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No.NC-JCM-2014/7<sup>th</sup> CPC

June 30, 2014

The Member Secretary,  
7<sup>th</sup> Central Pay Commission,  
New Delhi

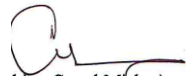
Dear Madam,

Sub:- Submission of Memorandum on issues common to all Central Government employees.

On behalf of all the participating Associations / Federations in the JCM, we submit herewith our Memorandum on issues Common to all Central Government Employees. The memorandum is in two parts. Part one deals with Pay, allowances, advances, facilities, benefits et., Part II is concerning retirement benefits, viz gratuity, Pension, Medical facilities etc.

Thanking you,

Yours faithfully,



(Shiva Gopal Mishra)

**Memorandum to the 7<sup>th</sup> Central Pay Commission: Submitted by the JCM Staff Side**  
**Part I**  
**On Common Issues concerning all Central Government Employees**

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## PREFACE

The 6<sup>th</sup> CPC submitted its report in March 2008. It made major changes in the structure of pay scales by introducing the concept of Pay band and Grade Pay. Their recommendations were implemented with effect from 1.1.2006. There was plethora of anomalies, common as well as department specific. None of these anomalies were removed despite several rounds of discussions.

1.2. On 1.1.2011, the percentage of DA entitlement crossed over 50%. Since the erosion of the value of wages by that time had become enormous, the demand for merger of DA was raised by the employees. Some of them demanded setting up of the 7<sup>th</sup> CPC on the plea that the residency period of any wage structure must not exceed 5 years, especially in the background that the pay revision in most of the PSUs takes place at the interval of 5 years. They also pointed out that unlike the 5<sup>th</sup> CPC, the 6<sup>th</sup> CPC had not suggested as to when the next wage revision must be attempted. The Government ignored those demands, despite well knowing that the inflation and abnormal price rise of food and other essential commodities had reduced the purchasing capacity of the government employees significantly.

1.3 Government refused to discuss these demands either bilaterally or at the forum of JCM. A section of the employees went on a day's strike action, while the industrial workers in the Railways and Defence took the strike ballot. Climate of confrontation emerged. Taking note of these developments, Government in September 2013 announced the setting up of the 7<sup>th</sup> CPC. The Standing Council of JCM, National Council met on 24<sup>th</sup> October, 2013 to discuss various issues connected with the finalisation of the terms of reference of the Commission. The following suggestions were made for incorporation in the Terms of Reference (TOR):

The Commission should have a labour representative.

DA (as on 1.1.2014) to be merged and treated as pay for all purposes.

To include Gramin Dak Sewaks within the ambit of 7<sup>th</sup> CPC.

To grant Interim Relief @ 25% of Pay + GP.

To ensure that the 7<sup>th</sup> CPC recommendation will be effective from 1.1.2014.

To ensure parity in pension for all pensioners as per the 5<sup>th</sup> CPC recommendation.

1.4 In spite of holding out assurance, no further discussions were held. The Government unilaterally notified the Terms of Reference. The Staff Side has now submitted a memorandum to the 7<sup>th</sup> Central Pay Commission on the twin issues, i.e. the need to grant interim relief and merger of Dearness Allowance.

1.5 It will be the endeavour of the Staff Side to bring about commonality of approach on all issues concerning the wages, allowances and other relevant matters, as was the case on the

previous occasions. We are hopeful that all the Associations/ Federations/Unions of Central Government employees will endorse this memorandum, prepared by the Staff Side, National Council, JCM on their behalf. No doubt they will submit separate memoranda on department specific issues.

1.6 With this introduction, we submit this memorandum (Part I and II) to the 7<sup>th</sup> CPC for their consideration.

**Part I**  
**Chapter II**  
**Employment under Central Government**

We have relied upon two Governmental sources to prepare the requisite data needed to analyse the trend of growth or decline in the number of personnel employed by the Government of India. The Pay Research Unit, functioning under the Department of Expenditure has published the brochure carrying data up to the financial year 2011-12. The Director General, Employment and Training has published the Census of Central Government Employees which carries details upto the year 2008-2009 (31.3.2009). The tables appended to this chapter are sourced from the above mentioned Brochures.

2.2. Table 2-1 depicts the sanctioned and working strength group-wise , for a period covering 7 years from 2005-06 to 2011-12, whereas Table 2.2 indicates the position in 1995-96 and 2011-12. The sanctioned strength as in 1995-96 (for all groups together) which stood at 4215932 shrunk to 3684543 in 2011-12. The reduction effected through abolition of posts or whole scale conversion of Department in to PSUs was of the order of 531389 (12.6%). When it is viewed with reference to the working strength (men in position), the reduction was 808248 (20.7%). The difference between the sanctioned strength of 1995-96 and working strength of 2011-12 was as huge as 1131402. In other words, the government was functioning with almost 27% less man power, even though the man power requirement in the 16 years between 1995-96 to 2011-12 had enormously increased due to the expansion of Governmental activities both extensively and intensively. The canard that was spread throughout the period that the government had accumulated a lot of flab in the post independent era, unfortunately gathered momentum, which led the government to set up the Expenditure Commission, in the wake of 5<sup>th</sup> CPC wage revision. Not being satisfied with the speed of abolition of posts, Government issued an executive fiat in 2001, whereby two-third of all vacant posts was directed to be abolished in the name of Annual Direct Recruitment plan. The posts are normally created in government after a procrastinated inter-departmental study. The Cabinet has to give its assent for the proposal for creation of posts to materialise. In the process of implementation of the said executive fiat, which was in currency from 2001 to 2009 (nine years continuously), the posts created after such thorough deliberations and with the seal of approval from the highest political forum was simply ordered to be abolished arbitrarily. This created a void, which affected adversely the very functioning of some departments, making it necessary for the heads of organizations either to outsource the functions or contract it out or engage personnel on fixed time period contract basis, giving room for plethora of administrative problems. The efficacy, built assiduously over the years by the Departments was destroyed. The Citizens Charter prepared by these Departments, remained only as an ornamental piece on the walls of Government offices.

2.3. Incidentally, it may be noted from Table 2.2 that there had been no reduction or abolition in Group A posts while the sanctioned strength of Group B (Gazetted) posts which, however, has no element of direct recruitment was reduced.

2.4 The illogical directive, conceived by the Department of Personnel as a means to speed up the process of pruning brought in its wake the undesirable practice of exploiting the job seekers. They were driven to the doors of unscrupulous contractors for pittance of wages. What we would like to bring to the notice of the Commission is that the existence of a large array of personnel employed by the Government through contractors and other methods in violation of the laws of the land, whose number is invisible in the statistical data, we have reproduced in this chapter. Though reprehensible, it is a fact that there had been a concerted effort on the part of the Government to push a major segment of the governmental functions into informal sector where employment need not be in consonance with the existing rules and regulations.

2.5 We fervently hope that the Commission will be able to collect the data of such informal employment by each department; data of the functions outsourced; and the expenditure incurred thereon to get a fair view of the number of persons actually employed by the Government of India in carrying out its day to day activities.

2.6 From the figures depicted in Table 2.3, it could be seen that Railways continue to be the biggest employer engaging the largest number of Government employees. As on 1.3.2012 Railways had on their rolls, 1305700 persons, of which 1288400 are Group C employees. Ministry of Home Affairs, under whom the para-military forces function, has taken the second position with 830276 persons employed as on 1.3.2012. They have pushed the Defence Ministry to third position. During the period between 1995-96 and 2011-12, unlike in many other organizations, there had been no abolition of posts in para-military services. In fact there had been a constant increase in their number. In the year 1995-96, the Ministry of Home Affairs had 5.7 lakh employees. As on 1.3.2012 it rose to 9.3 lakhs indicating the increasing concern of the security of Government establishments and installations.

2.7 Defence civilian employees number about 368594 with a percentage share of 11.95. Postal employees are 211107 (6.84%), Revenue 98787 (3.2%) and others 270066 (8.76%). These figures clearly indicate that large majority of Central Government employees (88%) are either industrial or operational staff. Hardly 10% constitute the administrative, technical, professional and clerical staff. Vast majority of the employees is deployed in those organizations providing goods and services. The general impression that the wage bill of Central Government is for administrative purposes is, therefore, ill-conceived.

2.8. As per Table No.2.4. of the total number of regular employees as on 31.3.2009 (for which the figures are available) the number of woman employees were 311002, i.e., 10.04%. Railways have 28.66% with reference to total woman employees and just 6.43% with reference to railway workers. The respective figures for Communication Ministry is 11.10 and 15.78 for Defence civilians, 12.66 and 10.79 and in the case of others 47.58 and 13.11.

2.9. The largest number (25.89 i. e. 802194 persons) of employees as on 31.3.2009 was in the Grade Pay bracket of 2400 and 2800. Location-wise, largest concentration of Central

Government employees was in Delhi, i.e., 203051 (6.55%) due to the fact that all Central Ministry headquarters are located at Delhi.

2.10. Table No. 2.7 reveals the declining trend of regular employment in Central Government. In 1990, as per the census of Central Government Employees prepared by Director General of Employment and Training (DGET) the number of regular employees was 37.74 lakhs which got reduced to 30.99 lakhs in 2009 (Figures are available up-to 2009). The index (Base Year 1971 = 100) has come down from 141.27 (in 1991) to 114.82 (in 2009). The DGET has highlighted the following indicators that emerged from the census:

- (1). As per the result of Census Enquiries, the total regular employment under Central Government as on 31<sup>st</sup> March, 2009 was 30.99 lakh as against 31.12 lakh on 31<sup>st</sup> March, 2008. The employment has, thus, recorded a decline of 0.42% in 2009 over 2008.
- (2). Employment in Ministry of Railways was the highest (44.74%) followed by the Ministry of Home Affairs (24.14%), Defence civilian (11.77%), Communications & IT (7.06%) and Finance (3.49%). Other Ministries/Departments collectively shared the rest of 9% of the total Central Government regular employment.
- (3). Out of 30.99 lakh regular employees, 3.11 lakh were women. The proportion of women in the total employment is almost static, around 10% in the year 2009, 2008 and 2006.
- (4). About 95% of regular Central Government employees were Non-Gazetted. The overall ratio of Gazetted to Non-Gazetted employees was 1:19. In the case of Ministry of Railways, however, this ratio was 1:114.
- (5) Amongst regular Central Government employees, 63% were holding Group-‘C’ posts and 26% were in Group-‘D’ posts. About 8% were holding Group-‘B’ posts whereas employees holding Group-‘A’ posts were only about 3%.
- (6). About 90% of regular Central Government employees were found in the Grade pay of Rs. up to 1800 to Rs. 5400 which mainly consists of Group ‘B’, Group ‘C’ and Group ‘D’ posts. Only 0.16% employees were in the highest scale i.e. HAG + Apex & Cabinet Secretary level.
- (7). Amongst regular Central Government employees, 18% were working at offices located in ‘X’ class cities and 29% in ‘Y’ class cities. The percentage of employees in all the cities/areas other than class X and Y cities was 53%.
- (8). Amongst States and Union Territory Administrations, the highest number of regular Central Government employees was in the State of Uttar Pradesh (9.51%) followed by Maharashtra (9.06%), West Bengal (8.54%), Delhi (6.55%), Andhra Pradesh (5.97%), Tamil Nadu (4.79%) and Madhya Pradesh (4.07%). In remaining States/U.Ts the proportion was less than 4%.

2.11. In the chapter dealing with the State of Economy of the country, we have given a Table (3.4) indicating the declining trend in the percentage share of wages and allowances with reference to both revenue receipts and expenditure. The 3<sup>rd</sup> CPC has gone on record to state that a fall in the percentage share of wages and allowances against the revenue receipts/expenditure will provide the requisite leeway for the Government without placing any undue strain on the exchequer. One of the oft-repeated contention is that increase in the wages of government employees would generate demand-pull inflation, which ultimately reduce their purchasing power to the levels before the said revision. This is not only fallacious but mischievous too. As observed by the National Commission on Labour (in the context of grant of Dearness Allowance) the inflationary pressure due to wage increase is extremely insignificant. With every organized sector of the economy securing benefits through collective bargaining it is unethical to single out the government employees and that too on an untested hypothesis of demand pull inflation. In fact as mentioned elsewhere in this memorandum, the central

government employees had been bearing the brunt of the consequences of inflation. When the avowed objective of public policy is to expand employment opportunities and raise the level of productivity, protection of existing real wages and normal rates of growth of such wages cannot be portrayed by any stretch of imagination, as anti-development.

Table 2.1  
Gr.A

Year	Number of sanctioned posts	Number of incumbents in position	Number of vacant posts	Percentage of vacant posts to total sanctioned posts in the group
2005-06	91414	79005	12409	13.57
2006-07	91750	78987	12763	13.91
2007-08	93360	79469	13891	14.88
2008-09	93616	80663	12953	13.84
2009-10	96504	82926	13578	14.07
2010-11	98977	84474	14503	14.65
2011-12	100869	87960	12909	12.80

B(G)

Year	Number of sanctioned Posts	Number of incumbents in position	Number of vacant posts	Percentage of vacant posts to total sanctioned posts in the group
2005-06	87038	80150	6888	7.91
2006-07	83147	76093	7054	8.48
2007-08	81701	74177	7524	9.21
2008-09	88890	79446	9444	10.62
2009-10	91307	80405	10902	11.94
2010-11	86657	76479	10178	11.75
2011-12	86840	76724	10116	11.65

B(NG)

Year	Number of sanctioned Posts	Number of incumbents in position	Number of vacant posts	Percentage of vacant posts to total sanctioned posts in the group
2005-06	71960	60086	11874	16.50



2006-07	73253	62500	10753	14.68
2007-08	73906	60833	13073	17.69
2008-09	102075	78626	23449	22.97
2009-10	115086	95483	19603	17.03
2010-11	142098	116249	25849	18.19
2011-12	144454	113477	30977	21.44

C(NG)

Year	Number of sanctioned posts	Number of incumbents in position	Number of vacant posts	Percentage of vacant posts to total sanctioned posts in the group
2005-06	2343081	2071299	271782	11.60
2006-07	2343359	2075497	267862	11.43
2007-08	2346621	2091793	254828	10.86
2008-09	2337494	2094655	242839	10.39
2009-10	3299398	2809545	489853	14.85
2010-11	3335797	2804736	531061	15.92
2011-12	3352380	2806369	546011	16.29

Gr.D

Year	Number of sanctioned posts	Number of incumbents in position	Number of vacant posts	Percentage of vacant posts to total sanctioned posts in the group
2005-06	932985	818445	114540	12.28
2006-07	955024	816193	138831	14.54
2007-08	966600	810560	156040	16.14
2008-09	942208	773953	168255	17.86

Unclassified

Year	Number of sanctioned posts	Number of incumbents in position	Number of vacant posts	Percentage of vacant posts to total sanctioned posts in the group
2005-06	291	289	2	0.69
2006-07	4	4	0	0

Table 2.2.

Statement showing sanctioned and working strength Group-wise in 1995-96 and 2011-12 of civilian employees of the Government of India. (including para- military force personnel)

## Group A

Year	Sanctioned Strength	Working Strength	Vacant Posts	%of Posts	Vacant Posts
1995-96	89262	76891	12371	13.86	
2011-12	100869	87960	12909	12.80	

## Group B(G)

Year	Sanctioned Strength	Working Strength	Vacant Posts	%of Posts	Vacant Posts
1995-96	95652	86694	8958	9.77	
2011-12	86840	76724	10116	11.65	

## Group B(NG)

Year	Sanctioned Strength	Working Strength	Vacant Posts	%of Posts	Vacant Posts
1995-96	93166	87203	7963	8.55	
2011-12	144454	113477	30977	21.44	

## Group C

Year	Sanctioned Strength	Working Strength	Vacant Posts	%of Posts	Vacant Posts
1995-96	2674836	2476146	198690	7.42	
2011-12	3352380	2806369	546011	16.29	

## Group D

Year	Sanctioned Strength	Working Strength	Vacant Posts	%of Posts	Vacant Posts
1995-96	1237682	1142788	94894	7.66	
2011-12	0	0	0	0	

## Unclassified

Year	Sanctioned Strength	Working Strength	Vacant Posts	%of Posts	Vacant Posts
1995-96	25334	23056	2278	9.38	
2011-12	0	0	0	0	

## Total

Year	Sanctioned Strength	Working Strength	Vacant Posts	%of Posts	Vacant Posts
1995-96	4215932	3892778	325154	7.71	
2011-12	3684543	3084530*	600013	16.28	
Reduction	531389	808248	(-)274859		
	12.6% w.r.to s/s/95-96	20.7%w.r.to w/w of 95-96			

\*The difference between the sanctioned strength of 1995-96 and the men in position in 2011-12 is 1131402, which works out to 26.83% with reference to the S/S of 1995-96

Source: Brochure on Pay and allowance of Central Government Civilian Employees 2011-12 and 1995-96.

Note: During the period between 1995-96 and 2011-12 (16 years) the total number of posts abolished in all categories works out to 531389 which is 12.6% of the SS of 1995-96 and the vacancy position rose from 325154 to 600013 i.e. from 7.71% to 16.28%. The brunt of the reduction had been borne by Group B Non-gazetted and Group D.

**Table 2.3**  
**GROUP WISE & STATUS-WISE NUMBER OF CENTRAL GOVT. CIVILIAN REGULAR**  
**EMPLOYEES AS ON 1.3.2012. IN MAJOR MINISTRIES/ DEPARTMENTS**

		A*	B(G)	B(NG)	C	Total
1	Railways					
	S/S	8748	7652	0	1560388	1576788
	Percentage	8.67	8.81	0	46.55	42.8
	W/S	9228	8072	0	1288400	1305700
	Percentage	10.49	10.52	0	45.91	42.33
2	Home Affairs					
	S/S	18953	2390	42776	864815	928934
	Percentage	18.79	2.75	29.61	25.8	25.21
	W/S	14817	1763	32921	780775	830276
	Percentage	16.85	2.3	29.01	27.82	26.92
3	Diffence(Civilian)					
	S/S	13773	12213	14518	443233	483737
	Percentage	13.65	14.07	10.05	13.22	13.13
	W/S	13185	11847	11174	332328	368594
	Percentage	14.99	15.44	9.85	11.84	11.95
4	Posts					
	S/S	610	1155	5639	203703	211107
	Percentage	0.61	1.33	3.9	6.08	5.73
	W/S	610	1155	5639	203703	211107
	Percentage	0.69	1.51	4.97	7.26	6.84
5	Revenue					
	S/S	8255	24144	31355	74569	138323
	Percentage	8.18	27.8	21.71	2.22	3.75
	W/S	5881	20885	23353	48668	98787
	Percentage	6.69	27.22	20.58	9.74	3.2
6	Others					
	S/S	50530	39286	50166	205672	345654
	Percentage	50.1	45.24	34.73	6.13	9.38
	W/S	44239	33002	40390	152435	270066
	Percentage	50.29	43.01	35.59	5.43	8.76
	S/S total	100869	86840	144454	3352380	3684543

	W/S Total	87960	76724	113477	2806369	3084530
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\* includes some non gazetted posts also.

Source. Page No. 25 of Brochure on Pay and Allowances of Central Govt. Civilian employees 2011-12 (Brochure-34)

by Pay Research Unit Department of Expenditure Ministry of Finance New Delhi

S.No.	Ministry	Women employment as on 31st March, 2009		
		Number	percentage share to the Total regular employees in the respective organization.	Percentage share to the total women employees in Central Government.
1	2	3	4	5
1.	Communication & IT	34525(of218788)	15.78	11.10
2.	Railways	89128(1386123)	6.43	28.66
3.	Defence (Civilian)	39353(364718)	10.79	12.66
4.	Others	147996(1128878)	13.11	47.58
Total		311002(3098507)	10.04	100

Source: Table: 3 . Page 5. Census of Central Government Employees: DGET

Table 2.5

Estimated distribution of regular central government employees according to various grade pay:

Grade Pay in Rs.	As on 31 <sup>st</sup> March 2009	
	No. employees	Of Percentage to total
Upto Rs. 1800	792677	25.58
Rs. 1900 and Rs. 2000	544426	17.57
Rs. 2400 and Rs. 2800	802194	25.89
Rs., 4200, 4600 Rs. 4800	731877	23.62
Rs. 5400	84266	2.72
Rs. 6600 and Rs. 7600	71500	2.31
Rs. 8700 and Rs. 8900	39286	1.27
Rs. 10,000 Rs.12000	27323	0.88
HAG + Apex and Cabinet Secretary	4958	0.16
total	3098507	100.00

Source: Table: 7 . Page 10. Census of Central Government Employees: DGET

Table 2.6

Location wise Dispersal of employees in different class of cities

Class/ City	Employment in 2009	
	Number	% to total
“X” class Cities		
Bangalore(UA)	31565	1.02

Chennai(UA)	68392	2.21
Delhi(UA)	203051	6.55
Greater Mumbai(UA)	101389	3.27
Hyderabad(UA)	60461	2.92
“Y”Class Cities	895570	28.90
All the Cities / Area other than Class X and Class Y Cities	1647646	53.18
Total	3098507	100.00

Source: Table: 8 . Page 11. Census of Central Government Employees: DGET

Table 2.7

Trend in Central Government regular employment during 1990-2009

As on 31 <sup>st</sup> March	Central Govt. employment( regular)		Index of employment(Base 100 in 1971)
	Number (in lakh)	% increase/ decrease over previous available year	
1990	37.74	0.69	139.8
1991	83.13	1.03	141.27
1992-94	-	-	-
1995	39.82	4.43	147.54
1996-2000	-	-	-
2001	38.76	(-)2.66	143.61
2002-2003	-	-	-
2004	31.64	(-)18.37	117.23
2005	-	-	-
2006	31.16	(-) 1.53	115.45
2007		-	-
2008	31.12	(-) 0.13	115.30
2009	30.99	(-) 0.42	114.82

Data not available

Source: Table: 10 . Page 14. Census of Central Government Employees: DGET

Table 2.8

Statement showing Sanctioned Posts and Men in position department-wise

Year	Railway	Defence	P&T	Other Deptts.	Home Affairs	Total Sanctioned strength	Total Men in Position
1	2	3	4	5	6	7	8
1995-96	17.1	5.9	7.5	6.0	5.7	4217932	3892778
	15.9	5.1	7.2	5.4	5.4		
1996-97	17.0	5.9	7.5	6.1	5.9	4218194	3894948
	15.0	5.1	7.3	5.5	5.4		
1997-98	15.6	5.8	8.6	6.0	5.9	4192735	3847049
	14.5	5.0	7.9	5.3	5.7		
1998-99	15.1	5.8	7.7	6.0	6.0	4067049	3729274
	14.0	5.0	7.1	5.3	5.7		

1999-00	16.8 15.8	5.8 5.0	7.7 7.1	5.3 4.7	6.1 5.8	4172031	3855316
2000-01	15.6 15.5	5.8 5.0	3.0 2.8	5.2 4.7	6.4 6.1	3606482	3426018
2001-02	16.3 15.1	4.7 3.5	2.9 2.7	5.1 4.5	7.3 6.9	3633006	3289849
2002-03	16.3 14.8	4.7 3.5	2.8 2.6	5.1 4.5	7.3 6.9	3620183	3236503
2003-04	16.2 14.5	4.7 3.5	2.3 1.9	5.2 4.5	7.2 6.9	3560433	3128134
2004-05	16.0 14.3	4.7 3.5	2.3 1.9	5.1 4.4	7.5 6.8	3559831	3088009
2005-06	15.8 14.1	4.7 3.6	2.3 2.3	4.8 4.1	7.5 6.9	3526769	3109274
2006-07	15.7 14.1	4.8 3.6	2.2 2.2	4.9 4.2	7.7 7.0	3546537	3109274
2007-08	15.7 13.9	4.8 3.6	2.2 2.1	4.9 4.0	8.0 7.4	3562188	3116832
2008-09	15.8 13.8	4.8 3.6	2.2 2.2	4.8 3.9	8.1 7.5	3564283	3107343
2009-10	15.8 13.6	4.8 3.6	2.1 2.1	4.8 3.8	8.6 7.6	3602295	3068359
2010-11	15.8 13.3	4.9 3.8	2.1 2.1	4.8 3.7	9.1 8.0	3663529	3081938
2011-12	15.8 13.1	4.8 3.7	2.1 2.1	4.8 3.7	9.3 8.3	3684543	3084530

Figures in columns 2 to 6 are in lakhs rounded to one decimal point and actual figures given in Column 7 & 8 representing total figures..Figures given in second line represent men in position in each year.

### **Chapter III** **State of the economy** **and financial resources of the government.**

As per the terms of reference of the 7<sup>th</sup> Central Pay Commission, the Commission is required to work out the frame work for an emoluments structure taking into account;

The economic conditions in the country and the need for fiscal prudence;

The need to ensure that adequate resources are available for developmental expenditure and welfare measures;

The likely impact of the recommendations on the finances of the State Governments, which usually adopt the recommendations with some modifications;

The prevailing emolument structure and retirement benefits available to employees of Central Public Sector Undertaking and

The best global practices and their adaptability and relevance in Indian Conditions.

3.2. It is, therefore, necessary to deal with briefly the state of Indian economy and the financial resources available to meet out our demands for wage revision without compromising the need of funds for developmental activities and welfare measures. We shall also briefly mention in

this chapter the likely impact of the recommendations on the finances of various States. The prevailing emolument structure available to the employees of the Central Public Sector undertakings shall be dealt with in subsequent chapters.

3.3. It is often stated that the Government of India had to adopt the liberalisation, privatisation and globalisation process of management of economy in the year 1991 to redeem the country from the brink of an economic disaster and later graduate to the pursuance of the neo-liberal policies to spur the economic growth. Whether the policies really brought about prosperity to the millions of our countrymen or left them worse off may be a debating issue, it is certain that the policies had brought about an annual economic growth of sometimes even beyond 9%. It can be emphatically stated that the Indian Corporate houses, benefitted immensely from these policies, that they could rise to the position of challenging the world renowned transnational corporations and even to the extent of gobbling up some of the international giants. The spurt in the economic growth in our country was phenomenal and unprecedented. None of the developed nations with the exception of China could match the rate of growth of Indian economy.

3.4 The National economic growth no doubt got reflected in its revenue resource mobilisation. The revenue receipt of the Government of India rose from Rs. 66047 Crores in 1991-92 to Rs. 1031174 crores in 2012-13 registering an increase of nearly 16 times. The increase registered during the period 2005-06 to 2012-13 is almost three times. Despite the lowering of tax rates, India's tax collection rose at an extra-ordinary pace. When we submitted our memorandum to the 6<sup>th</sup> CPC in December 2006, the receipt from indirect taxation was higher than the direct tax collection indicating the painful fact that our economy despite the phenomenal growth had not crossed the barrier between a developing and developed economy, for an increased revenue receipt from indirect taxes is not considered an indicator of a developed economy. The following table indicates the tax collection in the years between 2005-06 to 2012-13. What is depicted in the table tells us a different story altogether, especially when viewed from the fact that the direct taxes rates have remained static since 1994.

Table 3.1

Financial year	Direct receipts tax	Indirect Tax receipts	Total	Direct Taxes as a percentage to total tax receipts.
2005-06	165216	199348	364564	45.32
2006-07	230181	242066	472247	48.74
2007-08	314330	279031	593361	52.97
2008-09	333818	269433	603251	55.34
2009-10	378063	245367	623430	60.64
2010-11	446935	345127	792062	56.43
2011-12	493959	391738	887071	55.78
2012-13	556965	474209	1031174	54.01

3.5 Having been consistently registering an increased percentage till 2009-10, the direct taxes collection began to decline as a percentage to the total tax revenue of the Government in the subsequent years, for the Government was perforce to widen the service tax net to combat the

ever increasing fiscal and revenue deficit to abide by the provisions of the Fiscal Responsibility and Budget Management Act, 2003.

3.6 Despite the global financial crisis that engulfed most of the capitalist economies in 2008 it must be said with pride that the crisis did not impact the Indian economy as it affected other developing Nations. The global crisis no doubt decelerated our economic growth as could be evidenced from the table of GDP growth rate as depicted in the Economic Survey of 2013-14.

**Table 3.2**  
Growth in GDP at Factor Cost at 2004-05 Price (Per cent)

	2005-06	2006-07	2007-08	2008-09	2009-10 3R	2010-11 2R	2011-12 1R	2012-13 AE
Agriculture, forestry & Fishing	5.1	4.2	5.8	0.1	0.8	7.9	3.6	1.8
Mining & quarrying	1.3	7.5	3.7	2.1	5.9	4.9	-0.6	0.4
Manufacturing	10.1	14.3	10.3	4.3	11.3	9.7	2.7	1.9
Electricity, gas & water supply	7.1	9.3	8.3	4.6	6.2	5.2	6.5	4.9
Construction	12.8	10.3	10.8	5.3	6.7	10.2	5.6	5.9
Trade, hotels & restaurants, transport & communication	12.0	11.6	10.9	7.5	10.4	12.3	7.0	5.2
Financing, insurance, real estate & business services	12.6	14.0	12.0	12.0	9.7	10.1	11.7	8.6
Community, social & personal services	7.1	2.8	6.9	12.5	11.7	4.3	6.0	6.8
GDP at factor cost	9.5	9.6	9.3	6.7	8.6	9.3	6.2	5.0

Source: Central Statistics Office (CSO)

Notes: 1R- First Revised Estimate 2R-Second Revised Estimate 3R- Third Revised Estimate

AE-Advance Estimate

**Table 3.3**  
Quarterly Estimate of GDP Growth (year-on-year in per cent)

Sector	2010-2011				2011-2012				2012-2013	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Agriculture, Forestry & Fishing	3.1	4.9	11.0	7.5	3.7	3.1	2.8	1.7	2.9	1.2
Industry	8.3	5.7	7.6	7.0	5.6	3.7	2.5	1.9	3.6	2.8
Mining & Quarrying	6.9	7.3	6.1	0.6	-0.2	-5.4	-2.8	4.3	0.1	1.9
Manufacturing	9.1	6.1	7.8	7.3	7.3	2.9	0.6	-0.3	0.2	0.8
Electricity, Gas & Water Supply	2.9	0.3	3.8	5.1	8.0	9.8	9.0	4.9	6.3	3.4
Construction	8.4	6.0	8.7	8.9	3.5	6.3	6.6	4.8	10.9	6.7
Services	10.0	9.1	7.7	10.6	10.2	8.8	8.9	7.9	6.9	7.2
Trade, hotels, transport	12.6	10.6	9.7	11.6	13.8	9.5	10.0	7.0	4.0	5.5



&communication										
Financing, insurance, real estate business services	10.0	10.4	11.2	10.0	9.4	9.9	9.1	10.0	10.8	9.4
Community, Social & personal services	4.4	4.5	-0.8	9.5	3.2	6.1	6.4	7.1	7.9	7.5
GDP at factor cost (total 1 to 8)	8.5	7.6	8.2	9.2	8.0	6.7	6.1	5.3	5.5	5.3

3.7. Instead of our asserting the success story of the Indian economic growth, it would be better to refer to the observations of the Honourable Finance Minister, made while he presented the Budget for 2013-14 and again when the vote on account for 2013-14 was placed before the Parliament.

“I shall begin by setting the context. Global economic growth slowed from 3.9 percent in 2011 to 3.2 percent in 2012. India is part of the global economy: our exports and imports amount to 43 percent of GDP and two-way external sector transactions have risen to 108 percent of GDP. We are not unaffected by what happens in the rest of the world and our economy too has slowed after 2010-11. In the current year, the CSO has estimated growth at 5 percent while the RBI has estimated growth at 5.5 percent. Whatever may be the final estimate, it will be below India’s potential growth rate of 8 percent. Getting back to that growth rate is the challenge that faces the country.

Let me say, however, there is no reason for gloom or pessimism. Even now, of the large countries of the world, only China and Indonesia are growing faster than India in 2012-13. And in 2013-14, if we grow at the rate projected by many forecasters, only China will grow faster than India. Between 2004 and 2008, and again in 2009-10 and 2010-11, the growth rate was over 8 percent and, in fact, crossed 9 percent in four of those six years. The average for the 11<sup>th</sup> Plan period, entirely under the UPA Government, was 8 percent, the highest ever in any Plan period. Achieving high growth, therefore, is not a novelty or beyond our capacity. We have done it before and we can do it again.

In September, 2012, Government accepted the main recommendations of Dr. Vijay Kelkar Committee. A new fiscal consolidation path was announced. Red lines were drawn for the fiscal deficit at 5.3 percent of GDP this year and 4.8 percent of GDP in 2013-14.

Government expenditure boosts aggregate demand and it has both good and bad consequences. Wisdom lies in finding the correct level of government expenditure. In the budget for 2012-13, the estimate of Plan Expenditure was too ambitious and the estimate of non-Plan Expenditure was too conservative.

Faced with a huge fiscal deficit, I had no choice but to rationalise expenditure. We took a dose of bitter medicine. It seems to be working. We also took some policy decisions that had been deferred for too long, corrected some prices, and undertook a review of certain tax policies. We have retrieved some economic space.”

#### Agriculture

Thanks to our hard working farmers, agriculture continues to perform very well. The average annual growth rate of agriculture and allied sector during the 11<sup>th</sup> Plan was 3.6 percent as against 2.5 percent and 2.4 percent, respectively, in the 9<sup>th</sup> and 10<sup>th</sup> Plans. In 2012-13, total food grain production will be over 250 million tonnes. Minimum support price of every agricultural produce under the procurement programme has been increased significantly under the UPA Government. Farmers have responded to the price signals and produced more. Agricultural exports from April to December, 2012 have crossed 138,403 crores.

#### Green Revolution

Bringing the green revolution to eastern India has been a remarkable success. Assam, Bihar, Chhattisgarh and West Bengal have increased their contribution to rice production.

Any economist will tell us what India can become. We are the tenth largest economy in the world. We can become the eighth or perhaps the seventh largest by 2017. By 2025, we could become a \$ 5 trillion economy, and among the top five in the world. What we will become depends on us and on the choices that we make.

#### **2014-15 Vote on account.**

World economic growth was 3.9 percent in 2011, 3.1 percent in 2012 and 3.0 percent in 2013. Those numbers tell the story. Among India's major trading partners, who are also the major sources of our foreign capital inflows, the United States has just recovered from a long recession; Japan's economy is responding to the stimulus; the Euro zone, as a whole, is reporting a growth of 0.2 percent; and China's growth has slowed from 9.3 percent in 2011 to 7.7 percent in 2013.

Let me begin with the good news. The fiscal deficit for 2013-14 will be contained at 4.6 percent of GDP, well below the red line that I had drawn last year. More importantly, the Current Account Deficit, that threatened to exceed last year's CAD of USD 88 billion, will be contained at USD 45 billion, and I am happy to inform the House that we expect to add about USD 15 billion to the foreign exchange reserves by the end of the financial year. Analysts and rating agencies had acknowledged our efforts some months ago and no longer speak about a downgrade. I hope that domestic experts will now agree that the UPA Government meant what it said when it put fiscal stability at the top of the agenda. Last year, when I read the Budget speech, WPI headline inflation stood at 7.3 percent and core inflation at 4.2 percent. Through the year, inflation saw its ups and downs. At the end of January 2014, WPI inflation was 5.05 percent and core inflation 3.0 percent. Both the Government and the RBI have acted in tandem. While our efforts have not been in vain, there is still some distance to go. Food inflation is still the main worry, although it has declined sharply from a high of 13.6 percent to 6.2 percent.

#### **Agriculture**

We are proud of the stellar performance of the agriculture sector. Food grain production in 2012-13 was 255.36 million tonnes and the estimate for the current year is 263 million tonnes. Estimates of production of sugarcane, cotton, pulses, oilseeds and quality seeds point to new records. Agriculture exports in 2012-13 stood at USD 41 billion versus imports of USD 20 billion. In 2013-14, agriculture exports are likely to cross USD 45 billion. Agricultural credit is likely to touch 735,000 crore, exceeding the target of 700,000 crore. Agricultural GDP growth increased to 3.1 percent in the five year period of UPA-I and further to 4.0 percent in the first four years of UPA-II. In the current year, agricultural GDP growth is estimated at 4.6 percent.

Ten years ago, we produced 213 million tonnes of food grains; today, we produce 263 million tonnes of food grains. Ten years ago, the installed power capacity was 112,700 MW; today, it is 234,600 MW. Ten years ago, coal production was 361 million tonnes per year; today, we produce 554 million tonnes per year. Ten years ago, there were 51,511 km of rural roads under PMGSY; today, we have 389,578 km. Ten years ago, the Central Government's expenditure on education was 10,145 crore; this year, we allocated 79,451 crore. Ten years ago, the Central Government spent 7,248 crore on health; this year, it will spend 36,322 crore. Just as there are business cycles, there is a cycle around the trend growth rate of an economy. Over a period of 33 years, the trend growth rate in India has been 6.2 percent. Average annual GDP growth during the period 1999-2004 was 5.9 percent that is below the trend rate. In the next five year period 2004-2009, it was 8.4 percent and, in the period 2009-2014, going by the CSO's estimate, it will be 6.6 percent. UPA-I and UPA-II have delivered above the trend growth rate.

I wonder how many have noted the fact that India's economy, in terms of the size of its GDP, is the 11th largest in the world. There are great things in store. There is a well-argued view that in the next three decades India's nominal GDP will take the country to the third rank after the US and China. Just as the fortunes of the developed countries affect the emerging economies today, the fortunes of China and India will, in the future, have a significant impact on the rest of the world."

3.8. From the table given below it could be seen that the expenditure on pay and allowances over the years had been decelerating as a percentage to the revenue receipt and revenue expenditure. Even if the percentage of expenses to Revenue Receipt is maintained at the 2009-10 level i.e. 12.75% an amount of Rs. 23510 crores will become available for the Government to defray the additional expenses that might arise on account of wage revision.

Table 3.4

Expenditure of pay and allowances of central Government Civilian employees including the employees of the Union territories as a percentage to revenue receipts and revenue expenses.

Year	Expr. on Pay and Allowances of Civilian Employees of Central Govt. & Union Territories	Revenue Receipts of the Central Government	Revenue Expenditure of the Central Government	Expenditure on pay and Allowances of of the Central Expenditure as percentage of	
				Revenue Receipts	Revenue Expenditure
1999-00	33978	181513	249109	18.7	13.6
2000-01	33986	192624	277858	17.6	12.2
2001-02	31407	201449	301611	15.6	10.4
2002-03	33317	231748	362140	13.1	9.5
2004-05	38653	376871	455571	10.26	8.48
2005-06	40418	430940	540637	9.38	7.48
2007-08	46230	649426	734861	7.12	6.29
2008-09	67464	653847	1010224	10.32	6.68
2009-10	89860	704523	1057478	12.75	8.50
2010-11	88650	932685	1186115	9.50	7.47
2011-12	95291	910556	1305195	10.47	7.30
2012-13	95983 (provisional)	1055891	1422087	9.09	6.75

Table 3.5

Table indicating the expenses on pay and allowances of Central Government civilian employees on crucial occasions i.e., 1975-76, 1986-87, 1997-98 and 2009-10 i.e. the years in which the third, fourth, fifth and sixth pay Commissions recommendations were implemented.

year	Revenue receipts	Revenue expenses	Pay and allowances	%to rev. receipts	%to rev. expenses
1975-76	8075	7189	1887	22.0	22.8
1986-87	33083	40860	6100	18.4	14.9
1997-98	133901	180350	27430	20.5	15.2
2009-10	704523	1057478	41770	12.75	8.50

3.9. In its report on comparative Public Administration, (Report No. 50, July, 24, 2002) the World Bank observed:

“In order to deliver quality public services governments will need to spend money on goods and services as well as wages and salaries. As a rule of thumb, when this ratio rises over 25%, Govt. risks reducing their effectiveness by squeezing non wage expenditure.”

3.10 . It is seen that the present rate of expenditure on pay and allowances both with reference to its revenue receipts and revenue expenses is far below the limit indicated by the world bank. Only in the years, 1975-76, 1986-87 and again in 1997-98, the percentage crossed over 15. These are the years in which the 3<sup>rd</sup>, 4<sup>th</sup> and 5<sup>th</sup> CPC recommendations were implemented. The demand for interim relief, which is normally granted by the Government as and when the Pay Commission is set up, was not considered in 2006 either by the Government or by the 6<sup>th</sup> Central Pay Commission. This naturally resulted in the entitlement of about 32 months additional salary as arrears. Despite defraying such huge expenditure, it could be seen from the table that the pay and allowances disbursed in the year 2009-10 amounted to only 12.75% with reference to revenue receipts and just 8.5% with reference to revenue expenses. We, therefore, hasten to add that there is no justification for the apprehension that the wage revision might have an adverse impact on the availability of resources either for developmental expenses or welfare measures. This apart as indicated by us in our submission to the questionnaire and in detail elsewhere in this memorandum, wage revision based on the need based minimum wage concept cannot be denied with any sense of justification on the specious plea of the available resources or capacity of the Government to pay.

3.11. We may pointedly draw the attention of the Commission to the observations made by the 6th Central Pay Commission in their report in Chapter 1.3 (Pages 16 to 27) in which they have detailed the performance of the Indian Economy in the post- liberal era. They have concluded and we quote:

“As such in view of the revenue receipts expected in the future, the Central Government should be in a position to meet the additional expenditure consequent to this Commission’s recommendations”.

3.12 We must also reiterate that the resources of the Government cannot be construed to mean only what it has chosen to raise but also the potential resources which it is capable of tapping but do not, in consonance with the political ideology of the ruling party. The substantial reduction of the rate of tax especially in the corporate tax segment and the enormous amount of tax concession to the Corporate houses, (the tax forgone in 2011-12 being Rs. 533,582 crores), abolition of wealth tax while widening the service tax (taxing the common man) , the continuous lowering of the tax-GNP ratio and above all the unwillingness to unearth black money generated over the years are indicative of the political ideology that prohibited the tapping of resources. The various expert committees set up by the Government have indicated the enormous amount of black income generation in the country, which is estimated to be not less than one fourth of the GDP. Despite the abysmally low rate of taxation and the huge concessions, exemptions, deductions offered to the Corporate houses, the fact is that the tax receipts of the Government of India had been rising year after year on an average incremental rate of 20 to 25%.

3.13. As per the terms of reference, the 7<sup>th</sup> CPC is also required to look into the likely impact of its recommendations on the finances of the State Governments. To the reply to Question No. 7 of the 7<sup>th</sup> CPC questionnaire, we had indicated that most of the State Government employees presently have a better pay, perks package than available to the Central Government employees.

It is also, however, a fact that none of them has been provided with a pay packet based upon the norms of the need based minimum wage. The question of capacity to pay must arise only if the wages are to be computed on a pedestal higher than the minimum wage concept. Our case before the Commission rests on the need to compute the wage structure basing upon the need based minimum wage concept evolved by the 15<sup>th</sup> ILC in 1957, which is yet to become a reality even after the lapse of 56 years. The 6<sup>th</sup> CPC in their report in para 1.3.31 ( pages 26 and 27) has dealt with this question. In fact the Government had raised this matter both before the 5<sup>th</sup> and 6<sup>th</sup> Central Pay Commissions. Both the Commissions had deliberated upon it and made their recommendations. These recommendations were accepted and acted upon. We, therefore, submit that the issue does not merit any further consideration of the 7<sup>th</sup> Central Pay Commission in the light of the observation of both 5<sup>th</sup> and 6<sup>th</sup> Pay Commissions.

#### **Chapter IV** **Principles of Wage Determination**

The First Pay Commission, which was set up on 1946, submitted their report on 30<sup>th</sup> April, 1947. Dwelling at length the principle that must govern the determination of salary in civil service, the Commission pointed out the difficulty in adopting the Islington Commission's suggestions which had been the basis of determination of pay of civil servants in U.K. and the Colonial India. They quoted the criticism, perhaps rightly made, on the dictum of Islington Commission as Ricardian in spirit and based on Capitalistic outlook of 19<sup>th</sup> century. In sum and substance, the Islington Commission had advocated the law of supply and demand with certain modification, when they said that:

“Govt. should pay so much and so much only to its employees as was necessary to obtain recruits of the right stamp and to maintain them in such degree of comfort and dignity as would shield them from temptation and keep them efficient.”

4.2 The First Pay Commission, though agreed with the criticism, took the stand that the law of supply and demand must not be totally ignored. The Commission concluded (by elaborately dealing with the concept of living wage) that the test formulated by the Islington Commission is to be liberally interpreted and to be qualified by the condition that in no case should a man's pay be less than the “living wage”.

4.3 The Second Pay Commission examined various contentions raised before them, viz., supply and demand for labour; Government being treated as a model employer; combining social and economic considerations, fair comparison, factoring the per capita national income, the report of the fair wage committee, etc. In depth the Commission considered the merits and demerits of each of the above principles. Some of their comments are relevant for the reappraisal of the principles, which the 7<sup>th</sup> CPC has been asked to undertake by the Government.

4.4. On the concept of fair comparison, the 2<sup>nd</sup> CPC commented that:

“if the emoluments in the public service taken with the other conditions bear fair comparison with those persons with similar qualifications, duties and responsibilities in outside employment, the Government should as a priori, be certain of getting recruits of the required standard and of keeping them contented and efficient. But the converse of this, namely the government cannot get recruits of the requisite standards and keep them contented unless they pay rates of remuneration comparable to those outside, may not be true.”

At the lowest level on the other hand the outside rates maybe too low for maintaining the efficiency of an employee, even though with so much unemployment and underemployment in the country the Government may have no difficulty in recruitment so long as they pay the central rate. (Para 8 Page 19 2<sup>nd</sup> CPC)

We may explain that comparison, if instituted, would have to be limited to rates of remuneration and conditions of employment in undertaking known to be giving fair wages; to be following sound employment and management practices and to be generally maintaining good relations with their employees. In other words, the comparison would be with good employers. ( Para 22 Page 26 Chapter IV)

They dismissed the idea of Government being a model employer if that is conceived to make the Government to pay higher wages and salaries than other good employers for comparable work. The Commission feared that the Government acting as a model employer in the above mentioned manner, would be exposed to a well founded criticism of extravagance. (Para 12 Page 20-21 Chapter IV)

They concluded that “while the model employer” principle in the sense explained in Para II is not a sound one, the social principles and standards which government have laid down for or commented to employers generally should be taken into account in determining the emoluments and conditions of service of central government employees.

They reframed from adopting fair comparison with outside rates as a principle suitable for free and detailed application, but recognized it as one of the important factors to be taken into account. They opined that comparison with outside rates should be used as an aid and corrective.

4.5. In the ultimate conclusion of the discussion of various principles for wage determination, the 2<sup>nd</sup> Pay Commission stated that:

“the social and ethical as well as economic consideration are relevant to the determination of the minimum and maximum salaries, that the internal relativities should be determined with care and should be sound and fair, and that the whole structure of the remuneration and conditions of salaries should be fair to the community as well as to the employees. We have in fact formulated not one but a number of principles. The principles supplement one another: but there is no fixed order in which they are to be applied. There may, in fact, be cases in which the principles, if applied independently would lead to divergent conclusions, but they are not intended to be so applied. We look at the principles essentially as a statement of the basic consideration which have to be taken into account together and harmonised to the utmost extent possible. Further the principles are to be applied against the background – among other circumstances – of the economic conditions in the country and the implications and requirements of developmental planning”.

4.6 The 3<sup>rd</sup> CPC dealt in detail the various principles of pay determination. They made a critical analysis of each of the principles propounded by the earlier Commissions. Some of the views and principles noted by the 3<sup>rd</sup> CPC were:

- Characteristic of a sound pay structure
- Supply and demand consideration
- Equal pay for equal work
- Fair comparison
- Job evaluation
- Wages and productivity
- The concept of model employer.

4.7. The 3<sup>rd</sup> CPC gave primacy to the discussion on the major characteristic of a sound pay structure. According to them, inclusiveness, comprehensibility and adequacy are the pre-requisites of a sound pay structure. By inclusiveness, they meant that the pay structure and

career adopted for the civil service proper should also be adopted by autonomous, quasi-governmental organizations. They wanted the pay scale proper should provide a free and comprehensible picture of the total remuneration given to the government employees. They also advocated that the remuneration must be adequate internally and externally. Due cognizance of the individuals attributes and the need to protect a reasonable standard of living were to be taken in to account while determining remuneration. On adequacy of the remuneration they commented that “while it is not argued that the payment of high salaries by itself is a guarantee for the honesty and integrity of the public service, it can confidently be stated that payment of a salary which does not satisfy the minimum reasonable needs of a government servant is a direct invitation to corruption”.

4.8 After examining the various principles, they concluded that while disproportionate importance should not be attached to private salaries, it was nevertheless necessary to take note of the rate of pay and other conditions of service prevalent outside government as a corrective. In particular, they pointed out that since the supply of unskilled labour was abundant, the wages to be paid to such workers should be related to essential physiological needs rather than condition of supply and demand. They, as was the case with the 1<sup>st</sup> and 2<sup>nd</sup> CPC, rejected the principle that Government should act like a model employer. They found it advisable to bear in mind several principles and conditions while determining the pay structure. They adopted the concept of minimum wage to determine the pay of the lowest level of employees with certain modifications of Dr. Aykroyd formula. In respect of organized Group A services, their primary consideration was to ensure that the terms offered should be attractive enough to enable a person with calibre to make a life time career in the Government.

4.9 The terms of reference of 4<sup>th</sup> CPC had not stipulated that commission to go into the principles of pay determination. The government must have thought that the three earlier commissions, having dwelt upon the issue at length and depth, 4<sup>th</sup> CPC need not be saddled with a repetitive task. However, the 4<sup>th</sup> CPC took upon itself to effect a re-appraisal of the principles in view of the 42<sup>nd</sup> amendment effected to the Constitution of India whereby the preamble was amended to incorporate the words “socialist secular” in between sovereign and democratic republic. They stated that the amendment had made a visible change in the complexion of the constitution. They noted that the said amendment was to express a concern for a social welfare of the oppressed, the unfortunate and the disadvantaged. They quoted the Supreme Court to state that the objective was to strive to set up a vibrant “throbbing socialist welfare society” in place of a “wholly feudal exploited” society.

4.10. They went on to analyse the meaning and purport of the concept of “Living Wage” “Directive principles of state policy” fair wage commission’s recommendations concept of “model employer”, the report of the Megaw Committee of U.K. which inquired in to requirements of civil service of U.K, performance related pay, etc. Some of their observations being relevant are reproduced:

“Principal object in enacting the directive principles appears to have been to set standards of achievements before the legislature and the executive, the local and other authorities”.

“Concept of a living wage is not a static concept, it is expanding and the number of constituents and their respective contents are bound to expand and widen with the development and growth of economy”.

4.11. In para 7.29 of their report, 4<sup>th</sup> CPC stated that :

“Pay determination is a mixture of the effort to settle the principles as well as the system on which it is based and implemented. The need for it arises for the simple reason that without it the normal rule of supply and demand would operate harshly in a developing economy like ours – particularly as the central government is virtually in the position of a monopolist employer in several fields, in an overflowing labour market. If the inexorable law of supply and demand were to operate, the employer, in a country like ours, would give no more than starvation wage to as many as possible”.

4.12. The 4<sup>th</sup> CPC justified the periodical wage revision to take note of changes that may have taken place in the relevant facts and circumstances bearing on pay scales but also to rectify or fill any errors or omissions that may have occurred in the earlier pay determination. They also said that such periodical pay revision will avoid conflict with the employer. They also opined that the terms of reference of the pay commission is to be decided in consultation with the employees organizations.

4.13 Their observations can be summarised as under:

1. Pay structure determination is to be judgemental and not arithmetical or mechanical. It must be based on fair and sound evaluation of the relevant data with the fairest possible mind.
2. Pay of a post should be such as to attract persons of the required qualifications and calibre to fill it.
3. Pay should be sufficient and satisfactory. It is in the interest of the Government to make the employee contented. A dishonest employee not only sells his authority away he sets a wrong example, undermines the value of his office, does injustice to others and very often puts Government to financial loss for pittance.
4. The salary structure should be coherent and should adequately reflect the substantial differences in the nature and responsibilities of various posts.
5. Efforts should be to provide as far as possible comparable emoluments for comparable work.
6. To hold out an assurance to the employee that his emoluments will not erode by increase in the cost of living.
7. Pay scales may not always be enough to fit in every kind or category of employment. We think that a suitable system of “Special Pay” or allowance can take care of such cases.
8. The capacity of the employer to pay its employees is a factor to reckon with.

4.14. The 5<sup>th</sup> CPC which was set up in April 1994 submitted its report in January 1997. The 5<sup>th</sup> CPC was also asked to evolve principles which should govern the structure of emoluments. In Chapter 40 under the caption “Pay determination A Conceptual Frame”, the Commission has briefly dealt with the subject. In the initial paragraph itself the Commission stated that the earlier Pay Commissions has gone into the matter with varying result and they do not intend to traverse the same ground. They however, noted certain emerging trends in the functioning of the Government on account of a perceptible change in the economic policies of the government and surmised to state:

- (a) Less governance : emphasis will be to facilitate and regulate rather than directly involving in activities.



- (b) Decentralization of Governmental activities due to the strengthening of Panchayat Raj Institutions.
- (c) Right (down) sizing the bureaucracy drastically
- (d) Increased trade union activities of Government employees to force the Government to pay them on par with outside rates.
- (e) Drastic reduction of supporting and auxiliary staff and bring about officer oriented administrative set up.
- (f) Professionalization of Government and consequential jacking up of wages of professionals like Doctors, Scientists, etc.

4.15 They discussed the concept evolved by the earlier Commissions, viz., characteristics of a sound pay structure, supply and demand considerations, equal pay for equal work, fair comparison, productivity, model employer, etc.

4.16. On the concept of equal pay for equal wages and to examine the adequacy criterion, the 5<sup>th</sup> CPC suggested that the Government must set up a permanent Pay Body so that the intrinsic value of job assigned to each cadre could be studied. As a transitory measure they evolved: “although it is not very scientific or conclusive, we feel that as a primary step towards rationalization, the entry qualification could provide a fairly relative clue.” The pay scales they constructed on the said premise brought about various anomalies which had to be later set right through executive actions.

4.17 On fair comparison concept they concluded that “greater responsibility devolves upon any Pay Commission to be reasonable and pragmatic and try to bridge the widening gap between the compensation packages of the Central Government and the rest of the economy.

4.18. Apart from the above concepts, the 5<sup>th</sup> CPC adopted the following criteria in deciding upon the pay structure.

- (a) Intrinsic value of a job
- (b) Linking the smaller entities to larger entities
- (c) To delink pay from the position in the hierarchy
- (d) The need to have similar approach towards the lowest and highest paid functions.
- (e) Actual reimbursement of expenses.
- (f) Capacity of Government to pay

4.19. Even though the 6<sup>th</sup> CPC which was set up in October, 2006 was asked to examine the principles that should govern the structure of pay vide the Government’s terms of reference {in No. 5/2/2006-E-III(A) dated 5.10.2006}, the Commission did not attempt an elaborate discussion on the subject as was done by the earlier Pay Commissions. The issue was partially addressed in Chapter 2.1 & Chapter 2.2 (Pages 28 – 70). In Chapter 2.1 the Commission examined comparison with the public and private sectors. They noted that as on 31.3.2006 there had been 245 central PSUs (52 in Schedule A, 87 in Schedule B, 54 in Schedule C and 7 in Schedule D and the rest unclassified) out of 16.49 lakh employees 86% were workers covered by IDA pattern. Among the pay packages in these PSUs the Commission noted:

- (a). In many PSUs pay scales at lower levels are open ended and have percentage based increments.
- (b) Most of the PSUs have introduced performance related incentive scheme.

- (c) DA instalments are quarterly,
- (d) HRA on percentage basis and CCA on Govt. pattern
- (e) Besides, PSU workers are given canteen subsidy, conveyance reimbursement, professional development allowance, night shift allowance, uniform/washing allowance, leave travel concession, etc.
- (f) Interest subsidy scheme on house building allowance, vehicle loan, computer loan, children education assistance and medical benefits.

4.20 The Commission then came to the conclusion that:

1. There are variations in job content and service conditions
2. Objectives of PSU are not comparable with Government.
3. The autonomy of each PSU makes comparison impossible

4.21 They ultimately observed that instead of attempting to make any comparison, the Commission would devise a package incorporating the best practices.

4.22 In respect of private sector comparison the 6<sup>th</sup> CPC was of the view that the main consideration in the private sector being profit and an equal comparison with the government is impossible. However, taking note of the facts the same pool of manpower provides the source of recruitment and the need to attract the talented persons for Group A and technical posts the Commission finally recommended higher starting salary for Group A posts. The Commission also recommended the introduction of performance related incentive in the Government as was obtaining in the private sector.

4.23. In consonance with their observations they suggested to have variable increment rate for the Group A officers in pay band which was not acted upon by the government, having felt impracticable. But the higher pay packet suggested to the officers of this level was later improved by the government further.

4.24 In so far as the minimum salary is concerned the 6<sup>th</sup> CPC relied upon the necessity of computing the same on the 15<sup>th</sup> ILC norms. But the actual computation was made on a distorted version of the formulae and simultaneously departing from the retail rate of commodities suggested by the Staff Side without indicating what the real rates were on 1.1.2006. The Commission went on to manufacture an artificial rate of retail prices by adding just 20% over the whole sale price, thereby depressing the minimum wage by half. Against the Staff Side computation of Rs.10,000/- the 6<sup>th</sup> CPC worked out a figure of Rs. 5478.5 but adopted another figure of Rs.4860. The Commission inter-alia recommended.

- (a) Contractual appointments
- (b) Running pay bands to avoid stagnation
- (c) Grade pay at 40% of the maximum of the 5<sup>th</sup> CPC scales as fitment formula.
- (d) Introduce MACP scheme for time bound promotion.
- (e) Recommended full pension after 20 years to facilitate contractual appointments
- (f) Advocated cadre review- which has not been carried out in most of the departments.

4.25 In fine, we may state that the Commission's recommendations on pay structure were sans logic and without factoring some of the principles considered by earlier pay commissions. Naturally the acceptance and implementation of the recommendation brought about

innumerable anomalies which could not be resolved after repeated discussions in the National anomaly Committee.

4.26 In the succeeding chapters we shall enumerate the reasons as to why 7<sup>th</sup> CPC should adopt the need based minimum wage formula at the minimum level; the intrinsic value of the assigned job at the intermediary level; the necessity to keep the relativity both at horizontal and vertical level and the need to provide a reasonable salary for the top bureaucrats, taking into account the perks, privileges, benefits, allowances and concessions that go with the posts.

## **Chapter V** **Minimum Wage**

In the Chapter-V of this memorandum we have detailed the principles adopted by the earlier Pay Commissions on determination of pay. All those Commissions were of the firm opinion that wages cannot be determined on any single principle but has to be based upon a combination of all the enunciated principles or those principles are to be factored into the process of quantification. Since the Government as an employer had not been able to grant the need based minimum wage to its own employees till date we are of the firm opinion that the 7<sup>th</sup> CPC must endeavour to compute the wage structure on 15<sup>th</sup> ILC norms. We suggested two other principles to be factored into the quantification of pay beyond the minimum level. We enumerate hereunder the factors to be taken into account:

- (1) The Need-Based Minimum Wage concept to compute pay at the minimum level.
- (2) The intrinsic value of the job content of each grade and post at the intermediary level to be assessed by an expert committee. Pending finalization of such a study, the Commission may maintain the presently existing vertical and horizontal relativities.
- (3) To take into account the outside rates to determine the pay package at senior levels of bureaucracy but maintain the ratio between the minimum and maximum at 1 : 8 (MTS to Secretary to Govt. of India).

5.2. We make the above suggestions as just and reasonable on the following grounds:

- (1) The Fair Wage Committee has held that an industry which is incapable of paying minimum wage has no right to exist.
- (2) 88% of Central Government Employees are industrial or operational workers.
- (3) The need based minimum wage concept formulated by Dr. Aykroyd and approved by 15<sup>th</sup> ILC was considered the most important principle in computing salary of Government employment especially of lower level functionaries, by the 2<sup>nd</sup>, 3<sup>rd</sup>, 4<sup>th</sup> and 6<sup>th</sup> CPC.
- (4) It is only the fear of a heavy financial implication and the incapacity of the Indian economy at the relevant point of time, to meet the extra expenses that the 2<sup>nd</sup>, 3<sup>rd</sup> and 4<sup>th</sup> CPCs were constrained to alter the formula itself, detrimental to the interest of employees, basing their conclusion on the opinion of certain nutritional experts. The legitimacy provided to Dr. Aykroyd formula by the 15<sup>th</sup> ILC (in which the representative of Labour, Employers and Government participated) was not available for any other conceptual frame work proposed by any other "experts". The 4<sup>th</sup> Pay Commission cited the per capita net national product increase over the years to justify lower minimum

wage than what could have been as per the ILC norms. It could be seen that the earlier Pay Commissions had adopted a different principle other than the Dr. Aykroyd formula due to financial constraints.

- (5) Despite elaborately detailing the concept of living wage and the purport and relevance of the amendment to the preamble of the Indian Constitution, the 4<sup>th</sup> CPC did not compute the pay structure on the basis of need based minimum wage formula. They stated that since the increase in the per capita net national product is an indication of the health of economy, they may be unable to fix the minimum wage at an amount higher than Rs.750/-.
- (6) There had been no indication in the terms of reference by which the 5th CPC could have examined the need based minimum wage concept evolved by the 15<sup>th</sup> ILC. Still they dwelt upon the said concept in detail in their report. In fact they advocated that the 25% addition suggested by the Supreme Court to enable the worker to meet the expenses, viz., children education, medical requirements, social obligation connected with festivals, marriages, etc. must be added to arrive at the minimum wage. However, while computing the minimum wage, they discarded the theory of Need based Minimum wage. They adopted the percentage increase over ten years of the per capita net national product as the sole criterion to determine the minimum pay. (In other words they advocated the constant relative income criterion as the most equitable norm for fixing the minimum wage of the Central Govt. employees.). In order to arrive at the minimum pay, the Commission thus added 30.9% over the emoluments of a lowest paid employee as on 1.1.1996
- (7) The 6<sup>th</sup> CPC adopted the 15<sup>th</sup> ILC norms to compute the minimum wage but made several changes to the concept Viz., the retail prices of the commodities which goes into the reckoning was altered; the stipulated 10% for housing and 25% for social obligations, medical, children education, etc. were discarded on the specious plea that separate allowances had been granted. 15<sup>th</sup> ILC had factored 7.5% as housing component in the computation of minimum wage. The question of incorporating the cost of requirement for medical, education and other social obligation was the subject matter of litigation before the Supreme Court. The Hon'ble Court directed that 25% of the minimum wage so computed must be added as a factor for the above requirement of a worker, which had not been taken into account in the ILC norms.

5.3 The contention of the 6<sup>th</sup> CPC that since children education allowance, Medical and house rent allowances are specially granted to the Central Govt. employees, the same must be taken out of the reckoning is not only wrong but also amounts to contradiction of a stand taken by the Highest judiciary of the country- Supreme Court. The 6<sup>th</sup> CPC has failed to take note of the fact that the allowances, be it HRA, Children Education allowance or Medical, granted are awfully insufficient to meet the requisite expenses. Had it not been the case, the 3<sup>rd</sup> CPC also ought to have taken the similar stand adopted by the 6<sup>th</sup> CPC. The computation appearing in page No. 60, Chapter 6 (3<sup>rd</sup> CPC report) establishes our view in the matter.

We have given in Table (5.1) the computation of minimum wage as per 15<sup>th</sup> ILC norms. The retail prices of the commodities/articles are the average of the retail prices ruling as on 1.1.2006 at the following cities:

1, New Delhi. 2. Mumbai, 3 Chennai, 4., Kolkata , 5. Hyderabad, 6. Bhubaneswar, 7. Trivandrum and 8. Bangalore.

5.4 The minimum wage as per our computation works out to Rs.20,861/-. This must be the minimum wage for the unskilled worker as per the ILC norms. In Central Government employment presently there are no unskilled labour. The lowest level of employment is multi-skilled worker/employee. The minimum educational qualification prescribed is either ITI or matriculation (10<sup>th</sup> Standard). The percentage increase of the wages of a skilled worker to that of an unskilled worker on an average had been more than 25% all throughout (2440-3050=610 i.e. 25% of Rs. 2440) We have therefore added 25% to arrive at the minimum pay for the lowest employee in Government service, which comes to Rs. 26,075/- , i.e. Rs. 26,000/- when rounded off. While computing the minimum wage, we have gone strictly as per the norms prescribed by the 15<sup>th</sup> ILC. However, we must state that the three units norm for the family prescribed by Dr. Aykroyd in the present situation is far below the requirement. The family consists of not only husband, wife and two children but invariably includes the parents of the head of the family. In Indian conditions, they totally depend upon the earning employee. If we factor two more units for the family concept, the minimum wage so worked out will increase by two third. In quantum terms, the pay at the lowest level of the Central Government will then be Rs. 43,330.

Table 5.1

PRICES OF THE INGREDIENTS SPECIFIED IN THE 15TH ILC TO CALCULATE THE MINIMUM WAGES AS ON 01.05.2014

ITEMS	DELHI	MUMBAI	KOLKTA	CHENNAI	BANGALORE	BHUBANESHWAR	TRIVANDRUM	HYDERABAD	AVERAGE	PCU/day in gms	Per Month 3 CU ( in Kg)	
Rice/Wheat	44	49	44	48	47	58	42	44	47	475 gms	42.75 kg	2009
Dal (Toor/Urid/Moong)	99	102	140	100	97	97	95	94	103	80 gms	7.2 kg	742
Raw Vegetables	44	46	41	40	42	50	48	41	44	100 gms	9.00 kg	396
Green Vegetables	42	43	40	42	42	43	44	40	42	125 gms	11.25 kg	473
Other Vegetables	43	43	41	40	40	41	49	40	41	75 gms	6.75 kg	277
Fruits	111	114	108	112	109	108	108	109	110	120 gms	10.8 kg	1188
Milk	44	44	39	39	36	36	36	38	39	200 ml	18 ltr	702
Sugar/Jaggery	44	43	42	44	45	44	46	44	44	56 gms	5.00 kg	220
Edible Oil	148	159	142	159	142	141	141	140	138	40 gms	3.6 kg	497
Fish	315	325	315	375	305	310	335	320	325		2.5 kg	813
Meat	423	420	438	388	403	397	398	488	425		5.0 kg	2125
Egg	5	5	5	5	5	5	5	5	5		90 Nos	450
Detergents	404	414	379	399	379	399	399	399	396			396
Clothes	198	203	178	198	178	198	198	188	192		5.5 mtr	1056
<b>Total</b>												<b>11344</b>
Housing @ 7.5%												1174
Miscellaneous @ 20%												3129
<b>Total</b>												<b>15647</b>
Additional @ 25%												5214
<b>Grand Total - Minimum pay for unskilled worker in the erstwhile Group D</b>												<b>20861</b>
Minimum pay for Group C added with 25% with the minimum of above												5214

Minimum Pay at Group C level	26075
<b>Rounded off to</b>	<b>26000</b>

20% of the net minimum miscellaneous charges towards fuel, electricity, water charges, etc

Housing at the rate of 7.5% of net minimum

Addition Expenditure at the rate of 25% includes expenditure towards education, marriage etc of the children, Medical treatment, recreation, festivals etc. as per the Supreme Court decision in 1991.

5.5. Incidentally, we may mention that the minimum wages at the level of an unskilled worker as per recent wage agreement in Coal India Ltd. Is Rs.29697/- as per details given hereunder (Table 5.2.)

5.6 The per-capita Net National Product increase at factor cost between - (2004-05 - 2011-12) years as per the Economic Survey for 2012-13 presented to Parliament is 57.55..%. The exact figures for the years 2012-13 and 2013-14 is not available from official websites. These figures are needed to arrive at a percentage of increase for the last 10 years. On the basis of the present data, the increase registered in quantum terms will work out to Rs. 22857, which is more than the minimum wage computed as per the 15<sup>th</sup> ILC norms. (Table 5. 3)

5.7. For the reasons stated in the preceding paragraphs and more specifically for the reason that the Government has presently the capacity to pay as detailed in Chapter III of this memorandum, we request the 7<sup>th</sup> CPC to recommend the minimum pay to be assigned to the lowest level of Group C functionary in Government of India service at Rs. 26,000/-

Table 5.2

Basic Pay		Rs. 15, 712
Dearness allowance	29.6%	
Special allowance	4.0%	
Special DA.	1.795%	
Attendance bonus	10%	
Total:	49.395%	Rs. 7132.46
Total salary:		22844.46
At the MTS level	22.844.46 x 125%	Rs.28555.58.

Table 5.3

A. Per Capita NNP at constant price for 2004-05	Rs. 24,143
B. Per capita NNP at constant price for 2011-12	Rs. 38,037
C. The increase registered over 8 years.	Rs. 13,894.
D. Percentage increase over 2004-05	57.54877.
E. Emoluments as on 1.1.2014	Rs. 14,000
F. 57.55% of Rs. 14,000.	Rs. 8,057.
G. Wage to be fixed as on 1.1.14.	Rs. 22057.

## Chapter VI Highest Salary

The First Pay Commission considered that the maximum salary should not be more than Rs.2,000/- p.m. but allowed, however, certain posts to continue in the pay scale of Rs. 2250/- and more than Rs. 3000/-.

6.2. The Second Pay Commission took note of the point raised by the staff associations that huge disparity between the highest and lowest salaries were incompatible with the government's avowed socialist objectives causing dissatisfaction amongst the low paid employees. According to them in 1939-40 the ratio was 1 : 257, which got reduced in 1947-48 as a result of First Central Pay Commission recommendation to 1 : 38.

6.3. The Second Pay Commission conceded that ratio of 1: 28.5 (in 1957-58) was disproportionately wider than in the government services of other countries. In UK it was 1 : 15, in US Federal service 1:5, in Canada 1: 6, in Australia 1: 13.6 and in Japan 1 : 4.7 all having no socialistic pretensions. The Commission did not make any recommendation to bring down the ratio.

6.4 The maximum salary of Rs.3000/- remained unchanged even after Second Pay Commission and till the year 1965 when the Government further raised the maximum salary to Rs. 3500/-.

6.5 The Third Central Pay Commission rejected the claim for further increases in the highest salaries on the ground that it might neither be socially acceptable nor administratively prudent especially in the background of the financial stringencies and developmental needs. The Commission concluded that no reduction in the maximum wage would also be justified as it would affect the morale of senior civil servants adversely. The maximum salary therefore continued at Rs.3500/-.

6.6. The Fourth Central Pay Commission noted that the ratio had been changing over the years as under:

<u>Pay Commission</u>	<u>Disparity Ratio</u>
1 <sup>st</sup> CPC (1947-48)	1 : 41.2
2 <sup>nd</sup> CPC (1959-60)	1 : 28.5
3 <sup>rd</sup> CPC (1972-73)	1 : 11.9

6.7. They also expressed the view that efforts should be made to further reduce the rate of disparity in the lowest and highest wages. The 4<sup>th</sup> Central Pay Commission recommended full neutralization rate of DA to senior officers. Prior to the implementation of the 4<sup>th</sup> Central Pay Commission DA formula, there had been 100% neutralization for employees 75% and 65% neutralization for senior officers. The said recommendation also enormously raised the salary level of officers.. The phenomenon of gradual reduction of the rate of disparity due to different rate of DA compensation was halted. The ratio between minimum and maximum remained static thereafter. With the advent of the drastic reduction of rates of personal income taxation, the inherent compression of emoluments of senior officers also disappeared.

6.8 The ratio of minimum and maximum pay prevailing in some selected countries is as under:

Malaysia	1 : 3
Sweden	1 : 4

France	1 : 6.6
Indonesia	1 : 6.9
Australia	1 : 7.7
China	1 : 8
Thailand	1 : 9
Honkong	1 : 40

6.9 The Fifth Central Pay Commission for the first time discarded the approach of fixing maximum salaries on the basis of predetermined minimum-maximum disparity ratio and characterizing the practice as arbitrary. They wanted certain norms to be evolved for bench marking the maximum wage on the same pattern as need based norms serve as bench marking for minimum wage. The visible change in the attitude was the product of the neo-liberal economic policies of the Government. The 5<sup>th</sup> CPC entrusted the job of evolving such a norm to the Indian Institute of Public Administration(IIPA), a body mostly consisting of retired senior bureaucrats.

6.10 The IIPA computed the average consumption level of senior officers at Rs. 14,839/-. This was estimated to be 49% of the salary. Accordingly they fixed Rs. 36,000/- for Secretary level officers and Rs.40,000/- for Cabinet Secretary. But 5<sup>th</sup> CPC determined the highest wage of Rs.30,000/- for Cabinet Secretary.

6.11 The 6<sup>th</sup> CPC computed the maximum wage by a multiplication factor of 3 whereas the multiplication factor applied in the case of intermediary and lower pay scales was only 2.2.

6.12 From the above review, it becomes amply clear that so far there has been no established norm for fixing the maximum wage of a civil servant and the need for determining a reasonable ratio between the minimum and maximum salary. We suggest that ratio to be 1 : 8.

6.13. Except in the case of Hongkong, which like our country was a colony of the British empire, no country has a ratio beyond 1 : 7. Once the minimum is computed on a widely accepted norm (15<sup>th</sup> ILC), the scientific and acceptable approach must be to have a pre-determined multiplication factor for fixing pay at the top and intermediary levels. In the background that there is presently no distinction between officers and employees in the matter of neutralization of rise in prices and cost of living, it is not desirable that the maximum must go beyond 8 times of the minimum. We, therefore, suggest that the maximum salary may be fixed at 8 times of the minimum salary.

## **Chapter –VII** **Proposed Pay Structure and Rate of Increment**

In the preceding chapters we have dealt with the various principles of pay determination as was enunciated by the successive Pay Commissions. The 6<sup>th</sup> CPC introduced the new concept of Pay Band and Grade Pay. We are not able to comprehend any logical methodology having been adopted by the 6<sup>th</sup> CPC in constructing the Pay Band and Grade Pay. In the ultimate analysis, we found that there had been no uniform multiplication factor. It varied from 2.2 time to 3. The changes effected by the Government while implementing the recommendations of the 6<sup>th</sup> CPC further compounded the confusion and making it more irrational and arbitrary. The 6<sup>th</sup> CPC in



their report stated that they have upgraded certain pay scales having appreciated the contention made by the employees organizations. They merged certain other pay scales in an effort to delayering the functions. But the new pay that emerged from such upgradation/merger was not equivalent to the higher pay scales in the said group. For instance, the erstwhile pay scales of Rs.5000-8000, 5500-9000 and 6500-10500 were merged. The multiplication factor for pay band construction was 1.86 times of the minimum. Therefore the pay band for the pre merged pay scales was determined to begin at Rs.9300/-. Having merged, the pay band must have begun at 12,090/-, i.e. 1.86 times of 6500/- in which the other pay scales were merged.

7.2 The manner in which the Grade pay was devised is also questionable. At the lower level the Grade Pay progresses @ Rs.100/- ,i.e. 1800, 1900, 2000, etc. The pay in the Band + Grade Pay at the entry level is 5200 + 1800 = 7000. An employee is entitled for 3% increment every year. He gets a financial benefit of Rs. 210 every year on account an increment whereas on promotion his grade pay gets increased by just Rs.100/- only. The Grade Pay was devised at 40% of the maximum of the pre revised time scale of pay. The maximum of any time scale of pay will depend upon the rate of increment and the span of the scale of pay. The ratio between the minimum and the maximum of all pay scales was not uniform, rather it could not be uniform. Therefore, prescribing Grade Pay as a percentage of such variable maximum, in our opinion, was erroneous. Normally fitment benefit represent the gap between pre revised minimum and the revised minimum. The 6<sup>th</sup> CPC recommendation of Grade Pay did not serve this purpose also. Having been expressed in absolute quantum amount it gave varied benefit in different pay bands as also at different stages in the same pay bands.

7.3 The Grade Pay system brought about various anomalies, which were raised at the NAC but found no resolution despite discussions on several occasions in the last 6 years. We are of the firm view that the 7<sup>th</sup> CPC should revert to the Pay Scale System which has been time tested. We have constructed the pay scales maintaining the relativities with the time scale of pay suggested by both 5<sup>th</sup> and 6<sup>th</sup> CPC.

7.4 While constructing the pay scales we have taken the rate of increments at 5% instead of 3% presently available. We have done so on the ground that most of the PSUs including the banking industries provide the incremental rate at 5% and over a period of time it raises the salary level of the personnel. We therefore request that the 7<sup>th</sup> CPC may recommend the rate of annual increment at 5%. Incidentally we may also state that the uniform date of increment prescribed by the 6<sup>th</sup> CPC has encountered certain problems and anomalies. We, therefore, suggest that the 7<sup>th</sup> CPC may recommend, for administrative expediency, two specific dates as increment dates, Viz. 1<sup>st</sup> January and 1<sup>st</sup> July. Those recruited/appointed/promoted during the period between 1<sup>st</sup> January and 30<sup>th</sup> June will have their increment date on 1<sup>st</sup> January and those recruited/appointed/promoted between 1<sup>st</sup> July and 31<sup>st</sup> December will have it on 1<sup>st</sup> July next year. This apart we request the Commission to specifically recommend that those who retire on 30<sup>th</sup> June or 31<sup>st</sup> December are granted one increment on the last day of their service.

7.5 We have also felt that a further reduction in the number of pay scales is needed. While constructing the pay scales we have removed those pay scales pertaining to Grade Pay of Rs.1900, 2400, 4600, 8700 and the scale of pay of Rs. 75500-80000. We are of the opinion that the instrument of Special Pay which was in operation earlier should be brought back to address the need of intermediary grades in certain organizations. The Associations and Federations

representing the employees and officers of various departments and various categories will submit their memorandum indicating the pay scales to be assigned to the categories of the employees and officers they represent taking into account the nature of functions assigned to those categories separately.

7.6 Presently, functional promotion is made to the next hierarchical position whereas MACP promotion is Grade Pay based, irrespective of the fact whether a particular Grade Pay exist in the hierarchy or not in the concerned department. Our suggestion to reduce the number of pay scales go a great extent to obviate the difficulty encountered due to the dual system of promotion.

7.7 We have constructed open- ended pay scales. This is to ensure that no employee stagnates without increment. The pay of the Secretary and the Cabinet Secretary has been kept as a fixed amount as has been the recommendation of the 6<sup>th</sup> CPC. In consonance with our view on the need for further de-layering, we have suggested only 14 Pay scales indicating in the table the minimum of each of them. The said 14 pay scales are given below:

In Table 7.2, the corresponding pay scales of the 6<sup>th</sup> CPC recommended Grade Pay are given for reference.

**Table No. 7.1.**  
**Proposed pay scale minimum.**

Sl. No.	Pay scale No.	Present PB	PB No.	Grade Pay	Proposed minimum of the pay scale.
1	S-1	5200-20200	PB.1	1800	26000
2	S-2	5200-20200	PB 1	2000	33000
3	S-3	5200-20200	PB 1	2800	46000
4	S-4	9300-34800	PB 2	4200	56000
5	S-5	9300-34800	PB 2	4800	74000
6	S-6	9300-34800	PB 2	5400	78000
7	S-7	15600-39100	PB 3	5400	88000
8	S-8	15600-39100	PB 3	6600	102000
9	S-9	15600-39100	PB 3	7600	120000
10	S-10	37400-67000	PB 4	8900	148000
11	S-11	37400-67000	PB 4	10000	162000
12	S-12	75500-80000	HAG	0	193000

13	S-13	80000( Fixed )	Apex scale.	0	213000
14	S-14	90000 (Fixed)	Cabinet Secretary	0	240000

Table 7.2. New Pay scale minimum

SINo.	Grade pay of 6thCPC	Minimum of the new pay scale
1	1800	26000
2	1900	31000
3	2000	33000
4	2400	41000
5	2800	46000
6	4200	56000
7	4600	66000
8	4800	74000
9	5400	78000
10	5400 in PB3	88000
11	6600	102000
12	7600	120000
13	8700	139000
14	8900	148000
15	10000	162000
16	12000	193000
17	75000-80000	202000
18	80000 fixed	213000
19	90000 fixed	240000

### **Chapter –VIII** **Fitment Formula**

The fitment formula suggested by all the earlier Pay Commissions was not reflective of the actual revision of wages. The employees who were on rolls on the date of implementation of the Commission's recommendation comparatively received lesser benefit than the new entrants. Amongst the existing employees also, more benefit accrued to persons with lesser service period. This happened due to the rejection of the demand of the Staff Side to have point to point fixation.

8.2 The anomalous situation was addressed during the discussion the Staff Side had with the Group of Ministers in September 1997, over the implementation of the recommendations of the 5<sup>th</sup> CPC. In the place of 20% of the basic pay recommended by the 5<sup>th</sup> CPC as fitment formula the Staff Side could negotiate and settle it at 40%. The said agreement brought about near total satisfaction over the revision benefit amongst all sections of employees. The said 40% benefit brought about uniform multiplication factor too.

8.3. Taking these in to consideration, we suggest that the multiplication factor (26000/7000 = 3.7) may be applied uniformly in all the cases to arrive at the revised pay in the new scales of pay.

**Chapter –IX**  
**Fixation of Pay on promotion.**

In the case of Promotion from one grade to another in the revised pay structure, the fixation is presently done as under:-

- (a) One increment equal to 3% of the sum of the Pay in Pay Band and Grade Pay will be computed and rounded off to the multiple of 10. This will be added to the existing Pay in the Pay Band.
- (b) However, the Pay so fixed must not be less than the minimum of the Pay Band to which he is promoted.
- (c) The individual so promoted will get the Grade Pay assigned to the cadre to which he is promoted.

Exception to the general rule is,

- (a) When promotion takes from PB 4 to HAG scale of Rs.67000 – 79000, after adding one increment, pay in the Pay Band and existing Grade Pay will be added. To the figure so arrived at a sum of Rs.2000/- will be added. The pay so fixed is subject to a minimum of Rs.67000 and a maximum of Rs.79000
- (b) The promotion from the Grade of Under Secretary/equivalent to the Grade of Deputy Secretary/Equivalent. The pay of the promoted is fixed by granting an amount equal to two increments. i.e., 6 % of their Basic Pay. The figure so arrived at, a sum of Rs.1000 i.e., the difference between the Grade Pay of Under Secretary and Deputy Secretary (7600-6600) will be added .

9.2 We suggest that the financial benefit on promotion must not be an insignificant amount. In most of the Departments promotion is based upon a qualifying Exam or skill test. In the case of employees the promotions are made very many years after the stipulated residency period in the Feeder Cadre, due to the non availability of vacancy at the higher grades.. After undergoing the rigours of the exam/test or after prolonged period of service in the feeder cadre, if the financial benefit is pittance, it only brings about a sense of desperation and frustration. In most of the field formations, the promotions are accompanied by transfer from one place to another. The financial benefit he received on account of promotion often gets washed away in the reduced allowances like HRA, CCA etc. when posted to unclassified Cities, increased expenses involved in setting down at another location viz. Finding new accommodation, shifting, school admission for children etc.

9.3 We suggest that the benefit on promotion, therefore, should be:

**Two increments in the feeder cadre.**

**Chapter – X**  
**Date of effect.**

Before the 5<sup>th</sup> CPC made its recommendation to have decennial wage revision, there had been no specified time limit fixed for effecting a reappraisal of the pay structure in Government Service. However, on an average, such revision has taken place once in 10-12 years.

10.2 India chose the IMF prescribed economic policies for faster growth in 1991. In the neo-liberal economic regime, old values, social ethos, standard of living underwent vast stride. Profit in any manner or at any cost became the slogan for the private enterprises to survive. In a competitive business world, the public sector could not remain an island of uprightness. In order to compete with the private sector, public sector, perhaps per force had to charter the course of reducing cost of production by casualization of their workforce. The Government had to change its recruitment policies, shed many of its functions, outsource, contractorise etc. to reduce its expenditure and consequently the fiscal and revenue deficits.

10.3 The point, we would like to mention, is that such changes, coming in quick succession brought about an urgency for the reappraisal of the principles of wage determination and other service conditions. The new enterprises employing and administering sophisticated technological innovations did offer hefty pay packets to the few talented and skilled workforce, throwing the subtle wage structure in the society out of balance.

10.4 This apart, the Indian economy experienced a heavy thrust of inflation. The prices of articles, especially of food and other consumables registered enormous increases. The Government either failed or became ineffective to arrest the spiralling rise in prices. This hurt the fixed wage earners and devastated the middle class employees, who were to maintain a certain standard of living and status in the society. We may in this connection cite the observation of the 3<sup>rd</sup> CPC (of course made in a different context) and the 4<sup>th</sup> CPC to bring home the necessity of periodical wage revision.

*“A dispirited public service can never be expected to function satisfactorily and to rise to the occasion, when a crisis occurs. It should not be forgotten, as pointedly referred to again by the Priestley Commission, that the process of deterioration arising from a sense of grievance on the part of the staff may be a slow one, particularly in a service with high traditions. By the time the tendency manifests itself, irreparable damage may have been done. We may add that because of the cadre system, the full impact of deterioration in the calibre and the competence of the new recruits will be felt by the country after a time lag of 20-25 years, when they will be moving to the top and playing a vital role in the governance, of the country, as during the interval, their senior colleagues may be shouldering the burden. At that stage, restoration of administrative standards, may be well nigh impossible in the short time, as public servants in the top echelons take time to train and mature”.*

The pay structure has therefore to be satisfactory all through and has to be formulated on a consideration of all the relevant factors.

“At the same time, it is necessary to revise the pay scales as and when necessary. The aim of such revision is not only to take note of changes that may have taken place in the relevant facts and circumstances bearing on pay scales, but also to rectify or fill any errors or omissions that may have occurred in the earlier pay determination. Where pay

revision are announced at specified periods of time that gives hope to the employees who can look forward to a better deal on the next occasion. Periodic revision or review of pay scales thus serves to avoid conflict with the employer and enables the employees to prepare, with the reasonable hope that their grievances and claims would be gone into once again in a determined and honest manner. It generates the sense that there is hope for them in time to come and that it would be unnecessary to take the path of agitation or confrontation. The terms of reference of such review bodies are often decided in consultation with representatives of employees so that matters agitating their minds, or of particular interest to them, may fall within the purview of the review body and be adjudged in a satisfactory manner.”

10.6. In the organised private sector wages are on the basis on an agreement reached between the workers and employers through bilateral discussions. The tenure of their agreements is not for more than 3 years. It is not only to cater to the needs of workers that such short tenure is assigned to the agreements but the employer too wanted the wage and other issues reviewed periodically.

10.7 Public sector managements are not free or autonomous enough to decide upon the wage and other service conditions of the worker. The Bureau of public enterprises and other Governmental agencies do make intervention on certain policy issues and ensure that no wide disparity exist in the matter among the public enterprises.

10.8 In most of the PSUs, the workers have asserted the need for a 5 year wage revision, despite the directive to the contrary of the Bureau of Public enterprises. Government and the management of PSUs had to succumb to this demand.

10.9 In January, 2002 the percentage increase over 306.33 all India Consumer Price Index (12 monthly average) was 50% i.e., exactly after the 6<sup>th</sup> year, the wage revision of 5<sup>th</sup> CPC was given effect to. In January, 2011, the percentage increase over 115.76 all India Consumer Price Index (12 monthly average) crossed over 50% mark, i.e./, exactly after 5 years from the date on which the 6<sup>th</sup> CPC recommendations were implemented. The real erosion of wages would be much more than 50%(PI. See our memorandum on Interim Relief .) As on 1.1.2011, the real value of erosion was about 174% if the retail prices of the commodities as on that date are taken into account. It was in realisation of this indisputable fact that the 5<sup>th</sup> CPC suggested for merger of DA with Pay to treat the DA component as pay for all purposes, so that the employee will have an immediate relief from the erosion in the value of wages.

10.10. Neither we could elicit a decision from the Government to merge DA with pay on 1.1.2011 due to the absence of a specific recommendation from the 6<sup>th</sup> CPC nor could we make them to agree to set up the 7<sup>th</sup> CPC. We had to resort to collective trade union action to impress upon the necessity of wage revision. The Government's response, though, belated did avoid a confrontation, which was brewing and gathering momentum amongst the rank and file of the Central Government employees.

10.11 We, therefore, request the 7<sup>th</sup> CPC to make the following recommendations to the Government:

1. To merge DA and treat the same as pay for all purposes as and when the DA entitlement reaches 50%
2. To set up the next wage revision body or Pay Commission sufficiently before the expiry of five years.
3. To implement their recommendations with effect from 1.1.2014 especially in the background that the desirable tenure of the earlier Commission's recommendations expired on 1.1.2011.

### **Chapter XI**

#### **Special pay:**

As was defined in F.R. 9(25), the special pay system was evolved, mainly to arrest the proliferation of pay scales. In the past, it had been granted to meet the following exigencies.

1. When one is assigned duties which are arduous in nature;
2. When one is assigned duties which entail additional responsibilities.
- 3.

11.2 Elsewhere in this memorandum, we have noted the need for de-layering and consequent reduction of pay scales. The reduction in the number of pay scale may bring about certain administrative problems for certain departments. The grant of special pay will take care of this difficulty. Once the duty list is recast the smooth switch over will become possible and the number of persons in special pay will gradually reduce. The recommendation of the 4<sup>th</sup> CPC to replace the special pay with special allowance has only gone to deprive the employees of the benefit of certain allowances, had it been pay. We, therefore, request the 7<sup>th</sup> CPC to bring back the system of special pay to curtail the number of pay scales.

### **Chapter XII**

#### **Common categories of staff and Common cadres**

The 6<sup>th</sup> CPC has classified the following as common categories.

Accounts Staff belonging to un-organised accounts cadres.	
Artists	Para Medical staff
Canteen staff	Photographers
Care taking staff	Police personnel
Drawing Office staff	Printing staff
Drivers	Receptionist
E D P staff	Store Keeping staff
Fire Fighting staff	Teachers
Library staff	Veterinarians
Laboratory staff	

12.2. The personnel belonging to the above mentioned categories are recruited by various departments according to their requirement. Since they are often out of the mainstream of the activities of the concerned department, they cannot be provided with a planned career advancement. This apart, we also notice that the pay scales assigned to them vary from one department to another. The anomaly created is not capable of resolution at the Departmental anomaly committees and often carried forward to the next CPC, where some anomalies are

resolved and others remain unresolved. We suggest that these categories of employees must be given common pay scales and made applicable in all Departments. They must be assigned pay scales on the basis of the entry level recruitment qualification and the structure specified to be applied uniformly in all departments. All these categories of employees may be granted the pay scales provided for similar personnel in the Central Secretariat. The Associations/Federations of these employees will no doubt submit their memorandum to the 7<sup>th</sup> CPC indicating the present state of affairs and improvement needed in their pay structure with reasons. The 7<sup>th</sup> CPC may consider their submissions and make appropriate recommendation to accede to their demands.

### 12.3 Staff Car Drivers :

In most of the Departments of the GOI, the cadre of Staff Car Driver has become a dying cadre, due to the policy of hiring the vehicle along with drivers rather than purchasing cars. However, operational vehicles continue to be owned and operated by the concerned department. The Associations/Federations of those departments where operational vehicles are required to be owned and operated will submit memorandum to suggest the requisite improvements in the service conditions of drivers. Incidentally we may mention that the pay scales assigned to the Staff car Drivers common category vary with what is provided for the staff car drivers of the upreme Court and Parliament. We request the commission to recommend parity for the sake of equal work - equal pay. In some of the Departments of the Government of India, presently the staff car drivers are surplus in as much as the staff cars are hired with drivers on contract basis with the result they sit idle. We request that the commission may recommend to absorb these drivers as a onetime measure in any appropriate cadre in the concerned department by amending the Recruitment Rules of those cadres, where they can be absorbed.

12.4 In administrative offices, generally, the following are the common cadres:

MTS, LDC, UDC, DEOs, Stenographers, Assistants, Senior Assistants, Office Superintendent, Administrative Officers Gr III, II and I, Private Secretaries Senior Private Secretaries, Personal Assistant etc.

12.5 We have suggested MTS the pay scale commencing with the minimum wage of Rs. 26000/- Tis may be applied in the case of MTS of all Departments.

12.6 On computerisation of functions of almost all departments of Government of India the duties assigned to LDCs, has changed drastically. The routine functions of Data entry etc has now been entrusted to Data entry operators and the rest is overlapping with the functions of UDC. These posts in all Departments are, therefore, to be upgraded as UDCs and whatever pay scale assigned to UDCs given to them. At the clerical level, presently there are two scales, with Grade pay 2400 and 2800. This, in our opinion requires to be de-layered and be replaced by one single pay scale. At the level of Assistants, they may be granted the scale of pay assigned to Assistants in the Central Secretariat and the Sr.Assistant/Office Superintendent are to be granted the pay scale of section officer in the Central Secretariat. The Cadre of Administrative Officers is in three Grades. Every department may not have the requirement of all the three grades. Wherever it is found to be necessary to retain the three Grades they may be granted the next three successive pay scales i.e., Gr A entry scale, senior time scale of pay, and the one next above.



12.7 The 6<sup>th</sup> CPC had recommended merger of stenographer with other ministerial cadres.. A few departments have acted upon it, others have left it untouched. The ground reality is that stenographers are presently seldom recruited or is not available for recruitment. The decision to abolish the post of Stenographers and merge them with clerical cadre may bring about difficulty in filling up the posts of Private Secretary and Senior Private Secretary in future. In any case, they are entitled to the same pay scale as is provided to the Stenographers and Private secretaries in the Central Secretariat and we suggest that they be brought on par with the similar grades in the Central Secretariat. The Associations/Federations participating in the JCM will submit a detailed memorandum covering these common categories, wherever they exist. We request the 7<sup>th</sup> CPC to consider and accept the views and suggestions made by them in their memorandum and make appropriate recommendation.

### **Chapter XIII** **Classification of Posts.**

Except the 2<sup>nd</sup> CPC, all other earlier Commissions had recommended for the retention of the four Groups of classifications. The 2<sup>nd</sup> Pay Commission was of the opinion that the grouping of Central Government employees into four categories served no practical purpose. Rather, they commented that it had only created an unhealthy psychological effect. The 4<sup>th</sup> CPC therefore suggested for abandoning the classification of civil servants in 4 groups. They had examined the practice followed by other countries including those with a large and complex civil service, where it had not been found necessary to super impose upon their civil service grade and occupational groups.

13.2 During the last six and half decades, our country has moved quite far away from the colonial system of governance in substance and form. The 3<sup>rd</sup> CPC justified the grouping on an assumed equivalence of the work content in different levels of the various occupational groups. Over the years, changes in the scale of pay of many grade and cadres have taken place, even though there had been no change in the value or level of responsibility of the assigned jobs. Despite having no such addition to the level of responsibility to assigned jobs, the grades had to move from one group to another, because of the pay scale based grouping.

13.3. It is the view of the Department of Personnel on classification that has ultimately survived. It may not be out of place to mention that the service conditions of Government employees are still governed by the rules enunciated, when country was a British Colony. Despite the specific provision in the constitution (Article 309) making it incumbent upon the parliament to enact the legislation to govern the service conditions of civil servants, the fact remains that no Government which took over the reins of governance in the country could find time to introduce a Bill in the parliament for that purpose. It is not therefore surprising that the DOPT stuck to the conservative position of maintaining the status quo. The four grouping which presently refers the classification, we must sadly state has taken the shape and content of “varnashram”. In almost all the PSUs, the classification is “Executive and Non Executives”. In our opinion all cadres, which were characterised as “Gazetted” in 1960s may be placed in the Group of Executive and the rest in non-executive. We, therefore, request the 7<sup>th</sup> CPC to make recommendation on classification of posts on the basis suggested by us.

**Chapter –XIV**  
**Grameen Dak Sewaks**

We solicit the kind reference of the 7<sup>th</sup> CPC to the observation made by the 4<sup>th</sup> CPC in Page No.4 Part-I, Vol-I of their report, which is reproduced for ready reference:

“The matter is however beyond controversy after the decision of Supreme Court in Gokulananda Das Case (1957 1SCR679) where it has been declared that an extra Departmental labour is not a casual worker but “holds a post under the administrative control of the state” and that while such a post is outside the regular civil services, there is no doubt that it is a post under the “state”. In view of the pronouncement, we were unable to accept the contention that the Extra Departmental Employees were outside the purview of the terms of our Commission. They no doubt have their own peculiar conditions of their own service and in that sense their case is some what special. We therefore could not exclude them from our consideration, but we accepted the Government suggestion for the setting up of a one man committee to look into their conditions of service as was done in the 2<sup>nd</sup> and 3<sup>rd</sup> Pay Commission. Accordingly, a one man’s Committee under Shri R.R. Savor was set up vide DGPNT’s Resolution No. 6/29/83 PA.II dated 5.11.1984.”

14.2 The argument advanced by the Postal Department that they are outside the civil service except for the purpose of CCS(CCA) Rules (disciplinary purposes) is untenable. That being so, the Gramin Dak Sevaks deserves to be in the purview of the 7<sup>th</sup> CPC terms of reference. The experiment of getting their wages revised through a one man Committee in the past had resulted in a total deprivation of all benefits other than pay which as civil servants all employees of the Government of India have been bestowed.

14.3 The organizations in the Postal Department who represent the Gramin Dak Sevaks will be submitting an elaborate memorandum containing the proposal for wage revision, revision of the existing benefits and allowances including grant of pensionary benefits for GDS. We request the 7<sup>th</sup> CPC to consider their memorandum and make appropriate recommendations. We also request that the Commission not to agree with the probable suggestion of the Government to set up a separate committee as was done earlier.

**Chapter XV.**  
**Allowances and Advances.**

**15.1: Dearness allowance.**

The neutralisation envisaged under the present computation of dearness compensation is supposed to be cent per cent, but in reality it is not the case. Actual consumer price index is much higher than the level at which DA is calculated on the basis of 12 monthly average. The average is always lower than the actual cost of living.

15.1.2. The calculation of consumer price index, its basis, the basket of goods on which it is based, are questionable and has become a matter of dispute. Since the Pay Commission being not the forum at which these issues could be taken, we do not propose to go into the details of this aspects.

15.1.3 We suggest, therefore, that the existing formula of computation of DA and its payment with effect from 1<sup>st</sup> January, and 1<sup>st</sup> July, may continue.

## **15.2: House Rent allowance.**

The present scheme of HRA is based on the recommendation of the 6<sup>th</sup> CPC, which is as follows:

Population criteria	classification	Rate as a % of pay + Grade Pay + MSP +NPA
50 lakhs and above	X	30%
50 to 5 lakhs	Y	20%
Below 5 lakhs	Z	10%

15.2.2. We reproduce hereunder the recommendation made by the third Central Pay Commission in the matter of grant of house rent allowance. (Para 29 Part I. Vol. IV.Chapter 56), which would be the best if implemented even today.

***“While we find it difficult to accept the kind of parity suggested above, we are aware of the acute problem caused by the lack of adequate government housing and by the inadequate government housing and by the inadequacy of the existing rates of house rent allowance and recommend as follows:-***

- (i) Government should take houses on long lease and make residential accommodation available to its employees on payment of 10% of their pay.***
- (ii) Government should lay down appropriate house rent allowance rates in different cities and towns based not on population criteria, but on an actual assessment of the prevailing levels of rent in different cities and towns. Alternatively, certain notional rents for different types of accommodation meant for officers and personnel of specified pay groups should be laid down for particular cities after studying the actual conditions in that city. The difference between the actual rent paid and 10% of pay should be reimbursed subject to a maximum of the difference between the notional rent and 10% of the pay. The existing norms in regard to entitlement of accommodation, size of rooms etc. could, if necessary, be reduced depending on the housing situation and the norms usually adopted by different income groups in renting accommodation in the various cities. Such notional rents should, to start with, be applied to all stations falling under the description of classified cities for purposes of House Rent Allowance, Additions could also be made to the list later on by including other cities deserving similar treatment.***
- (iii) Till the Government is able to make arrangements recommended in the preceding sub-paragraphs, the rates of HRA should be as follows:”***

Class of city/town	Rate of HRA
A, B-1 and B-2	15% of pay subject to a maximum amount of Rs.400 as house rent allowance.
C class	7 ½ % of pay subject to a maximum amount of Rs.200 as house rent allowance

15.2.3. The above said recommendation is still to be acted upon by the Government and the transitory provisions suggested by them i.e. payment of allowances at a pre-determined rate on the basis of classification made of the cities depending upon the population continue to be employed. The non-implementation of the above recommendation of the third CPC , has without exception, gone to depress the wage of all sections of Central Government employees as they

are forced to spend more than what they receive as HRA for obtaining and retaining the accommodation. The rates prescribed by the 6<sup>th</sup> CPC, though an improvement over its predecessor Commission, has not improved the situation. The real estate value throughout the country has skyrocketed and owning an accommodation within the city/Municipal limit has become impossible for Government employees. There is not a single town/village where the real estate boom has remained unaffected. The phenomenal increase in the value of land has naturally impacted the rent, one is to pay on leasing house/flat. The house rent allowance does not bear even a small percentage of the rent. The 7<sup>th</sup> CPC may recommend to the Government to act upon the suggestion made by the 3<sup>rd</sup> CPC without any further delay. Pending action on the part of the Government, the Commission may suggest the following rates of House Rent allowance;

X classified cities:	60%
Y classified towns	40%
Z classified/unclassified places	20%

### **15.3: Compensatory City allowance.**

The Compensatory City allowance has been granted to Central Government employees since the First Central Pay Commission. This allowance was sanctioned to compensate for the high cost of living in bigger cities classified as such for grant of house rent allowance. Upto 3<sup>rd</sup> CPC it used to be certain percentage of pay for different pay ranges and different classified towns. The 4<sup>th</sup> and 5<sup>th</sup> CPC, however, recommended lump sum amounts as CCA. 5<sup>th</sup> CPC in para 106.10 (Page 1582) of their report has commented that :

***“We also do not support the demand for making CCA a percentage of basic pay because this amounts to admitting a firm and casual relationship between CCA and income.”***

15.3.2. When it is admitted that CCA is essentially an allowance given to offset the imperfection in Dearness allowance as a measure of relative expensiveness of classified Cities, it really becomes an additional DA. When the DA is at a percentage of Pay, how can CCA not be fixed as a percentage of pay. The basis on which the lumpsum amount of CCA was recommended by the 4<sup>th</sup> and 5<sup>th</sup> CPCs had also not been disclosed and therefore, it appears to be an arbitrary decision. The 6<sup>th</sup> CPC on the other hand recognised that the only two factors viz. accommodation and transportation contribute to high cost of living in classified towns. They, recommended the revised HRA and Transport allowance to adequately compensate for relative expensiveness of the classified cities. In view of that contention, they stated that the CCA stands subsumed in Transport allowance. We are unable to agree with the idea of subsuming CCA in Transport allowance as recommended by the 6<sup>th</sup> CPC on the consideration that the relative expensiveness in bigger cities is only on account of problems of accommodation and transportation. There are various other factors due to which the expensiveness of a particular city either increases or decreases. CCA was a component in determination of overtime allowance prior to the implementation of the 6<sup>th</sup> CPC recommendations. By allowing this to be subsumed in the transport allowance, it became difficult to factor the CCA component in the computation of overtime allowance.

15.3.3. For these reasons, we propose the Commission to recommend the following rates of City Compensatory allowance:

Pay Range	X classified city	Y classified towns.
Pay upto Rs. 50,000	10% of pay	5% of pay

Pay of more than Rs. 50000	6% of pay subject to a minimum of Rs. 5000	3% of pay subject to a minimum of Rs. 2500
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15.3.4. As the relative expensiveness affects middle class employees more severely we have provided higher rates of CCA for those in the pay range upto Rs. 50,000. We have not proposed grant of DA on this allowance.

**15.4: Transport allowance.**

The 5<sup>th</sup> CPC had introduced transport allowance for employees working in classified towns on account of various factors like unprecedented growth of city limits, increase in volume of traffic and non availability of residential accommodation at reasonable rents near offices, which are usually located in the heart of cities. If these were the factors, it appears that the 5<sup>th</sup> CPC did not take into account that it is usually a low paid employees who finds residence at a very long distance from his office whereas officers are offered residences very near to their offices. If, therefore, transport allowance was meant to defray the transportation charges from residence to office and back, the higher rates ought to have been recommended for the low paid employees who were residing at a distant places. Since the 6<sup>th</sup> CPC's recommendation in this regard was implemented, there had been several rounds of increase in the fuel charges making a cascading impact on the public transport fares. Taking these factors into account, we suggest that the following rates of transport allowance may please be recommended, applicable for all Government employees uniformly. There are several restrictions imposed for the grant of this allowance. One of them stipulates that the Government employees must be at his headquarters for certain number of days in a month to enable him to draw this allowance. There are organisations, where personnel by force of circumstances have to be out of Hqrs for months together. To deny them the transport allowance is to say the least salting the wound. These restrictions, we request the commission to recommend to the Government to be removed..

Pay Range	X classified city	Other places.
Pay upto Rs. 75,000	Rs. 7500 + DA	Rs. 3750 +DA

**15.5: Deputation duty allowance.**

In our memorandum submitted to the 6<sup>th</sup> Central Pay Commission, we had pleaded for doubling the Deputation (Duty) allowance. Our plea in this regard was not accepted by the 6<sup>th</sup> CPC. Presently the rate of the allowance is 5% when one is drafted for deputation in the same city and 10% if posted outside. In quite a number of Departments of Government of India, there is need for taking personnel on deputation to ensure that certain specialised jobs are carried out efficiently as it could not be undertaken by the in-house talent. The personnel will volunteer for deputation only when it is found to be financially lucrative. The present rates are not so and quite a number of ex-cadre posts are reported to be lying vacant. We, therefore, request that the 7<sup>th</sup> CPC may recommend to double the rate of Deputation duty allowance i.e. 10% of pay when posted in the same station and 20% when posted outside.

**15.6: Travelling Allowance and T A on transfer**

15.6.1 The travel entitlement while on tour or transfer as recommended by the V CPC are as under

<b>Pay Range</b>	<b>Travel Entitlements</b>
For Post in the grade pay of Rs.9000 and above	J Class by air / AC First Class by train
For post carrying grade pay from Rs.6600- to Rs.8400	Y Class by air / AC First Class by train
For post carrying grade pay from Rs.5400- to Rs.6500	Y Class by air / AC II Tier Class by train
For post carrying grade pay from Rs.4200- to Rs.4800	AC II Tier Class by train
For post carrying grade pay of less than Rs.4200	First Class /AC III Tier / AC Chair car by train

15.6.2. Daily allowance.

The entitlement for accommodation, taxi charges and food bills as recommended by the 6<sup>th</sup> CPC are as under:

<b>Grade Pay</b>	<b>Daily Allowance</b>
Rs.9000 and above	Reimbursement for Hotel accommodation of upto Rs.5000 per day ; reimbursement of A/c taxi charges of upto 50 Kms. for travel within the city and reimbursement of food bills not exceeding Rs.500 per day
Rs.6600 to Rs.8400	Reimbursement for Hotel accommodation of upto Rs.3000 per day ; reimbursement of non-A/c taxi charges of upto 50 Kms. Per diem for travel within the city and reimbursement of food bills not exceeding Rs.300 per day
Rs.5400 to Rs.6500	Reimbursement for Hotel accommodation of upto Rs.1500 per day ; reimbursement of taxi charges of upto Rs. 150 per diem for travel within the city and reimbursement of food bills not exceeding Rs.200 per day
Rs.4200 to 4800	Reimbursement for Hotel accommodation of upto Rs.500 per day ; reimbursement of taxi charges of upto Rs. 100 per diem for travel within the city and reimbursement of food bills not exceeding Rs.150 per day

Below Rs.4200	Reimbursement for Hotel accommodation of upto Rs.300 per day ; reimbursement of taxi charges of upto Rs. 50 per diem for travel within the city and reimbursement of food bills not exceeding Rs.100 per day
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15.6. 3. We have proposed Time Scale of Pay Structure in our Memorandum in replacement of Pay Band and Grade Pay. In view of the same, we propose that all persons belonging to Executive Class may be extended I class by air/ AC First Class by train and all non executive Y class by Air/AC II tier class by train.

15.6.4. This scheme of reimbursement of charges has led to persons indulging in undesirable corrupt practices. Inflated hotel receipts, food bills etc., have been presented by many including highly placed officials. We think providing a composite rate of daily allowance to take care of accommodation internal travel charges and food bill would be a proper. We, therefore propose these rates may be as under:-

Category	A1 and A class city	Other cities
Executives	Rs.5000/-per day +DA	Rs.3500/- per day + DA
Non- Executives	Rs.4000/-per day +DA	Rs.2500/- per day + DA

#### 15.6.5.Travelling Allowance on Transfer

We agree that composite Transfer Grant equal to one month Pay + DA alongwith actual fare for self and family as per the entitled class may continue. As regards transportation charges of personal effects we propose the following:-

Class	By Train/Steamer	Rate per Km for transport by Road
Executive Class	6000 Kgs by goods train / 14 wheeler wagon/1single container.	Rs.50 +DA (Re.1/- per Kg per Km)
Non Executive Class	3000 Kgs	Rs.50 +DA (Re.1/- per Kg per Km)

#### 15.7.Children Education Allowance

The Children Education allowance was introduced w.e.f. 1-9-2008 on the basis of the recommendation of 6<sup>th</sup> CPC. In the background of escalation of school fees, and other expenses connected with education of Children, the present scheme has been a big relief for the Government employees. Presently the allowance is admissible for two children, for studying in a recognised school upto XII standard. The maximum ceiling is stipulated at Rs.18000/- since this allowance had been hiked by 50% because of the DA component in salary having been crossed

100% on 1.1.2014. We suggest doubling of this allowance and increasing the same by 50 % whenever the DA reaches 50%.

15.7.2 The insistence of receipt for each and every expense to claim the allowance is a cumbersome procedure, which serves no purpose at all. In order to avoid a probable misuse, the employee may be asked to produce an affidavit to the effect the child/children were bonafide student of the school. . In the case of hostel subsidy also, the procedure is irksome and serves no purpose at all except that the concerned employee could be harassed. The insistence of receipt etc. in that case also be dispensed with. In both the cases, a certificate from the concerned school authorities that the child is either a bona fide student or an inmate in the hostel must be treated as sufficient to grant the allowance.

15.7.3. We also suggest that the scheme may be extended to cover any two children studying for Graduate/Post Graduate and Professional courses. This suggestion is being made in view of the huge expenses involved for the children's higher studies, especially in the background of the Government withdrawing itself from the higher education sector and allowing private institutions to come up and extract exorbitant charges for various courses.

15.7.4. Education Advance: Presently the employees are to depend upon the Banks for education loans. Banks levy interest on these loans very heavily. If the child is not able to get an employment immediately after his studies, it become an unbearable burden on the employee. We, therefore, suggest that the 7<sup>th</sup> CPC may recommend to the Government for the sanction of Education Advances with an interest rate not exceeding 5% for those employees, whose children take up higher studies.

15.7.5 . We request our suggestion in the matter may be recommended to the Government for its acceptance.

### **15.8.Overtime allowance.**

Overtime Allowance is seldom granted to the Government employees. Only in case of emergency and in the contingency in which the work cannot be postponed, the over time allowance is entitled to.

15.8.2 The third, Fourth, Fifth and Sixth Central Pay Commissions had recommended for the discontinuance of Over Time Allowance except in the case of Industrial employees, Staff Car drivers, and operational staff. However the Government continued to pay over time allowance calculated on the basis of notional pay in the pre-revised basic pay of IV Central Pay Commission

15.8.3. The matter was referred to the Board of Arbitration in C. A. Reference No. 2 of 2004 on 06.09.2005, The award was given in favour of the employees to the effect that overtime allowance shall be calculated on the basis of actual pay in the Fifth CPC revised Pay scales. This award has not been implemented so far. The result is that Rs 15.85 per hour which is 10 times lesser than the rate fixed in Railways and Defence is being paid in Postal and other Departments.

15.8.4. We propose that over time allowance should continue to be paid and calculated on the basis of actual pay, DA and Transport Allowance from time to time. The rate of overtime



Allowance should be refixed as and when the DA is increased and there shall be no ceiling on amount of overtime allowance which become payable. Overtime allowance is denied to the personnel on the plea that their pay is beyond the stipulated level for grant of overtime allowance. If that be the case, they must not be asked to work beyond the stipulated working hours. However, we are aware that such a stipulation cannot be made in the case of operational organisations. We, therefore, suggest that the overtime allowance must be granted to all personnel, if he/she is asked to work beyond working hours, irrespective of limitation of emoluments.

#### **15.9.Night duty allowance.**

The Nigh Duty Allowance as granted now is very meagre and require revision. It is pertinent to mention that considering the changes in the payment of Dearness Allowance and price escalation, the Ministry of Railways has revised the allowance from Rs. 57.90 to Rs. 203.20.

15.9.2. Though the V CPC recommended that the relaxation of the ceiling for Night Duty allowance be restricted to certain categories of Railways, the Board of Arbitration has given a categorical award that the ceiling of Rs. 2200 (with reference to IV CPC) may be lifted in all cases.

15.9.3. We therefore request this Commission to do away with ceiling of Pay for all .

15.9.4. The Govt. had not revised the rate of Night Duty Allowance on the basis of revised pay both while implementing the recommendations of the IV, V, VI Pay Commissions. The Board of Arbitration has also given award that NDA should be calculated on the basis of current rates of pay including DA & CCA.

15.9.5. We therefore, urge upon the VII CPC to recommend that rates of NDA for all should be computed on the basis of revised pay recommended by VI CPC and it should be reviewed annually in order to include the DA Admissible.

#### **15.10. Patient care/hospital care allowance.**

Patient/hospital care allowance is presently granted as a lumpsum amount. This is an allowance, which is hiked by 25% as and when the DA entitlement crosses over 50%. We suggest that the lump sum amount may be doubled and the rates made uniform in respect of all employees of all Central Government hospitals and Dispensaries. Presently Night duty allowance is denied when the Patient care allowance is granted. In other words, the two allowances are not concurrently granted. This is an unjust stipulation in as much as Night Duty allowance is granted when one is asked to perform duty during night. The stipulation may, therefore, be removed. We request that our suggestion in this matter may be accepted and recommended.

#### **15.11.Additional Monetary Incentive for Personnel Posted in N E Region**

In consideration of the peculiar situation prevailing in the North Eastern States i.e insurgency, high cost of living, inaccessibility etc., the staff side in the National Council raised the demand for a special allowance to be granted to employees posted in North Eastern States. The Government agreed to set up a committee to look into the grievances. The committee

suggested for grant of such an allowance. However, when the Government issued orders, the allowance was in fact granted only to those personnel with an all India transfer liability or only for Officers in Group A services. The said decision generated resentment amongst the other segment of employees. The North Easter region witnessed tumultuous agitations. Some employees approached the Court and obtained favourable orders. But the Government refused to implement those court orders for similarly placed employees.

15.11.2. The matter was brought before the 6<sup>th</sup> CPC. The 6<sup>th</sup> CPC recommended extension of the said benefit to all sections of the employees. Ultimately the Government issued orders to cover all employees with the special duty allowance in 2008 by which all personnel posted in N E Region become entitled for special duty allowance at 12.5%.

On 10<sup>th</sup> February, 2009, the Government suo moto issued an O.M (F.No.14017/4/2005 AIS(11)) according to which an additional monetary incentive to officers belonging to North East Cadres of the All India Services @ 25% of their basic pay + Grade Pay was granted. The additional monetary incentive was given the nomenclature "Special allowance for Officers belonging to North East Cadres of All India Services". If the grant of the allowance is justified on the ground of remoteness, arduous environment, endemic insurgency etc, how then it could be denied to the employees who are to face the same situation throughout their service career. The order is discriminatory and repetition of the efforts of DOPT while granting SDA earlier, which had to be rescinded on the recommendation of 6<sup>th</sup> CPC. We request the 7<sup>th</sup> CPC to recommend that in the light of the above cited order dated 10-2-2009 the employees may be granted Special Duty Allowance @ 37 ½ % of pay.

### **15.12.Other Allowances/ Advances**

We suggest to the VII CPC to recommend to increase the following allowances and advances, which are presently granted as a lump sum amount to three times in view of the fact that the revised Minimum wage computed is almost 3.7 time of the emoluments as on 1.1.2014.

#### **Allowances**

- Conveyance Allowance
- Risk Allowance
- Project Allowance
- Washing Allowance
- Child Care Allowance
- Cash Handling Allowance
- All other allowances not listed above.

#### **Advances**

- Natural Calamity Advance
- Vehicle Advance
- Personal Computer Advance
- Uniform and Stitching Charges

## **Chapter XVI**

### **FACILITIES.**

#### **16.1.Housing facilities**

The non-availability of housing accommodation in all towns and cities of India has become acute. The rent per month even for a modest accommodation is beyond the capacity of the Government employees. Elsewhere in the memorandum, we have suggested for increasing the rate of HRA. The acceptance of our suggestion, will also not change the situation significantly. We want the 7<sup>th</sup> CPC to look into the various suggestions made by the 5<sup>th</sup> CPC in the matter of housing facilities and house building advance, which were not acted upon by Government. Had the Government been good enough to accept even some of the suggestions made by the 5<sup>th</sup> CPC, it would have gone a long way to ameliorate the difficulties faced by the Government employees and low paid workers. Their main suggestions were:

To achieve housing satisfaction level of 70% at Delhi and atleast 40% in all other town/cities.

To take on lease, the accommodation from private property to allot to the employees.

The land and building acquired by the Income Tax Department as part of their acquisition proceedings may be utilised for constructing residential accommodations for Government employees.

Often, the employees are asked to be stationed at remote/inhospitable areas for operational purposes. They are not provided with any facility. We suggest that they must atleast be provided with rent free residential accommodation, for it is difficult for them to get any residential accommodation due to the prevailing conditions of that locality.

We request the 7<sup>th</sup> CPC to reiterate these suggestions and recommend for its acceptance.

#### **16.2.House Building Advance:**

House Building Advance encourages the employees to own houses at a fairly early stage of their employment. This will also reduce the demand for residential accommodations. We have noticed certain difficulties encountered by the employees in obtaining the advance. The prescribed procedure requires amendments so as to enable the employees to comply with it properly. We make the following suggestions to improve the present procedure.

1. To simplify the procedure
2. To exempt the stamp duty when the property is required to be mortgaged and de-mortgaged.
3. To increase the advance to 50 times of the Salary

4. Since the repayment of the advance is to be made in a span of not more than 20 years, the employees must be made entitled to the advance on completion of 5 years, which is presently 10 years.
5. In the case of employee, who do not have the service period of 10 years for repayment, in order to compute the advance and the repaying capacity, the entire gratuity due and become payable to him may be taken into account.
6. The maximum ceiling limit to be raised appropriately on the basis of the new pay scales.
7. To reduce the rate of Interest at not more than 5%.
8. To make the Government employees entitled for the advance for purchasing second-hand or used houses
9. Advance may also be sanctioned for the purpose of making extension to the existing accommodation.

### **16.3 Scheme for Appointment on Compassionate Ground**

As the nomenclature suggests, compassion is to be kept at the centre stage of the scheme of compassionate appointment. The objective of the scheme is to provide immediate assistance to the family of a Government employee who died in harness to tide over the sudden crisis. It is to be viewed as a sacred assurance to a fresh entrant in Government service that if unfortunately he expires while in service, his family would not be left in lurch/in destitute conditions. This scheme has been interpreted by the Supreme Court in many cases. The leading judgements of the Supreme Court are the following:

- (i) Umesh kumar Nagpal Vs State of Haryana & Others[Jt.1994(3)SC525] judgement dated 4.5.94
- (ii) Auditor General of India and others Vs G.Ananta Rajeswar Rao [(1994) ISSC 192] judgement dated 8.4.93.
- (iii) Life Insurance Corporation of India Vs Mrs Asha Ramachandra Ambedkar and Others [ Jt. 1994(2) SC 185] judgement dated 28.2.95
- (iv) Himachal Road Transport Corporation Vs Dineshkumar [Jt.1996(5)SC319] judgement dated 7.5.96
- (v) Hindustan Aeronautics Ltd Vs Smt A.Ridhika Thiruwalal [Jt. 1996(9)SC197] judgement dated 9.10.96
- (vi) State of Haryana & Others Vs Rani Devi & Others [Jt.1996(6)SC 696] judgement dated 15.7.96.

16.3.2. On going through the judgments one could infer that Supreme Court also upholds the relevance of this policy. The Court had tried only to ensure that this policy is implemented in an orderly and logical manner. It is unfortunate that the above judgements and particularly the Nagpal case (item no. 1 supra) was very often misquoted and misrepresented as if the Supreme Court has banned the appointment on compassionate ground.

16.3.3. The Supreme Court in Nagpal case laid down the following important principles.

- (1) Only dependents of an employee dying in harness leaving his family in penury and without any means of livelihood can be appointed on compassionate grounds.

- (2) The posts in Group C and D alone can be offered for compassionate ground appointments.
- (3) The whole object of granting compassionate appointment is to enable the family to tide out the sudden crisis (death –premature retirement on medical ground) and to relieve the family of the deceased/premature retired from financial difficulties and to help it get over the emergency.
- (4) Compassionate appointments cannot be granted after a lapse of a reasonable period of time and it is not a vested right which can be exercised at any time in future. Nowhere in this judgement it has been stated that compassionate ground appointments should be restricted by imposing a ceiling.

16.3.4. However, the Department of Personnel and Training in their OM dated 29.6.95 imposed a ceiling of 5% of vacancies in direct recruit quota in Group D and Group C for making appointments on compassionate grounds.

16.3.5 The Central Government employees organisations have been pleading since 1996 in the National Council JCM that this ceiling, being irrational may be withdrawn but in vain. Taking into account various factors, especially the welfare of the employees and workers, Railways devised the compassionate appointment scheme without enforcing the stipulation of the ceiling evolved by the Department of Personnel.

16.3.6. Once the high power committee decides that an applicant for appointment on compassionate ground is a deserving candidate, not to offer him such appointment on the plea that there is no vacancy available due to such unwarranted ceiling is negation of the very compassion on the basis of which this scheme has been envisaged. Therefore there is a valid case for lifting this discriminatory and arbitrary ceiling . A large number of applicants seeking appointment on compassionate grounds though found eligible have not been offered appointments. The direct recruit quota has shrunk due to the decision to ban creation and filling up of posts. We refer to the twenty third report on Government Policy of Appointments on Compassionate Grounds presented to the Rajya Sabha on 7<sup>th</sup> September, 2007 ( laid on the table of the Lok Sabha on 7.9.2007) and request the Commission to recommend the following:

1. To remove the 5 % ceiling
2. To ensure that compassionate appointment to the deserving candidates are given within 3 months of the date of death of the employee.
3. In case of any administrative delay in offering compassionate appointment the deserving applicants may be granted minimum of the pay scale of the post on which his application will be considered. .

#### **16.4. Career progression: Grant five promotions in the service career.**

For the efficient functioning of an institution, the primary pre-requisite is to have a contended workforce. It is not only the emoluments, perks and privileges that motivate an employee to give his best. They are no doubt important. But what is more important is to provide them a systematic career progression. The present system of career progression available in the All India Services and the organised group A Civil services attracts large number of young, talented and educated persons to compete in the All India Civil Service Examination. No different was the

career progression scheme available in the subordinate services in the past. Persons who were recruited to subordinate services were able to climb to Managerial positions over a period of time. The situation underwent vast changes in the last two decades. In most of the Departments, stagnation has come to stay. It takes decades to be promoted to the next higher grade in the hierarchy. It was the recognition of the lack of promotional avenue in the subordinate services that made the 5<sup>th</sup> CPC to recommend a time bound two career progression schemes. The three time bound scheme of MACP instead of improving the situation has been found less beneficial and has therefore not gone to address the inherent problem of demotivation that has crept in due to the high level of stagnation. In most of the Departments, the exercise of cadre review which was considered important was not carried out. Any attempt in this regard was restricted to Group A services. The discontent amongst the employees in the matter is of high magnitude today. The VII CPC therefore, should recommend that the cadre reviews are undertaken wherever not done to ensure five hierarchical promotions to all employees in their career on the pattern obtaining for Group A Officers.

### **16.5.Training:**

In chapter 20 (page No. 177), of their report the 5<sup>th</sup> CPC dealt with the need for in-service training for Govt. employees elaborately. Some of these recommendations were implemented by the Government in a few Departments. The need for the in-service training to equip the personnel for increasing the productivity and efficiency need require no emphasis. However, this has not been universally applied is a fact. At the lower levels, the need for training in the face of induction of new technology, though acknowledged by the concerned authorities are seldom addressed. The most important stumbling block is the financial constraints. Unless funds are earmarked separately on the basis of the proposal from the field formations and proper evaluation of the training programme, the training aspect will continue to remain a “least priority area”. We suggest that the annual budget drawn up for each department must have sufficient funds allotted specifically for training purposes. We request that the VII-CPC may kindly make recommendations on the need for in-service training and setting up training programmes by all Departments.

### **16.6. Leave entitlement, holidays and working hours.**

#### **16.6.1. Holidays:**

Presently the holidays are determined for each year by the DOPT. However, they permit the high power welfare committee of each State to finalise, taking into account the local conditions, three among the listed holidays. We suggest that this may be recommended to be increased to six. This apart, we may bring to the notice of the commission that only Government of India has refused to recognise the importance of May Day. May Day is not a holiday for the Central Govt. employees. We request the commission to recommend for the declaration of May day as a holiday.

#### **16.6.2.Casual Leave.**

The Govt. reduced the Casual leave from 12 to 8 and in the case of industrial workers from 15 to 10. The number of days as 12 was conceived to be a day per month. Taking into account the various contingencies one has to face, the increasing social obligations, we request that the number of Casual leave may be increased to 12 per year and in the case of industrial workers in the open line establishments to 15.

### **16.6.3.Special Disability leave:**

The Special disability leave is sanctioned for treatment in the case of an employee who gets injured in an accident. The Govt. has imposed a ceiling on this leave, a maximum of 24 months. During the leave period he will be entitled for full salary for 120 days and rest at half pay rate. Our suggestion in the matter is that such leave must not have any restriction on the number of days. The number of days a person has to be on such leave should be purely on the advice of the concerned Doctor and whatever he has suggested should be granted. .

### **16.6.4.Earned leave:**

At present there is a ceiling limit for accumulation of earned leave. Govt. employees are entitled for 30 days EL on an average every year. Due to revising the age of Superannuation to 60 years, generally Govt. employees are in service for 35 years and more. The total EL that goes into the credit of the employee is of the order of 1050 days, 50% of which comes to 525 days. In that background, the ceiling limit of 300 days can be reasonably raised to 450. The Govt. employee may be permitted to encash part of such accumulated leave say 50% to meet certain financial exigencies if he has put in 20 years of service or more.

On a humanitarian consideration, we may make a novel suggestion of gifting leave to needy employees. Due to prolonged illness or hospitalisation requiring continuous treatment an employee will be unable to attend office and might have exhausted all entitled leave at his credit. We suggest that in such extreme circumstances, either his spouse or his colleagues may be permitted to gift certain number of days leave at his credit to the suffering employee. This will help the suffering employees to tide over the financial difficulties when he is compelled to be in leave on medical grounds.

### **16.6.5. Half Pay Leave:**

We suggest that the half pay at the credit of an employees may be allowed to be encashed at the time of superannuation./retirement.

### **16.6.6. Maternity and Paternity Leave:**

The entitlement may be increased to 240 days in the case of maternity leave and 30 days for paternity leave.

### **16.6.7. Child Care Leave:**

We request to convert the child care leave as “family care” leave. The women employee must be entitled to avail the leave to take care of problems and difficulties of her family members. Accordingly we suggest that:

- (a) no restriction on the maximum number of spells in a year ;
- (b) No restriction be imposed on age of the child for grant of the leave especially in the case of children with mental or physical debilities. Or of prolonged illness.
- (c) She must be allowed to avail the leave for her own biological disorders
- (d) In the case of death of the women employees, her spouse, the widower may be permitted to avail the child care leave.

## **16.7. Leave Travel Concession**

Leave Travel Concession is a facility extended to the Government employees, which enables them to avail holidays and undertake travel as a tourist . The facility provides him with an opportunity to be away from the monotonous daily routine and be with his family members without the tension of the official duties. It is an established fact that if employee is encouraged to take such holidays they will reform rejuvenated and the employer is benefitted through his increased productivity.

16.7.2 Over the years, on representation from employees, the concession has been widened. However, some aspects of this facility require certain further relaxations/improvements. We enumerate those as under:-

1. Permission for air journey for all categories of employees to and from NE Region.
2. Permission for personnel posted in NE Region for a journey within NE Region.
3. To increase the periodicity of the LTC to once in two years.
4. Explore the possibility of allowing an employer to undertake tour outside India, once in his service career in lieu of the LTC.

16.7.3 We request the 7<sup>th</sup> CPC to consider recommending our suggestions for improvements to the Government.

#### **16.8.Group Insurance Scheme.**

The present Group Insurance Scheme for Central Government employees was introduced in 1982. The scheme was conceived to be a self-financing scheme. It is in operation to day without having effected any change in the rate of subscription or the amount of Insurance cover. Both Before the 5<sup>th</sup> CPC and 6<sup>th</sup> CPC, we had placed for increasing the rate of contribution to raise the amount of Insurance cover. Despite recommendations to the effect to increase the subscription rates by 5<sup>th</sup> and 6<sup>th</sup> CPC, Government did not change the scheme at all. We are unable to understand the attitude of the Government in the matter, when it is a self-financing scheme. The Government has not come forward to state that the scheme if changed as per the suggestions of the 5<sup>th</sup> and 6<sup>th</sup> Pay commissions, would be not viable. We therefore suggest to change the rate of subscription and insurance cover as under:-

Group	Rate of Subscription	Insurance cover
Executive	1500	1500000
Non executive (other than MTS)	750	750000
MTS	350	350000

16.8.2. At present the ratio between premium and savings is 3:7. The Government may change this ratio as per the changes in the average mortality ratio. We request the commission to recommend our suggestion to the Government.

#### **16.9.Assured Career Progression/ Modified Assured Career Progression**



The 5th CPC evolved the assured career progression scheme, which was adopted by the Government with certain modifications. The scheme ultimately evolved was a modified version of the in situ promotion or financial up-gradation. In the case of Group C and D cadres, the financial up-gradation was offered twice in the career with a residency period of twelve years. As per the scheme, one is entitled for the financial up-gradation, only if he is otherwise eligible for functional promotion. The ACP Scheme was replaced by modified ACP Scheme on the recommendations of the Sixth Pay Commission in which three financial up-gradations viz after 10,20,30 years have been provided for. The Department of personnel, while issuing the order stipulated that the said MACP will operate on grade pay hierarchy and not the promotional hierarchy which was the case with ACP.. Because of the said stipulation, it became not only not attractive but the ACP became more beneficial to some employees. At the National Council, the Staff Side suggested that the scheme may be made optional and the employees permitted to opt for either the ACP or the MACP as is beneficial to him. This was however, not agreed to by the official side, without assigning any reason.

16.9.2 Taking cue from the system of 5 time bound promotion available to Group A officers,we propose that there should be five financial upgradation in service career of an employee, on completion of 8,7,6,5 and 4 years of service (i.e., first after 8 years of induction, second on completion of 15 years, third on completion of 21 years, fourth on completion of 26 years and fifth on completion of 30 years of service.) The 5 MACPs should be granted on promotional hierarchy as ordered by the Supreme Court. The Supreme Court dismissed the SLP No. 7467/2013 filed by the Government against the CAT order which had been upheld by the High Court Chandigarh in CWP No. 19387/2011. They clarified that the financial upgradation must also be granted in the promotional hierarchy.

16.9.3. We also suggest that the induction training period is presently not taken into account for reckoning the ten year period. This being an incorrect interpretation, the Commission may recommend for its removal.

16.9.4 The existing principle of cadre review once in five years has not been implemented in many C. G. Department. We also propose that periodical cadre review on the lines it had been done in the Railways, by creating 5 levels of pay scale may be recommended.

16.9.5.The VII CPC may kindly consider our proposals and devise appropriate schemes to ensure five financial up-gradations.

#### **16.10. Medical Facilities [CGHS/CS(MA) Rules]**

Supreme Court of India has held that “the enjoyment of highest attainable standard of health is recognized as a fundamental right of all employees/Ex-employees (Pensioners) in terms of Article 21 read with Articles 39, 41, 43 and 48 of the constitution(vide Consumer Education & Research Centre and others Vs. Union of India (AIR 1995 Supreme Court 922)”. Therefore improvements in the existing Medicare systems viz., CS(Medical Attendance) Rules & Central Government Health Scheme (CGHS) has to be carried out.

16.10.2. The Departmental Related Parliamentary Standing Committee on Health & family Welfare has submitted their Seventy First report on the functioning of CGHS of Ministry of

Health & Family Welfare to the Rajya Sabha on 06.08.2013. In this report existing deficiencies in the functioning of the CGHS have been discussed and very important suggestions to remove these deficiencies have been given. The VII-CPC may ask the Government to produce the Action Taken Note on this report to enable the commission to make their appropriate recommendations.

16.10.3. One of very significant recommendations of this Committee is that separate Super Speciality Hospitals exclusively for CGHS beneficiaries, on the lines of Ministry of Railways, Defence & ESIC, one in each metro city, where a considerable number of CGHS beneficiaries are residing alongwith their families, should be established so that the CGHS beneficiaries can avail treatment in these hospitals .

16.10.4. The employees & Pensioners Association have demanded that such Hospitals should be set up. The Govt. have, however, rejected this saying that the Planning Commission has not agreed to provide funds for this and that the Govt. is likely to introduce Health Insurance Scheme. For more than 5 years now, the proposed Health Insurance scheme is being talked about, without any tangible result. The VII-CPC should recommend that the above recommendation of the Parliamentary Standing Committee may be implemented. The health insurance scheme if at all introduced, should be made optional for the beneficiaries.

16.10.5. At present it is only in 26 cities where CGHS dispensaries are located. CGHS should be expanded to cover all the major/important cities where employees are working & pensioners are residing.

16.10.6. There is acute shortage of Doctors, Specialists, para medical staff etc. in all dispensaries. This has affected the quality of services rendered to the beneficiaries by the wellness Centres of the CGHS. Particularly the availability of specialised doctors in the CGHS viz. ENT, Heart, Ortho etc. has to be ensured. Pending their recruitment, the specialist from the Private recognised Hospitals may be requested to examine the beneficiaries in wellness centers atleast for a day or two in a week. Sufficient number of chemists should be attached to different wellness centers so that medicines are supplied on the day these are prescribed by the Doctors.

16.10.7. At present the beneficiary has first to consult a specialist and it is only on reference by him that he could opt a Private Recognised Hospital for indoor treatment. When such a specialist is not available in the wellness centre the beneficiary has to go to State Govt. Hospital to get Specialist consultation which is not only time consuming but inconvenient procedure too. Sometimes the beneficiary even fails to obtain such a consultation. Specialists in Rajasthan State Hospitals have even refused to examine any CGHS beneficiaries. To obviate this difficulty it is suggested that the in-charge of wellness centres should be authorized to refer any beneficiary for indoor treatment in any Private Recognised Hospital chosen by the beneficiary.

16.10.8. CGHS should attach Poly clinics and commence Ayurvedic, yoga, Homeopathic & Unani centers in each wellness centre. Each wellness Centre should be equipped with latest ECG machine, Glucometre, x ray machine etc. as these are basic requirement of any dispensary.

16.10.9. For indoor patients the entitlement of wards is discriminatory. The Officers in PN-3 are entitled for private wards whereas those in PB-2 are entitled to semi private/general wards. The

entitlement of ward should be on the basis of seriousness of ailment and not on the basis of the status of the beneficiaries. This discrimination should end.

16.10.10.CS(MA)Rules: There is presently a ceiling limit for the Head of the Department to sanction the reimbursement of medical expenses of the employees. In organisations other than Railways, the said ceiling is Rs. 200,000. This may have to be raised to Rs. 500,000 taking into account charges to be incurred for hospitalisation, cost of medicine etc. . At present the CS(MA) Rules have not been made applicable to ex-employees. We request that for those who are not living in CGHS cities, the indoor/outdoor treatment may be allowed under the CS(MA)Rules.

16.10.11.Many suggestions have been given by us in our memorandum on Pension & pensioners which is part II of this memorandum. These suggestions are therefore not being reiterated here. The VII-CPC may consider these suggestions as well.

## **Chapter XVII** **Miscellaneous.**

### **17.1.Income tax on salary.**

The 5<sup>th</sup> CPC had engaged the Fiscal Research Foundation to conduct a study to explore the possibilities of exempting Government employees from payment of Incometax on their salary income. Alternate suggestion was to treat the salary and allowance of the Government employees as net of tax. Salary, once it is declared net of tax, the Government being the employer, will have to undertake the responsibility of paying tax on behalf of its employees. In Sri Lanka, the salary of Government employees is exempted from tax. Though the Fiscal Research Foundation suggested the same treatment to be meted out to the Government employees as is available for the employees in Sri Lanka , the 5<sup>th</sup> CPC for good and sound reason made only a modest suggestion of treating the allowances in the case of employees and in the case of pensioners, the pension and other pensionary allowances as net of tax. The Commission cited Section 195A of the Income tax Act,1961 whereby the allowances receivable by an employee of the External Affairs Ministry on foreign posting is treated as net of tax.

17.1.2. The 5<sup>th</sup> CPC recommendation was not accepted by the Government. In our memorandum to the 6<sup>th</sup> CPC we pleaded that they might reiterate the suggestions made by the 5<sup>th</sup> CPC in the matter. However, the 6<sup>th</sup> CPC did not make any mention of it in their report.

17.1.3. In this connection, we may bring to the notice of the 7<sup>th</sup> CPC that the Government had been allowing certain percentage of salary income in respect of all wage earners as a deduction in the computation of income under the I.T. Act. The said provision was introduced in 1974-75 for the logical reasoning that an employee has to incur certain expenditure which could be considered as incidental to his earning the salary. In the initial years, it was a lump-sum amount but later raised to a specified percentage of the salary subject to certain maximum quantum ceiling limit. Finally before it was withdrawn the entitled deduction was 30% of the salary income. With effect from.1.4. 2006, the Government removed the provisions of Section 16(1) and consequently the deduction of 30%, thereby increasing the tax liability of the salaried class of employees whereas the deduction admissible for the business community and others

provided for in the section 28 to 42 was retained. In the light of the 5<sup>th</sup> CPC recommendation, the Government ought not have increased the tax liability of the Government employees. Salaried class of employees are the honest tax payers in the country and the tax due from them is deducted from source even before it becomes assessable. We, therefore, request the 7<sup>th</sup> CPC to recommend to the Government for the reintroduction of the provisions of section 16(1) and allow deduction of 30% of the salary income to arrive at the taxable income. We also request that the Commission should ask the Government to act upon the recommendations of the 5<sup>th</sup> CPC in the matter.

### **17.2.Liabilities of a person who Die in harness.**

The number of persons who die in harness in Government service has been increasing every year. Whether it is a universal phenomenon or a peculiar situation in Government Service is not known. We have dealt with, to some extent, the agony and awful experience of the family members of those who die in harness, while dealing with the compassionate appointment elsewhere in this memorandum. The Government having curtailed the compassionate appointments to the extent of 5% of the vacancies, the family members of the deceased employees are left in great distress. At the time of death the Government employee might have been in debt to the Government on various accounts. It becomes next to impossible for the family members to discharge the liabilities, without further entering into the debt trap of the unscrupulous money lenders. Such a situation, if allowed to develop, will ruin that family.

17.2.2. We, therefore, propose that the 7<sup>th</sup> CPC may recommend to the Government for the waiver of all governmental dues in the case of an employee who die in harness.

### **17.3.Women Employees**

The 5<sup>th</sup> CPC recognised the need for provision of special facilities for women employees and recommended certain measures viz., flexi time, Sub-reservation, increasing the age of recruitment, Public convenience facilities, Separate women's hostel etc.,

17.3.2. Most of these recommendations have not even been considered by the Government. These are - Introduction of flexi time and flexi place work schedules even on experimental basis in some offices; serving women be given option to work half time for a maximum of six years in a career; identification of certain professions to be manned only by women employees; enhancing age of recruitment to 35 years, construction of more single women's hostels; creation of earned leave bank so that wife could avail earned leave at her husband's credit etc. We request the VII CPC to insist that these recommendations are considered and wherever possible, implemented by the Government.

17.3.3. Further, the guidelines for posting husband and wife in the same station are not being observed particularly in case of Gr C women employees. The guidelines should be made mandatory. Further it is needed to implement the recommendations of the National Women's Commission for 30%, sub-reservation which will automatically enthuse women to equip them and be in the mainstream. A large number of women employees are facing problems like removal of uterus etc.,(Hysterctomy) after attaining the age of 40 years or more which

requires special rest. The women employees may be granted one month special leave for such purposes.

#### **17.4. Downsizing / Outsourcing Contractorisation**

To overcome the difficulties emanating from the total ban on recruitment and creation of posts and more specifically impacted by the executive fiat of the Govt. of India issued in the year 2000, many departments had to resort to outsourcing its functions and contractorisation of jobs. The VI CPC had recommended the contractorisation of class IV jobs. This has led to a situation in which some offices were virtually closed down and a few others were privatised or contractorised. The large scale outsourcing and contractorisation of functions had a telling effect on the efficacy of the Government departments. The delivery system was adversely affected and the public at large suffered due to the inordinate delay it caused in getting the requisite service. The financial outlay for outsourcing of functions of each department increased enormously over the years. The quality of work suffered. In order to ensure that the people do get a better and efficient service from the Government departments and to raise the image of the Government employees in the eyes of the common people, it is necessary that the present scheme of outsourcing and contractorisation of essential functions of the Government must be abandoned. The practice of outsourcing and contractorisation is nothing but a cruel exploitation of the alarming situation of unemployment. The system of outsourcing of the functions seeks to informalise the workforce. The contract/casual workers get not even one third of the salary of the regular work force. They have no social security benefits like pension, provident fund gratuity etc.

17.4.2. We, therefore request the pay commission to recommend for scrapping of downsizing Outsourcing/ Contractorisation / of Central Government functions

#### **17.5. Regularisation of Casual / Contingent / Daily Rated Workers**

The practice of employing daily rated (called contingency paid) employee was resorted to in 1980s. No new posts were being created though the volume of work had been increasing in any department. The Department of Personnel and Training in response to a court directive issued a scheme under which all such contingency workers who had worked for 204 days in a year for two years consecutively were granted temporary status placing them in Regular Pay Scale and with certain other benefits. They were then required to be regularized against the vacancies. As their regularization took long time, it was agreed by the Government in the National Council of JCM that 50% of the service rendered by them between the grant of Temporary Status and regularization will count as service qualifying for pension. This scheme was however applicable only in respect of those casual workers who were in service upto September, 1993.

17.5.2. Despite strict instructions from DOPT to stop the practice of engaging casual workers it continued for all the years thereafter and intensified between 2001 and 2009. This was because of the reason that the Government issued executive instruction not to create any posts and abolish 2/3 vacant posts every year. None of these workers were even granted temporary status

and no steps were taken to regularize them. Supreme Court has again directed that the practice of casual employment should end. The court also directed that those casual workers who have already completed 10 years of service on the date of their judgement may be regularized. There are still a large number of such employees who had not completed 10 years of service on the above crucial date. For them there is no hope of regularization.

17.5.3. The very fact that such employees have continued in service for a long period establishes that they are needed in the interest of the work. They are therefore, to be regularised and extended all the benefits which are available to regular employees.

17.5.4. We, therefore propose that regularization of such contingency paid employees should be ensured from the date they have completed two years of continuous service (ignoring the interruption imposed by the administration every year to ensure that they do not have continuity) if necessary by creating supernumerary or shadow posts for the period till a vacancy in the cadre takes places..

17.5..5. Alternatively entire service rendered by such staff after first two years may be deemed as regular service not only as qualifying service for pension but also for extension of all other benefits/ entitlements admissible to a regular employee. In no case, such employee be thrown out of service to be substituted by a worker provided by contractors.

## **17.6.Bonus**

The evolution of Bonus has been dealt with by the V CPC. We therefore are not reiterating those developments.

17.6.2. In our view, since Productivity Linked Bonus has been granted on the basis of a bilateral agreement, this is out of the purview of review of any commission.

17.6.3. It is only the Adhoc Bonus to those Central Government employees who are not covered by any productivity Linked Bonus agreements which is being reviewed by us in this chapter and to suggest the measures which should be taken to evolve an appropriate Bonus to such employees.

17.6.4. A Group of Officers under the Chairmanship of Shri. Bazle Karim, the then secretary (Co-ordination) in Cabinet Secretariat was set up to consider the long pending demand for grant of Bonus to those Central Government employees who were not covered by the PLB Schemes. This group in their report expressed the view that the Government Departments constitute a single infrastructure for economy as a whole and felt that there should not be any sense of discrimination resulting in demoralization among them as a group when the service conditions were uniform all along. The Group suggested the evolution of PLB Scheme for Central Government employees as a whole. They also suggested that pending evolution of a single scheme of Bonus for all employees, the remaining employees who were not covered by the PLB were to be paid exgratia (Adhoc) Bonus equal to 15 days salary in 1982-83

17.6.5. The report of this group has not been published. It was not given even to the VCPC on demand. The Confederation of Central Government Employees and Workers, however, could supply only an extract from the said report alongwith their memorandum to the V CPC.

17.6.6 Even to get the Adhoc Bonus equal to pay of 15 days salary in 1982-83, leaders of the Confederation had to start an indefinite fast which lasted for 7 days when the Government sanctioned Adhoc Bonus equal to 15 days salary.

17.6.7. The number of days for which Adhoc Bonus has been paid to Central Government Employees not covered by PLB Scheme since 1982-83 is indicated in the following table:

Year/s	No. of days
1982-83	15 days
1983-84	18 days
1984-85 & 1985-86	23 days
1986-87	25 days
1987-88 to 1989-90	27 days
1990-91 to 1993-94	30 days
1994-95 to 2013-14	30 days.

17.6.8. The Confederation's representatives had been pressing the demand for evolution of PLB Schemes on the basis of parameters framed by the Government after discussion in the respective departmental councils. But so far the Government has not been able to frame these parameters. This item is still pending in the agenda of National Council JCM.

17.6.9. The staff side had demanded increase in Adhoc Bonus on the basis of increases in PLB Schemes every year and that was why the Adhoc Bonus from 15 days salary during 1982-83 was increased to 30 days salary in year 1994-95. For last 20 years no further increase has been allowed.

17.6.10. The V CPC recommendation that the Adhoc Bonus Schemes should be replaced by a Productivity Linked Bonus to be evolved by each department in consultation with experts in the field and the departmental council of JCM within a period of 9 months remains on paper because Government have not issued the Notification to this effect for last 16 years.

In the meantime the Sixth Pay Commission has made a sweeping suggestion that the Adhoc Bonus Scheme should cease immediately and be replaced by what they have called PRIS-Performance Related Incentive Scheme.

17.6.11. Since this Performance Related Incentive Scheme recommended by VICPC in their Chapter 2.5 (pages 144-157) still remains to be considered by the Government in consultation with the Staff Side of National Council of JCM. the Adhoc Bonus is also continuing.

17.6.12. We are opposed to the PRIS and Government too does not appear to be in a mood to consider and implement it, we propose that VII CPC may recommend that all departments initiate negotiations in their Departmental Councils to evolve an appropriate productivity linked bonus scheme after consulting experts in the field within a period of one year from the date, the Report of VII CPC is submitted to the Government. Pending finalization of such PLB Schemes the

Adhoc Bonus equal to the average increase in the number of days sanctioned under the PLB Scheme may be granted and ensure that under no condition, the number of days be less than 31.

17.6.13. Presently the PLB and adhoc bonus are calculated on the deemed provision that one's total emoluments is only Rs. 3500/-. This is an absolutely irrational stipulation and must be removed. We request that the Commission to recommend to the Government to remove the said stipulation and grant the bonus on the basis of the actual emolument of the employee.

### **17.7.Transfer Policy**

Government employees by virtue of the terms and conditions of employment are liable to be posted anywhere in India. The Group C employees in larger organisations have the facility of such transfer being restricted to a pre defined area or region or zone. But in smaller departments, they are transferred from one corner of the country to another. Transfer, though inevitable, especially when one is promoted from one grade/cadre to another, is painful for it involves dislocation of the family with concomitant difficulties. The Departments with public dealings has to transfer personnel periodically to maintain objectivity and impartiality in the decision making process. While transfer is unavoidable in civil service, it can be regulated with certain set of rules, procedure, principle and guidelines. Such guidelines will enable the employees to initially prepare him for the eventuality as also to prepare his family to face the difficulties. It is common knowledge that higher authorities often invoke the power to transfer as a potent weapon to punish their subordinates or to mentally harass them with the threat of transfer. Since the transfers are said to be made in "public interest" a phrase with wider purport, the malafide transfers cannot be questioned with success even in courts. The 5<sup>th</sup> CPC's recommendation on this issue was worth considering. But the Government did not act upon the suggestion. We reiterate some of the suggestion made by the Commission as under:

- (a) The Group-C & D employees, taking into account the fact that their emoluments do not even enable them to make the both ends meet, should not be transferred at all except on their request/compassionate ground;
- (b) If transfer becomes necessary on promotion, or due to other administrative exigencies, the same should be subjected to a policy evolved in the Departmental Councils. Every department should therefore, evolve a transfer policy on mutual agreement being reached at the respective Departmental Council or through bilateral discussions. The Official Side in the Counsel will place an item for discussion in the Counsel on transfer guidelines.
- (c) No transfer be permitted, which is violative of such an agreement or in the absence of such an agreement having reached in the Council. If such transfers are made sans such an agreement, it shall be instantly cancelled by the Head of Department or Secretary to the Ministry concerned on receipt of a representation for the concerned employee.
- (d) In case, no agreement is reached in the Departmental Council, the same should be referred to the Standing Committee of the National Council, JCM, whose decision is to be treated as final.
- (e) In respect of other category of officials, the Department of Personnel must be asked to issue instruction in clear terms as per the above quoted recommendation of the 5<sup>th</sup> CPC.



17.7.2. We request the 7<sup>th</sup> CPC that the above suggestions made by the 5<sup>th</sup> CPC in the matter may please be recommend to the Government.

### **17.8. Secretariat & Field Offices**

Since the British days there has been a categorisation of different offices of Central Government viz., Secretariat, Attached offices participating with secretariat, Attached offices not participating with secretariat and subordinate offices. The Higher pay structure was provided for employees working in the secretariat and attached offices participating with secretariat (called Headquarters) and employees of subordinate offices (field offices) were placed in comparatively lower pay scale structure.

17.8.2. Over a period of time, LDC and UDCs working in Headquarters and the field offices were granted the same pay scale treating them as common categories but disparities in the pay scales of higher staff in the secretariat and subordinate offices continued to exist.

17.8.3. The sixth Central Pay Commission stating that in the changed scenario “field offices have become the cutting end of Administration” and determines “whether a particular policy turns out to be a success or failure in terms of actual benefit to the consumer”, has concluded that “the time has come to grant parity between similarly placed personnel employed in field offices and in the secretariat”. However the conclusion was applied by the VI CPC only in the case of Assistant (LDCs and UDCs in the field and secretariat offices already being in the identical pay scale).

17.8.4. The VI CPC observed:

“This parity will need to be absolute till the grade of Assistant. Beyond this, it may not be possible or even justified to grant complete parity because the hierarchy and career progression will need to be different taking in view the functional considerations and relativities across the Board”

17.8.5. Viewed from the fact that the parity in pay scales does exist between Central Secretariat and field formation from the level of Deputy Secretary and above, the contention of the VI CPC that higher pay scales is justified in the case of section officer and the under secretary is incomprehensible.

17.8.6. The same VI CPC which advocates for strengthening the delivery lines ( meaning field offices) contradicts itself by pointing out the unexplained “functional consideration and relativities across the Board “and pleads inability to extend parity beyond the Assistants.

17.8.7. According to us the only reason the secretariat staff were placed at the higher pedestal was that they were in the “Sanctum Sanctorum”. This is proved from the fact that whenever the parity was extended to certain posts like senior Auditors/Senior Accountants etc., with Assistants, the Department of Personnel and Training further upgraded the pay scales of Assistants of CSS retrospectively and even during the pendency of VI CPC, Assistants were granted pay scale at par with the pay scale of section officer which was a promotion post for

Assistants. The parity granted to posts in field offices with the pay band and Grade pay of Assistants by merging pay scales 5000-8000, 5500-9000 in to 6500-10500 granting Grade Pay of Rs.4200 has been again disturbed by upgrading the pay scales of Assistants of Central Secretariat in PB 2 by granting Grade Pay of 4600/-

17.8.8. We, therefore propose that VII CPC may take note the above developments to ensure that the parity of pay structure obtaining in the secretariat and the field offices is maintained and it is extended to all pay scales beyond that of the Assistants up to the level of under secretary. Corollary of this would be that pay structure evolved by the VII CPC would apply for various cadres of both of the secretariat as also the field offices.

### **17.9.Need for a Effective Grievance Redressal Procedure**

Joint Consultative Machinery and Compulsory Arbitration has been instituted and has been functioning since 1966.

This scheme covers all regular civil employees of Central Government except:

- (a) The Class I (now Group A) Services
- (b) The Class II (now Group B) services other than central secretariat services and other comparable services in the Headquarters organisation of the Government.
- (c) Persons in industrial establishments employed mainly in managerial or administrative capacity and those who being employed in supervisory capacity draw salary in scales going beyond Rs. 900/0 p.m.
- (d) Employees of union territories and
- (e) Police Personnel

17.9.2 It would be seen that Group B officials of the Headquarters Organisations have been covered under this scheme which is discriminatory as the Group B officers of all field offices have been left without the facility of any grievance Redressal procedure.

17.9.3. In the case of item 'C' above an amendment had been made by the Department of Personnel and Administrative Reforms (vide their OM No.S/14/74-JCA dated 11-06-74) taking note of the fact that as per the 3<sup>rd</sup> CPC wage structure all whose pay scales going beyond Rs.900 would be in Group B service and in order to ensure that those who were already covered by the scheme continue to be so, the pay limit of Rs.575/- was altered to Rs. 900 .

17.9.4 The present situation is that many other categories of employees who were Group 'C' employees have since become Group 'B' employees on account of revised classification of the Department of Personnel and the revision of pay scales. They have now been rendered out of the coverage of JCM.

17.9.5. It is, therefore, necessary that all categories and cadres of employees and officers, who were covered under the JCM Scheme in 1966 (i.e. the year in which the JCM came into existence) must continue to be covered under the scheme irrespective of the change of

classification or revision of pay scales that have been ordered from time to time. In the present context all employees drawing grade pay upto and including Rs. 4800 (PB2) must be covered by the JCM Scheme.

17.9.6. The scope of the National Council of JCM includes matters affecting Central Government employees generally such as minimum remuneration, dearness allowance and pay of common categories etc., besides all matters relating to conditions of work, welfare of employees and improvement of efficiency and standard of work.

17.9.7. If we review the issues taken up for settlement in this forum it would be observed that issues of minimum wage, revision of wage structure, Dearness Allowance merger of DA with pay interim Relief, Revision of wages could not be resolved through peaceful discussions. Only when the employees' Organisations unite and decide to go on strike, the Government settles these demands. This very categorically discloses that the Government does not believe in a peaceful bilateral settlement of wages and allowances. This has converted the JCM forum into a debating or talking shop. When such issues are not settled in the forum of JCM, a situation of rising discontent is built up over a long period and when it reaches its peak point, it burst into a confrontation. During this long period of rising discontent the efficiency of the Administration is severely affected.

17.9.8. It is, therefore necessary that the Government is made to accept that all issues which come up for settlement before the JCM are settled promptly.

17.9.9. This scheme provides that the official side (representing the Government) would conclude matters at meetings of the councils. In other words there has to be spot settlement of all issues which come up for consideration in the councils of JCM.

17.9.10. In practice it has been seen that issues raised by the staff side have been kept pending for a long time with the result that it has become a very sluggish system of negotiation.

17.9.11. There used to be a system of referring issues on which detailed discussions are needed to sub committees. This has been given up. The agreement reached at the JCM is to be acted upon by the official side subject to the approval of the Cabinet. Under this pretext of the said approval from the Cabinet, the agreements are either deferred or not implemented at all.

17.9.12. Compulsory Arbitration has been provided for, in the matters relating to pay and Allowances ,weekly hours of work and leave, if agreement is not reached after discussion. . On the issue of DA on which disagreement was recorded in 1968, the Government refused to refer the matter to Arbitration and this resulted in a day's strike by Central Government Employees on 19.9.68.

17.9.13. It has been laid down that subject to overriding authority of Parliament recommendations of Board of Arbitration will be binding on both sides. It has also been agreed that Government would decide whether to accept the award or to refer it to the Parliament for modification/rejection within a period of six months. The Government have kept more than a dozen awards pending for several years ranging from 10 to 25 years now. The credibility of this

scheme has been hit and employees are totally frustrated. The Government must respect an award and give benefit of it to its employees.

17.9.14. Even the frequency of meetings of the council which has been fixed as once in four months i.e., atleast 3 meetings in a year have not been observed. In the last 47 years of its existence even the 47th meeting of the National Council is yet to be held whereas the number of meeting ought to have been 130.

17.9.15. In most of the Ministries, the Departmental Councils have ceased to function. Repeated directions from the nodal Authority for JCM, the Department of Personnel and Training to revive these councils have not been heeded. As at present except in Railways, Defence and Postal, Departmental councils in none of the ministries are functioning. We need not place on record how many grievances must have piled up with no forum to voice or seek settlement. Adverse impact of this situation on the efficiency of work in offices can very well be visualised.

17.9.16. To sum up we request the VII CPC to consider and devise ways and means whereby the Government is advised to adhere to the laid down processes and to implement the objectives for which JCM Scheme was operationalised and in particular all Group C and Group B Central Government employees should be brought under the coverage of JCM.

17.9.17. There should be spot settlement in the councils of JCM. Important issues relating to wages etc. should not be evaded / rejected precipitating a situation of confrontation. The schedule of three meetings in a year is to be fully observed. Departmental councils should be revived in all Departments without fail. Arbitration Awards may be implemented and in no case kept pending for more than six months time. System of referring the matters on which immediate agreement is not possible to sub committees for separate discussion and report should be revived.

### **17.10. Equal Pay for Equal Work**

It is the parliament which has to enact a law to regulate recruitment and conditions of service (including wage structure) of Government employees under Article 309 of the Constitution. The President has, until such time that the parliament enacts such a law, been empowered to make rules regulating recruitment and the conditions of service of Central Government employees under proviso to Article 309 of the constitution. Again the President after consultation with the speaker of the House of people or the Chairman of Council of States, as the case may be, makes rules regulating the recruitment and conditions of services of staff of Lok Sabha/Rajya Sabha ( Article 98(3) of the Constitution). In respect of staff working under Comptroller and Auditor General of India the President in consultation with the CAG makes Rules regulating recruitment and conditions of service (Article 148(2) of the constitution). Further it has been provided under Article 146(2) of the constitution that conditions of service of officers and servants of the Supreme Court shall be such as may be prescribed by rules made by the Chief Justice of India or his nominee, of course, subject to approval of the President as regards salaries allowances etc. The result is that wage structure of staff of Supreme Court of India and that of staff of Lok Sabha/Rajya Sabha when compared to wage structure prescribed by rules framed by the President in respect of rest of the Central Government employees are at the higher levels.

17.10.2. For example the pay of Group D employees (now Gr C) in Supreme Court and in Lok Sabha/ Rajya Sabha secretariats is higher than that of Group D employee (now Gr C). Job profiles of this personnel is the same, the only difference which is visible is that generally a Group D employee wears a very shabby uniform. Group D employees of the Supreme Court is very colourful and regal in look. This has happened at the expense of another constitutional principle of equal pay for equal work upheld several times by the Supreme Court.

17.10.3. We propose that the VII CPC may devise a mechanism under which these wages determining Authorities do coordinate and ensure that the principle of equal pay for equal work is kept in view and ensured.

### **17.11. Anomalies relating to Sixth CPC wage structure.**

National and Departmental Anomalies have been constituted soon after the recommendations of the VI CPC were implemented. It was agreed that staff side would submit the list and details of these anomalies within 6 months and thereafter these committees would consider and settle these anomalies within a further period of six months. It was also agreed that unresolved anomalies would be referred to an Arbitrator appointed by the Government.

17.11.2. Most of these anomalies still remain unsettled or rejected by the official side. However the next step to refer these unsettled/rejected anomalies for Arbitration has not taken place. Referring these anomalies to the VII CPC on the same lines as was done on previous occasions i.e, V or VI CPCs would also be in fructuous. The V CPC declined to consider the IV CPC anomalies treating them out of their purview and the VI CPC said that whichever anomalies referred to them has been resolved in the form of upgrading the affected pay scales. They however stated that the revised pay scales would be applicable only with effect from. 1.1. 2006 and not from 1.1.1996 .We therefore request the VII CPC to ask Government through an Interim Report to refer all the unresolved anomalies for Arbitration for resolution within a period of next six months.

### **17.12. New Pension Scheme**

The defined benefit scheme of pension also called 'Pay as you go' which is obtained even now in most of the countries was introduced in India replacing the existing contributory pension fund system decades back. The Government decision to reconvert this social security measure into a defined contributory scheme "New Pension Scheme" is not only going backwards but an illegal step in the light of the Supreme Court Ruling that Pension is as good as Right to Property and is enforceable.

17.12.2. The specious plea of the Government is that this has been done taking into account an emerging situation where out-flow on pension was bound to increase year after year and may become even higher than the total wage bill. But the avowed objective of denying a self financing NPS appears to have been defeated, as for the next about 35 years the expenditure

on pension (which includes the matching contribution) and the liability towards existing and pension structure is bound to increase as could be apparent from the table given below.

The above study had submitted the following estimated pensionary outgo which tends to increase during the period from 2014-2038. It is only after 2043 that it starts declining and will be reduced to zero in 2088.

Table showing estimated pensionary outgo Year	Employee Pension Payout (in Rs Crores)	Family Pension Pay out (in Rs.Crores)	Total pension payout (in Rs.Crores)
2004	11300.69	2983.38	14284.07
2008	13532.84	3572.68	17105.52
2013	16549.07	4368.94	20918.02
2018	21862.54	5771.79	27634.33
2023	27723.68	7319.11	35042.80
2028	34076.27	8996.13	43072.41
2033	39321.68	10381.01	49702.69
2038	45164.50	11923.41	57087.90
2043	41747.23	11021.30	52768.53
2048	35011.92	9243.18	44255.10
2053	25405.44	6707.07	32112.51
2058	16303.15	4304.07	20607.22
2063	8179.51	2159.39	10838.90
2068	3159.88	834.19	3994.07
2073	800.68	211.34	1012.02
2078	110.26	29.17	139.43
2083	3.52	0.97	4.49
2088	0.00	0.00	0.00

17.12.3. The above study had also pointed out that expenditure on pensions of civil servants of high income OECD countries on an average is 2% of GDP (less than 1% in Ireland and more than 3.5% in Austria\*)(\* Source: OECD Social Expenditure Database). But in the 8 South Asian countries it is less than 1% of GDP (Source: World Bank Data base). However, in India between 1964-65 and 2004-05 on an average pension payments (Civil Service pension paid by Central Government) have constituted 0.51% share of GDP. The Pension liability would continue to increase and reach 0.54% level by 2024-25 and remain at that level till 2044-25 after which they would decline as a percentage of GDP. These figures argue themselves in favour of continuation of the Defined Benefit Pension Scheme for all Central Government employees instead of throwing a section of them to market based NPS. According to 2011 census 62.8% are in the age group of 15 to 60 and only 8.2% are above the age of 60.

17.12.4. From the above projection it is very clear that the benefit of NPS to Government will commence only after 44 years i.e. in 2044. And during the period it will increase exponentially as because in addition to the Statutory pension liability the Government will be contributing to the NPS also @ 10% of annual salary bill of the CG Employees who have entered service on or after 1.1.2004.

17.12.5. It is quite surprising to note that the Government was in an unholy haste to introduce NPS despite the recommendations of a committee headed by Sri. Bhattacharya, the then Chief Secretary of Karnataka State to the effect that the Government should consider introducing a hybrid system by which employees will have either a defined benefit scheme or a contributory scheme.

17.12.6. India is a young country and the expenditure on statutory pension has remained over a long period at not more than 5% of GDP which the country/Government can afford to spend. The scrapping of PFRDA Act is required for the following solid reasons:

- (a) The new pension scheme is going to make social security in old age uncertain and dependent on market forces.
- (b) The scheme has been compulsorily imposed on a section of employees and hence it is discriminatory.
- (c) Such scheme had been a failure in many countries including Chile, UK and even USA. In USA entire pension wealth has been wiped out leaving pensioners with no pension. In Argentina the contributory scheme which was introduced at the instance of IMF was replaced with the defined benefit pension scheme.
- (d) The PFRDA Act has provisions empowering the Govt. and the Authority to cover employees now left out and to amend the existing entitlements of pension benefits.
- (e) In majority of the countries, "pay as you go" is the system of pension.
- (f) The contributory scheme does not give any guarantee for a minimum pension of 50% of the pay drawn at the time of retirement of the employee. Nor does it provide for the protection of his family members in the form of family pension in the event of death.

17.12.7. The Supreme Court had declared pension as one of the fundamental rights. The government should therefore retrace from its avowed position, which is detrimental to the interest of the employees and ensure that the employees recruited after 1.1.2004 is covered by the existing statutory defined benefit scheme and scrap the PFRDA Act.

17.12.8. The recent decision of the Cabinet to allow FDI in pension fund operations has made the real intent of the PFRDA Act clear. The FDI will facilitate the mutual fund operators to invest the funds outside India thereby making Indian Savings available for development of a foreign country. It is now clear that the decision behind the contributory pension scheme was the pressure imposed by IMF.

17.12.9. The VII CPC is requested to review the NPS in the light of the observations made above and recommend scrapping NPS and the PFRDA Act.

### **17.13. Special Increment for acquiring higher qualification.**

In the changed work environment, Government must encourage its employees to acquire higher qualifications. The scheme presently in vogue covers only a few at the top. In our opinion this should not be restricted only for acquiring high professional qualification. We, therefore, suggest that any employee, who acquires an higher academic qualification beyond what is prescribed in the recruitment rules of the cadre in which he is presently working may be encouraged by grant of three special increments.

**17.14. Special Amenities for Women employees at the workplace.** We reiterate our earlier suggestion in the matter to provide, crèche round the clock, dress changing room, rest room, dining room and such other facilities at the workspot.

**17.15. National Holiday Compensation.**

In operational organisations, it becomes necessary in the national interest to deploy personnel on duty on National holidays. The system of providing them compensatory off on some other days has become unworkable. We, therefore, suggest that they must be compensated for their work on National holidays by a day's salary and made entitled for all personnel irrespective of the status and emoluments.

**17.16. Insurance coverage for personnel posted in hazardous places.**

The Government employees are deployed to work in remote areas, inhospitable areas, extremist infested areas and disturbed areas. These areas do not remain as such for a very long period, though exceptions are there. We suggest that the employees who are deployed to function from these areas may be provided with the insurance coverage.

**Part II**

**MEMORANDUM ON PENSION AND  
OTHER RETIREMENT BENEFITS**

**CHAPTER – I**

**Introduction**

The Government of India, Ministry of Finance, Department of Expenditure, Resolution No.1/1/2013-EIII(A) dated 28th February, 2014 in its Para 2(f) has included the following terms of reference of the 7th Central Pay Commission:

“(f) To examine the principles which should govern the structure of Pension and other retirement benefits, including revision of pension in the case of employees who were retired prior to the date of these recommendations, keeping in view that the retirement benefits of all Central Government employees appointed on and after 01.01.2004 are covered by the New Pension Scheme (NPS).”

1.2 The principles that should govern the structure of pension etc have to be evolved taking into account the relevant constitutional provisions as well as judicial pronouncements by the Supreme Court of India in this regard.

1.3 Article 366(17) of the Constitution of the Country defines pension as under:

“ Pension: Pension means a pension whether contributory or not, of any kind whatsoever payable to or in respect of any person and includes retired pay so payable; a gratuity so payable and any sum or sums so payable by way of the return, with or without interest thereon or any other addition thereto, of subscription to a Provident Fund.” From this what is to be inferred is that the gratuity as well as commutation are also part of the pension as a whole. These are also to be treated as pensionary benefits.



1.4 The IV CPC went into the conceptual question of pension in detail. Some of the observations contained in their report are relevant in understanding the purport in the background in which the Central Government employees are placed today. This is reproduced below:-

“Para 2.13: Part II: The concept of “pension” however old in its origin, had the latent and real desire to provide for an eventuality – known and unknown. The known eventuality was old age and probable reduction in earning power, while the unknown eventuality was disability by disease or accident or death. Its real purpose was security, Even though the beginning was oblique, indiscernible and faint, but the germ of an effort to provide security ran through the provision and it is natural that it should have grown and flowered with the development of human understanding and desire to look after and provide for those who deserved it for man has constantly been seeking means by which to enhance his economic security. But the extension of the pension provision from military service to civilian public employment, resulted largely from consideration for the employees and the pressure of their organisations. Some benevolent employer goes to the extent of regarding pensions as an absolutely indispensable complement of wages – a terminal benefit. That, however, is apart from another aspect bearing on pension – the social aspect. The demographic structure of the population is changing because of the greater expectation of life. Thus, those who are now in middle age are going to be nearly twice as big an economic burden to their children as their parents are to them. The problem in such cases, has been tackled as a social obligation, including social insurance for citizens generally.”

“Para 2.17: In the very nature of things, every employee, who lives long enough, reaches a stage of diminished outturn of work or what may generally be called nonproductive years. That may, speaking generally again, be set to be the responsibility of his employer for whom he has spent the best years of his life. In a welfare state that may also be set to be the responsibility of the Government (where he is not in his employment) and, in more modern society, it may also be set to be the responsibility of the individual. So all three namely, the employer, the Government and the employee or one or the other of them, may be expected to contribute towards the pension according to the social or administrative set up of the country or society where the individual undertakes the service but the one common feature and object of pension is to provide for the old age of the employee for the simple reason that time has eroded his capacity to earn and he is unable to provide for himself. In a country like ours, where we have solemnly resolved to constitute it into a “Socialist” Republic and to secure to us all social and economic justice (Preamble), it behoves the Government to take care of its employees by providing terminal benefit like retirement pension when they become entitled to them. We may refer to the directive principle of the State Policy enshrined in Article 39 (a) of the Constitution that the State shall in particular direct its policy towards securing that the citizens have the right to an “adequate means of livelihood” ..... If, such a citizen is an employee of the State, is it out of ordinary, and not as of a Constitutional directive, that the State should appreciate its duty to provide for him by means of a pension and/or other terminal benefits? (emphasis added) .... The concept of pension, therefore carries within it the germ of certainty, periodicity, and “adequacy”. ..... Ours is a Socialist State and the fundamental aim of Social security is to give individuals and families the confidence that their level of living and quality of life will not, in so far as, be

greatly eroded by any social or economic eventuality, including the age of superannuation or oncoming disability”

1.5 The concept of pension has been explained more precisely in the Encyclopaedia of Social Sciences, Vol.11 as under:

“administrators and civic leaders interested in the improvement of Government services formulated the idea of pension as an efficiency device necessary for the orderly and humane elimination of superannuated and disabled employees no longer able to function efficiently for the proper operation of the system of promotions, for the attraction of better type of employees and for the improvement of working morale”

1.6 On the doctrinal approach the Encyclopaedia further states that:

“ A doctrine recently advanced and more far reaching in its implications regard the Public Service as the logical pioneer in the meeting of the old age problem as it affects wage earner in modern society. This doctrine considers a pension as a compensation paid to the employee for the gradual destruction of his wage earning capacity in the course of his work. Retirement being a proper charge against the employees, entire period of active service, the employer should make contribution towards the employees eventual retirement during each year of service of the employee, in a manner similar to that in which he annually sets aside a reserve against depreciation and obsolescence of his plant and machinery. Pensions, according to this doctrine, are an absolutely indispensable compliment of wages.”

1.7 In para 2.20 the IV Pay Commission has observed:

“but even though the Government service pension scheme in our country is non-contributory, it has been contended again by way of doctrinal approach, that this is not really so and that some allowance is made for the missing contribution while determining the salaries”

1.8 The Supreme Court in their Landmark Judgment (which has been approvingly quoted by the 5th CPC in D.S.Nakara and others Vs Union of India (AIR 1983 SC 130) held that Pension is neither a bounty nor a matter of grace depending upon the sweet will of the employer. It is not an ex-gratia payment but payment for past services rendered. It is a social welfare measure rendering socio economic justice to those who in the hey-days of their life ceaselessly toiled for their employer on an assurance that in their old age they would not be left in lurch. The 5th CPC paying due respect to the above observation of the Honourable Apex Court in Para 127.6 of its report has stated that the pension is the statutory, inalienable, legally enforceable right of employees which has been earned by the sweat of their brow.

As such the pension should be fixed, revised, modified and changed in ways not entirely dissimilar to the salaries granted to serving employees.

1.9 While examining the goals that a pension scheme should seek to sub-serve, the Honourable Apex Court held that “a pension scheme consistent with available resources must provide that the pensioner would be able to live:

- (i) free from want, with decency, independence and self respect, and
- (ii) at a standard equivalent at the pre retirement level”

The Court observed that we owe it to the Pensioners that they live, not merely exist.

1.10 From the above observation of the Supreme Court it is clear that pension is payable by the employer i.e., the Central Government to its retired employees which is their statutory and legally enforceable right from which they cannot be deprived. That the amount of pension must be enough to enable a pensioner to live free from want with decency, independence, and self-respect and at a standard equivalent at the pre-retirement level.

1.11 Keeping the above observations and principles and judicial pronouncements in view, we submit below our suggestions for restructuring the existing pensionery scheme in appropriate chapters. We have made our submissions only in respect of issues where we want Commission to consider improvements in the existing provisions.

## **CHAPTER – II** **New Pension Scheme (NPS)**

2.1 The contributory pension system brought in by the GOI through their notification dated 22.12.2003, now renamed as National Pension System under PFRDA Act, has been imposed on Government employees who entered service on or after 1.1.2004.

2.2 This is an illegal act in as much as the Supreme Court of India had held Pension as an enforceable inalienable fundamental right. Therefore it should be scrapped or at least not made applicable to Government employees. This has also divided the CG employees into two categories and therefore it is discriminatory in respect of persons who have entered service on or after 1.1.2004 who had been denied the statutory pension. Any discriminatory scheme is illegal and ultravires of Article 14 of the Constitution. On this count also the NPS cannot be made applicable to the Government employees.

2.3 The Centre for Economic Studies and Policy, Institute for Social & Economic Change, Bangalore in a Study of Terminal Benefits of the Central Government Employees sponsored by the VI CPC had also observed that Civil Services Pension is in the nature of a deferred wage. It is well known that the principle guiding the pay package of civil servants is one of intentionally spreading out the compensation over a long period of time, thereby the wages paid out during the course of the work tenure is kept low by design, and the pension payments made during the retirement phase compensate for the low working wages.

2.4 The above mentioned study under the heading “Arguments against pension reforms” states as follows:

“Deferred Wage: In the context of civil servant pension payments, it is argued that, the principle guiding the fixation of pay package is one of intentionally spreading out the

compensation over a long period of time, whereby the wages paid out during the course of work tenure is kept low by design, and the pension payments made during the retirement phase compensate for the low working wages. The Supreme Court of India held that pension is neither a bounty nor a matter of grace depending upon the sweet will of the employer. It is not an ex-gratia payment, but a payment for past services rendered. It is a social welfare measure, rendering socio-economic justice to those who in the heyday of their life ceaselessly toiled for the employer on an assurance that in their old age, they would not be left in the lurch.”

“Larry Williams observes “Actually, civil service pensions, because they are not based on contributions, are best described as deferred wages. Civil servants accept a lower current wage in exchange for the promise of a pension in their old age. If this pension were contributory, they would insist on a higher wage and government would have to either increase taxes or borrow (issue debt) to pay it. The real cost of civil servants is thus much higher than recorded under the current system of cash accounting. A good reform would be to move to a system of accrual accounting setting up at least a notional fund to pay these deferred wages” (Larry Wilmore, 2004)” “Public and private sector pay differentials: A comparison of the public and private sector wages reveals that while the public sector wages for the lower grades compares well with that of the private sector, the salaries of the employees belonging to the higher grades are highly unfavourable to the public sector employees. The post-retirement benefits that the government employees are entitled to act as some incentive to retain them in government sector.”

2.5 The above study had submitted the following estimated pensionery outgo which tends to increase during the period from 2014-2038. It is only after 2043 that it starts declining and will be reduced to zero only in 2088. The table is given below:

Table showing estimated pensionery outgo Year	Employee Pension Payout (in Rs Crores)	Family Pension Pay out (in Rs.Crores)	Total pension payout (in Rs.Crores)
2004	11300.69	2983.38	14284.07
2008	13532.84	3572.68	17105.52
2013	16549.07	4368.94	20918.02
2018	21862.54	5771.79	27634.33
2023	27723.68	7319.11	35042.80
2028	34076.27	8996.13	43072.41
2033	39321.68	10381.01	49702.69
2038	45164.50	11923.41	57087.90
2043	41747.23	11021.30	52768.53
2048	35011.92	9243.18	44255.10
2053	25405.44	6707.07	32112.51
2058	16303.15	4304.07	20607.22
2063	8179.51	2159.39	10838.90
2068	3159.88	834.19	3994.07
2073	800.68	211.34	1012.02
2078	110.26	29.17	139.43

2083	3.52	0.97	4.49
2088	0.00	0.00	0.00

2.6 The above study had also pointed out that expenditure on pensions of civil servants of high income OECD countries on an average is 2% of GDP (less than 1% in Ireland and more than 3.5% in Austria\*)(\* Source: OECD Social Expenditure Database). But in the 8 South Asian countries it is less than 1% of GDP (Source: World Bank Data base). However, in India between 1964-65 and 2004-05 on an average pension payments (Civil Service pension paid by Central Government) have constituted 0.51% share of GDP. The Pension liability would continue to increase and reach 0.54% level by 2014-15 and remain at that level till 2024-25 after which they would decline as a percentage of GDP according to the same study conducted by Dr.Gayatri at the instance of VI CPC. These figures argue themselves in favour of continuation of the Defined Benefit Pension Scheme for all Central Government employees instead of throwing a section of them to market based NPS. According to 2011 census 62.8% are in the age group of 15 to 60 and only 8.2% are above the age of 60.

2.7 From the above projection it is very clear that the benefit of NPS will commence only after 30 years i.e. in 2044. And during the period it will increase exponentially as because in addition to the Statutory pension liability the Government will be contributing to the NPS also @ 10% of annual salary bill of the CG Employees who have entered service on or after 1.1.2004.

2.8 The final conclusion of this study team has been as under:

“Mainly given the fact that the future liability although may be large in terms of the absolute size is not likely to last very long and does not constitute an alarmingly big share of the GDP which is also on the decline, it appears that pursuing the existing “Pay As you Go” to meet the liability would be an ideal solution.”

2.9 Applying this conclusion we may suggest that the NPS may not be made applicable to the Government employees and all those who had been covered under NPS may be reverted back to statutory pension scheme. The Government may be asked to study the experiences of this scheme in several other countries in the world. In Chile such a scheme has been reversed as because the return which the low paid employees got out of the annuity purchased was not as good as 50% of LPD but as low as 20% of LPD. The UK Government had to pay out of the exchequer large amount by way of subventions in order to ensure that that annuities purchased yield 50% of LPD as pension. It is well known that in USA where there were similar pension schemes dependent upon the market had collapsed during the financial melt down from 2008 onwards. It is estimated that more than 3.5 trillion \$ worth of pension wealth was lost. The workers not only lost their pension but also their jobs. Our respectful submission is that taking into account the demographic considerations of India which is a country of young do not need any such market oriented pension scheme, particularly when the international experience is that such schemes had failed and our country can afford to pay pension to civil servants which stands at level of 1% of the GDP. We conclude by quoting the opinions of experts on the future of market dependent pension Scheme.

Mr Joseph Stiglitz (Chief economic advisor to former president of USA Bill Clinton, former vice-chairman and chief economic advisor, World Bank, Nobel Prize winner, Professor of economics,

Columbia university) said that “Stock market does not guarantee returns. It does not even guarantee that the stock values will keep up with inflation. Privatization would not protect retirees against the social security systems insolvency. Argentina’s privatization of its pension system was at the centre of its fiscal woes”.

Mr Dean Baker (Co-director for centre for economic and policy research, Washington) said “Privatisation means that you would not have a guaranteed benefit that you have today. It would depend on how will your investments do or how well they have done at the point you retire. He quoted the collapse of NASDAQ and Enron. In Britain, Insurance companies could not honour their promises and the Government had to compensate with 8 billion pounds”.

We have requested the PFRDA Authority to furnish certain information on their working ( copy enclosed). On receipt of this information we may make certain further submission for the consideration of the Commission.

**Chapter – III**  
**Pension Entitlement**  
**Emoluments for Pension:**

3.1 The entire income in form of basic pay, special pay or personal pay if any, deputation duty allowance etc are the elements of pay proper and therefore confining the emoluments to the basic pay as recommended by the IV and V CPCs is arbitrary and therefore, is only an addition to pay. In many countries there is no system of DA. Periodically the Pay is revised / indexed taking into account the rise in cost of living. Here also there is a system of merging the DA as DP for purposes of pensionary benefits. In respect of gratuity already the DA is being included with Pay and therefore there is no reason for excluding the DA from the emoluments. We therefore suggest that the emoluments for the calculation of pension should include:

- (a) Basic Pay
- (b) Any Special pay or personal pay, or deputation duty allowance.
- (c) Dearness Allowance
- (d) Non-practicing allowance in respect of Doctors
- (e) 75% of the running allowance in respect of Railway Running Staff retired after 4.12.1988.

3.2 There are persons who retire after having served for full year since their last increment. The next increment which has already accrued to them is however not added to their emoluments for purposes of computing pension and other pensionary benefits. It is therefore submitted that the Commission may kindly consider and recommend that if a person retire on the day he has completed 12 months of service since his last increment, the increment accrued to him may be added notionally to his basic pay and then the pension computed.

3.3 The VI CPC has already recommended that the ten monthly average emoluments or the last pay drawn, whichever is more beneficial, should be the basis of computation of pension. We have therefore no further suggestion to place before the Commission on this issue.

Qualifying service for pension:

3.4 Casual Labour / Contingent Paid Employees: At present Casual labourers / Contingency paid employees are allowed to count their service towards pension @ 50% of the total period falling between acquiring the temporary status and regularization and full service thereafter. The above benefit is also subject to further condition that such employees should be regularized and absorbed against a regular post. The operation of this condition is so harsh that there are many cases in which the entire service rendered non pensionable because the employee may be retired / retrenched / die before such regularization. We, therefore, propose that the 50% of service before acquiring temporary status and full service after acquiring temporary status irrespective of whether he / she was regularized or not should count towards pension. Similarly these employees have to remain for long durations without any regularisation and are deprived many amenities which a regular employee gets. Not to treat their service pensionable for a considerable period leaves them with very meagre pension and in some cases with no pension. This is against the principle of social justice and therefore our above suggestion should be considered by the 7<sup>th</sup> CPC.

3.5 Pensionable service of Casual and GDS: Recent judicial pronouncements have directed the Government to take into account the date of entry in the service as a casual labourer or a temporary status Majdoors etc into criterion and not the date of regularisation to determine as to whether he or she is to be brought under the CCS (Pension) Rules, 1972 or under the NPS. Therefore we propose that all casual labourers, Gramin Dak Sewaks in the Department of Posts etc are to be brought under the Defined Benefit Pension Scheme under the CCS (Pension) Rules, 1972 for grant of pension on their regularisation in the services, even though they are getting regularisation after 1.1.2004 because they should be treated as having entered the services before 1.1.2004 as per the judgment of Court. We therefore propose that entire service rendered as a casual labour irrespective of the fact whether he was granted temporary status or ultimately regularised should be treated as pensionable service and the service rendered as GDS in Department of Posts also should be treated in the similar fashion.

3.6 Interruption causing forfeiture of service for pension: The existing provisions defining interruptions in service causing forfeiture of past service for purposes of pension are quite antiquated, unnecessary and unreasonably harsh, which should be removed from the statute book. In formative years when the British Authorities were recruiting Indians in their Administrative Services, it was noticed that during sowing and harvesting seasons, a large number of employees used to go back to the fields without any regular leave etc. As a deterrent, the rules regarding interruption in service had been legislated then. Since most of the employees have now lost their rural roots, such frequent and recurring interruptions are no longer there. Interruption as and when rarely caused is due to reason mostly beyond the control of an employee. We therefore, propose that instead of treating interruption to cause an automatic forfeiture of past service for pensions, it should be dealt with under CCA Rules. The provision causing forfeiture of service for pension purposes on account of interruption may, therefore, be deleted.

3.7 Resignation as retirement: Resignation is tendered by a Government Servant in varying circumstances. It is felt, therefore, that resignation need not always result in forfeiture of past services (Rule 26 of Pension Rules) and denial of Pension. An objective view is required to be taken by the appointing authority in the case of all those who tender resignation after completion of 20 years of service. Such resignation may be treated as voluntary retirement and benefits extended accordingly. In this connection we may cite the following decisions of the Judiciary:

- (a) CAT Mumbai full bench OA No.1384/1985 decided on 8.7.1997
- (b) CAT Ahmedabad OA No.498/2002 decided on 18.03.2004
- (c) CAT Jabalpur O.S No.623.1991 decided on 13.10.1995
- (d) Bombay High Court WP No.615/1996 and WP No.2586/1997 decided on 28.02.2002

Even 5th CPC in Para 133.79 had recommended that terminal gratuity at different rates be paid to those who resign after putting in certain years of service and resignation after 20 years of service may be treated as voluntary retirement and pension may be paid accordingly. We, therefore, request the 7th CPC that the above recommendation may be reiterated.

3.8 There are certain employees who are in the CPF Scheme but could not opt for the Pension Scheme in the year 1986. These are mostly women employees employed in Atomic Energy Commission etc who could not make up their mind as to whether they could render the requisite number of service necessary for grant of full pension. In certain autonomous bodies while options for Pension scheme have been obtained, this is not being granted. They may now be allowed to revise their option. Our suggestion is that CPF / SRPF retirees may be granted Minimum Pension.

3.9 The VI CPC has done away with the requirement of 33 years of qualifying service for full pension. They have said that full pension may be granted to those who have the qualifying service of 20 years. Therefore we have no further suggestion to place before the Commission on this issue.

#### Rate of Pension:

3.10 We should keep in mind the observation of the Apex Court that the pension scheme must provide so much that the pensioner should be able to live:

- (i) Free from want, with decency, independence and self-respect, and
  - (ii) At a standard equivalent at the pre-retirement level.
- (The Court had further observed that we owe it to the pensioners that they live; not merely exist.)

3.11 Therefore taking into account that on superannuation an employee is left with a two unit family generally and therefore if he is to be enabled to maintain a standard equivalent to the pre-retirement level, the rate of pension should be 67% of the last pay drawn. We therefore



suggest that full pension should be at the rate of 67% of Last Pay Drawn or 10 months average emoluments, whichever is more beneficial.

3.12. It is pertinent to point out that several countries in the world pay higher rate of pension to their civilian pensioners. France is paying 75% of last six months average emoluments as pension; Belgium is paying 75% of last five years average as pension; Cyprus is paying 67% of final salary as pension; Malta is paying 80% of average of best 15 years wages as pension; Our neighbour Sri Lanka which is also in the lower middle income group of countries like India in South Asia, is having a scheme called “Public Servants Pension Scheme (Defined Benefit Scheme) established in 1901, as a mandatory scheme financed by the Government budget is paying 85% to 90% (for 30 years of service) of last one year annual salary at retirement as pension (Source: Sri Lanka Pension Department Circular No.3/2004 dated 16.01.2004); The life expectancy in Sri Lanka at 60 is 20.2% which is 3.5% higher than India.

3.13 In Pakistan which is another neighbour and remains in the same lower middle income group of countries is calculating pension on the following formula:

“Number of years of service X Last Basic Pay X 7 and divided by 300. If an employee has served 35 years of service and received last basic pay as Rs.10,000/- then that employee shall get a pension of 8.167/- (i.e., 81.67%).

3.14 In Bangladesh the retirement age is 57. The life expectancy at 60 in Bangladesh is 17.9 which is same as in India. This country also remains in lower middle income group of countries like India. But Bangladesh pays 80% of last pay as pension. In the war devastated country of Afghanistan,, pension is calculated on last 36 months average; for each year it is 2% and a maximum of 80% is given as pension in that country.

3.15 From the above comparison with some of the world countries of both European as well as our own South Asian countries, it is clear that all those countries are paying better percentage of pay as pension to their Civilian employees. India appears to be one of the less pension paying country despite its image of one of the faster developing economies in the world. We therefore suggest that the basic pension to be determined should be 67% at least on the basis of the last pay drawn or the 10 months average emoluments, whichever is more beneficial to employee subject to the condition that the pension so determined shall not be less than the minimum of the pay scale of the post held by him at the time of his retirement.

#### Additional Pension

3.16 It has already been well recognised that as the age after superannuation further advances, not only the pensioner becomes weak in limbs but also becomes more susceptible to various geriatric diseases. He will have to incur additional expenses for his upkeep. There are also the social obligations and increased expenses on medical treatment etc.

3.17 The Government of India has accepted and implemented the 6th CPC recommendation of age-related additional pension beyond the age of 80. However the 6th CPC did not recommend any addition to the pension for a period of 20 years after superannuation at the age of 60. Their argument was that every pensioner gets increase in his / her pension after 15 years when the

commuted portion of his pension is restored. This is not at all a valid ground. Even during these 15 years the Dearness Relief is calculated on his gross pension and not on his net pension after commutation and he earns interest on commuted value of pension. Therefore there is no increase in pension on account of restoration of commuted pension after 15 years.

3.18 In our opinion this needs certain revision. According to SSO survey (2007- 08) 7.5% population only is above the age of 60. Naturally this may reflect among the pensioners also. Life expectancy at 60 is only 17.9 and at 70 it is only 11.8 (Source: Sample Registration System O/o the Registrar General India). This means a Government servant is receiving pension for 18 to 22 years. In the age group of 60 to 79, in Rural areas 5% and in Urban areas 5.5% is confined to bed. In the same age group 22.4% in Rural areas and 20.2% in Urban areas is confined to home due to physical immobility (Source: National Sample Survey, 60th Round, 2004). After retirement, their income from pension is nearly 1/3rd of their gross salary at the time of retirement. But they have to spend more on medical care. This age-group therefore also needs some relief by way of additional pension. Incidentally Afghanistan which is one of the low income countries in Asia, is having a retirement age of 65 with a formula of grant of additional pension at the rate of 3% for each year after 65 years of age and the maximum 80% additional pension is paid.

3.19 Therefore we seek the 7th CPC to consider addition to the pension after granting 67% of last pay drawn (LPD) / Average of emoluments as full pension on superannuation at 60 years of age as under, because of prevailing life expectancy of Indian Citizen Age is 69.6 (assessed during the year 2011-15) and the old pensioner who is also considered to be senior citizen has to wait for a period of twenty years on his retirement to get an increase at his age of 80 maintaining his health from disease burden.

On attaining Age of	Pension admissible;
65 Years	70% of L.P.D.
70 Years	75% of LPD
75 Years	80% of LPD
80 Years	85% of LPD
85 Years	90% of LPD.
90 Years	100% of LPD

Note: L.P.D= Last Pay drawn or ten monthly average of the pay drawn whichever is more beneficial.

#### Minimum Pension

3.20 Though the concept of minimum pension and the method of computing it have not been explained by any of the pay commissions or the Government, it is clear that the Minimum Pension is 50% of the Minimum Wage. The rationale behind the percentage has nowhere been explained. We however think that in order to ensure that it is adequate, 100% of the minimum wage should be the Minimum Pension. The very concept of Need Based Minimum Wage is that this is a level of wage below which a worker's family cannot subsist / survive and remain capable to perform. That being the concept of minimum wage, it should also apply in the case of Minimum Pension on the premise that any pension lower than the Minimum pay is insufficient to enable a pensioner / family pensioner to live or survive.

### Dearness Compensation

3.21 We have no suggestions for improvement of this issue except that Pensioners may be paid the same dearness compensation viz., at the same rate as it is being paid to the serving employees. It should be periodically merged with the basic pension so that deficiency in the 100% neutralization in the cost of living is partially compensated.

### Merger of Dearness Relief with Basic Pension

3.22 As on 01.01.2014, the Dearness Relief compensation stands at 100%. The suggestion for merger of DR to partially compensate the erosion in the real pension was first suggested by the Gadgil Committee in the post 2nd Central Pay Commission period. The 3rd CPC had recommended such merger when the cost of Living Index crossed over 272 points i.e. 72 points over and above the base index adopted for the pension revision. In other words, the recommendation of the 3<sup>rd</sup> CPC was to merge the Dearness Relief when it crossed 36%. The Government in the National Council JCM at the time of negotiation initially agreed to merge 60 % Dearness Relief and later the whole of the DR before the 4th CPC was set up. The 5th CPC merged 98% of DR with pension.

3.23 The methodology adopted for compensating the erosion in the real value of pension in the interregnum period had always been through the mechanism of merger of a portion of Dearness Relief. The 5th CPC had recommended that the Dearness Relief must be merged with basic pension as and when the percentage of Dearness compensation exceeds 50% accordingly even before the setting up the 6<sup>th</sup> CPC the Dearness Relief to the extent of 50% was merged with pension.

3.24 It was totally ironic to note that deviating from all other Pay Commissions, the 6th CPC had made a reversal and recommended that no Dearness Allowance / Dearness Relief should be merged with the Basic Pay of employees / Basic Pension of Pensioners. The recommendation had dealt a severe blow below the belt as this recommendation denied everyone from having any cushion against the erosion caused in the real value of pension in between two pay commissions. Had the recommendation of V CPC been continued, there would have been two automatic mergers of Dearness Relief by this time as V CPC recommended such a merger automatically whenever the dearness relief index crosses 50% mark.

3.25 The Central Government also taking undue advantage out of the recommendations in the name of 6th CPC has been stiffly denying any such merger of DA/ DR. This issue requires course correction and we suggest that the 7th CPC should recommend for automatic merger of DA / DR as and when the index crosses the 50% mark and before setting up another Pay Commission entire DA should be merged with pay as was done by the V-CPC.

The submission made in Staff Side Memorandum on this issue are reiterated with a request that the commission may submit a interim report recommending that 100% of DR may be merged with the basic pay w.e.f. 1.1.2014

### Grant of Interim Relief

3.26 In Memorandum submitted by and on behalf of Staff Side of National Council (JCM) on the above issue, 25% of basic pension as Interim Relief for Pensioners and G D S of Postal Department has been demanded. VII CPC may consider this demand and give an Interim Report to the Government recommending that 25% of basic pension may be granted to all pensioners w.e.f. September 2013 when the Government had announced the setting up of 7<sup>th</sup> Central Pay Commission.

### Periodical Revision of Pensionary benefits

3.27 We submit that there should be a system of periodical revision of pay / pension structure in Public Sector. It takes place after every five years. Pay and Pension structure of Central Government employees should also be revised after every five years. Present wage structure is based upon minimum which is lower than Need based Minimum only through periodical revision it may be attaining the fair wage and finally to living wage standard. Under Article 43 of the Constitution, State has to endeavour to secure living wage to all workers. And this is possible over a period of time. It is on these considerations that revision of wage / pension has to be done every five year till the living wage standard is achieved.

## **CHAPTER – IV**

### **Parity Between Past And Future Pensioners**

4.1 The Government have recently announced that “One Rank One Pension” shall be implemented in respect of Armed Forces so that the glaring disparity between the persons of equivalent rank and status do not draw vastly unequal pensions if they retire at different point of time, is undone. Already there is a complete parity in pension among the Judges of Supreme Court, High Court and the Comptroller and Auditor General of India, irrespective of the date of their retirement.

4.2 In so far as the Civilian Employees are concerned the principle of parity in pension between the past and the future pensioners was implemented by the Government as had been recommended by the V CPC. The V CPC recommended that “as a follow up of our basic objective of parity we would recommend that the pension of all pre-1986 retirees may be updated by notional fixation of pay as on 1.1.1986 by adopting the same formula (Revised Pay Rules) as far as the serving employees. This step would bring all the past pensioners to a common platform on to the 4th CPC pay scales as on 1.1.1986. Thereafter, all pensioners who have been brought on the 4th CPC pay scales by notional fixation of pay and those who have retired on or after 1.1.1986 can be treated alike in regard to consolidation of their pension as on 1.1.1996 by allowing the same fitment weightage as may be allowed to the serving employees”. They further recommended that “the consolidated pension shall not be less than 50% of the minimum pay of the post as revised by the CPC held by the pensioner at the time of retirement”. The V CPC further said that “this attainment of reasonable parity needs to be continued so as to achieve complete parity over a period of time”. However the VI CPC totally ignored these recommendations of the V CPC and has reintroduced the element of disparity by not adopting the same formula for post 1996 retirees, and by not recommending the same fitment benefit

and other recommendations liberalising the pension rules in respect of pre-2006 retirees. Thus a huge disparity between pre-2006 and post-2006 retirees has been created by the VI CPC.

4.3 We therefore urge that pay of every pre-2014 retiree should be notionally redetermined (corresponding to the post from which he or she retired and not corresponding to the scale from which he or she retired) as if he or she is not retired and then the pension be computed under the revised liberalised rules which are to be applicable to the post-2014 retirees under the same rules which would be applicable to employees in service as on 1.1.2014.

## **CHAPTER – V** **Family Pension**

5.1 At present the family pension is given at the rate of 30% of Pay last drawn. However, family pension shall be equal to 50% (67% as proposed by us) of pay last drawn or twice the rates given above, whichever is less and the amount so admissible shall be payable from the date following the date of death of the Government Servant for period of 7 years or for a period up to the date on which the deceased Government Servant would have attained the age of 67 years had he survived / 10 years in case of death in harness. The family pension is not less than Minimum Pension.

5.2 The prescribed period for which the family pension is payable is as under:

- (i) In the case of a widow or widower, up to the date of death or remarriage whichever is earlier.
- (ii) In the case of a Son until he attains the age of 25 years.
- (iii) The unmarried / widowed / divorced daughter.
- (iv) The disabled mentally retarded child of the Government Servant.

5.3 We suggest as under:

- (a) The VI CPC recommended enhanced family pension for ten years in the case of death in harness only stating that a special dispensation is justified for them( Para-5.1.42 )and the government accepted /implemented the same, thereby dividing a single class of Family Pensioners. Earlier the enhanced family pension was for 7 years subject to ceiling of  $58+7=65$ , /  $60+7=67$  years. The enhanced Family Pension on the death of the Head of the family is intended for the family to stabilize the sudden drop in the take home pay/pension. The distress due to loss of bread winner whether it is the death in harness or pensioner's death, is one and the same. Making an artificial distinction is unwarranted. There is, therefore, no need to differentiate between the two 'distress situations' The Commission is requested to recommend removal of this disparity to enable grant of enhanced family pension uniformly in both the cases for 10 years keeping in view the principle of social justice , equity and fair play.
- (b) The quantum of family pension for the period of 10 years should be equal to the pension of the Government Servant was entitled as per Rules.
- (c) After the expiry of the above 10 years period, the family pension may be reduced to 50% of last pay drawn

- (d) The concession extended to a disabled mentally retarded child to receive family pension until his / her death is subject to the condition that the said disability should have manifested before the death of Government employee. We suggest that this condition may be removed.
- (e) The family pension is also to be extended to widowed daughter-in-law.
- (f) In case of a Son, the family pension may be allowed up to the age of 28 years. This is suggested because the recruitment age has been raised in certain cases to 28 year

5.4 A Government Servant retired on medical invalidation after rendering less than 10 years of service ( 5 years as per our proposal) gets no pension. We suggest that he should be granted full notional pension (i.e., 67% of his emoluments / Minimum pension, whichever is higher. On death of such a Government Servant his family should get:

- (a) Full notional pension / Minimum pension during first 10 years after his death.
- (b) 75% of last pay drawn or Minimum pension, whichever is higher, thereafter.

Additional Pension:

5.5 In the case of family pensioners also taking into account their solitude and inability to earn and the ever rising cost of living etc we request for the enhancement of the family pension at the following rates:

On attaining age of	Additional Quantum of Family Pension
65 Years	5% of Family pension
70 Years	5% of Family pension
75 Years	5% of Family pension
80 Years	5% of Family pension
85 Years	10% of Family pension
90 Years	20% of Family pension

Extra Ordinary Pension

5.7 The 5th CPC in Para 135.17 of its Report has recommended that regulation of compensation or disabilities categorized under (b) and (c) should be:

“II – Cases of disability (100%) resulting in discharge from service”  
 “Normal pension and gratuity admissible under CCS (Pension) Rules, 1972, without insisting on the requirement of minimum service of ten years plus Disability Pension equal to the normal Family Pension, i.e., 30% (as per our proposal 50%) of the basic pay”.

5.8 The Department of Pension & Pensioners Welfare, while issuing orders on acceptance of the recommendation vide OM No.45/22/97-P&PW(C) dated 3.2.2000 (incorporated in Appendix-3 of Swamy`s Pension Compilation) the well-meaning recommendation has been altered as follows:

“III – Disability Pension – for cases covered under categories „B“ and „C“.

“(1) Normal pension and gratuity admissible under the CCS (Pension) Rules, 1972 plus – Disability Pension equal to 30% of basic pay for 100% disability.” This has resulted in a Group „D“ employee with 6 years“ service, who has been invalidated (with 45% disability) and boarded out of service not getting the minimum pension towards “Service element”. This injustice is required to be set right.

5.9. Extension of Family Pension Under CCS (Pension) rule, 1972 to CPSU absorbees who were compulsorily covered by the “Employees Family Pension Scheme, 1971 on their absorption in Central Public Sector undertaking and to those absorbees who were not eligible for family pension since they were drawing more pay than the prescribed limit for eligibility under the scheme.

Central Government employees who were on deputation to Central Public Sector Undertaking / Autonomous Bodies (AB) and who were subsequently permanently absorbed in the CPSU / AB were compulsorily covered by the ‘Employees Family Pension Scheme, 1971 framed under the Employees Provident Funds and Miscellaneous Provisions Act, 1952 (Administered by the Provident fund Commissioners), if the said scheme was in operation in the CPSU / AB in which the Central Government employees was absorbed. And such of those absorbees who were drawing more pay then the prescribed limit under the scheme not for family pension under EFPS – 1971.

Government of India , Department of Pension & Pensioners Welfare vide its O.M No. 1-18/86-P&PW (D) dated January, 1990 accepting the request of the Staff Side in the 29<sup>th</sup> ordinary meeting of the National Council (JCM), revised the family pension entitlement of the absorbed employees and allowed them an option to choose either Family Pension Scheme of the Central Government (i.e. CCS (Pension) Rules) or by that of the CPSUs /ABs (ie Employees Family Pension Scheme, 1971). These modifications to family pension entitlements of absorbees were given effect to from the date of issue of the O.M. ie 22.1.1990 and were extended to only such of those absorbed employees who were in service on the said date and who were permanent and had a qualifying service of not less than 10 years in the Government. all other absorbees were compulsorily covered by the Employees Family Pension Scheme, 1971.

The Central Government Employees who were permanently absorbed in CPSUs / ABs and who satisfied the conditions of qualifying service in the Government, but had retired before 22<sup>nd</sup> January, 1990 could not opt to come over to the Central Family Pension Scheme (CCS (Pension) rules, 1972) and were compulsorily covered by the Employees Family Pension Scheme, 1971.)

As a result of the above, there are now 3 categories of retired CPSU Absorbees. (1) Absorbees eligible for family pension under Employees family pension scheme, 1971, (2) Absorbees who are eligible for family pension under CCS (Pension Rules, 1972 and (3) Absorbees who are not eligible for family pension under any Scheme.

The VII Central Pay Commission is requested to recommend removed of the disparity existing between the 3 categories of CPSU Absorbees stated above by extending the provisions of CCS (Pension) Rules, 1972 to all the Absorbees uniformly making them eligible for family pension.

**CHAPTER – VI**  
**Gratuity And Commutation Of Pension**  
**Gratuity**

6.1 Retirement Gratuity is paid at  $\frac{1}{4}$  of basic pay for each completed six monthly period of qualifying service subject to a maximum of 16.5 times of the emoluments. There is also a monetary ceiling of 10 lakhs. This is applicable to all Government Servants who retire on completion of 5 years of service. However, if a person dies in harness his family is granted the gratuity at certain prescribed rates:

6.2 We suggest that the gratuity may be calculated on the basis of 25 effective days as against 30 days in a month. We make this suggestion because the Government Servant should not be paid at a rate lesser than what is admissible under the Gratuity Act.

6.3 The ceiling of 16.5 times and the quantum limit of Rs. 10 lakhs should also be removed. This is because under existing rules gratuity is reduced in the case of a Government Servant who has put in less than 33 years of service. In the banking industry there is no such ceiling of 16.5 months' salary but the retiring bank employees are getting at the rate of  $\frac{1}{2}$  a month salary for every year of service even over and above 33 years of service. Therefore, it is but logical that for a service span exceeding 33 years, the gratuity should be higher and the above ceiling be withdrawn.

**Commutation of Pension and its Restoration**

6.4 Central Government employees are permitted to commute up to 40% of their basic pension. We have no suggestion to make in this regard.

6.5 In the light of Supreme Court decision, commuted value of pension is restored on completion of 15 years or on reaching 75 years of age whichever is later. Most of the State Governments are restoring full pension after 12 years or on reaching 70 years of age. We, therefore, propose that full pension be restored after 12 years, or on reaching the age of 72 years, whichever is earlier. From the table given below it will be seen that the entire commuted value gets repaid to the Government by the Pensioners within 12 years.

Sl.No	Details Age next birth day = 61 years
1	Commutation factor 9.81
2	Amount commuted Rs. 100
3	Committed value received Rs.11,772
4	Amount recovered in 12 years Rs.14,400
5	Amount recovered in 15 years Rs.18,000
6	Excess recovered in 12 years Rs. 2,628
7	Excess recovered in 15 years Rs. 6,228

6.6 Now when the commutation factor has been reduced and is applicable after 2008, the restoration of commuted pension should be after 10 years. It will be seen that entire commuted value gets repaid within 10 years as could be clear from the table given below.



Sl.No	Details Age next birth day = 61 years
1	Commutation factor 8.194
2	Amount commuted Rs.100
3	Committed value received Rs.9,833
4	Amount recovered in 10 years Rs.12,000
5	Amount recovered in 15 years Rs.18,000
6	Excess recovered in 10 years Rs.2,167
7	Excess recovered in 15 years Rs.8,167

6.7 Taking all these factors into account, we suggest that the commuted pension may be restored on completion of 10 years or reaching the age of 70 years, whichever is earlier.

## **CHAPTER – VII**

### **Medicare**

7.1 The following landmark judgments of the Supreme Court of India have held that the enjoyment of highest attainable standard of health is recognized as a fundamental right of all workers / pensioners in terms of Article 21 read with Article 39, 41, 43 and 48 of the Constitution:

- (i) Consumer education and Research Central and others Vs Union of India (AIR 1995 Supreme Court 922)
- (ii) Laxman Thammappa Kothagiri Vs General Manager Central Railway & Others [2005(1) SCALE]
- (iii) Indian Medical Council Vs V.P.Shantha & Others (1995(6) SCC651)

Therefore improvements in the existing Medicare systems are absolutely essential. “Health is not a luxury” and “not be the sole possession of a privileged few”. It is a Fundamental Right of all present and post Employees. The enjoyment of the highest attainable standard of health is recognized as a fundamental right of all workers in terms of Article 21 read with Article 39 for a 41, 43, 48A and all related Articles as pronounced by the Supreme Court in Consumer Education and Research Centre & Others vs Union of India (AIR 1995 Supreme Court 922) The Supreme court has held that:

*“the right to health to a worker is an integral facet of meaningful right to life to have not only a meaningful existence but also robust health and vigour. Therefore, the right to health, medical aid to protect the health and vigour of a worker while in service or post retirement is a fundamental right-to make life of a worker meaningful and purposeful with dignity of person. Thus health care is not only a welfare measure but is a Fundamental Right”.*

We suggest that, all the pensioners, irrespective of pre-retiral class and status, be treated as same category of citizens and the same homogenous group. There should be no class or category based discrimination and all must be provided Health care services at par. We also request the commission to recommend to govt. to make preventive health care an essential ingredient of all health care schemes for retired Persons. CGHS and RELHS should be expanded and improved. Also CSMA Rules 1944 be extended to pensioners residing outside CGHS Area.

7.2 Nursing Homes / All India Private Hospitals / Diagnostic Centres to cater for the CGHS beneficiaries should be increased in such a way that they will be nearer to the residence cluster of the beneficiaries. While selecting great care should be taken that no beneficiary is required to travel more than 2.5 KMs to obtain treatment. In Delhi, the recent approval for hospitals has been done without keeping the distance of beneficiaries residence localities. Some areas have been completely forgotten and some points have been given more than one referrals. This appears well on paper and satisfies the Ministry but in practical terms it is more a punishment for the beneficiaries.

7.3 We wish to invite attention of 7th CPC to the recommendation made by the V CPC as detailed in Para 140.11 of their report regarding extension of CGHS. Unfortunately, the well intentioned recommendation has remained still as recommendation only. Under some plea or the other, there had been practically no expansion whatsoever in this regard, which is regrettable. A number of proposals had been forwarded to the government by the many pensioners Associations but have been kept in cold storage. The 7th CPC is requested to reiterate this important recommendation, suggesting opening of new CGHS dispensaries as per prescribed norms securing clearance from Planning Commission, wherever necessary.

#### 7.4 Medical facilities to Pensioners:

Smart Cards to Pensioners: Smart Cards may be issued to all Pensioners from all Department (including Postal Pensioners) and their dependents for cashless and hassle less medical facilities across the country in all Government hospitals; all NABH accredited Multi Super Speciality Hospitals which have been allotted land at concessional rates or given any other aid or concession by any Government; all CGHS, RELHS and ECHS empanelled Hospitals.

No referral should be insisted in case of medical emergencies. For the purpose of reference for hospitalization & reimbursement of expenditure thereon other than in emergency cases Doctors/Medical officers working in different Central/State Govt. department dispensaries/health units should be recognized as Authorized Medical Attendant.

7.5 Discrimination to P&T Pensioners: The Central Government Pensioners, whether they were beneficiaries or not while in service, are permitted to join CGHS on retirement. However the Ministry of Health & FW had issued an order dated 1.8.1996 according to which all P&T Pensioners who were not participating in CGHS while in service have been debarred. This in itself is a very grave discrimination, which is not permissible under Article 14 of the Constitution. This was therefore challenged in Courts and the latest position achieved is that the Courts have held that the P&T Pensioners may be permitted to participate in CGHS or alternatively covered under CS (MA) Rules, 1944.

7.6 Postal Dispensaries: In the meantime, following the recommendations of the V CPC and VI CPC, 19 P&T Dispensaries in 12 CGHS Cities have been merged with the CGHS. Instead of now allowing all P&T pensioners irrespective of the station they live, only those who are living in these 12 Cities have been allowed to participate in the CGHS. This is also discriminative because all other Central Pensioners are permitted to join CGHS irrespective of the fact where they are living. It is therefore urged that the 7th CPC should recommend that the above discrimination is put an end to and all P&T Pensioners may be allowed to participate in CGHS.

7.7 The Department of Post running its Postal (formerly P&T) dispensaries in 45 cities for outdoor treatment to its working and retired employees. Out of them 19 dispensaries in 12 cities have been merged with CGHS where CGHS and Postal dispensaries co-existed, by Ministry of Health & Family Welfare vide Notification dated 9.7.2013. Now there remains 33 dispensaries in cities namely, Vadodara, Agra, Moradabad, Saharanpur, Varansi, Gorakhpur, Aligarh, Bareilly, Behrampur, Cuttack, Siliguri, Jalpaiguri, Trichurapalli, Triunelveli, Ambala, Silchar, Dibrugarh, Guntur, Nellore, Rajmundri, Vijayawada, Vishakhapatnam, Ajmer, Jodhpur, Kota, Dhanbad, Gaya, Muzzafarpur, Chapra, Raipur, Amritsar and Jallandhar. In fact in these Postal Dispensaries only outdoor treatment is given for serving and retired employees, but for working employees indoor medical is given through either CS (MA) Rules or by authorizing private hospitals like CGHS, (NO INDOOR FOR RETIRED EMPLOYEES). From working employees no contribution is realized whereas yearly contribution is realized from pensioners, on the other hand, in CGHS there is no such discrimination between and retired employees with regard to treatment and contribution both. IT IS BE NOTED THAT CGHS AND POSTAL DISPENSARIEAS BOTH WERE FORMED UNDER THE CS (MA) RULES, THEN WHY THIS DISCRIMINATION EXISTS BETWEEN CGHS AND POSTAL DISPENSARIEAS. The department of Posts is required to amend its rules / instructions, so that the facilities / contribution is made available to pensioners at per working employees alike CGHS.

The VII CPC may kindly consider the above state of discrimination between serving Postal employees and Pensioners and recommend that Postal Pensioners may also be provided indoor treatment under CS (MA) Rules.

7.8 Hospital Regulatory Authority: We suggest that a Hospital Regulatory Authority shall be set up to ensure that the hospitals provide reasonable care to Smart Card holders. This Authority can undertake periodical revision of CGHS approved rates for several kinds of medical treatment as well as for lab tests in consonance with the prevailing market conditions so that no crisis develops like refusal of treatment by empanelled hospitals.

7.9 Fixed Medical Allowance: The Government fixed the rate of FMA as 300/- per month to the Pensioners not covered under CGHS etc. Several appeals for revision of this amount in a realistic manner to suite the conditions prevailing on various counts like Doctor's fees, cost of medicines, rate of lab tests etc went in vain as the Government stoutly refused to enhance this FMA in a reasonable manner. It can be seen that the Employees Provident Fund Organisation under the Central Government's Ministry of Labour was paying a monthly FMA to its employees at the rate of 1200/- prior to 6<sup>th</sup> CPC when the other Central Government employees were drawing only 100/- per month. The same EPF Organisation came forward to enhance the said FMA from 1200/- to 2000/- per month w.e.f. 1st March, 2013 for the serving employees, EPF pensioners and family pensioners. When an organisation under the same Central Government has taken steps to suitably enhance the Fixed Medical Allowance in consonance with the market conditions, there is no justification whatsoever for the Central Government to adamantly refuse to upwardly revise this FMA , which is presently at a lowest level of Rs.300/- per month which everyone knows is totally inadequate to the medical needs of a pensioner's family. When pressed the Government have stated that as this allowance was introduced by the V CPC, the enhancement of its rates will have to be considered and recommended by another pay commission. We suggest that the 7th CPC recommend for refixation of FMA @ 2000/- per month plus DA thereon. In addition this FMA shall be permitted to those pensioners who want to

undergo only Unani or Ayurveda or Homeopathy type of treatments even though they live in areas covered by CGHS.

7.10 CS (MA) Rules 1944: In the interregnum period of permitting all pensioners into the CGHS without any discrimination, the CSMA Rules, 1944 should be extended to pensioners living in non-CGHS areas and stations, which are at present not covered by CGHS. As recommended by V CPC, vide Para 140.18 of their report, benefit of CS (MA) Rules, 1944 should be extended to pensioners in non-CGHS areas at least to the extent of full reimbursement of expenses incurred for hospitalization in a Government hospital or hospitals recognized under CS (MA) Rules for the serving employees or those hospitals recognised by State Governments for such purposes for their employees. To cite examples, in the City of Mysore, a number of hospitals have been recognized under CS (MA) Rules, 1944 for serving Central Government employees. But Pensioners cannot avail the benefit merely because there is no CGHS dispensary there. Similarly, in Udupi though the world-famous “Kasturba Hospital” is recognised under CS (MA) Rules, 1944 for serving employees, the Pensioners do not get the benefit merely because there is also no CGHS dispensary available. “The benefit of the liberalised orders bearing No. OM No.S-11011/7/99-CGHS(P) dated 27-4-2011 of the MoH&FW can not be availed by all pensioners living in non-CGHS areas as the order pre supposes possession of a CGHS card by such pensioners.

7.11 Several cases of claims for reimbursement of medical expenses incurred by pensioners living in non-CGHS areas have been decided in favour of pensioners by the CATs and even the High Court of Gujrat at Ahmedabad. “All the SLPs ( 34 in all ) filed by the government of India in this connection have been dismissed by the Supreme court of India on 3-4-2012 and Government of India had to issue orders directing all concerned to allow reimbursement of the medical claims of pensioners concerned living in non-CGHS areas /Stations.7th CPC is therefore requested to make suitable recommendation in this regard in order that even if CGHS dispensaries are not opened, for whatever reasons they may be, the Central Government pensioners may avail medical in-patient facilities (in hospitals recognized under CS (MA) Rules, 1944 for serving employees) and get reimbursement of expenses from the departments to which they belong.

7.12 It is a fact that ESIC medical scheme caters for more than 35 millions of beneficiaries in the private factory employment sector. If the ESI System with a network of 144 hospitals, 42 Annexes, 1400 dispensaries and tie up with 2041 private medical practitioners besides with a large number of Super Specialty Hospitals can provide medicare, why should not CGHS / CSMA cater for the medicare needs of more than 40 lakhs of employees and more than 30 lakh of pensioners spread all over the country like the ESIC beneficiaries? The 7th CPC may kindly examine the feasibility of improving the present CGHS / CSMA formats to ensure Medicare to all Central Government employees and Pensioners. There is no need absolutely to scout for alternate method. The recommendation of the 5th CPC for suitably amending CS (MA) Rules, 1944 for providing indoor medical attention to a very small segment of Central Government Pensioners residing in non-CGHS areas should not pose any insurmountable hurdles. It is fortunate that the nodal Ministry viz., Ministry of Health and Family Welfare, has accepted the need for Medicare to 60 plus retired personnel that they should not be deprived of the medicare and the Judiciary have taken cognizance of this principle, there should be no hesitation in amending the CS(MA)Rules, 1944 for providing in-door attention to the retired employees.

## **CHAPTER – VIII**

### **Miscellaneous**

8.1 Pension and Dearness Relief and Fixed Medical Allowance to be net of Income Tax. The purchase value of pension gets reduced day by day due to continuous high inflation and steep rise in cost of food items and medical facilities. Retired persons / Senior citizens do not enjoy fully public goods and service provided by Government for citizens due to lack of mobility and many other factors. Their ability to pay tax reduced from year to year after retirement due to ever-increasing expenditure on food, medicines and other incidentals. Their net worth at year end gets reduced considerably compared to the beginning of the year. Inflation, for a pensioner is much more than any tax. It erodes the major part of the already inadequate pension. To enable pensioners, at the fag end of their lives, to live in minimum comfort and to cater for ever rising cost of living, they may be spared from paying Income Tax on Pension and the DR – as recommended by 5<sup>th</sup> Pay Commission in para 167.11 of their report.

8.2 Housing: Central Government employees in occupation of Government Staff Quarters on retirement are constrained to hire private accommodation at exorbitant and prohibitive rental. They are per force to spend a sizable portion of the pension on rent alone. While in services, though they are entitled to get house building advance etc, most of them are unable to avail the facility and construct house for the salary income they earn is incapable of making the both ends meet. It is therefore necessary that a provision is made for reserving a percentage of the number of residential units constructed by the State / Central Housing Boards and Corporations, for outright purchase of allotment on instalment basis to pensioners. We therefore suggest that 10% of the total units constructed by the State Housing Boards, Central Housing Corporations etc to be reserved for pensioners. Similarly quite a number of staff quarters sometimes lie vacant without occupation by serving employees and such quarters may be allotted for pensioners on payment of just licence fee only. In addition, dormitory type single room tenements with common dining hall, library, cultural centre, auditorium, basic medical facility etc may be constructed at the outskirts of the cities and allotted to pensioners on payment of a reasonable amount. Until such schemes are accepted and worked out, HRA may be granted to the Pensioners on the same rates as is given to serving employees.

8.3 Travel Concession: Senior Citizens on attaining the age of 60 years (Males) and 58 years (females) are given fare concession in Railway travel at the rate of 40% and 50% respectively. We suggest that retired Government Servants may be allowed the facility of travel concession once in 2 years to any place inside India from their place of their residence. We point out that the purpose of granting LTC to serving employees has an in-built advantage of encouraging tourism development, which is helpful to the economy in several ways. Similarly any travel concession granted to Pensioners will also boost the tourism development in the country besides bringing happiness at their old age.

After retirement, most of the pensioners spend the time on spiritual activities. They like to visit important religious places in the country. The Commission's attention is drawn to the fact that Government of Punjab is granting Travel Concession to all its pensioners by paying one month's Basic Pension for every block of 2 years. It was introduced from 1/1/1989 and the payment is made in January every two years (Source: Punjab Government letter No.1/15/89-IFP-II/8078 dated 31/8/1989). In the past 25 years the cost of everything has gone up. The Commission is requested to recommend to the Government to pay 3 months Basic Pension as Travel

concession and the facility may be extended once in 2 years to all those pensioners/Family Pensioners including family Pensioners other than spouse, who are at present not getting travel facilities as departmental advantage.

8.4 In the last decade, the social fabric has undergone a drastic change. The Indian Parliament had to enact a law for the kith and kin to look after their parents. After the death of a pensioner, cremation/burial has to take place in an honorable manner. Each religion has got its own custom and rituals and the cost is very high. It is to be noted that Andhra Pradesh Government is granting an amount of Rs.10,000/- as 'Death Relief' to its pensioners, Family pensioners (Source: AP Govt. G.O. MS.No.102 Finance (Pen.I) Department dated 6/4/2010 & G.O. M.S. No.136 dated 29/6/2011). The Commission is requested to recommend an amount of Rs.10,000/- as 'Death Relief' in the event of death of pensioner, pensioner's spouse or Family Pensioner.

8.5 Family Security Fund: The family of the Pensioner shall be granted a lump sum of 1,00,000 on the death of the Pensioner by introducing a scheme for Family Security Fund with the arrangement for contribution by the pensioners. At present such scheme is in existence in states like Tamilnadu, where the Pensioner is contributing a monthly contribution of 80/- and in the event of his / her death, the spouse is given a sum of Rs.50,000 as family security fund. Therefore the 7th CPC is requested to examine this proposal for framing such a scheme for facilitating payment of at least 1,00,000 rupees on the demise of the pensioners to their spouses.

8.6 Pension Adalats: The system of Pension Adalat was introduced initially by Department of Pension and Pensioners Welfare and later on adopted by Railways, Defence, P&T Departments. The V CPC in Para 139.17 had recommended that this system is very effective in finalising disputed cases of pensions and should be introduced in all the departments. These adalats should also function for settling the cases of field formations and meet at least once in quarter. The representatives of the Pensioners Associations should be allowed to present the cases of the concerned pensioner who may not be conversant with the rules. The above recommendation which were not mandatory has not been implemented. We therefore request 7th CPC that it should be made mandatory on all the Ministries and Departments of Indian Government to conduct these Adalats periodically and without fail. We also suggest that these Adalats may be conducted at different levels with the following frequency:

- (i) Divisional level Once in 3 Months
- (ii) Zonal / Regional level Once in 6 Months
- (iii) Head quarter level Once in a Year
- (iv) Minister of State in DOPT level Once in 2 years

"The OM No. 44013/2/2010-Coord dated 25-3-2011 issued by the Department of Pension & Pensioners' Welfare is required to be amended suitably.

8.7 SCOVA: The forum of SCOVA (Standing Committee of Voluntary Associations) is facilitated by the Central Government for interaction with the Pensioners' Organisations for discussing the issues of pensioners. This forum has no statutory authority as negotiating forum founded for negotiating issues of Central Government employees viz., the National Council JCM with mandatory facility for compulsory arbitration and other benefits like National Anomaly Committee to sort out the anomalies arising out of implementation of Pay Commission reports

etc. Similarly there is no system of granting recognition to representative organisations of Pensioners and at present it is at the pleasure of the Central Government to nominate any representatives from any pensioner Associations. Some of the Pensioners Organisations are invited to SCOVA as Members on a rotational basis only. The number of central government pensioners belonging to various departments is no doubt in great numbers and therefore there is necessity to establish a forum with formal authority for discussing and negotiating issues of pensioners. It can be seen that there are hundreds of pensioners' federations, associations, organisations in the country like mushroom growth and there is no orderliness amongst them and each and every pensioner organisation is raising its own demands. There is no orderliness in this system. Therefore, we suggest, that the VII CPC may recommend to the Government to upgrade the status of the SCOVA like the other forum of National Council JCM with separate Rules framed for granting recognition to Pensioners Organisations to give them representation in the SCOVA. All the All India Pensioners Associations/Federations may be accorded recognition & extended such facilities as have been granted to the serving employees Association/Unions/Federations. The SCOVA may be renamed as Joint National Council of Pensioners Organisations. It should be a two tier system one at National level and other Departmental Level.

8.8 Improvement of ex-gratia to CPF/SRPF (C) retirees and their families:-

Ex-Gratia payment to CPF / SRPF (C) pre 1.1.2006 retirees and their families / dependent children was sanctioned earlier as follows:-

CPF/SRPF (C) retirees	Rs.600pm + Dearness relief from 1.11.1997
Widows and dependent Children of deceased retirees	Rs. 605 pm + Dearness relief from CPF/SRPF (C) 1.11.1997

Subsequently these have been revised as follows:-

CPF/SRPF (C) retirees at time of retirement	EX- Gratia
Group "A" Service	Rs.3000 pm + DR
Group "B" Service	Rs.1000 pm + DR
Group "C" Service	Rs.750 pm + DR
Group "D" Service	Rs.650 pm + DR
Effective date:	1.11.2006 SRPF (C) 4.6.2013 CPF
Widows and dependent Children of deceased CPF/SRPF (C)	Rs.645 pm + DR from 4.6.2013

Dearness ex-gratia as above is reckoned before applying dearness relief.

These amounts are utterly inadequate even for hand to mouth living in the resent scenario of high cost of living and spiralling inflation. Request were earlier made to grant one more pension

option to the surviving CPF/SRPF (C) retirees or to grant them 1/3 rd pension as given to PSU absorbees, but the same have not been agreed to.

#### 8.9 We submit that VII CPC may consider our following suggestion

Period for service for granting ex-gratia in their cases should be brought down to 10 ears as in the case of eligibility for pension. They should be granted one time option for pension as recommended by the IV CPC . Minimum ex-gratia to the beneficiary well as the family should be equivalent to minimum pension / family pension of the grade in which they retired as revised from to time. It need to be appreciated that they also had rendered satisfactory service to the government. they worked in more arduous circumstances when the country was relatively undeveloped with low salaries, incremental rates and promotional avenue. They and their families should not be condemned with low rates of ex-gratia and denial of several benefits extended to pensioners / family pensioners for error of judgment on their part in not opting for pension when options were extended because of their inability to foresee the development of the country and the vast changes that have been taking place after their retirement. They are a fast disappearing category and grant of full benefits on par with pensioners will not cause any undue financial burden to the government. in addition to revision of ex-gratia rates on par with pensions and family pensions, they have also to be extended benefits such as same rates of DR granted from to time, ex-gratia to their dependent unmarried / widowed / divorced daughter above 25 years of age, fixed medical allowance, widow passes to the families of deceased SRPF beneficiaries etc. India is a welfare state and the discrimination going on against them all these years is against the very letter and spirit of constitution of India and the concept of welfare state embedded in the directive principles of state policy.

#### Admissibility of Ex-Gratia to widowed / divorced / unmarried daughters

Family pension under CCS (Pension) Rules, 1972 is being paid to eligible widowed / divorced / unmarried daughters beyond the age of 25 years for life if they continue to be eligible for payment of family pension. But in respect of the dependent widowed / divorced / unmarried daughters of CPF / SRPF beneficiaries, payment of family pension is stopped when they complete the age of 25 years. Hence it is requested that the VII CPC my please recommend extension of the benefit admissible to the above category of Central family pensioners to the dependent of CPF / SRPF beneficiaries also.

8.10. Representations in various committees : As recommended vide Vth CPC report Vol III para 141.30 Pensioners' representatives should be included in various committees & other Fora of Govt where issues relating to the welfare of pensioners are likely to be discussed & debated : Discussing and deciding the matters relating to Pensioners, with representatives other than those of pensioners, is unfair & against the Rules of 'Natural Justice'. At present various Committees like National Anomaly Committee (NAC) and JCM (on Pensioner matters), are there, wherein matters / policies relating to pensioners' welfare are discussed and decided, but they do not have pensioners' representatives with the result their viewpoints, hardships & anomalies are not properly represented. As pensioners are a homogenous class, there is an urgent need to constitute separate Committees for pensioners wherein matters / policies / anomalies relating to pensioners of all Groups, categories & departments may be discussed.



8.11. Lingering Litigation on Pensioners matters due to uncalled for Appeals by Government: Govt. should not indirectly pressurize courts by appealing again & again to get judgments reversed in its favor & must implement all court judgments in case of all similarly placed persons.

Fifth CPC recommended in para 126.5 that any Court Judgment involving a common policy matter of pay/pension to a group of employees/pensioners, should be extended automatically to similarly placed employees/pensioners without driving every affected individual to the Courts of law. This recommendation is never followed by GOI, with the result Pensioners in the evening of their life, are forced to approach the legal forums, seeking the same relief. This in turn, bulges court dockets.

The Commission is requested to recommend to the Government to strictly follow the provisions on "filing of appeals in the National Litigation Policy document dated 26.3.2010 issued by the then Hon'ble Minister for Law.

Seventh CPC is requested to look into this matter once again and to issue suitable guidelines as deem fit and necessary.

#### 8.13 Pension Act, 1871 (Act 23 of 1871):

The CCS (Pension) Rules, 1972 were notified under the powers vested under proviso to Art. 309 of the Constitution and not under the Pension Act, 1871.

The Act is a legacy of the former colonial Government The Pension Act 1871 is in the Statute Book but has no relevance or reference to the pension format of the Central Government employees but the Government is sticking to the archaic Act. it is to be remembered that the Government, committed in the Parliament that it will be revised and reflect the latest developments of social security. (refer Lok Sabha discussion on 10<sup>th</sup> and 16<sup>th</sup> April 1981). Neither the Monitoring Committee of the Parliament on Assurances nor the Government had taken any concrete steps in revising 1871 Act.

The Gajendragadkar Law Commission had advised the Government of India to change the Pension Act, 1871 in 1972 but nothing was done.

S/Sri V.N. Gadgil and Parulekar (the then, MPs) moved a substitute bill in the budget session of Parliament in replacement of the Pension Act, 1871. The issue was discussed on 16<sup>th</sup> and 30<sup>th</sup> of April, 1981 Shri P. Venkatasubbiah, the then Minister of State for Home Affairs gave an assurance of bringing in an amendment to the Pension Act. (Incidentally, 82 MPs had supported this move.)

Pensioners Association had brought matter to the notice of the Government of India through SCOVA meeting.

The Following sections of this Act violate the Constitution of India

- (a) Section – 4: No Civil Court shall entertain any suit relating to any pension.

(b) Section – 6: Shall entertain suit only on receipt of a certificate from the Collector / Deputy Commissioner that the case may be tried, but the court shall not make any order by which the liability of Government to pension is affected.

The Following go against the CCS (Pension) Rules, 1972:-

- (a) Section - 5 :- The claim for pension to be made to the collector / Deputy Commissioner.
- (b) Section – 8:- The Pension payments to be made by the Collector / Deputy Commissioner
- (C) Section – 15:- Confers powers to the Central Government to make rules only to provide for nominations under Section – 12 A.

The following are outdated / have no relevance to pension matters:

- (a) Section – 7:- Relates to pension for lands held under grants in perpetuity.
- (b). Section – 9;- Relates to saving of rights of grantee of Land revenue.
- (c) Section – 13:- Relates to Grant of reward equivalent to amount of pension to those who inform about persons receiving pension fraudulently or unduly.

No doubt, the subject “Repeal of Pension Act, 1871” comes within the purview of the Law Commission. Two years ago, the Department of Pension and Pensioners Welfare called for opinion of Pensioner s Associations on this, but it stopped at that. Since this Act has been used by the Government to frame the “Payment of Arrears of Pension (Nomination) Rules, 1983, exercising Power under Section – 15 of this Act and since Section – 11 of the Act is also current on date, it appears to be in the fitness of things that the VI CPC suo moto examine this aspect and make suitable recommendations to the Government”

The VI CPC did not touch the legal aspect of New pension Scheme and simply referred the matter to a study team as mentioned in para 2.3, 2.4, and 2.5.

It is further to add that the New pension Act 2013 was placed without repealing the pension Act 1871, nor repealing the CCS (Pension) rule 1972 which have been introduced in our country as per provision of Article 30 of the Constitution of India. This action of the Government of India appears to be in taking away the rights and privileges guaranteed under the provision of Article 19 (i) (i), Article 39 of the Constitution of India and is liable to be challenged before the Court. The Apex Court has already accepted a petition of land Acquisition Act and kept the new act pending operation till judgment is delivered. The VII CPC may kindly examine the need for contrivance of Pension Act 1981 as also the PFRDA Act 2013 and recommend for their Repeal.

Para 8.14.

Uniform format of PPO – It is observed that different Ministries/ Departments have prescribed different forms of PPO. It is suggested that there should be a uniform format of pension payment order for all Central Government pensioners, irrespective of their departments and all old PPOs should be replaced by the proposed uniformed format. This also should provide the particulars of prospective eligible family members, their dates of birth etc.

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