

ANDHRA PRADESH STATE ROAD TRANSPORT CORPORATION

Office of the VC & MD,
MSRD, HYDERABAD-20
Date: 13-05-04

No.IE-2/512(4)/95-IED

CIRCULAR No. IED - 9/2004

Sub: PIB SCHEME - Revision of Production Incentive Bonus
Scheme for Tyre Re-treading Shops - Reg.

- Ref:** 1. Circular No. IX/1990/IED Dated. 18/JUL/1990.
2. Circular No. IE 2/206(10)/92-IED Dated. 14/DEC/1992.
3. Circular No. IE 2/206(15-B)/96-IED Dated. 1/OCT/1996.
4. Circular No. IED-7/2004, dt. 27-03-2004

1. INTRODUCTION

- 1.1. The Production Incentive Bonus scheme (PIB) for Tyre Retreading (TRS) Shops was initially introduced at Hyderabad and Vijayawada in the year 1976 and was subsequently extended to other Units at Cuddapah and Karimnagar. Further with the induction of Precured process in the year 1986, the PIB scheme for this process was evolved and introduced at TRS/Vizianagaram and was extended later to all the Units of the Corporation.
- 1.2. Considering the advantages in operating the PIB scheme in Tyre Re-Treading Shops, the validity of the scheme was extended from time to time.
- 1.3. The existing scheme was comprehensively designed and communicated to the Units vide the reference 1st cited. Further as and when the Tyre Re-Treading Shops were established at Nellore and Warangal, the scheme was extended to these Units vide the references 2nd and 3rd cited respectively.
- 1.4. The above schemes are mainly based on Time Study conducted by A.P. Productivity Council in the year 1976 and to some extent studies conducted by IED on certain limited activities.
- 1.5. Since many technological changes have taken place in Re-treading Process, a fresh Work-Study was felt necessary to evolve a new

Incentive Scheme taking care of the effect of these changes on Standard Man Minutes of different activities. It is also felt necessary to enhance Quality awareness.

1.6. As per the memorandum of settlement with the Recognized Union arrived on 25-5-1995, it was mutually agreed that the work-study would be conducted in Tyre Retreading Shops for the Revision of **PIB** Scheme. It was also agreed that the present scheme would continue until the next revision.

1.7. Subsequently it was decided to entrust the task of conducting Time Study to M/S. A.P. Productivity Council. Accordingly M/s APPC conducted Time Study. Basing on the study results and as per Memorandum of Settlement, with then Recognised Union the present PIB scheme comes into force with effect from the production month of June' 2004, and will be valid up to March of 2007. The revision of TRS man-minutes and man-hour rate will be taken up simultaneously for implementation with effect from 1.04.2005.

2. **SALIENT FEATURES:**

2.1. For the purpose of incentive payments, Tyre Retreading Shops are divided Into following groups.

a) **PRODUCTION GROUP** - It consists of staff attached to production activity. There will be only one production group in each TRS.

b) **GENERAL GROUP** - It consists of all other supporting staff including sweepers except (as at present) the Office and Security Staff.

2.2. The performance level of the production group is taken as Unit of measurement for calculating the payable incentive amount. For that purpose the base performance level is reckoned as **80%** of the unit. Once this performance level of the unit is crossed, the sharing of the savings on Labour cost between workmen and management will be as follows. The payable incentive amount is to be calculated slab wise as given below:

SLAB	SHARING	APPLICABLE PERFORMANCE LEVEL RANGE
	Workmen : Management	
I st Slab	80 : 20	For the Performance Level above 80% and up to 100%.
II nd Slab	90 : 10	For the Performance Level above 100% and up to 110%.
III rd Slab	95 : 5	For the Performance Level above 110% and up to 125%.

2.3. The maximum performance level of Tyre Retreading Shop is limited to **125%** in order to ensure quality of production.

2.3.1 **Premature Failure Clause:** To increase the quality awareness among the employees, a minimum guaranteed life in a processed tyre in the form of Premature Failure Clause is being incorporated. Since the penalty clause is being introduced for the first time and also taking in to account the fact that maximum number of tyres processed at TRS will be RC tyres, it is proposed to initially incorporate the penalty clause on RC tyres only and later consider extending it to RT Tyres and Repairs also. In case of precured RC process, the minimum guaranteed premature failures life will be **5000 kms**. Hence the total RC Tyre output of the unit should be reduced by the extent of premature failure RC Tyres (Cross Ply and Radial) classified by TRS. And this will be the net output of RC Tyres to be taken in to production.

2.3.2 **Process Failure Clause:** It is proposed to include all the production processes of TRS namely RC/RT & REP for the purpose of application of Process Failure Clause. The piece rate RC production to meet additional peak demand (which is of contract type) is to be excluded for this purpose. Further, all types of failures are to be accounted to calculate Process Failure Rate.

2.3.3 Out of the total payable incentive amount thus arrived, 20% amount be set aside for applying process failure clause and the remaining 80% amount is payable directly.

2.3.4 The 20% amount apportioned to Process Failure Clause is applicable/payable as per the failure rate slabs shown below:

Sno	SLAB for Process failures	ELIGIBILITY
1	Equal and below 0.70%	100%
2	Equal and below 0.85% and above 0.70%	80%
3	Equal and below 1.00% and above 0.85%	50%
4	Above 1.00%	No payment

2.3.5 The payable incentive amount in this clause when added to directly payable 80% incentive will give the **net payable incentive amount**.

2.3.6 **Input of the Unit:** The input of Tyre Retreading shop is calculated in terms of total Standard Man Hours, which is the total staff in production group multiplied by average effective man-hours available on each workman in a production month.

2.3.7 The Average Effective Man Hours available for production per worker in a Production month are **152** after making provisions for the following allowances:

1. Dress change and hand cleaning
2. Tea and refreshments
3. Leave reserve etc.

2.3.8 **Output of the Unit:** The output of the unit in terms of total Standard Man Hours is the total production turned out during the production month less the total man-hours for premature failure, as per the criteria stipulated.

2.3.9 The major produced items dispatched to J-ward for final use are in the form of **Tyres**. Keeping in view the above factor and to have openness to audit, all the production job activities for which Standard Man Minutes are available have been converted into Tyre Standard Man minutes by way of Weighted Average System for individual TRS separately. The Tyre Standard Minutes along with

their Std. Minutes, which are applicable with the production month June'04 are shown in following table:

TRS-WISE STANDARD MAN MINUTES:

Sl.no.	Description	TRS - WISE STANDARD MAN MINUTES						
		HYD	KRMR	VZM	VJA	KDP	NLR	WL
1	RC Tyre	112.92	116.81	113.96	113.13	134.60	116.70	114.00
2	RT Tyre	200.99	204.85	201.93	201.15	222.65	204.73	202.19
3	Repair	101.51	79.53	92.39	128.49	132.87	101.93	41.20
4	Repair Tyre Curing	20.53	20.53	20.53	20.53	20.53	20.53	20.53

2.3.10 Further it is necessary to review the Weighted Average System of calculations periodically as there will be variation from time to time in number of repairs to be carried out on RC/RT/REP Tyres which in turn have an impact on Standard man-minutes for each. It is decided to revise these calculations **once in every two years** along with the revision of Man Hour Rate. Therefore, Tyre Re-treading Shops have to maintain and submit the DATA on Repairs such as Patches, Majors and Uniseals duly specifying whether the Repair is done on RC/RT or Repair tyres along with the production statements shown at Annexure II and II A

2.3.11 The revised weighted average Man Minutes, based on the data from April' 2003 to January' 2005 will be implemented with effect from 1.04.2005.

2.4 Method of calculation of Performance Level:

2.4.1 The input of TRS is computed in terms of standard man-hours by multiplying the total staff in the production section with 152.

2.4.2 The % of Performance Level (PL) of the Unit for any production month is calculated as follows:

$$\% \text{ of PL} = \frac{\text{Output during the production month} \times 100}{\text{Manpower in production group} \times 152}$$

2.5 **Calculation of Payable Incentive Amount:**

2.5.1 The workmen of Production Group are divided into two categories, Class-III and Class-IV for the purpose of paying incentive. These two categories are paid incentive amount in the ratio of **1.2: 0.8**.

2.5.2 Total payable incentive amount in a Unit is Workmen's share of Labour Cost savings in different slabs of performance levels after crossing the performance level of 80%. These Labour Cost savings are calculated basing on Man Hour Rate and saved Man Hours. An illustration in this regard and the Proforma for payable incentive calculations are given at Annexure-I and II respectively. The payable incentive calculations are to be audited by DY.CAO/AO concerned and post audited sheets shall be approved by CE (IE & C) prior to distribution of incentive of subsequent month.

2.5.3 Instructions on the computation of man-hour rate and period to be considered for computation given vide Circular No. IED-5/1995 dated 25/5/1995 stands good. Man Hour Rate is computed in the month of April every two years considering salaries restricted to **(PAY + DA only)** paid to all workers of the unit during the preceding three months i.e. January, February and March and the gross available Hours of **192** per workman per month. The supervisors and their salaries are excluded for this purpose. The Man Hour Rate thus computed by the Drawing Officer and audited by DY.CAO of the concerned Zone shall be made applicable after the approval of CE (IE & C).

2.5.4 Equivalent men of production group shall divide the net Payable Incentive Amount arrived after the application of Process Failure Clause. Equivalent workmen of production group is calculated as illustrated below:

Say there are 30 Class-III and 20 Class-IV workmen in a production group.

$$\text{Equivalent workmen} = 1.2 \times 30 + 0.80 \times 20 = 36 + 16 = 52$$

The amount thus earned by the equivalent workmen as calculated above have to be multiplied by the weightages 1.2 and 0.8 to arrive at the actual Payable Incentive Amount of a Class-III and Class-IV workman respectively.

2.5.5 The workmen of General group are eligible to receive the Payable Incentive Amount on par with the corresponding category of Production Group.

2.5.6 THE WORKED OUT ILLUSTRATION IS PREPARED AND FILED AT ANNEXURE-I.

2.5.7 Further, the rates of Incentive Amount payable to Officer-in-charge of TRS and its Supervisors inclusive of allowance are as follows subject to the condition that the TRS becomes eligible for payment of incentive:

1. Officer in-charge	Amount payable to Skd. + Rs.50/-
2. Asst.Engineer (Vul.)	Amount payable to Skd. + Rs.25/-
3. Supdt. (Vul.)	Amount payable to Skd. + Rs.20/-
4. Dy. Supdt (Vul.)	Amount payable to Skd. + Rs.15/-
5. Leading Hand	Amount payable to Skd. + Rs.10/-

2.5.8 Sweepers engaged against sanctions, working in Tyre Retreading Shops are eligible to receive Payable Incentive on par with the Class-IV workmen subject to their furnishing a written commitment to adhere to the timings and eligibility conditions applicable to the Class-IV workmen of Tyre Retreading Shop.

2.5.9 The Casual workmen (if any) engaged against sanctions are also eligible to receive Payable Incentive Amount on par with the workmen of corresponding category subject to other eligibility conditions being fulfilled. If casual workmen are taken into production group, they shall be included for base and production performance computation.

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2.6. Terms and Conditions for Eligibility of Incentive Amount:

2.6.1. Attendance:

- A. A Workman/Supervisor/Officer is eligible for incentive amount only if his absence from work does not exceed:
 - a) 10 days in a production month in case he has leave to his credit.
 - (OR)
 - b) 5 days in a production month in case he does not have sufficient leave to his credit to cover the period of absence.
- B. The staff deputed for training in Fire Fighting /Home guards/Improvement of Skills in the trade and for participation in sports in and outside the state are eligible to receive production incentive amount irrespective of the period of such training. The concerned Works Manager (ZWS) will decide the maximum no.of participants in such training program(s).
- C. In case an employee avails special casual leave for more than 10 days due to Infectious diseases, the employee is not eligible to receive incentive amount.
- D. In case an employee avails special casual leave for sterilisation operation, the employee is eligible to receive the incentive amount on pro-rata basis for the number of days worked in that production month in case the total leave availed is more than the limit of attendance clause.

2.6.2. Strikes etc:

- A. The employees who have participated in a strike / agitation / work to rule / lightening Strike / tool down strike etc., are not eligible to receive the incentive amount.
- B. The employees who have attended to their duties on the day of strike / agitation / work to rule / lightening strike / tool down strike etc., without participating in it are eligible to receive incentive amount even if a section of employees participated in Strike / Agitation etc., subject to fulfillment of all other eligibility clauses.

2.6.3. Transfers:

- A. If an employee who has worked in a group for more than 15 days in a Production month and subsequently transferred to other places (Out side the TRS) on administrative grounds, he should be included in the base production of the group and is eligible for the incentive of the group in which he has worked for more than 15 days.
- B. If an employee on promotion is retained in the same group or transferred to any other group, the incentive amount and the base production be calculated in that group and cadre where he has worked for more than 15 days.

2.6.4. New Appointments:

In case an employee is appointed after 10 days in a production month and worked for the remaining period of the production month, which is less than 20 days, he is not eligible for the incentive amount.

2.6.5. Lifting of Suspension:

In case an employee resumes his duty after lifting the suspension after 10 days in a production month and works for less than 20 days, he is not eligible to receive the incentive amount.

2.6.6. Diversion of Amounts accrued on application of Absenteeism Clause:

The incentive amount accrued due to application of Absenteeism Clause should be diverted to the canteens, wherever available. Wherever the Canteen facility is not available, the above amount accruing due to absenteeism clause shall be distributed among the eligible employees uniformly. For this purpose the Supervisors' Absenteeism accrued amounts should not be taken into account. In case the Canteen facility is available, such accrued amounts (except in case of supervisors) have to be diverted and credited to respective account Head No.0620 as prescribed in Cir. No. PD-74/1998 dated 19/8/98. The concerned Works Manager with the concurrence of

Dy.CAO (Zone) shall permit draws from the amounts so accrued only to the extent of loss if any incurred by the Canteen.

2.7 Delegation of Powers:

- I Increase in manpower due to increase in demand shall be done with the prior approval of ED (E) in consultation with CE (IE & C) though the sanctions are available.
- II Reduction of base in Production group for reason of staff being long absent/sick/leave etc., for a period of more than 6 months shall be done with the approval of ED (Zone) and the concurrence of Dy.CAO (Zone).
- III The right to recover or to arrange incentive payment as the case may be arising out of errors in calculations if any detected at a later date rests with CE (IE & C).
- IV Officer in-charge of all Tyre Retreading Shops should submit the **Production Statements** and **Audited Production Incentive Claim** sheets to CE (IE & C) for verification and record who will in turn give clearance to pay next month's incentive to avoid excess/short payments.
- V ED (E) is authorised to make any changes in the scheme as may be considered necessary from time to time in consultation with CE (IE & C).
- VI For any increase in General Men deployment, prior approval of ED (E) in consultation with CE (IE & C) shall be obtained.
- VII ED (E) is authorised to relax the ceiling of 125% Performance Level considering the Production Demand in consultation with CE (IE & C).
- VIII Transfer of men from General group to Production group within TRS shall be done with the prior approval of ED (Zone) and concurrence of Dy.CAO (Zone).
- IX Transfer of men from TRS to other units and vice-versa keeping the General Men deployment unaltered shall be done with the approval of ED (Zone) and the concurrence of Dy.CAO (Zone).

X Works Manager (ZWS) is authorized to reduce the base production in case an employee is removed/terminated/expired/retired or promoted as Supervisor duly making an endorsement in the Production Incentive Claim sheets.

XI CE (IE & C) is authorised to revise the weighted average Man Minutes depending upon the actual work content at each Tyre Retreading Shop and also to fix standard Man Minutes for new jobs, if warrants.


2.8. These Circular instructions supercede all the previous Instructions on PIB Scheme of Tyre Re-treading Shops. This Revised Scheme comes into force with effect from June' 2004 and will be valid up to March' 2007.

2.9. Corporation reserves the right to extend, curtail, or modify the scheme as deemed fit during its validity.

Sd/-
VICE-CHAIRMAN & MANAGING DIRECTOR

Copy to: All EDs /FA/CAO,; All RMs/HOD'S,
: All Dy.CTMs/Dy.CMEs/Dy.CAOs/Dy.CAO (TA&I) 20
Copies, /Principals of ZSTC, All DMs/AOs/ A.G.Audit, RTC Branch,
Hyderabad.
: The General Secretary, A.P.S.R.T.C., NMU, Vidyanagar, Hyderabad,
: The Secretary General, A.P.S.R.T.C., E.U., Satyanarayana reddy
Marg, Hyderabad.

Attested


EXECUTIVE DIRECTOR (MIS)

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ANNEXURE - I

ILLUSTRATION FOR CALCULATING PRODUCTION HOURS AND % OF PL:

PRODUCTION PARTICULARS:

1	No. of RC Tyres	:5539
2	No. of RT Tyres	:877
3	No. of Repair Tyres	:2680
4	No. of Tyres Classified as Premature Failure	:140
5	% of Process Failure	:0.8%
6	No. of RC Tyres to be claimed for incentive	:5539 - 140 = 5399

PRODUCTION CALCULATION:

Sno	Description	Std.mints	No. of tyres	Production hours
1	Cross Ply tyre			
1	R.C. tyre	119.43	5539	10746.71
2	R.T. tyre	207.50	877	3032.96
3	Repair tyre	116.27	2680	5193.39
Total Prod. hours				18973.06

Production men = 81 skilled + 21 un skilled = Total 102
 General men = 5 skilled + 14 un skilled = Total 19
 Equivalent men of production section = (81 X 1.2 + 21 X 0.8) = 114.00
 BASE PRODUCTION HRS = MEN X 152 X 80% PL = 102 X 152 X 0.8 = 12403.20
 PERFORMANCE LEVEL (%) = PRODN.HRS X 0.80 / BASE HRS
 18973.06 X 0.8 / 12403.20 = 122.38%

ILLUSTRATION FOR CALCULATING PAYABLE INCENTIVE AMOUNT:

- Let there be 102 Men in Production Group.
- The available Standard Man Hours per head in a month are 152.

Output:

1. At 80% 102 x 152 x 0.80 = 12403.20. Hours.
2. At 100% 102 x 152 x 1.00 = 15504.00 Hours
3. At 110% 102 x 152 x 1.10 = 17054.40 Hours

- Let the Man Hour Rate be Rs.30.00/-

- Amount payable (Man Hours Saved x Man Hour Rate x Workmen Sharing):

1. At 100% PL (15504.00-12403.20) x 30 X 0.80 = Rs.74419.20
2. At 110 % PL (17054.40-15504.00) x 30 x 0.90 = Rs.41860.80
3. At 122.38 % PL (18973.06-17054.40) x 30 x 0.95 = Rs.54681.81

**Total =
Rs.170961.81**

- i) Incentive Payable Directly i.e. 80% of total incentive earned =
Rs. 170961.81 X 0.8 = Rs. 136769.45

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Incentive apportioned towards Process Failure Clause i.e. 20%
Rs. 170961.81 X 0.2 = Rs. 34192.36

a) Eligible sharing (i.e. 0.85% to 0.70%) = 80%
Amount eligible (Rs. 34192.36 X 0.80) = Rs. **27353.89**

c) Total amount Eligible towards incentive i.e. (a + b) =
Rs. 136769.45 + Rs. 27353.89 = Rs. **164123.34**

d) Incentive amount to **skilled** (Production and General)
= $\frac{164123.34 \times 1.2}{114.00}$
= Rs. **1727.61**

e) Incentive amount to **un skilled** (Production and General)
= $\frac{164123.34 \times 0.8}{114.00}$
= Rs. **1151.74**

In this way the Payable Incentive Amount be calculated PL slab wise as mentioned above. If the Performance level falls between two slabs, PRO-RATA basis be adopted for calculating Payable Incentive Amount.

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ANNEXURE IV

PRODUCTION PARTICULARS TO BE SUBMITTED EVERY MONTH ALONG WITH PIB CLAIM SHEETS

CROSSPLY TYRES

1. No of RC tyres:
2. No of RT tyres:
3. No. of repair RC tyres
4. No. of Repair RT tyres
5. No. of repair re-use tyres
6. No. of lug fillings

Consumption of patches on :

	Repair RC	Repair RT	Repair re use	TOTAL
UNI SEAL				
UNIPATCH				
MAJOR				
TOTAL				

RADIAL TYRES

1. No of RC tyres:
2. No of RT tyres:
3. No. of repair RC tyres
4. No. of Repair RT tyres
5. No. of repair re-use tyres
6. No. of lug fillings

Consumption of patches:

	Repair RC	Repair RT	Repair re use	TOTAL
UNI SEAL				
UNIPATCH				
MAJOR				
TOTAL				