeism: up to 2%</p> <p>Increasing Employee Productivity: up to 2%</p> <p>Business Development: up to 3%</p> <p>Overall Department of Posts: up to 5%</p> <p>Financial (up to 1%)</p> <p>USO (up to 1%)</p> <p>Operational (up to 1%)</p> <p>Productivity (up to 1%)</p> <p>Business Development (up to 1%)</p> <p>Complaints: up to (-5%)</p>	<p>Reducing Absenteeism: up to 2%</p> <p>Increasing Employee Productivity: up to 2%</p> <p>Business Development: up to 4%</p> <p>Overall Department of Posts: up to 5%</p> <p>Financial (up to 1%)</p> <p>USO (up to 1%)</p> <p>Operational (up to 1%)</p> <p>Productivity (up to 1%)</p> <p>Business Development (up to 1%)</p> <p>Complaints: up to (-5%)</p>	<p>Reducing Absenteeism: up to 2%</p> <p>Increasing Employee Productivity: up to 4%</p> <p>Business Development: up to 5%</p> <p>Overall Department of Posts: up to 5%</p> <p>Financial (up to 1%)</p> <p>USO (up to 1%)</p> <p>Operational (up to 1%)</p> <p>Productivity (up to 1%)</p> <p>Business Development (up to 1%)</p> <p>Complaints: up to (-5%)</p>
Director	<p>Maximum of 20% of basic/fixed pay</p> <p>APMR: up to 5%</p> <p>Exceeding Region/Circle Targets: up to 5% (This incorporates 2% of Circle performance if Director is attached to a region and not the circle)</p> <p>Reducing Absenteeism: up to 2%</p>	<p>Maximum of 30% of basic/fixed pay</p> <p>APMR: up to 5%</p> <p>Exceeding Region/Circle Targets: up to 12% (This incorporates 5% of Circle performance if Director is attached to a region and not the circle)</p> <p>Reducing Absenteeism: up to 2%</p> <p>Increasing Employee Productivity: up to 2%</p>	<p>Maximum of 40% of basic/fixed pay</p> <p>APMR: up to 8%</p> <p>Exceeding Region/Circle Targets: up to 16% (This incorporates 5% of Circle performance if Director is attached to a region and not the circle)</p> <p>Reducing Absenteeism: up to 2%</p> <p>Increasing Employee Productivity: up to 4%</p>

**TABLE 4: Stage-wise linkages of incentives to performance for postal operations (circle-level)**

Name of the Post/ Designation	Stage 1	Stage 2	Stage 3
	to 1% Increasing Employee Productivity: up to 2% Business Development: up to 2% Overall Department of Posts: up to 5% Financial (up to 1%) USO (up to 1%) Operational (up to 1%) Productivity (up to 1%) Business Development (up to 1%) Complaints: up to (-5%)	Business Development: up to 4% Overall Department of Posts: up to 5% Financial (up to 1%) USO (up to 1%) Operational (up to 1%) Productivity (up to 1%) Business Development (up to 1%) Complaints: up to (-5%)	Business Development: up to 5% Overall Department of Posts: up to 5% Financial (up to 1%) USO (up to 1%) Operational (up to 1%) Productivity (up to 1%) Business Development (up to 1%) Complaints: up to (-5%)
GPO            Head (Kolkata        & Mumbai)	Maximum of 15% of basic/fixed pay Exceeding GPO Targets: up to 10% Reducing Absenteeism: up to 1% Increasing Employee Productivity: up to 2% Business Development Measures: up to 2% Complaints: up to (-5%)	Maximum of 25% of basic/fixed pay Exceeding GPO Targets: up to 12% Circle: up to 3% Reducing Absenteeism: up to 2% Increasing Employee Productivity: up to 3% Business Development Measures: up to 5% Complaints: up to (-5%)	Maximum of 30% of basic/fixed pay Exceeding GPO Targets: up to 15% Circle: up to 5% Reducing Absenteeism: up to 2% Increasing Employee Productivity: up to 3% Business Development Measures: up to 5% Complaints: up to (-5%)

**TABLE 4: Stage-wise linkages of incentives to performance for postal operations (circle-level)**

Name of the Post/ Designation	Stage 1	Stage 2	Stage 3
Assistant Director	Maximum of 15% of basic/fixed pay APMR: up to 5%, Exceeding Region/ Business Unit Targets: up to 5% Reducing Absenteeism: up to 1% Increasing Employee Productivity: up to 1% Business Development: up to 3% Complaints: up to (-5%),	Maximum of 25% of basic/fixed pay APMR: up to 5%, Exceeding Region/ Business Unit Targets: up to 10% Circle: up to 2% Reducing Absenteeism: up to 2% Increasing Employee Productivity: up to 2% Business Development: up to 4% Complaints: up to (-5%),	Maximum of 30% of basic/fixed pay APMR: up to 8%, Exceeding Region/ Business Unit Targets: up to 10% Circle: up to 3% Reducing Absenteeism: up to 2% Increasing Employee Productivity: up to 3% Business Development: up to 4% Complaints: up to (-5%),
Superintendent/ Senior Superintendent	Maximum of 15% of basic/fixed pay APMR: up to 4% Exceeding Division Targets: up to 6% Reducing Absenteeism: up to 1% Increasing Employee Productivity: up to 1% Business Development: up to 3% Absenteeism: up to (-2%) Complaints: up to (-5%)	Maximum of 25% of basic/fixed pay APMR: up to 5% Exceeding Division Targets: up to 8% Region: up to 4% Circle: up to 2% Reducing Absenteeism: up to 1% Increasing Employee Productivity: up to 2% Business Development: up to 3% Absenteeism: up to (-2%) Complaints: up to (-5%)	Maximum of 30% of basic/fixed pay APMR: up to 5% Exceeding Division Targets: up to 10% Region: up to 5% Circle: up to 3% Reducing Absenteeism: up to 1% Increasing Employee Productivity: up to 2% Business Development: up to 4% Absenteeism: up to (-2%) Complaints: up to (-5%)
Superintendent (RMS Division)	Maximum of 15% of basic/fixed pay	Maximum of 25% of basic/fixed pay APMR: up to 5%	Maximum of 30% of basic/fixed pay APMR: up to 5%,

**TABLE 4: Stage-wise linkages of incentives to performance for postal operations (circle-level)**

Name of the Post/ Designation	Stage 1	Stage 2	Stage 3
	APMR: up to 4% Exceeding Operational Targets of RMS Division: up to 6% Tangible Improvements in RMS Business Processes: up to 3% Reducing Absenteeism: up to 1% Increasing Employee Productivity: up to 1% Absenteeism: up to (-2%) Complaints: up to (-5%)	Exceeding Operational Targets of RMS Division: up to 8% Tangible Improvements in RMS Business Processes: up to 3% Region: up to 4% Circle: up to 2% Reducing Absenteeism: up to 1% Increasing Employee Productivity: up to 2% Absenteeism: up to (-2%) Complaints: up to (-5%)	Exceeding Operational Targets of RMS Division: up to 10% Tangible Improvements in RMS Business Processes: up to 4% Region: up to 5% Circle: up to 3% Reducing Absenteeism: up to 1% Increasing Employee Productivity: up to 2% Absenteeism: up to (-2%) Complaints: up to (-5%)
HSG I/ HSG II/ LSG	Maximum of 15% of basic/fixed pay APMR: up to 5% Post Office: up to 8% Reducing Absenteeism: up to 1% Increasing Employee Productivity: up to 1% Absenteeism: up to (-2%) Complaints: up to (-5%)	Maximum of 25% of basic/fixed pay APMR: up to 5% Post Office: up to 9% Division: up to 4% Region: up to 2% Reducing Absenteeism: up to 1% Increasing Employee Productivity: up to 1% Business Development Measures: up to 3% Absenteeism: up to (-2%) Complaints: up to (-5%)	Maximum of 30% of basic/fixed pay APMR: up to 5% Post Office: up to 10% Division: up to 5% Region: up to 3% Reducing Absenteeism: up to 1% Increasing Employee Productivity: up to 1% Business Development Measures: up to 5% Absenteeism: up to (-2%) Complaints: up to (-5%)
Counter Supervisor	Maximum of 10% of basic/fixed pay APMR: up to 5%	Maximum of 20% of basic/fixed pay APMR: up to 5% Total Business per Day from	Maximum of 30% of basic/fixed pay APMR: up to 8% Total Business per Day from

**TABLE 4: Stage-wise linkages of incentives to performance for postal operations (circle-level)**

Name of the Post/ Designation	Stage 1	Stage 2	Stage 3
	Total Business per Day from Counters: up to 5% Absenteeism: up to (-2%) Complaints: up to (-2%)	Counters: up to 8% Post Office: up to 4% Division: up to 3% Absenteeism: up to (-2%) Complaints: up to (-2%)	Counters: up to 12% Post Office: up to 6% Division: up to 4% Absenteeism: up to (-2%) Complaints: up to (-2%)
Postal Assistant	Maximum of 10% of basic/fixed pay APMR: up to 5% Exceeding Work Norms: On a per mail article basis Absenteeism: up to (-2%) Complaints: up to (-2%)	Maximum of 20% of basic/fixed pay APMR: up to 7% Post Office: up to 4% Division: up to 3% Exceeding Work Norms: On a per mail article basis Absenteeism: up to (-2%) Complaints: up to (-2%)	Maximum of 30% of basic/fixed pay APMR: up to 10% Post Office: up to 8% Division: up to 4% Exceeding Work Norms: On a per mail article basis Absenteeism: up to (-2%) Complaints: up to (-2%)
Sorting Assistant	Maximum of 10% of basic/fixed pay APMR: up to 5% Exceeding Work Norms: On the basis of sorting team's work Absenteeism: up to (-2%) Complaints: up to (-2%)	Maximum of 20% of basic/fixed pay APMR: up to 7% Post Office: up to 4% Division: up to 3% Exceeding Work Norms: On the basis of sorting team's work Absenteeism: up to (-2%) Complaints: up to (-2%)	Maximum of 30% of basic/fixed pay APMR: up to 10% Post Office: up to 8% Division: up to 4% Exceeding Work Norms: On the basis of sorting team's work Absenteeism: up to (-2%) Complaints: up to (-2%)
Counter Clerk	Maximum of 10% of basic/fixed pay APMR: up to 5% Total Business per Day from Counter: up to 5% Absenteeism: up to (-2%) Complaints: up to (-2%)	Maximum of 20% of basic/fixed pay APMR: up to 5% Total Business per Day from Counter: up to 8% Post Office: up to 4% Division: up to 3% Absenteeism: up to (-2%)	Maximum of 30% of basic/fixed pay APMR: up to 8% Total Business per Day from Counter: up to 12% Post Office: up to 6% Division: up to 4% Absenteeism: up to (-2%)

**TABLE 4: Stage-wise linkages of incentives to performance for postal operations (circle-level)**

Name of the Post/ Designation	Stage 1	Stage 2	Stage 3
		Complaints: up to (-2%)	Complaints: up to (-2%)
Postman	Maximum of 10% of basic/fixed pay APMR: up to 5% Exceeding Work Norms: On a per mail article basis Absenteeism: up to (-2%) Complaints: up to (-2%)	Maximum of 20% of basic/fixed pay APMR: up to 7% Post Office: up to 4% Division: up to 3% Exceeding Work Norms: On a per mail article basis Absenteeism: up to (-2%) Complaints: up to (-2%)	Maximum of 30% of basic/fixed pay APMR: up to 10% Post Office: up to 8% Division: up to 4% Exceeding Work Norms: On a per mail article basis Absenteeism: up to (-2%) Complaints: up to (-2%)
Sorter	Maximum of 10% of basic/fixed pay APMR: up to 5% Exceeding Work Norms: (for a team of sorters) Absenteeism: up to (-2%) Complaints: up to (-2%)	Maximum of 20% of basic/fixed pay APMR: up to 7% Post Office: up to 4% Division: up to 3% Exceeding Work Norms: (for a team of sorters) Absenteeism: up to (-2%) Complaints: up to (-2%)	Maximum of 30% of basic/fixed pay APMR: up to 10% Post Office: up to 8% Division: up to 4% Exceeding Work Norms: (for a team of sorters) Absenteeism: up to (-2%) Complaints: up to (-2%)

## **Linking Incentives to Performance for Postal Operations (Directorate-Level):**

We have considered four categories for 52 sections given in the “List of Items of Work Dealt with by Various Sections”

- a) Planning for Operations (Air Mails, Postal Life Insurance, Postal Operations, Saving Bank, Planning, Work Study, Efficiency Bureau, Philately, Postal Complaints)
- b) Business Development
- c) Support Services for Directorate Operations (Policy Making) (Statistics, Drawing, Costing and Rates)
- d) Administrative Support Services for Employees (Pension, Pay and Allowances, Staff Postal Gazette, Vigilance)

Overall Department of Posts’ Performance:

- a) Financial (Revenue, Costs)
- b) Universal Service Obligation (USO) Target Achievement
- c) Operational (Computerization, Process Improvement, Deployment of New Technology)
- d) Productivity (Revenue/employee, Expenditure per Employee)
- e) Business Development (Percentage of Revenue from New Services, Deployment of New Services))

***Performance for Sections Directly Dealing with Postal Operations:*** National level targets (postal operations, PLI, Savings Bank etc). The sections in the Directorate dealing with specific operations of the Department of Posts should be assessed on the associated operational measures. For example, Saving Bank Section should be assessed on their performance on various measures related to Savings Bank.

***Stages in Implementation:*** The PRI should be implemented in two stages (please see Table 5). The stages are based on the implementation of the enabling conditions discussed in the next section. The measures for the two stages are the same. The weightages are different reflecting the progression towards implementation of PRI.

Stage 2 is contingent upon completion of Stage 1 and should ideally be implemented after 3 years of start of Stage 1. After two full years of Stage 1, its implementation should be reviewed. We expect that the review to take 3-6 months and recommendations to be developed in another 3-6 months. Stage 2 should incorporate the recommendations/suggestions for improvement.

The variable component of the senior levels is higher than for more junior levels. This is because senior people are expected to have more autonomy, flexibility and authority. Also, their decisions have wider span of impact.

From the point of view of harmony within a section, it would have been preferable to have some incentive linked to its performance for those working in that section. However, in the present organizational structure, it is difficult to identify, specific objectives and measurable outputs section wise. In this context, it would be preferable to have new initiatives in the “project mode” so that measurable outputs may be associated with specific teams and hence

the performance may be measured and rewarded. This also points to the need for proper MIS that can track performance at different levels of aggregation. Care should be taken to ensure that outcome measures of the project should not replace organizational measures but should be reflected in the APMR component.

**TABLE 5: Stage-wise linkages of incentives to performance for postal operations (directorate-level)**

<b>Department/ Category</b>	<b>Level</b>	<b>Stage 1</b>	<b>Stage 2</b>
	Senior DDG	Maximum of 30% of basic/fixed pay Overall Department of Posts: up to 30% Financial (up to 6%) USO (up to 6%) Operational (up to 6%) Productivity (up to 6%) Business Development (up to 6%)	Maximum of 40% of basic/fixed pay Overall Department of Posts: up to 40% Financial (up to 8%) USO (up to 8%) Operational (up to 8%) Productivity (up to 8%) Business Development (up to 8%)
Planning for Operations (Sections Directly Dealing with Postal Operations)	DDG/ Director/ ADG	Maximum of 25% of Basic/Fixed Pay APMR: up to 5% Overall Department of Posts: up to 10% Financial (up to 2%) USO (up to 2%) Operational (up to 2%) Productivity (up to 2%) Business Development (up to 2%) Operation/Business Specific: up to 10% Financial (up to 2%) USO (up to 2%) Operational (up to 2%) Productivity (up to 2%) Business Development (up to 2%)	Maximum of 40% of Basic/Fixed Pay APMR: up to 10% Overall Department of Posts: up to 10% Financial (up to 2%) USO (up to 2%) Operational (up to 2%) Productivity (up to 2%) Business Development (up to 2%) Operation/Business Specific: up to 10% Financial (up to 2%) USO (up to 2%) Operational (up to 2%) Productivity (up to 2%) Business Development (up to 2%)

**TABLE 5: Stage-wise linkages of incentives to performance for postal operations (directorate-level)**

Department/ Category	Level	Stage 1	Stage 2
	Desk Officer/Junior Analyst/Section Officer/ Assistant Director	Maximum of 20% of Basic/Fixed Pay APMR: up to 10% Overall Department of Posts: up to 5% Financial (up to 1%) USO (up to 1%) Operational (up to 1%) Productivity (up to 1%) Business Development (up to 1%) Operation/Business Specific: up to 5% Financial (up to 1%) USO (up to 1%) Operational (up to 1%) Productivity (up to 1%) Business Development (up to 1%)	Maximum of 30% of Basic/Fixed Pay APMR: up to 15% Overall Department of Posts: up to 5% Financial (up to 1%) USO (up to 1%) Operational (up to 1%) Productivity (up to 1%) Business Development (up to 1%) Operation/Business Specific: up to 10% Financial (up to 2%) USO (up to 2%) Operational (up to 2%) Productivity (up to 2%) Business Development (up to 2%)
Planning for Operations (Sections Not Directly Dealing with Postal Operations)	DDG/ Director/ ADG	Maximum of 25% of Basic/Fixed Pay APMR: up to 5% Overall Department of Posts: up to 20% Financial (up to 4%) USO (up to 4%) Operational (up to 4%) Productivity (up to 4%) Business Development (up to 4%)	Maximum of 40% of Basic/Fixed Pay APMR: up to 10% Overall Department of Posts: up to 30% Financial (up to 6%) USO (up to 6%) Operational (up to 6%) Productivity (up to 6%) Business Development (up to 6%)

**TABLE 5: Stage-wise linkages of incentives to performance for postal operations (directorate-level)**

Department/ Category	Level	Stage 1	Stage 2
	Desk Officer/Junior Analyst/Section Officer/ Assistant Director	Maximum of 20% of Basic/Fixed Pay APMR: up to 10% Overall Department of Posts: up to 10% Financial (up to 2%) USO (up to 2%) Operational (up to 2%) Productivity (up to 2%) Business Development (up to 2%)	Maximum of 30% of Basic/Fixed Pay APMR: up to 15% Overall Department of Posts: up to 15% Financial (up to 3%) USO (up to 3%) Operational (up to 3%) Productivity (up to 3%) Business Development (up to 3%)
Business Development	DDG/ Director/ ADG	Maximum of 25% of Basic/Fixed Pay APMR: up to 5% Overall Department of Posts: up to 20% Financial (up to 3%) USO (up to 3%) Operational (up to 3%) Productivity (up to 3%) Business Development (up to 8%)	Maximum of 40% of Basic/Fixed Pay APMR: up to 10% Overall Department of Posts: up to 30% Financial (up to 5%) USO (up to 5%) Operational (up to 5%) Productivity (up to 5%) Business Development (up to 10%)
	Desk Officer/Junior Analyst/Section Officer/ Assistant Director	Maximum of 20% of Basic/Fixed Pay APMR: up to 8% Overall Department of Posts : up to 12% Financial (up to 2%) USO (up to 2%) Operational (up to 2%) Productivity (up to 2%) Business Development (up to 4%)	Maximum of 30% of Basic/Fixed Pay APMR: up to 15% Overall Department of Posts: up to 15% Financial (up to 2%) USO (up to 2%) Operational (up to 2%) Productivity (up to 2%) Business Development (up to 7%)

**TABLE 5: Stage-wise linkages of incentives to performance for postal operations (directorate-level)**

<b>Department/ Category</b>	<b>Level</b>	<b>Stage 1</b>	<b>Stage 2</b>
Support Services for Directorate Operations (Policy Making)	DDG/ Director/ ADG	Maximum of 25% of Basic/Fixed Pay APMR: up to 10% Overall Department of Posts: up to 15% Financial (up to 3%) USO (up to 3%) Operational (up to 3%) Productivity (up to 3%) Business Development (up to 3%)	Maximum of 40% of Basic/Fixed Pay APMR: up to 15% Overall Department of Posts: up to 25% Financial (up to 5%) USO (up to 5%) Operational (up to 5%) Productivity (up to 5%) Business Development (up to 5%)
	Desk Officer/Junior Analyst/Section Officer/ Assistant Director	Maximum of 20% of Basic/Fixed Pay APMR: up to 10% Overall Department of Posts: up to 10% Financial (up to 2%) USO (up to 2%) Operational (up to 2%) Productivity (up to 2%) Business Development (up to 2%)	Maximum of 30% of Basic/Fixed Pay APMR: up to 15% Overall Department of Posts: up to 15% Financial (up to 3%) USO (up to 3%) Operational (up to 3%) Productivity (up to 3%) Business Development (up to 3%)
Administrative Support Services for Employees	DDG/ Director/ ADG	Maximum of 25% of Basic/Fixed Pay APMR: up to 5% Overall Department of Posts: up to 20% Financial (up to 3%) USO (up to 3%) Operational (up to 3%) Productivity (up to 8%) Business Development (up to 3%)	Maximum of 40% of Basic/Fixed Pay APMR: up to 10% Overall Department of Posts: up to 30% Financial (up to 5%) USO (up to 5%) Operational (up to 5%) Productivity (up to 10%) Business Development (up to 5%)

**TABLE 5: Stage-wise linkages of incentives to performance for postal operations (directorate-level)**

Department/ Category	Level	Stage 1	Stage 2
	Desk Officer/Junior Analyst/Section Officer/ Assistant Director	Maximum of 20% of Basic/Fixed Pay APMR: up to 8% Overall Department of Posts: up to 12% Financial (up to 2%) USO (up to 2%) Operational (up to 2%) Productivity (up to 4%) Business Development (up to 2%)	Maximum of 30% of Basic/Fixed Pay APMR: up to 15% Overall Department of Posts: up to 15% Financial (up to 2%) USO (up to 2%) Operational (up to 2%) Productivity (up to 7%) Business Development (up to 2%)

**Linking Incentives to Performance for MMS Operations:**

**TABLE 6: Stage-wise linkages of incentives to performance for MMS operations**

Name of the Post/ Designation	Stage 1	Stage 2	Stage 3
MMS Unit In-Charge	Maximum of 15% of basic/fixed pay Assessment by Internal Customers (post offices at both ends): up to 5% Operational Targets of MMS Division: up to 7% Business Development: up to 3%	Maximum of 25% of basic/fixed pay Assessment by Internal Customers (post offices at both ends): up to 5% Operational Targets of MMS Division: up to 10% Division: up to 3% Circle: up to 2% Business Development: up to 5%	Maximum of 30% of basic/fixed pay Assessment by Internal Customers (post offices at both ends): up to 5% Operational Targets of MMS Division: up to 12% Division: up to 5% Circle: up to 3% Business Development: up to 5%
Supervisor	Maximum of 15% of basic/fixed pay APMR: up to 5%, Operational Targets of MMS Division: up to 10%	Maximum of 25% of basic/fixed pay APMR: up to 10%, Operational Targets of MMS Division: up to 12% Division: up to 3%	Maximum of 30% of basic/fixed pay APMR: up to 10%, Operational Targets of MMS Division: up to 15% Division: up to 5%

**TABLE 6: Stage-wise linkages of incentives to performance for MMS operations**

Name of the Post/ Designation	Stage 1	Stage 2	Stage 3
	Absenteeism: up to (-2%)	Absenteeism: up to (-2%)	Absenteeism: up to (-2%)
Mechanics (Technical Staff)	Maximum of 10% of basic/fixed pay APMR: up to 5% Exceeding Work Norms: On a per activity basis (for a team of mechanics) Absenteeism: up to (-2%) Complaints (mechanical problems): up to (-2%)	Maximum of 20% of basic/fixed pay APMR: up to 7% Operational Targets of MMS Division: up to 4% Division: up to 3% Exceeding Work Norms: On a per activity basis (for the team of mechanics) Absenteeism: up to (-2%) Complaints (mechanical problems): up to (-2%)	Maximum of 30% of basic/fixed pay APMR: up to 10% Operational Targets of MMS Division: up to 8% Division: up to 4% Exceeding Work Norms: On a per activity basis (for the team of mechanics) Absenteeism: up to (-2%) Complaints (mechanical problems): up to (-2%)
Mail Van Driver	Maximum of 10% of basic/fixed pay APMR (in addition to other factors also include parameters for mail van maintenance): up to 5% Exceeding Work Norms: On a per trip basis Absenteeism: up to (-2%) Complaints (For example: rash driving behaviour): up to (-2%) Accidents, Traffic rules violations booked: up to (-2%)	Maximum of 20% of basic/fixed pay APMR (in addition to other factors also include parameters for mail van maintenance): up to 7% Operational Targets of MMS Division: up to 4% Division: up to 3% Exceeding Work Norms: On a per trip basis Absenteeism: up to (-2%) Complaints (For example: rash driving behaviour): up to (-2%) Accidents, Traffic rules violations booked: up to (-2%)	Maximum of 30% of basic/fixed pay APMR (in addition to other factors also include parameters for mail van maintenance): up to 10% Operational Targets of MMS Division: up to 8% Division: up to 4% Exceeding Work Norms: On a per trip basis Absenteeism: up to (-2%) Complaints (For example: rash driving behaviour): up to (-2%) Accidents, Traffic rules violations booked: up to (-2%)

Measures for technical staff are fuel mileage, less requirement of spares, amount of engine oil saved, reduction in number of new tyres required, etc.

## ENABLING CONDITIONS

PRI is a strategic change in the government. Therefore, the level and extent of changes in the organizational structure, processes and systems will be significant. This transformation will need to take into account the changes in the external environment and more importantly, the perspective of employees. The overall focus on citizen service delivery should not get lost in the changed scenario.

### **Impact of External Environment on Performance Measures:**

Changes in the technological, social and economic environment have caused a dramatic change in the role and profile of postal services. Technological revolution in telecommunication and Internet has changed the mode of communication from physical to electronic, thus reducing the role of the physical mail services. On the other hand, rapid industrial growth and urbanization have led to increases in corporate bulk mail and requirement of rural penetration for postal delivery. This implies that assessment measures for the performance of the postal services as a whole need to incorporate the changed conditions. However, the Department of Posts has been slow to change the measures, in spite of the fact that employees at almost all levels in the field are conscious and vocal for the need to do so. For example new performance measures related to web services, premium products and services, and business development need to be developed

### **Target Setting Processes:**

#### *Organizational*

The Directorate at New Delhi sets targets for the 22 circles across the country. The circles perceive that they have no effective mechanisms for participating in this process. This has often led to lower acceptance of such targets by the circles, even though top down bureaucratic mechanism in the department drives for compliance.

Naturally, the target setting process has to be scientific incorporating the external environmental factors (GDP growth<sup>14</sup>, literacy rates, level of industrialization, technological changes etc), at a disaggregated level (possibly a district). More importantly, there is a need to make employees at all levels aware of this scientific process used for target setting.

While setting targets and linking rewards to these, distinction should be made between different services. For example, opening of a new Postal Saving Bank account and buying a new policy of Postal Life Insurance is a one-time activity and potential to acquire new accounts gets exhausted after the initial phase. In contrast, the delivery of mails, money

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<sup>14</sup> According to Kenny (2005), GDP per capita can predict about 73% variation in the number of letters per capita. This was based on Universal Postal Union (UPU) postal database and World Bank world development indicators.

Kenny, C. (2005). "Reforming the posts: abandoning the monopoly-supported postal universal service obligation in developing countries", *The World Bank Policy Research Working Paper Series*, No. 3627, June 2005. Retrieved on July 4, 2007 from [http://www-wds.worldbank.org/servlet/WDSContentServer/WDSP/IB/2005/06/08/000012009\\_20050608111028/Rendered/PDF/wps36270rev.pdf](http://www-wds.worldbank.org/servlet/WDSContentServer/WDSP/IB/2005/06/08/000012009_20050608111028/Rendered/PDF/wps36270rev.pdf).

orders, bulk corporate mails are activities that can be maintained and can possibly grow after the initial growth phase. Another dimension on which activities may be differentiated is on whether these are “stand alone” or interdependent. For example, opening of Postal Saving Bank and PLI are “stand alone” in that they do not require “connectivity” between two different locations whereas postal delivery are highly interdependent between locations. The quality of service provided at the other location could influence the public response to interdependent activities and hence affect the targets.

### *Team*

This top down bureaucratic process of setting targets is repeated at every level within most of the circles. There is no standard established mechanism for participative allocation of targets at different levels.

### *Individual*

The superior-subordinate meetings for individual goal setting in the APMR process needs to be consultative in nature where inputs from the subordinate are given proper consideration. Both parties should agree upon final targets.

### **Establishing Work Norms:**

PRI’s linkages with work norms will raise a number of issues related to the mechanism of establishing these norms. These mechanisms need to be scientific, transparent and consultative. Since managers will have a performance parameter for reduction in cost per employee, it will act as a balancing mechanism against possible relaxed work norms proposed by the employees.

In the current structure, there is no independent regulator for the Department of Posts to address the conflicts that may arise in this process. Some of the developed countries have established regulatory bodies (for example, Postcomm in UK), who are involved to ensure high quality of service is provided and universal service obligations are met (<http://www.psc.gov.uk/> accessed on May 26, 2007). We recommend that Government of India should examine the structural changes that will separate the policy, regulatory and operational aspects of Indian postal sector.

### **Definite Tenures at Higher Managerial Levels:**

Ownership of any new strategic initiatives by a “core” group at the top level is vital for its success. This requires two major conditions. One is that the concerned managers should hold the position for a reasonable time (neither too short nor too long), preferably based on project targets. Secondly, ensuring proper succession planning including transparent processes for selection and proper induction is critical.

There should be a requirement for institutionalizing new initiatives rather than they being individual based, as these tend to change focus in case of transfers. A consultative process, to some extent, would ensure institutionalization.

### **Normalization of Performance across Circles:**

Performance across circles shows wide disparity. There is a variation in the social, demographic, and economic profile across the circles. In order to reward circle level performance, these variations need to be factored in. Possible ways of doing this are:

- Scientific methods for target setting: If targets take into account the factors mentioned above, then these will be different across circles. Each circle's rewards will be based on its level of achievement of targets thus set.
- Benchmarking across similar types of circles: Circles may be divided into categories (preferably three or four), based on their past achievement of targets. Relative performance within each category should be used to reward the circle.
- Growth over previous year: Growth in either revenue or operative measures over previous year's, is another way of linking reward to circle performance. However, care needs to be taken when arriving at this measure, especially if the base is small.

### **PRI in Loss Making Organizations:**

Justifying PRI to external stakeholders in loss making organizations would be difficult. However, from the government's perspective it may require to implement such policies across a wide variety of organizations, including those whose financial performance is not good though they could be involved in fulfilling important social and developmental mandates.

### **Attracting and Hiring Good Talent:**

Loss making organization go in for reduction in manpower in order to reduce operating costs, even in organizations where manpower costs is a low percentage of total operational costs. In many such organizations, this leads to lowering of employee morale and inability to attract good talent because of uncertain career prospects. There is a possibility that the Department of Posts may fall into the same trap. Even PRI may not be able to help in getting high levels of performance from such a demotivated work force with possibly lower level of capability.

### **Modifying Existing Job Descriptions to Incorporate Business Orientation:**

Most of the existing job descriptions (particularly for operative staff from postal assistant to postmasters) have been written from a purely operational point of view and do not incorporate flexibility or directions to proactively respond to market needs. Even for senior positions, job descriptions do not have adequate focus for business development. In order to incorporate business-orientation parameters in PRI, job descriptions need to be updated first.

### **Modification in Revenue Accounting:**

In the current system, the revenue from postal operations is fully accounted for in the originating functional/business unit and the destination unit does not get any money. In order to provide incentive to the destination unit and other concerned units, the revenue should be shared among them.

### **Autonomy:**

Current work environment in the Department of Posts as in many other government departments is hierarchical, bureaucratic with lower levels operatives having little autonomy to discharge their functions. In such a scenario, where individuals have little space for decision making and influencing the outcomes, it may not be fair to link these outcomes to the incentives. Autonomy is a very vital aspect of PRI. One of the key enabling conditions will be proper delegation of powers (empowerment) to front line employees.

Another aspect of autonomy is the freedom to choose the team members/people for tasks/projects. In the departmental set up, there is little scope for doing so, as tasks are assigned in a top down approach. Again, it will be unfair to link incentives to performance of the manager who has very little opportunity to build a good and efficient team.

### **Review of Current ACR Processes:**

Currently ACRs are used for promotions and there is no incentive linked to ACRs. However, linking performance to reward will need review of the current ACR process. Like target setting, even the achievement of targets should be a consultative process. The current process is entirely based on the superior's assessment. There should be both self and superior's assessment which will get finalized only if there is agreement between the two parties. In case of serious differences, there should be a resolution mechanism.

The current process is confidential, where only adverse comments are shared with the assessee. In order to increase the accountability of the assessor in the process, the performance assessment should be shared with the assessee. In addition, to set directions for the employees, aggregate performance measures (average, minimum, maximum, standard deviation) across each level should be shared.

The immediate superior of the assessee should do the assessment. This is based on the logic that the immediate superior will have the best knowledge of performance. In the current scenario, postal assistants and counter clerks are not assessed by their direct superiors but are assessed by superiors one or two levels above. Besides leading to knowledge gaps in performance, this has led to situations where some of the assessors, for example, divisional heads were writing more than 1,000 ACRs over very short time periods and for persons with whom they did not have an opportunity to have direct interactions.

### **Objective and Relevant Measures:**

A successful implementation of PRI is contingent upon identifying measures that are objective. A majority of people we interacted with were more concerned about the objectivity of measures rather than the linking of measures to incentives.

Measures need to be relevant to the goals of the organization. Incorporation of advanced technology in the Department of Posts has led to minor revisions in work norms. However, there has been little review of underlying business processes and the consequent changes in performance measures. For example, introduction of Track and Trace system widens the scope to include quality of service (number of articles correctly delivered within a given time frame) as a performance measure rather than mere increase in quantitative norms.

### **Systems for Collecting Individual Performance:**

Since the assessment process will be annual, there is a possibility of recency bias in the evaluation. To bring in objectivity, individual performance needs to be tracked and compiled more frequently and systematically. One suggested mechanism is an individual performance diary that is reviewed by the immediate superior at regular intervals (say on a weekly or monthly basis).

For some front line operatives, the transaction-based systems could capture the performance data. For others, a separate mechanism like a performance diary will have to be devised.

### **Verification of Underlying Data for Assessment:**

The introduction of PRI would require performance data to be collected in an accurate, timely and comprehensive manner. Proper systems need to be in place for verification of data. However, this should not imply that monitoring mechanisms are so tightened so that scope for autonomy and innovation is negatively affected.

### **Role of Technology in PRI Implementation:**

Appropriate design of a computer based MIS is critical for collecting and verifying performance data not only for the team (post office, division, region and circle) but also for individuals. Important statistics (average, maximum, minimum and standard deviation) regarding performance can be provided in a very timely and exhaustive (covering various levels, departments and geographically dispersed units) manner. For this, there is a need to ensure that the computerization of all post offices is done as planned by the Department of Posts and the current transaction system be modified to track individual performance.

While tracking of individual performance could increase the workload at all levels, a properly designed computerized system could facilitate this task.

### **External Perspective in Linking Rewards to Performance:**

Given the increasing focus of the government on improving citizen service delivery and increased accountability of government servants, there is a need to bring in a formal mechanism of incorporating citizen feedback in the performance assessment. Such feedback can be a mix of team and individual performance.

### **Assessment by Peers/Team Members:**

In order to track individual performance in team activities, there is need for having a formal mechanism for incorporating performance assessment by peers/team members.

### **Assessment by Experts/Third-Party:**

Skills like computer proficiency need to be assessed by experts/ third party who can provide standard certificates regarding the level of skill.

### **Role of Training Centers:**

In the current system there is little accountability for various Training Centers. It is imperative to have a formal mechanism to assess relevance and effectiveness of different training programs. More importantly there should be clear-cut guidelines to upgrade the competencies of employees to match with the requirements of the long-term vision of the Department of Posts. There is no mechanism to develop a long-term perspective on the developmental needs of employees in the Department of Posts. For example, many training programs dealing with technology have short-term focus only on limited technical skill-acquisition to the exclusion of its role in business process improvements.

## IMPLEMENTATION PLAN

**Staged Implementation:** Implementation of PRI should be done in stages since it involves changes in the current processes and development of new processes. The major task of design and implementation starts before actual stages of implementation begin. For the postal circles, implementation is in three stages where as for Directorate it is in two stages. It is expected that efforts will be made to improve the enabling conditions stage-wise progressively.

**Pilot Implementation:** In order to accelerate the implementation of PRI, it is suggested that a pilot be implemented in selected locations (identified in consultation with the concerned organization), while Tasks related to Pre-Stage 1 are implemented in the entire organization.

**Organizational Mechanisms:** Department of Posts need to form three levels of committees for the effective implementation of PRI. These are PRI Steering Committee, PRI Planning and Implementation Committee, and PRI Administrative Committee.

**PRI Steering Committee:** The objective of this committee is to set the overall goals and targets for the organization in terms of PRI implementation. This will have both external experts and top management of the concerned organization with majority been external experts. External experts in the Steering Committee should include academicians and also practitioners from private sector. The membership should reflect a broad cross-section of talent, expertise and experiences. Steering Committee should include Member (Personnel), Postal Services Board. This Committee should provide short and long term strategy and principles to the PRI Planning and Implementation Committee and review the progress annually.

The critical function of PRI Steering Committee is to ensure that challenging targets are set and PRI effectiveness is not compromised.

**PRI Planning and Implementation Committee:** The objective of this committee is to take organizational level decisions regarding design and implementation of PRI-related systems. Reviews of the PRI related systems at each stage will be the responsibility of this committee. This Committee will be an internal committee that should include Member (Personnel), Postal Services Board, DDG (Planning), CGM (Business Development), and 3 CPMGs.

**PRI Administrative Committee:** The third level of committee will be PRI Administrative Committee for each circle and also for the directorate. This Committee is responsible for the proper implementation of PRI at circle/directorate level. This committee will also review employees' grievances/problems related to PRI processes and also report any systemic problems/discrepancies to the PRI Executive Committee. At the circle level, this committee should include CPMG, 2 PMGs, and 2 Directors.

**Implementation Roadmap:** Table 7 gives the implementation roadmap in terms of the various stages, their objectives, key tasks, and people/committees.

**TABLE 7: Implementation Roadmap at the Circle-Level**

Stages	Pre- Stage 1/ Pilot	Stage 1	Stage 2	Stage 3
Time Period	Within 6 months to a year of accepting the recommendations.	Two years of implementation.	At least three years of implementation.	After Stage 2.
		A full year of Stage 1 implementation should be reviewed. We expect that the review to take 3-6 months and recommendations to be developed in another 3-6 months.	Stage 2 should be reviewed after two years of its implementation.	There should be annual reviews for continuously improvements.
Objectives	Consultation and framework setting.	Develop and implement the initial PRI framework.	Complete the implementation of PRI framework.	Incorporate learning from Stage 2.
		Incorporating learning from Stage 0.	Incorporate learning from Stage 1.	Comprehensive implementation review.
Key Tasks	1. Building employee trust and acceptability of PRI will be essential for implementation of Stage 1. Awareness building through direct interactions of top management with employees/ unions, pamphlets, newsletters, e-communication, workshops, etc.	1. Disseminate the formats and reports to all concerned regarding the measures to be used for assessing performance on measures identified in Stage 0.	1. Introduce additional measures as identified in Stage 1. Disseminate the formats and reports to all concerned regarding the measures to be used for assessing performance on these measures.	1. Review of the PRI implementation
	2. Implementation of other enabling conditions discussed in previous section.	2. Review progress of enabling conditions.	2. Review progress of enabling conditions.	2. Review progress of enabling conditions.
	3. Updating job descriptions.	3. Review job descriptions.	3. Collect and analyze data for review and feedback on measures, processes and MIS implementation.	

**TABLE 7: Implementation Roadmap at the Circle-Level**

Stages	Pre- Stage 1/ Pilot	Stage 1	Stage 2	Stage 3
	4. Updating work norms.	4. Review work norms.		
	5. Identifying performance measures and criteria.	5. Collect and analyze data for review and feedback on measures, processes and MIS implementation.		
	6. Developing scientific targets disaggregated up to the district level. Although targets exist for all levels in the Department, these targets need to be reviewed in the context of GDP growth, literacy rates, level of industrialization, technological changes etc, at a disaggregated level (possibly a district). More importantly, there is a need to make employees at all levels aware of this scientific process used for target setting.	6. Review scientific targets		
	7. Shifting from ACR to APMR.	7. Put processes in place for implementing additional measures of Stage 2.		
	8. Incorporating technological changes and evolving MIS implementation plan.			
People/ Committees	1. PRI Steering Committee	1. PRI Steering Committee	1. PRI Steering Committee	1. PRI Steering Committee
	2. PRI Planning and Implementation Committee	2. PRI Planning and Implementation Committee	2. PRI Planning and Implementation	2. PRI Planning and Implementation

**TABLE 7: Implementation Roadmap at the Circle-Level**

Stages	Pre- Stage 1/ Pilot	Stage 1	Stage 2	Stage 3
			Committee	Committee
	3. PRI Administrative Committee	3. PRI Administrative Committee	3. PRI Administrative Committee	3. PRI Administrative Committee

**TABLE 8: Implementation Roadmap at the Directorate**

Stages	Pre- Stage 1/ Pilot	Stage 1	Stage 2
Time Period	Within 6 months to a year of accepting the recommendations.	Three years of implementation.	After Stage 1.
		After two years of implementation, Stage 1 should be reviewed. We expect that the review to take 3-6 months and recommendations to be developed in another 3-6 months.	There should be annual reviews for continuously improvements.
Objectives	Consultation and framework setting.	Develop and implement the initial PRI framework.	Incorporate learning from Stage 1.
		Incorporating learning from Stage 0.	Comprehensive implementation review.
Key Tasks	1. Building employee trust and acceptability of PRI will be essential for implementation of Stage 1. Awareness building through direct interactions of top management with employees/ unions, pamphlets, newsletters, e-communication, workshops, etc.	1. Disseminate the formats and reports to all concerned regarding the measures to be used for assessing performance on measures identified in Stage 0.	1. Review of the PRI implementation.
	2. Implementation of other enabling conditions discussed in previous section.	2. Review progress of enabling conditions.	2. Review progress of enabling conditions.
	3. Updating job descriptions.	3. Review job descriptions.	
	4. Updating work norms.	4. Review work norms.	
	5. Identifying performance measures and criteria.	5. Collect and analyze data for review and	

**TABLE 8: Implementation Roadmap at the Directorate**

Stages	Pre- Stage 1/ Pilot	Stage 1	Stage 2
		feedback on measures, processes and MIS implementation.	
	6. Developing scientific targets disaggregated up to the district level. Although targets exist for all levels in the Department, these targets need to be reviewed in the context of GDP growth, literacy rates, level of industrialization, technological changes etc, at a disaggregated level (possibly a district). More importantly, there is a need to make employees at all levels aware of this scientific process used for target setting.	6. Review scientifically-set targets.	
	7. Shifting from ACR to APMR.	7. Put processes in place for implementing additional measures of Stage 2.	
	8. Incorporating technological changes and evolving MIS implementation plan.		
People/ Committees	1. PRI Steering Committee	1. PRI Steering Committee	1. PRI Steering Committee
	2. PRI Planning and Implementation Committee	2. PRI Planning and Implementation Committee	2. PRI Planning and Implementation Committee
	3. PRI Administrative Committee	3. PRI Administrative Committee	3. PRI Administrative Committee

## FINANCIAL MODELING

Table 9 gives an approximate estimate of the maximum payouts for the PRI in each stage at the current level of salaries. In order to calculate the maximum payouts, we have assumed that all employees will get the ceiling specified for their designation. The maximum amount of INR 5770 millions is around 11% of total revenue in 2005-6 (INR 50235 millions) and is less than the revenue growth in that year (13%). Largest proportion of payout (INR 5050 millions) is for Group C employees. This extra financial burden will get offset through business growth and cost savings due to enhanced employee productivity and improved business processes.

**TABLE 9: Maximum Payout for PRI**

Employee Category	Total Number of Employees	Average Monthly Basic Pay (in INR)	Total Annual Basic Pay (in INR millions)	Total Payout for PRI (in INR millions)			
				Stage 1	Stage 2	Stage 3	
Group A	705	400	8000	38.400	5.760	9.600	11.520
		250	12000	36.000	7.200	10.800	14.400
		55	24000	15.840	3.168	4.752	6.336
				90.240	16.128	25.152	32.256
Group B	2015	1115	8000	107.040	16.056	26.760	32.112
		900	10000	108.000	16.200	27.000	32.400
				215.040	32.256	53.760	64.512
Group C	200302		7000	16825.368	1682.537	3365.074	5047.610
Group D	43656		4000	2095.488	209.549	419.098	628.646
All	246678			19226.136	<b>1940.470</b>	<b>3863.083</b>	<b>5773.025</b>

Table 10 shows the total overtime, bonus, and honorarium for the years 2002-03, 2003-04, and 2004-05. This data was provided by the Department of Expenditure under Ministry of Finance to the Sixth Central Pay Commission on July 27, 2007.

**TABLE 10: Overtime, bonus, and honorarium in INR millions**

	2002-03	2003-04	2004-05
Overtime	400.767	340.929	323.445
Bonus	1924.107	1710.995	1479.346
Honorarium	73.395	46.726	43.338

We have already recommended that current scheme of PLB should get replaced by the proposed PRI scheme. In order to be budget neutral for the PRI scheme, the Department of Posts can use the amount paid for PLB to finance PRI. In addition, major part of PRI will automatically get financed because of increased efficiency and revenue reflected in its measures.

## CONCLUSION

### Framework for Implementing PRI:

PRI should be implemented for individual and team based performance. The weightage between the individual and the team will primarily depend upon the nature of job and level in the hierarchy. Team based targets can be divided into four business units as follows:

- i) Sub Post office/PO/Head PO
- ii) Division
- iii) Region
- iv) Circle

At each of these levels, there are financial and operational measures. For each dimension we have given some examples of measures in the relevant section. In addition, units for team based targets are other functional/business units such RMS, sorting team, business centres etc.

Based on the nature of job and level in the hierarchy, performance should be measured either on monthly or annual basis. Increasing computerization will help in tracking outputs/outcomes at the individual level with higher frequency.

Measures of assessment have been looked at from the following perspectives:

#### (3) Output measures

- Revenue/ Expenditure Coverage Ratio
- Number of Accounts
- Delivery Efficiency (for example: delay for “tracked” articles by its value: staggered on per day per letter basis, no penalty if 95% post delivered on time at the right address)
- PLI Business procured

#### (4) Operational Measures

- Ratio of managers to employees
- Extent of computerization
- Modernization
- Handling of complaints, Customer Satisfaction
- Human Resource Development (Computers, legal)
- Decreasing absenteeism

There should be more focus on output/outcome measures than effort/input measures. These measures should be made as objective. Where subjective measures are necessary, these should be based on multiple assessments at different levels. APMR will constitute an important mechanism for such assessment (as discussed above). The APMR should have components related to the following job aspects:

- Key result areas (other than recorded outputs)
- Initiatives for Attracting/Improving Business
- Customer Care
- Timeliness
- Subordinate Development

- Behavioral Aspects
- Self Development
- Complaint Handling (complaints from citizens)
- Grievance Handling (grievances of employees)

There should be no APMR for profit-centre heads like CPMG, GPO Head, MMS In-charge, etc. Their performance should be primarily measured on the basis of their units' performance. APMR in such positions reduces the position-holders' autonomy, which may not be good for their unit.

The Department of Posts has detailed and comprehensive work norms that can be further updated and used for rewarding employees for exceeding them.

Some key points about the framework of PRI are:

- PRI is to reward output/outcomes that are significantly better than those expected as routine in a particular job.
- PRI is for the measures of employees' performance that are within the ambit of their influence.
- Processes related to PRI should motivate employees' to improve their own and team's performance but not to sabotage others' work.
- The amount to be disbursed as PRI or the number of employees qualifying for the incentives will depend on the targets specified by the Department of Posts. These targets should be achievable but not easy.
- While all employees are eligible for PRI, in practice, the number of employees qualifying for PRI and the quantum of PRI will be determined by their performance and pre-specified targets. Care should be taken that PRI should not get viewed as "entitlements" in future. Proper check mechanisms such as Review Committees (elaborated later), need to be instituted to ensure that targets are meaningful and challenging.
- In case of transfers, within the assessment cycle of year, the PRI should be calculated on a pro rata basis with respect to the positions held by her/him.
- In case of fraud detection by an employee or a group of employees, they should be given a bonus based on a percentage of fraud detected.
- The amount of PRI will be given in steps up to a maximum specified percentage. While setting the targets, first the basic targets that need to be exceeded to qualify for PRI should be established and then stretch targets should be instituted in a stepwise manner. The quantum of incentives associated with these steps is then based on these pre-specified targets.
- The team performance measures have been incorporated in the form of financial and operational measures at the level of the business unit. In addition, these measures have been identified for the different business units. As seen in the earlier section, these business units are in a hierarchy. For each person, PRI is linked primarily to the

performance measures of the level of business unit s/he is in and is also linked to higher business units. This is based on the principle that an individual's performance affects the outcomes at higher levels. For example, an individual who is working in a PO, will have PRI linked to the performance measures of the PO and of the next higher level, i.e., division.

- Since linking incentives to performance will be a significant change for the government, this should be implemented in stages. The stages are based on the implementation of the enabling conditions discussed above. The variable component of the senior levels is higher than for more junior levels. This is because senior people are expected to have more autonomy, flexibility and authority. Also, their decisions have wider span of impact.

We have recommended incentives linked to fixed/basic pay and not annual increments. Incentives are the payments made without affecting the basic pay where as increments lead to increase in basic pay. In case payouts are in terms of increments, then there will be future gains from current performance, for which we feel there is little justification in the current context<sup>15</sup>. As per current practice, the annual increment is not generally linked to performance. Continuing this practice is only justifiable for inflation-adjustment. If an alternative method is evolved for inflation-adjustment in the salary structure, then link the increment to minimal level of desired efforts and outcomes and then have incentives for significantly better outcomes.

### **Support Needed for Effective Implementation:**

Changes in the technological, social and economic environment have caused a dramatic change in the role and profile of postal services. The rate of change of technological, social and economic environment will have bearing in the future role of Department of Posts. Performance measures need to incorporate these changes. For example new performance measures related to web services, premium products and services, and business development need to be developed

An important aspect of implementing PRI is setting targets for the forthcoming performance cycle. Target setting at all levels should be a consultative process with clear two-way communication. The target setting process has to be scientific incorporating the external environmental factors (GDP growth, literacy rates, level of industrialization, technological changes etc), at a disaggregated level (possibly a district).

As mentioned earlier, PRI is a major strategic initiative by itself and it triggers other strategic initiative. Ownership of any new strategic initiatives by a "core" group at the top level through a definite phase of its implementation is vital for its success.

Performance across circles shows wide disparity. There is a variation in the social, demographic, and economic profile across the circles. In order to reward circle level performance, these variations need to be factored in. Possible ways of doing this are: adopting scientific methods for target setting; benchmarking across similar types of circles; and measuring growth over previous year.

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<sup>15</sup> The current salary structure is in the form of a band like A-I-B, where A is the starting basic salary for that designation and B is the ceiling. I is the increment given annually till the ceiling B is reached for that position.

Reduction in manpower in order to reduce operating costs should not lead to reduced employee morale and Department's inability to attract good talent because of uncertain career prospects. Even PRI may not be able to help in getting high levels of performance from such a demotivated work force with possibly lower level of capability.

In order to track individual/team performance, there is need for having proper technological support and formal mechanisms to assess performance and verify underlying data. ACRs should be replaced by APMRs, bringing in a transparent process and proper autonomy should be given to do the job.

A successful implementation of PRI is contingent upon identifying measures that are objective. Majority of people we interacted with were more concerned about the objectivity of measures rather than the linking of measures to incentives. Measures need to be relevant to the goals of the organization and reflect the changing mandate. The measures should encourage greater business orientation and adaptation of new technology.

Given the increasing focus of the government on improving citizen service delivery and increased accountability of government servants, there is a need to bring in a formal mechanism of incorporating citizen feedback in the performance assessment.

It is imperative to have a formal mechanism to assess relevance and effectiveness of different training programs. More importantly there should be clear-cut guidelines to upgrade the competencies of employees to match with the requirements of the long-term vision of the Department of Posts.

### **Measuring Effectiveness:**

There should be mechanisms to assess the effectiveness of PRI related processes. Such mechanisms need to be designed right from the inception of PRI. These mechanisms will be evaluating the PRI related processes at the completion of each of the stages. This evaluation should be an ongoing process and institutionalized. The structure, mandate, and working principles of a designated committee to oversee this evaluation process should be established.

The evaluation should look at the following four aspects:<sup>16</sup>

*Commitment:* The extent to which PRI is able to build and maintain employees' commitment towards work and organization.

*Competencies:* The extent to which PRI is able to attract, develop, and retain the relevant competencies and good talent.

*Cost-Effectiveness:* The extent of savings generated through PRI; financial and social returns for the payouts made in terms of incentives; etc.

*Congruence:* PRI should encourage better alignment of individual/team objectives with organizational strategic goals; PRI should improve and not adversely affect the superior-subordinate relationship and team dynamics; etc.

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<sup>16</sup> Beer, M., Spector, B., Lawrence, P.R., Mills, Q., and Walton, R. (1984). *Managing Human Assets*, New York: Free Press.

**APPENDIX 1**  
**Background Information**

**TABLE A: Average cost and revenue in respect of various postal services (figures in paises, 1 INR = 100 paises)**

S. No.	Name of Service	2000-01		2001-02		2002-03		2003-04		2004-05	
		Cost	Revenue	Cost	Revenue	Cost	Revenue	Cost	Revenue	Cost	Revenue
1.	Post Card	534	25	665	46	706	50	664	50	696	50
2.	Printed Postcard	555	200	667	283	707	550	666	600	688	600
3.	Competition Postcard	375	400	463	483	512	917	472	1000	509	1000
4.	Letter Card (Inland)	555	200	665	200	700	242	663	250	697	250
5.	Letter	620	499	743	728	792	946	734	946	843	1004
6.	Regd. Newspaper-Single	701	23	829	37	903	39	825	39	972	39
7.	Regd. Newspaper-Bundle	1321	48	1289	85	1454	88	1303	88	1703	79
8.	Book, Postbook, Pattern & .Pkts.	701	511	828	753	905	767	825	767	1078	727
9.	Book Post Printed Books	1089	229	1290	337	1455	385	1303	385	1495	437
10.	Book Post – Other Periodicals	981	427	1291	740	1459	1415	1305	1415	1497	944
11.	Acknowledgement	512	200	598	283	623	300	585	300	617	300
12.	Parcel	4716	4372	6243	5008	6679	5528	6736	5528	6647	5717
13.	Registration	2966	1400	3298	1650	3369	1700	3303	1700	3357	1700
14.	Speed Post	3585	4009	4505	3717	4473	3833	4460	3564	4588	3608
15.	Value Payable Post	2149	399	2184	404	1978	398	2043	398	2355	407
16.	Insurance	3993	6600	4259	6597	4421	5347	4409	5347	4506	5321
17.	Money Order	4823	2090	5271	2535	5386	2689	5380	2535	5761	2737
18.	Tele-Money Order	6270	2290	6774	2735	6938	2889	7028	2735	7591	2937
19.	Indian Postal Order	1887	133	1999	136	2105	166	2163	136	2424	218
20.	Foreign Mail	2872	3064	1651	2368	1590	2242	1392	2242	2040	3556

<b>Year</b>	<b>Registered Traffic</b>	<b>Unregistered Traffic</b>	<b>No. of Money Orders</b>
1984-85	3042.5	116726.0	1289
1989-90	2914.4	142163.6	1109
1994-95	3223.4	132854.5	1018.7
1999-00	2759.4	155057.0	1137.3
2004-05	2141.8	71461.0	1016

**TABLE C: Modernization and computerization (circle-wise) as on 31.3.2005**

<b>Circle</b>	<b>Number of POs Modernized (improving ergonomics)</b>	<b>Number of Post Offices Computerized</b>	<b>High Speed Automated Mail Processing System</b>	<b>VSAT stations for Transmission of Money Order through Satellite</b>	<b>Extended Satellite Money Order (ESMO) Centres</b>
Andhra Pradesh	132	452	0	15	16
Assam	79	110	0	9	33
Bihar	93	57	0	9	33
Chhatisgarh	28	157	0	3	21
Delhi	115	150	0	3	46
Gujarat	132	131	0	11	61
Haryana	47	156	0	6	32
Himachal Pradesh	59	120	0	3	27
J & K	27	68	0	2	20
Jharkhand	13	104	0	3	24
Karnataka	102	397	0	10	109
Kerala	87	545	0	8	101
MP	103	171	0	4	69
Maharashtra	208	864	1	8	139
North East	65	65	0	6	24
Orissa	79	179	0	5	39
Punjab	86	239	0	6	74
Rajasthan	81	259	0	5	57
Tamil Nadu	149	584	1	10	146
UP	196	114	0	16	26
Uttaranchal	22	124	0	1	115
West Bengal	116	186	0	5	77
A.P.S	0	0	0	2	35
<b>Total</b>	<b>2019</b>	<b>5232</b>	<b>2</b>	<b>150</b>	<b>1415</b>

**TABLE D: Post office: Rural, urban, population served & area served as on 31.3.2005**

Circles	Area (in '000 sq. km.)	Projected population as on 1-3-2005	Post Offices			Population served by a P.O.	Area served by a Post Office (sq. km.)
			Urban	Rural	Total		
Andhra Pradesh	275	798.51	1348	14843	16191	4932	17
Assam	78.4	282.73	298	3708	4006	7058	19.6
Bihar	100.2	892.64	432	8622	9054	9859	11.1
Chhatisgarh	135.3	222.51	209	2916	3125	7120	43.3
Delhi	1.4	155.69	496	81	577	26983	2.4
Gujarat	196.6	545.97	744	8241	8985	6076	21.9
Haryana	44.2	228.83	320	2329	2649	8638	16.7
Himachal Pradesh	55.7	63.82	122	2658	2780	2296	20.0
J & K	222.2	107.83	210	1480	1690	6380	131.5
Jharkhand	73.8	288.46	272	2777	3049	9461	24.2
Karnataka	192	555.97	1291	8586	9877	5629	19.4
Kerala	39	330.59	871	4207	5078	6510	7.7
MP	308.2	652.02	872	7473	8345	7813	36.9
Maharashtra	311.4	1046.68	1463	11498	12961	8076	24
North East	176.4	122.69	229	2715	2944	4167	59.9
Orissa	156.0	384.90	589	7572	8161	4716	19.1
Punjab	50.4	267.74	534	3426	3960	6761	12.7
Rajasthan	342.2	611.36	783	9659	10442	5855	32.8
Tamil Nadu	130.5	656.80	1989	10211	12200	5384	10.7
UP	230.9	1798.24	1961	15697	17658	10184	13.1
Uttaranchal	63.5	90.73	225	2496	2721	3334	23.3
West Bengal	104	852.51	1138	7925	9063	9406	11.5
<b>Total</b>	<b>3287.3</b>	<b>10957.22</b>	<b>16396</b>	<b>139120</b>	<b>155516</b>	<b>7046</b>	<b>21.1</b>

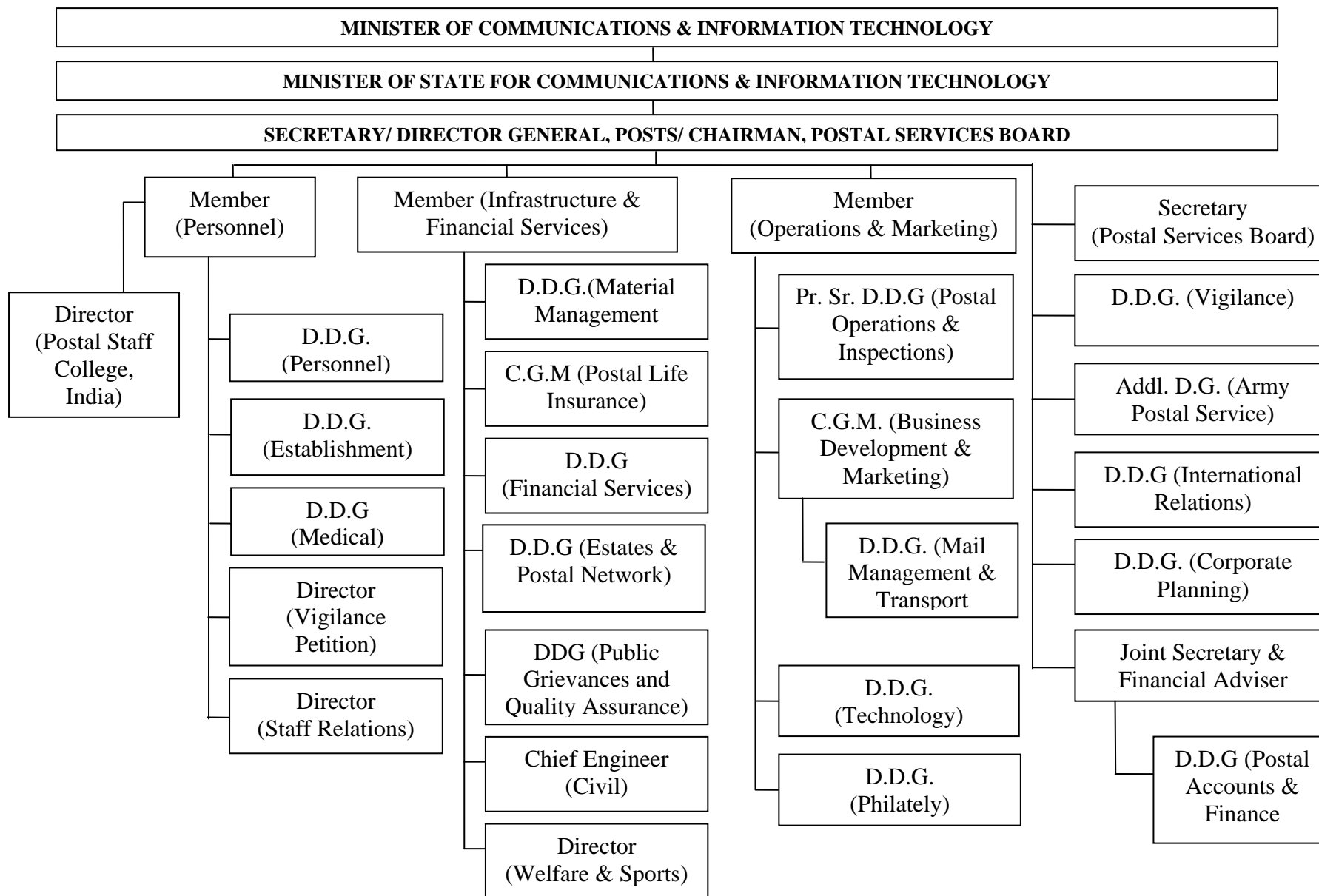
**TABLE E: Revenue and expenditure (INR in millions)**

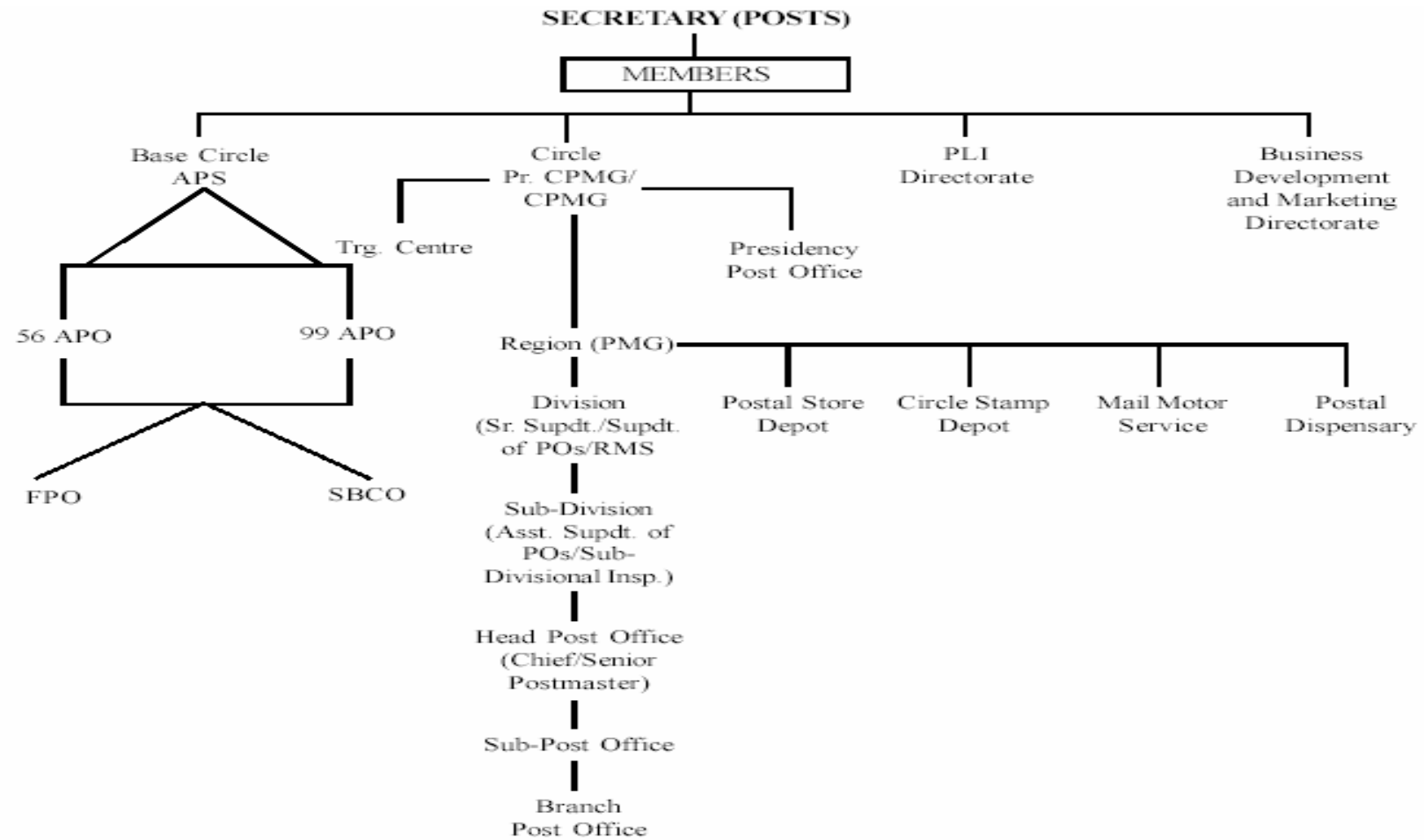
Items	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
Revenue	32978.1	36971.1	40096.5	42569.3	44318.5	50235
Expenditure	48475.7	51086.2	53740.5	56321.5	58136.9	62333
Net Deficit	15497.6	14115.1	13644.0	13755.2	13818.4	12098.8
<b>Revenue (percentage break-up)</b>						
Sale of Stamps	29.80	26.80	24.47	21.02	18.02	-
Postage realized in Cash	20.20	22.40	25.37	27.15	29.26	-
Commission on MOs & IPOs	7.90	7.70	7.51	7.47	7.38	-
Others	42.10	43.10	42.65	44.36	45.34	-
TOTAL	100.00	100.00	100.00	100.00	100.00	-
<b>Expenditure (percentage break-up)</b>						
General Admn.	5.93	5.90	5.85	5.88	5.78	-
Operation	68.28	68.00	66.11	66.64	65.11	-
Agency Services	2.84	3.70	3.56	2.23	3.42	-
Others	22.95	22.40	24.48	25.25	25.69	-
TOTAL	100.00	100.00	100.00	100.00	100.00	-

**TABLE F: Mail Segmentation: All India (%)**

Type of Mail	Individual to Individual	Individual to Business	Business to Business	Business to Individual
Post Cards	41	14	17	29
Ordinary Letters	34	14	29	22
Embossed Envelop	47	18	19	16
Inland Letter	87	7	3	3
Book Post	29	8	33	31
Greeting Cards	64	13	13	10
Registered Letter	26	27	30	17
Parcels	28	16	39	17
Speed Post	18	26	39	17
Others	42	7	8	43
<b>Total</b>	<b>40</b>	<b>15</b>	<b>25</b>	<b>20</b>

**FIGURE (i): Organization Structure of the Department of Posts**





**FIGURE (ii): Organization Structure for Circle**

**TABLE G: Administrative offices & functional units**

Offices & Units	As on 31.03.2001	As on 31.03.2002	As on 31.03.2003	As on 31.03.2004	As on 31.03.2005
Postal Circles	22	22	22	22	22
Postal regions	37	37	37	37	37
Postal divisions	438	440	440	441	441
RMS Divisions	69	69	70	70	70
Postal Store Depots	46	46	46	46	46
Circle Stamp Depots	19	19	19	19	19
Postal Staff College	1	1	1	1	1
Postal Training Centres	5	5	5	6	6
P & T Dispensaries	63	63	63	63	56
Sorting Offices	548	548	472	465	460
Record Offices	450	450	441	437	436

**TABLE H: Department-wise staff strength**

Gazetted						
Department	As on 31.3.2004			As on 31.3.2005		
	Gr. A	Gr. B	Total	Gr. A	Gr. B	Total
Postal Service "A"	448	0	448	423	0	423
Postal Service "B"	0	866	866	0	866	866
Accts & Fin. Service	68	856	924	70	862	932
Central sect. service	14	59	73	20	40	60
Civil Wing	59	173	232	59	173	232
Other General Central Sr.	162	65	227	133	74	207
<b>TOTAL</b>	<b>751</b>	<b>2019</b>	<b>2770</b>	<b>705</b>	<b>2015</b>	<b>2720</b>
Non-Gazetted						
Department	As on 31.3.2004			As on 31.3.2005		
	Gr. C	Gr. D	Total	Gr. C	Gr. D	Total
Postal Directorate	428	136	564	478	130	608
Post Offices	174696	29631	204327	174290	27404	201694
RMS	21662	14335	35997	21144	13775	34919
MMS	1744	423	2167	1664	407	2071
Others	2891	1998	4889	2726	1940	4666
Total	201421	46523	247944	200302	43656	243958
Gramin Dak Sewaks			298571			293656
<b>TOTAL (A+B) (Non-Gazetted)</b>			<b>546515</b>			<b>537614</b>

**TABLE I: Staff strength since 31.3.1990**

Year	Gazetted			Non Gazetted				Extra Deptt.	Grand Total
	A	B	Total	C	D	Total	Deptt.		
31.3.1990	641	1958	2599	228183	56040	284223	286822	298246	585068
31.3.1991	679	1927	2606	233043	57576	290619	293225	298743	591968
31.3.1992	663	1817	2480	232491	56556	289047	291527	304568	596095
31.3.1993	638	1841	2479	231994	55562	287556	290035	306027	596062
31.3.1994	608	1916	2524	230959	56714	287673	290197	307466	597663
31.3.1995	592	2000	2592	229542	56418	285960	288552	308623	597175
31.3.1996	609	1921	2530	229857	56111	285968	288498	309825	598323
31.3.1997	607	1860	2467	227369	56542	283911	286378	308307	594685
31.3.1998	611	1934	2545	235312	56122	291434	293979	310278	604257
31.3.1999	785	1884	2669	234119	56284	290403	293072	309915	602987
31.3.2000	791	1873	2664	235434	56203	291637	294301	309649	603950
31.3.2001	813	1925	2738	228579	52292	280871	283609	310269	593878
31.3.2002	815	1922	2737	220448	49773	270221	272958	306736	579694
31.3.2003	807	1888	2695	212021	48036	260057	262752	303170	565922
31.3.2004	751	2019	2770	201421	46523	247944	250714	298571	549285
31.3.2005	705	2015	2720	200302	43656	243958	246678	293656	540334

**TABLE J: Circle-wise distribution of manpower in different categories**

Circle	Head Offices					Sub Office			Total				
	A	B	B NG	C	D	B NG	C	D	A	B	B NG	C	D
Andhra Pradesh	0	4	48	4529	599	6	6217	692	0	4	54	10746	1291
Assam	0	2	27	1201	210	8	1804	396	0	2	35	3005	606
Bihar	1	7	31	2376	298	2	3448	897	1	7	33	5824	1195
Chhatisgarh	0	1	8	550	75	2	1003	160	0	1	10	1553	235
Delhi	3	12	21	2130	546	30	3107	644	3	12	51	5237	1190
Gujarat	1	12	42	3345	462	31	7087	1068	1	12	73	10432	1530
Haryana	0	4	11	1258	190	3	1564	313	0	4	14	2822	503
Himachal Pradesh	0	1	19	654	139	1	1147	232	0	1	20	1801	371
J & K	0	2	6	448	98	0	706	176	0	2	6	1154	274
Jharkhand	0	3	29	910	108	7	1392	274	0	3	36	2302	382
Karnataka	1	7	70	3386	456	19	6615	577	1	7	89	10001	1033
Kerala	0	4	54	2453	369	10	6262	528	0	4	64	8715	897
MP	0	3	36	2277	436	10	3294	573	0	3	46	5571	1009
Maharashtra	3	26	86	5598	1175	35	14150	2068	3	26	121	19748	3243
North East	0	1	14	582	115	2	1023	235	0	1	16	1605	350
Orissa	0	3	56	1763	251	13	3071	263	0	3	69	4834	514
Punjab	0	9	31	1612	250	23	3144	661	0	9	54	4756	911
Rajasthan	0	3	51	2651	454	9	3852	575	0	3	60	6503	1029
Tamil Nadu	2	15	92	6124	935	26	10855	1266	2	15	118	16979	2201
UP	2	26	60	6120	858	3	8720	1797	2	26	63	14840	2655
Uttaranchal	0	1	20	713	98	0	1300	271	0	1	20	2013	369
West Bengal	2	16	59	4878	747	26	8778	1773	2	16	85	13656	2520
<b>TOTAL</b>	<b>15</b>	<b>162</b>	<b>871</b>	<b>55558</b>	<b>8869</b>	<b>266</b>	<b>98539</b>	<b>15439</b>	<b>15</b>	<b>162</b>	<b>1137</b>	<b>154097</b>	<b>24308</b>

<b>TABLE K: Pay scales of various categories of gazetted &amp; non-gazetted staff</b>	
<b>Post</b>	<b>Scales (in INR)</b>
Secretary	26000
Member Gr. "A"	24050-650-26000
Senior Higher Admin. Grade Gr. "A"	22400-600-26000
Higher Admin. Grade Gr. "A"	22400-525-24500
Senior Admin. Grade Gr. "A"	18400-500-22400
Jr. Admn. Grade Gr. "A"/ Sr. P.P.S	12000-375-16500
Jr. Admn. Grade "A" NFSG	14300-400-18300
Sr. Time Scale Gr. "A"	10000-325-15200
Jr. Time Scale Gr. "A"	8000-275-13500
Postal Service Group "B"/ Sr. Postmaster Group "B"/ Sr. PS/ AO	7500-250-12000
AAO Group "B"	7450-225-11500
Gazetted Gr. "B"/ PS in GCS Gr. "B"/ French Translator/ Dy. Manager MMS/ AE (Civil/ Electrical)	6500-200-10500
<b>Gazetted Staff: (Group "B")</b>	
HSG-I/ Postmaster/ Head Record Officer/ Asst. Superintendent/ Manager RLO/ JAO/ Librarian/ Head Sorting Assistant	6500-200-10500
IPO/ IRM/ IMM/ Librarian/ Statistical Asst./Asst. Manager MMS/ Asst. (CSS)/ Steno Gr. 'C' (CSSS)/ Office Suptd. (Postal Civil/ Electrical Circles)/ Sr. Accountant	5500-175-9000
<b>Gazetted Staff: (Group "C")</b>	
HSG-II/ Accountant- Manager RLO/ HSG Supervisor/ Foreign Post HSG II/ SPM/ Dy. PM/ Ast. Manager/ Dy. Manager/ Manager PSD/ Head Asst. PSD, Nasik/ BCR PA/JE (C & E)/ Head Clerk (Postal Civil/ Electrical Div.)	5000-150-8000
LSG Dy. PM/ Asst. PM/ Dy. Sub PM/ Asst. SPM/ SPM/ Public Relation Inspector/ LSG Supervisor/ LSG Record Officer/ LSG Asst./ Head Sorting Asst./ Supervisor Gr. I & II/ Head Asst. PSD, Nasik/ Dy. Asst. Manager/ LSG/ Charge Hand Technical/ TBOP/ PA/ Jr. Accountant	4500-125-7000
Postal Machine Assistant Gr. I/ Reader	4000-100-6000
Caretaker, UDC	4000-100-6000
<b>Driver</b>	
Driver Special Grade	5000-150-8000
Driver Grade I	4500-125-7000
Driver Grade II	4000-100-6000
Driver Grade III	3050-75-3950-80-4590
Postal Asst./ Time Scale SPM/ Sorting Asstt./ PO & RMS Accountant (Sp. Pay Rs. 180 per month)/ Platform Inspector (Time Scale)/ Stenographer/ Time Scale Clerk/ Cashier/ Storekeeper	4000-100-6000
Postal Machine Asstt. Gr.II/ LDC/ Lift Operator/ Binder(Skilled)/	3050-75-3950-80-4590

<b>TABLE K: Pay scales of various categories of gazetted &amp; non-gazetted staff</b>	
<b>Post</b>	<b>Scales (in INR)</b>
Bindery	
Despatch Rider	3050-750-3950-80-4590
<b>Highly Skilled Artisans Grade III, II &amp; I</b> Upholster/ Tyreman/ Tin & Copper Smith/ Carpenter (MMS)/ Jointer/ Blacksmith/ Painter/ Motor Vehicle Electrician/ Welder/Motor Mechanic (Vehicle)	3050-75-3950-80-4590 – 70% Posts 4000-100-6000 – 20% Posts 4000-100-6000 – 10% Posts
Postman/ Mail Guard BCR Postman/ Mail Guard TBOP Postman/ Mail Guard Entry	4000-100-6000 3200-85-4900 3050-75-3950-80-4590
Caretaker-cum-khansama	2750-70-3800-75-4000
<b>Semi-Skilled Group 'D'</b>	
Carpenter/ Machineman/ Binder/ Painter/ Stamp Vendor/ Jamadar/ Motor Vehicle Mechanic/ Motor Vehicle Electrician/ Carpenter/ Painter/ Jointer/ Tyreman/ Upholster/ Blacksmith/ Tin & Copper Smith (semi-skilled)	2650-65-3300-70-4000
<b>Group 'D'</b>	
Messenger/ Runner/ Letter Box Peon/ Orderly/ Chowkidar/ Water Carrier/ Sweeper/ Scavenger/ Farash/ Mail Peon/ Mail man/ Van Peon/ Attendant in Rest House/ Cleaner/ Form Supplier	2550-55-2660-60-3200

## **APPENDIX 2**

### **Existing Incentive Schemes**

#### **Special Incentives:**

1. Two increments to the postal assistants working on AMPC at Mumbai and Chennai
2. Special allowance of INR 150 per month to the official working on saving bank counters
3. INR 0.50 per speed post article delivered in time to postman.
4. Cash handling allowance to treasurers in post offices/ cashiers.

#### **Productivity Linked Bonus (as made available by Sixth Central Pay Commission):**

Workers employed in industrial establishments are entitled for bonus under the Payment of Bonus Act, 1965. The Act provides for a minimum bonus of 4% pay including dearness allowance. The minimum limit of 4% was raised to 8.33 from 1971-72 onwards. In 1966, the Government decided that the benefits available under the Bonus Act will also be extended to other industries that were hitherto outside the purview of the Act. Subsequently, the employees ( government industries run departmentally like Railways etc. started demanding bonus as well. They also went on strike on this issue in 1974. Thereafter, the Boothlingam Committee made certain recommendations regarding payment c bonus to the employees of various government departments. However, the recommendations made by the Committee were not finally accepted. Subsequently, the PLB scheme was implemented for the first time in Railways in 1979. The functioning of the scheme was reviewed in 1982-83 by the Bazle Karim Committee. This Committee recommended the evolution of PLB for all the Government employees as a whole. However, evolving a formula under which such PLB could be extended to all the employees was not found feasible (presently, the government employees not covered by the PLB are paid bonus as per the Ad Hoc Bonus Scheme).

PLB, as the name suggests, has to have a linkage with the increase in profitability and productivity of an organization. It is based on the assumption that the increased profitability/productivity is primarily due to the endeavor and efforts of the employees who should, therefore, be rewarded for such increase. The philosophy is unimpeachable. However, the nexus between payment c bonus and the increase in productivity/profitability in clearly discernable financial parameters has to be drawn clearly. Otherwise, the scheme can become an exercise for unjust reward to employees who will therefore have no incentive to perform better every year.

The succeeding paragraphs are the critical analysis of the extant formulae and the nexus between the increased profitability/productivity and payment of bonus under these formulae for the existing PLB scheme. This analysis is provided by the Sixth Central Pay Commission.

#### *Existing formula for Computing PLB*

The present formula for computing the PLB is based on the performance of the year 1976-77 for which 25 days wages as bonus is payable. The productivity for the base year i.e. 1976-77 is taken as 100. For each point increase beyond the base figure of 100, 1 day's additional

bonus is payable over and above the 25 days wages. Similarly, for every 0.75 decrease below the base figure, the bonus is to be reduced by 1 day. The point increase/decrease called Productivity Index (PI) is computed by the following formula:-

$$PI = \frac{\text{Total workload in equivalent units}}{\text{Total staff [All Departmental staff + 18.7\% of GDS (BPM*) and 50\% of other categories of GDS]}}$$

*\*Branch Post Master of GDS.*

### *Earlier developments*

The above formula had resulted in payment of bonus of 65 days in 2002-03. In 2003-04, the formula would have resulted in payment of PLB equal to 74 days wages, however, Department of Expenditure (whose approval is essential before any PLB can be declared by any individual department) had allowed payment of ad hoc bonus equal to 60 days wages for the said year. Earlier a ceiling of 40 days had existed in so far as payment of PLB to department of posts employees was concerned. In 1998 the Government had approved removal of this ceiling of 40 days and also approved the revised formula presently in vogue for calculating the PLB as a transitional arrangement till arrangement for Multi Stage Stratified Random Sample Survey were operationalized. The transitional arrangements for computing PLB was to be used only till 2002-03. Department of Post was categorically informed that a revised formula should be operationalized in the year 2003-04. Department of Posts, however, informed that the revised formula could not be made operational in 2003-04 as requisite survey had not been completed. Accordingly, for the year 2003-04, the Department of Posts was allowed to compute PLB for its employees on ad hoc basis with the clear directions that the final formula based on Multistage Stratified Random Sample Survey would be put in place with approval of the Cabinet for computing PLB payable for the next year. Department of Posts, however, have not done this till date. They had, in the alternative, proposed continuing the aforesaid interim formula for payment of PLB on a permanent basis with the only modifications that:

- The weightage given to Gramin Dak Sewaks (GDSs) is changed from existing 18.75% to 50% of the actual strength of Department staff and
- The volume of the unregistered traffic is estimated on the basis of the revenue accruing from unregistered articles (excluding revenue generated from Money Order Commission) with reference to the base year 1995-96.

### *Drawbacks in the existing formula*

The revised formula proposed by department of Posts for computing PLB was not satisfactory at all as:

- ✚ It would not have operationalized the Multi Stage Stratified Random Sample Survey as a permanent method of computing PLB for its employees.
- ✚ The proposal suffered from an apparent infirmity in the computation of the total work load in equivalent units in the formula proposed by the Department of Posts. Under the existing formula, counting all articles at the delivery point twice in a year for a period of 2 weeks each does computation of the total workload in equivalent units. The volume of annual traffic is then computed on the basis of the enumerated traffic during these 4 weeks. The revenue from such annual traffic is thereafter calculated by

multiplying it with figures of 'average revenue' derived on the basis of a separate annual survey. The estimated total revenue based on this exercise is compared with the accounted revenue from the sale of stamps and stationery minus the revenue generated through registered posts. A correction factor is thereafter applied. Post trends have invariably showed that the estimated total revenue worked out as per the above exercise is invariably higher than the actual revenue generated. In fact, in the past, the administrative department itself has applied a correction factor of as high as 70 % to rectify this mismatch. The present method of computing the estimated total revenue is not correct.

- ✚ The formula is broadly based on the increase in physical parameters without any reference to the increase in profit in real terms. It also does not take in account the natural increase in output that would be there in any case on account of modern technologies and implements that are also being implemented in D/o Posts.
- ✚ The investment made on modern tools and technologies and which resulted in an increased output per employee should justifiably be set off against any increase in the revenue so as to arrive at a fair estimate of the increase in productivity on account of the endeavor put in by the employees alone.

#### *Further Course of Action*

The aforesaid may show that the extant formula suffers from serious anomalies and does not at all give the correct picture about the actual productivity of the department. The formula therefore needs to be completely overhauled. A far better and accurate way to compute the total revenue could be by way of taking the actual net revenue generated from net sale of stamps/stationery/other items. The base figure could then be drawn with reference to the average net revenue generated in the last 5 years. The ratio of these figures as adjusted to neutralize the effect of inflation could perhaps give a very good indication of the increase in productivity and be utilized to give PLB to the employees concerned.

**APPENDIX 3**  
**Sample Questionnaire**

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Designation: \_\_\_\_\_  
Reporting Officer: \_\_\_\_\_

Dear Sir/Madam,

We are attaching a list of activities required in your job. Please go through these activities carefully and do the following:

STEP I: Modify this list as per your current role. You may add any activity that you are currently doing but is not given here. You may also delete activities you are not doing.

After Step I you will have a list of your OWN activities.

STEP II:

- (a) Suppose you have 100 hours at your disposal in a year. How will you distribute these 100 hours to your activities? Kindly distribute 100 hours to these activities.
- (b) Also, some activities must have more relevance for Postal Department compared to other more routine activities. Kindly distribute 100 points to these activities in the order of importance.

STEP III:

Please suggest 2-3 measures/ways to assess each of your activities, indicating which of them are already used and which are new ones. In addition, mention strengths and weaknesses of these measures.

STEP IV: Kindly evaluate the targets you submit in monthly reports (their order of importance in current scenario). Please suggest new targets or new ways of measuring existing targets, based on your understanding of your customers and technological developments.

Please send these details to the following address:

**Prof. Manjari Singh**  
**Wing 12-D, Indian Institute of Management,**  
**Vastrapur, Ahmedabad 380 015**  
**Tel: 26325316**

In case of any doubt/question, please call me at the given number.

Thank you for your time.

Yours sincerely

Manjari Singh & Rekha Jain

No.	Activities	Distributing 100 Hours	Distributing 100 Points	Measures	
<b>PERSONNEL MANAGEMENT</b>					
P1				1	U/ NU*
				2	U/ NU*
				3	U/ NU*
P2				1	U/ NU*
				2	U/ NU*
				3	U/ NU*
P3				1	U/ NU*
				2	U/ NU*
				3	U/ NU*
P4				1	U/ NU*
				2	U/ NU*
				3	U/ NU*
P5				1	U/ NU*
				2	U/ NU*
				3	U/ NU*
P6				1	U/ NU*
				2	U/ NU*
				3	U/ NU*
AP1				1	U/ NU*
				2	U/ NU*
				3	U/ NU*
AP2				1	U/ NU*
				2	U/ NU*
				3	U/ NU*
AP3				1	U/ NU*
				2	U/ NU*
				3	U/ NU*
AP4				1	U/ NU*
				2	U/ NU*
				3	U/ NU*
<b>FINANCIAL MANAGEMENT</b>					
F1				1	U/ NU*
				2	U/ NU*
				3	U/ NU*
F2				1	U/ NU*
				2	U/ NU*
				3	U/ NU*

No.	Activities	Distributing 100 Hours	Distributing 100 Points	Measures	
F3				1	U/ NU*
				2	U/ NU*
				3	U/ NU*
F4				1	U/ NU*
				2	U/ NU*
				3	U/ NU*
AF1				1	U/ NU*
				2	U/ NU*
				3	U/ NU*
AF2				1	U/ NU*
				2	U/ NU*
				3	U/ NU*
AF3				1	U/ NU*
				2	U/ NU*
				3	U/ NU*
AF4				1	U/ NU*
				2	U/ NU*
				3	U/ NU*
<b>TECHNICAL FUNCTIONS</b>					
T1				1	U/ NU*
				2	U/ NU*
				3	U/ NU*
T2				1	U/ NU*
				2	U/ NU*
				3	U/ NU*
T3				1	U/ NU*
				2	U/ NU*
				3	U/ NU*
T4				1	U/ NU*
				2	U/ NU*
				3	U/ NU*
T5				1	U/ NU*
				2	U/ NU*
				3	U/ NU*
T6				1	U/ NU*
				2	U/ NU*
				3	U/ NU*
T7				1	U/ NU*

No.	Activities	Distributing 100 Hours	Distributing 100 Points	Measures	
				2	U/ NU*
				3	U/ NU*
AT1				1	U/ NU*
				2	U/ NU*
				3	U/ NU*
AT2				1	U/ NU*
				2	U/ NU*
				3	U/ NU*
AT3					U/ NU*
					U/ NU*
					U/ NU*
AT4				1	U/ NU*
				2	U/ NU*
				3	U/ NU*
<b>COORDINATION ACTIVITIES</b>					
C1				1	U/ NU*
				2	U/ NU*
				3	U/ NU*
C2				1	U/ NU*
				2	U/ NU*
				3	U/ NU*
C3				1	U/ NU*
				2	U/ NU*
				3	U/ NU*
C4				1	U/ NU*
				2	U/ NU*
				3	U/ NU*
C5				1	U/ NU*
				2	U/ NU*
				3	U/ NU*
AC1				1	U/ NU*
				2	U/ NU*
				3	U/ NU*
AC2				1	U/ NU*
				2	U/ NU*
				3	U/ NU*
AC3				1	U/ NU*
				2	U/ NU*

No.	Activities	Distributing 100 Hours	Distributing 100 Points	Measures	
				3	U/ NU*
AC4				1	U/ NU*
				2	U/ NU*
				3	U/ NU*

**Other Comments:**

**APPENDIX 4**  
**Learnings from Workshop Organized at**  
**Indian Institute of Management Ahmedabad on May 1, 2007**

A workshop was organized at Indian Institute of Management Ahmedabad on May 1, 2007 to get deeper insights into the design and implementation of PRP. There were discussions based on presentations made by senior managers from organizations that already have PRP. The following are the key learnings from this workshop:

In order to have an effective PRP, organizations should get prepared for its implementation.

1. Performance oriented culture should be developed in the organization.
2. A climate of trust and commitment is a prerequisite for effective implementation of PRP.

Employees' perceptions regarding the processes related to PRP are very important.

3. Employees should perceive processes related to PRP as fair.
4. Awareness and education of the processes are important for the success of PRP.

Measures to assess performance need to be carefully identified.

5. The measures should be objective and quantifiable.
6. Measures should be directly linked to job outcomes and desired behaviors on the job.

Target setting process should be consultative, involving both – the assessee and the assessor.

7. Targets should be agreed upon in the beginning and reviewed periodically.
8. Performer should have clear understanding of the relation between his/her targets and business objectives
9. Expected results should come across as achievable, though not easy.
10. There must be measurable differences in individual/team performance.

The assessment process should be designed in such a way that biases and errors are minimized.

11. Criteria for good performance should be practical and well defined.
12. Managers must be trained to reduce performance biases and to provide constructive feedback.
13. PRP processes should be designed on the basis of long-term organisational goals as well as nature of work and workforce.
14. The performance evaluation process as well as the reward linked to it should be fair, accurate, consistent and transparent.

PRP is a form of signal to the employees as to what is desired of them. The rewards should achieve intended objectives of PRP.

15. Rewards should be provided contingent on taking an action or achieving a result.
16. Rewards should be timely to reinforce the desired behaviours that achieve results.
17. Rewards should be worth the effort to both performer and organisation.