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Report of the Seventh Central Pay Commission Index

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Chapter 4.1

Principles of Pay Determination

4.1.1 The Seventh CPC has been set up at a time of many noticeable changes on the governance front. The principal role of the government as the prime facilitator has gained firm ground. E-Governance has made considerable progress, facilitating communication and improving coordination of authorities at different tiers of government. There is a specific emphasis on Minimum Government and Maximum Governance, harping on the concept of a leaner bureaucracy with more skilled people. There is also a definite need to harmonize the functioning of the Central Government with the demands of the emerging global economic scenario. This Commission had to keep all these factors while finalizing the compensation structure for the Central Government employees.

Compensation Structure in a Government Setting

4.1.2 Employee compensation is an important element of government functioning. In general, the level and structure of compensation should aim to achieve four objectives: (i) pay should be sufficient to attract and retain high quality staff; (ii) pay should motivate staff to work hard; (iii) pay policy should induce other human resource management reforms; and (iv) pay should be set at a level to ensure long term fiscal sustainability.

Our Terms of Reference (ToRs)

4.1.3 The ToRs of the Seventh CPC broadly revolve around these objectives. The Commission has been mandated to ***'examine, review, evolve and recommend changes that are desirable and feasible regarding the principles that should govern the emoluments structure including pay, allowances and other facilities/benefits, in cash or kind, having regard to rationalization and simplification therein as well as the specialized needs of various departments.'***

4.1.4 In carrying out the above, the remaining terms of reference laid down certain pointers.

These include :

• ***'In so far as the defence forces are concerned the historical and traditional parities with due emphasis on aspects unique to defence personnel is required to be kept in mind.'***

• ***'The framework in the emoluments structure is required to be linked with the need to attract the most suitable talent to government service, promote efficiency, accountability and responsibility in the work culture, and foster excellence in the public governance system...'***

• The recommendations have to be made keeping in view ***the economic conditions in the country and need for fiscal prudence'*** as also ***'the need to ensure that adequate resources are available for developmental expenditures and welfare measures.'***

• Also to be kept in view is ***'the prevailing emoluments structure and retirement benefits available to employees of the Central Public Sector Undertakings'*** as also ***'the best global practices and their adaptability and relevance in Indian conditions.'***

Challenges before this Commission

4.1.5 The real challenge before this Commission is to provide a pay structure which is competitive yet affordable, attractive yet acceptable, forward looking yet adaptable, simple yet rational, and one which matches with the current socio-economic and political conditions as well as the changing perception of the overall administrative machinery and the public governance system.

4.1.6 One of the peculiarities of the Indian civil structure and the pay structure that has been in vogue is the high degree of emphasis on uniformity and relativity. In interacting with various associations, federations, heads of institutions, what has clearly come across is the prevalence of historical equations across the various cadres in government. Disturbances caused in any of these have an immediate and very vocal effect by way of strident demands in restoring earlier parities. Extensive litigation has come to be the norm. The second issue relates to ease of administration. A simple structure with rules of fixation that are easy to understand and apply would take away the possibility of either inadvertent errors or any element of arbitrariness. This Commission has, therefore set simplicity and complete transparency as a basic guiding principle.

4.1.7 From the employees' perspective, the upper most aspect is naturally that the emoluments should appropriately reflect the qualifications and the skill sets that each individual brings to this system. Apart from being fair and adequate, what is crucial is that the pay structure should correctly reflect the relative positions in the hierarchy. In its deliberations, the Commission has found that the preponderance of grievances relates to the emoluments drawn by others as opposite to what

List of Abbreviations

Abbreviation used : Stands for

B.E. : Bachelor of Engineering

B.Tech. : Bachelor of Technology

CAPF : Central Armed Police Force

CGHS : Central Government Health Scheme

CPC : Central Pay Commission

CSS : Central Secretariat Service

CSSS : Central Secretariat Stenographers' Service

DA : Dearness Allowance

DoPT : Department of Personnel and Training

GDP : Gross Domestic Product

GP 5400 (PB-3) : Grade Pay of Rs.5400 in Pay Band 3

HAG : Higher Administrative Grade

I I MA : Indian Institute of Management, Ahmedabad

I I MC : Indian Institute of Management, Kolkata

JCM-Staff Side : Joint Consultative Machinery (National Council) – Staff Side

JCOs/ORs : Junior Commissioned Officers/Other Ranks

LDCE : Limited Departmental Competitive Examination

M.Tech. : Masters of Technology

MACP : Modified Assured Career Progression

MHA : Ministry of Home Affairs

MNS : Military Nursing Service

MSP : Military Service Pay

MTS : Multi-Tasking Staff

NFU : Non-functional Upgrade

NPS : National Pension System

pa : per annum

PBORs : Persons Below Officer's Rank

pm : per month

PRIS : Performance Related Incentive Scheme

SAG : Senior Administrative Grade

UPSC : Union Public Service Commission

w.e.f. : with effect from

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is received by oneself. Due care, therefore, has been given to the aspect of equity.

4.1.8 Over the years, due to downsizing of bureaucracy, issues relating to diminishing or in some cases non-existent promotional avenues have impacted the employees' motivational levels. To address this problem, various schemes of assured career progression have been introduced by previous Pay Commissions. It is now one of the major aspirational challenges spurring work efficiency and which needs to be acknowledged by the Pay Commission. The emoluments structure is now expected to provide scope for career advancement by way of financial upgradation at reasonable intervals so as to keep the workforce motivated.

Approach of this Commission

4.1.9 The efforts of the Commission have been to devise a pay structure to address all the above listed issues and concerns. Special emphasis has been laid on designing a pay matrix which is simple, transparent, predictable and easily comprehensible. During their interactions with the Commission, the stakeholders placed many demands, ranging from common entry pay, rationalization of the existing grade pay structure, common treatment of like cadres, transparent pay structure as also increasing the frequency of the MACP. The new pay matrix incorporates all these features: subsuming the grade pay, the rationalized matrix presents the whole universe of pay levels in one simple chart. The levels have been rationalized too, displaying a logical pay progression. Employees would be able to see their pay level, where they fit in and how they are likely to progress over their career span. The Commission has also recommended simplified procedures for computation of pension.

4.1.10 On the same pattern, the entire structure of Allowances has been reviewed, rationalized and simplified. Inter-departmental and inter-Ministerial disparities regarding payment of various allowances have been sought to be removed as far as possible. An innovative Risk and Hardship Matrix has been proposed. Also, the Commission recommends that each allowance should be put in the public domain as a step towards greater transparency in governance.

4.1.11 The pay matrix addresses the important issue of adequacy of the compensation structure. The Commission observes that the purpose of pay is to compensate the employees for work done, to motivate them to perform well. The purposes also include **attracting talent to government service and also retaining them,** thus avoiding the need for expensive recruitment and training for replacement.

4.1.12 Ideally speaking, the compensation package should be a well defined function of prescribed educational and other entry level qualifications, job content, roles and responsibilities attached to the position etc. However, this is a difficult task, especially in a government setting, which has hundreds of organizations and plethora of job roles. **The Commission has, to the extent possible, while dealing with individual cadres, attempted to bring about uniformity in their qualification and pay structure.** This should ameliorate grievances of many 'common' cadres across organizations.

4.1.13 The Commission has also analysed the important question of whether wages are sufficient to attract and retain qualified staff. One way to address this question is to compare wages in government sector positions with wages for comparable positions in the private sector. This presumes that if wages in the government sector are too far below private sector wages, the government sector will have difficulty attracting and retaining the sort of staff it requires. In their presentations before the Commission, many associations brought out this aspect highlighting, inter alia, that the compensation pattern in the private sector is more remunerative. Although private sector wage comparators are difficult to obtain, the Commission feels that this could be the case in respect of only a few specialized segments. The results of the IIM, Ahmedabad study on comparing job families between the government and private/public sector has brought out the fact that while at lower levels salaries are much lower in the private sector as compared to government jobs, at the highest echelons of governance, the compensation in government is nowhere comparable to their counterparts in the private/public sector.

4.1.14 But a mere comparison of the salaries should not form the benchmark for remuneration, it is to be viewed keeping in mind the uniqueness inherent in the government in terms of security of tenure, assured prospects of financial progression even when no promotional avenues exist, leave and pensionary privileges which are not available to their counterparts in the private/public sector.

4.1.15 Having said this, there is no denying that officers at higher level shoulder maximum responsibility and accountability and hence should be compensated accordingly. In light of this, the Commission has accorded slightly higher index of rationalisation at level of Senior Administrative Grade and above.

4.1.16 The Commission notes that government employees are entitled to a host of tangible and non tangible benefits - from job security, inflation indexed salary, assured prospects of financial progression- to name a few. It may be difficult to monetize some of these non-tangibles. That the government jobs retain their charm is evident from the increasing number of qualified candidates per advertised vacancy as well as from the low turnover rates among recent recruits.

4.1.17 The Commission has adopted an innovative design to make the remuneration structure attractive. It has adopted the need based minimum wage formula for designing the pay matrix. The rationalization of pay levels has been done keeping this minimum pay as the base for all calculations. It has been recommended that the minimum pay at each level will be the entry pay for direct recruits for those levels. Each level has been placed equidistantly. The various stages within a level moves upwards at the rate of 3 percent per annum. Owing to this rationalization, the quantum of increase in pay on promotion, either on regular basis or through the MACP, is likely to be substantial. This design will make the existing remuneration pattern in the government more attractive.

4.1.18 The basis for calculation of minimum and maximum pay, rate of pay progression across levels, basis for rationalisation and uniform approach towards fixation of pay have been clearly spelt out to leave no room for ambiguity or conjecture.

4.1.19 Historically, the qualification and skill set required as well as roles and responsibilities discharged at various levels in the overall hierarchy have been central to the basis for pay grading. The rationalisation index has been applied keeping this principle in mind.

4.1.20 There is uniformity in fixation of pay whether at entry level or on promotion or at the time of migrating from one pay regime to another. The new pay structure will bring out clearly what the total emoluments will be at a given point in time during one's career span. The rate of pay progression will also be stated upfront for existing as well as new entrants.

4.1.21 Since, substantial delayering had already been attempted by the previous Pay Commissions, this Commission is not removing any levels, but to simplify the pay structure, the grades pay have been subsumed in the pay band to form distinct levels. **The new pay structure is a construct in the matrix format and provides open ended progression in pay at all levels.**

4.1.22 One recurrent theme in the representations of various associations relates to 'equity' or 'Equal Pay for Equal Work.' Ideally, the remuneration package should establish horizontal equity: employees should feel that their pay is comparable with the remuneration structure of similarly placed positions outside their organization. The employees should also feel that the pay structure shows linear progression pattern and thus the notion of vertical equity is also maintained. The Pay Matrix addresses these issues as well. The Commission has designed the pay structure in such a manner that the pay progression recognises the importance of vertical relativities and also assigns a reasonable basis to such progression. **This has been done by assigning a uniform fitment factor of 2.57.**

4.1.23 The Commission feels that there is strong need to create a culture of performance in government – from establishing standards of performance, to measuring, and promoting people based on performance. **To emphasize on the culture of performance, the Commission has recommended that all the non-performers in the system should be phased out after 20 years.** The Commission has recommended that Performance Related Pay should be introduced in the government and that all Bonus payments should necessarily be linked with productivity.

Chapter 4.2
Determination of Minimum Pay

Introduction

4.2.1 The estimation of minimum pay in government is the first step towards building its pay structure. In doing so, the approach is to ascertain, by using the most logical and acceptable methodology, what the lowest ranked staff in government needs to be paid to enable him to meet the minimum expenditure needs for himself and his family in a dignified manner.

Minimum Pay Estimated by the V and VI CPC

4.2.2 In making this assessment various methodologies are possible, and have been considered by different Pay Commissions. The V CPC adopted the 'Constant Relative Income Approach' to estimate the minimum pay. This approach is based on the principle that the real minimum pay must grow in tandem with real per capita income so that the compensation of government staff is not independent of the economic realities of the country. Accordingly the V CPC proceeded from the minimum pay of Rs.750 estimated by the IV CPC as on 01.01.1986 and added to it the DA of Rs.1,110 to arrive at the 'price protected' minimum pay of Rs.1,860 as on 01.01.1996. To this a step up of 30.9 percent was applied, the percentage being the real increase in the per capita income (per capita net national product at factor cost) during the period 1986-95. **After rounding off, the minimum pay was arrived at Rs.2,440 as on 01.01.1996, which was subsequently increased to Rs.2,550 at the implementation stage.**

4.2.3 To estimate the minimum pay in the government, the VI CPC used the **norms set by the 15th Indian Labor Conference (ILC) in 1957** to determine the need-based minimum wage for a single industrial worker. **The norms set by the ILC are as below:**

i. A need-based minimum wage for a single worker should **cover all the needs of a worker's family.** The normative family is taken to consist of a spouse and two children below the age of 14. With the husband assigned 1 unit, wife, 0.8 unit and two children, 0.6 units each, the minimum wage needs to address 3 consumption units;

ii. **The food requirement per consumption** unit is shown in the Annexure to this chapter. The specifications were derived from the recommendations of Dr. Wallace Aykroyd, the noted nutritionist, which stated that an average Indian adult engaged in moderate activity should, on a daily basis, consume 2,700 calories comprising 65 grams of protein and around 45-60 grams of fat. Dr Aykroyd had further pointed out that animal proteins, such as milk, eggs, fish, liver and meat, are biologically more efficient than vegetable proteins and suggested that they should form at least one-fifth of the total protein intake;

Annexure to Chapter 4.2

Calculation of Minimum Pay as on 01.01.2016 by the Commission

		Per day PCU	**Unit**	**Per month 3 PCU**	**Unit**	**Price/ Unit (Rs)**	**Expenses (Rs)**
1.	Rice/Wheat	475	gm	42.75	kg	25.93	1108.30
2.	Dal (Toor/Urad/Moong)	80	gm	7.20	kg	97.84	704.44
3.	Raw Vegetables	100	gm	9.00	kg	58.48	526.28
4.	Green Vegetables	125	gm	11.25	kg	38.12	428.85
5.	Other Vegetables	75	gm	6.75	kg	32.80	221.42
6.	Fruits	120	gm	10.80	kg	64.16	692.93
7.	Milk	200	ml	18.00	litre	37.74	679.26
8.	Sugar/Jaggery	56	gm	5.04	kg	37.40	188.48
9.	Edible Oil	40	gm	3.60	kg	114.02	410.46
10.	Fish			2.50	kg	268.38	670.95
11.	Meat			5.00	kg	400.90	2004.51
12.	Egg			90.00	no.	4.27	383.98
13.	Detergents etc				Rs./month	291.31	291.31
14.	Clothing			5.50	meter	164.88	906.83
15.						**Total (1-14)**	**9217.99**
16.						Fuel, Electricity, Water Charges	2304.50
17.						**Total-(15) divided by 0.8**	**11522.49**
18.						Marriage, Recreation, Festivals, etc.	2033.38
19.						**Total-(17) divided by 0.85**	**13555.87**
20.						Provide for Skill by adding 25% to (19)	3388.97
21.						**Sum** (19+20)	**16944.84**
22.						Housing @	524.07
23.						**Total-Divide no.21 by 0.97**	17468.91
24.						Step up of 3% on No.23 as DA is projected at 125% on 01.01.2016	524.07
25.						Final Minimum Pay as on 01.01.2016 (23+24)	17992.98
26.						Rounding off	18000

iii. **The clothing requirements** should be based on per capita consumption of 18 yards per annum, which gives 72 yards per annum (5.5 meters per month) for the average worker's family. The 15th ILC also specified the associated consumption of detergents, which can be seen in the Annexure;

iv. **For housing, the rent corresponding** to the minimum area provided under the government's industrial housing schemes is to be taken. The 15th ILC kept it at 7.5 percent of the total minimum wage;

v. **Fuel, lighting and other items of expenditure** should constitute an additional 20 percent of the total minimum wage.

4.2.4 The VI CPC considered additional components of expenditure to cover for **children's education, medical treatment, recreation, festivals and ceremonies.** This followed from the Supreme Court's ruling in the Raptakos Brett Vs Workmen case of 1991 for determination of minimum wage of an industrial worker. The Supreme Court had prescribed this amount at 25 percent of the total minimum wage calculated from the first five components. However, in considering this additional component the VI CPC took note of the educational allowance and medical facilities being provided by the government. Based on its calculations the VI CPC arrived at a minimum wage of Rs.5,479. This was enhanced by about 22 percent to Rs.6,660, which was recommended as the minimum pay in the government. The enhancement quantified the skill factor that Group D staff would acquire through training, upon their merger into Group 'C'. Ultimately, **at the implementation stage, the minimum pay was fixed at Rs.7,000 per month on 01.01.2006.**

Demand made by JCM-Staff Side to the Commission

4.2.5 In its representation the JCM-Staff Side has submitted that the Commission must determine a 'need-based minimum pay,' estimated entirely from the ILC norms and factoring in the 1991 ruling of the Supreme Court to provide for education, medical, recreation, festivals and ceremonies. In addition they have also sought the inclusion of a quantified skill factor on the lines of the VI CPC's approach for addressing the merger of the Group D staff into Group 'C'. They have further stated that unlike the previous CPCs, the Commission should not exclude any of the seven components **(five ILS components + additional 25 percent provisioning + skill factor)** on the apprehension that it would impose a heavy financial burden on the government.

4.2.6 Based on the various components of the ILC norms and the subsequent additions the JCM -Staff Side has reported that the minimum pay should be Rs.26,000 per month, as on 01.01.2014, the date from which it wants the Commission's recommendations to be implemented. The prices used for the calculation are stated to be the retail prices prevailing in New Delhi, Mumbai, Chennai, Kolkata, Hyderabad, Bhubaneswar, Trivandrum and Bangalore, as on 01.01.2014. The JCM-Staff Side has argued that this estimation of minimum pay is still on the lower side. **This is on the basis of their argument that the 15th ILC norms need to be revised for including old and dependent parents as additional consumption units.**

Approach of the Commission

4.2.7 The 15th ILC norms were formulated in 1957. As such, the I CPC, which gave its recommendations in 1948, pre-dated the same. The II CPC did make an initial assessment using the ILC norms. However, it moderated the minimum pay so calculated in line with the then prevailing per capita income. The III CPC adopted a modified version of the norms to calculate the minimum pay. The IV CPC estimated the minimum pay by applying the growth of total emoluments index on the minimum pay estimated by the III CPC. As already discussed, the V CPC estimated the minimum pay through the 'Constant Relative Income Approach' whilst the VI CPC adopted the 15th ILC norms to arrive at a base figure, to which was added additional 25 percent for various additional items plus the skill factor. The Commission has thus noted that directly or indirectly, the ILC norms have always been at the core of the minimum pay calculations made by the previous Pay Commissions. **The Commission is also of the view that the ILC norms, along with other supplements (the entire set of seven components), are the best approach to estimating the minimum pay as it is a need-based wage calculation that directly costs the requirements, normatively prescribed to ensure a healthy and a dignified standard of living.**

4.2.8 The Commission has **estimated the minimum pay (the calculations for which have been tabulated in the Annexure) through the following steps :**

Step 1 : The food, clothing and detergent products listed and their respective quantities specified by the 15th ILC have been adopted. These quantities indicate the monthly consumption of the listed products by a family comprising three consumption units. [For e.g. for the product 'Dal' the quantity specified for daily consumption is 80 grams per consumption unit per day. The monthly consumption of Dal by a consumption unit thus works out to 2.4 kg (80 x 30). Accordingly the monthly consumption of Dal by a family comprising 3 units is 7.2 kgs (2.4 x 3).]

Step 2 : The quantities have been multiplied by their respective product prices to arrive at product wise cost. The price adopted for each product is the average of prices of various items that are included in the product. The price of an item is the average of its prices prevailing in each month from July, 2014-June, 2015. [At monthly family consumption of 7.2 kg the Commission has estimated the monthly expenditure on Dal at Rs.704.44 after calculating the price of Dal at Rs.97.84 per kg. The price of Dal has been calculated as the average of prices of Toor, Urad and Moong Dal items specified under the product Dal and whose prices have been determined at Rs.87.86, Rs.109.66 and Rs.96.00 respectively. The prices of these three Dal items are the twelve monthly average prices for the period July, 2014–June, 2015.] The prices of all items have been sourced from Labor Bureau, Shimla. These prices are used in the calculation of the CPI (IW) and subsequently the calculation of Dearness Allowance. In the current exercise the prices of all items are for the period July 2014-June 2015 and have been used in the calculation of DA at 119 percent operative from 01.07.2015.

Step 3 : The cost of food, clothing and detergent products obtained from Step 2 has been divided by 0.8 to arrive at a total, of which 20 percent provides for fuel and lighting expenses. This addresses the fifth component under para 4.2.3. The fourth component on housing under para 4.2.3 has not been addressed at this stage as **its quantification at the final stage of pay estimation is considered more appropriate by the Commission.**

Step 4 : The cost estimated from Step 3 is divided by 0.85 to arrive at a total, of which 15 percent is towards recreation, ceremonies and festivities. The prescribed provision of 25 percent to cover education, recreation, ceremonies, festivals and medical expenses has been moderated to 15 percent because expenses on educational and medical necessities are being separately provided for through relevant allowances and facilities and thus need not be provided here. **This partially addresses the first of the two components outside the 15th ILC norms.**

Step 5 : The cost estimated from Step 4 is increased by 25 percent to account for the skill factor, following the reasoning that there is no unskilled staff in the government after the merger of Group D staff in Group 'C'. **This addresses the second of the two components outside the 15th ILC norms.**

Step 6 : The cost estimated from Step 5 is divided by 0.97 to arrive at a total, of which 3 percent provides for housing expenses. This is done in view of the observation that license fees for government accommodation is about 3 percent of the total pay. **This addresses the fourth component stated under para 3 but partially so, as the 15th ILC norms had fixed the housing provision at 7.5 percent.**

Step 7 : The cost estimated from Step 6 is as on 1 July, 2015 when the DA was 119 percent. The DA is assumed to be 125 percent as on 1 January, 2016, the day from which the Commission expects its recommendations to be implemented by the government. **Accordingly the cost estimated from Step 6 has been increased by 3 percent (2.25/2.19 = 1.027 or nearly 3%).**

4.2.9 The cost estimated from Step 7 is next rounded off to Rs.18,000, which is the minimum pay being recommended by the Commission, operative from 01.01.2016. This is 2.57 times the minimum pay of Rs.7,000 fixed by the government while implementing the VI CPC's recommendations from 01.01.2006. Accordingly, basic pay at any level on 01.01.2016 (pay in the pay band + grade pay) would need to be multiplied by 2.57 to fix the pay of an employee in the new pay structure. Of this multiple, 2.25 provides for merging of basic pay with DA, assumed at 125

Chapter 5.1
Pay Structure (Civilian Employees)

Historical Perspective on Pay: The Trends so far

5.1.1 The thrust of all the previous Pay Commissions has been to propose an improvement in the pay structure by way of **'simplification and rationalisation.'** The most visible results of this exercise are evident in terms of reduction in number of pay scales as well as the compression ratio. Traditionally, compression ratio has been taken as a ratio of maximum salary drawn by the Secretary to Government of India to minimum salary drawn by the lowest functionary in the government. Table 1 below brings out the trend in pay structure in the government of India over the years :

TABLE 1
PAY STRUCTURE

Central Pay Commission (CPC)	Minimum Salary (Rs.)	Maximum Salary (Rs.)	Compre-ssion Ratio	Number of Pay Scales
I CPC (1946-47)	55	2000	1: 36.4	150 ® 30
II CPC (1957-59)	80	3000	1: 37.5	500 ® 140
III CPC (1972-73)	196	3500	1: 17.9	500 ® 80
IV CPC (1983-86)	750	8000	1: 10.7	153 ® 36
V CPC (1994-97)	2550	26000	1: 10.2	51 ® 34
VI CPC (2006-08)	7000	80000	1: 11.4	35 ® 19
[4 PBs with 15 GPs + 4 distinct scales]				

5.1.2 It can be seen from the table above that successive Pay Commissions have consciously tried to reduce the number of pay scales even though they tended to increase during the intervening period between any two Pay Commissions. There were, however, no significant changes in the pay structure per se until the IV CPC, when the concept of running pay scales was introduced in a limited way in respect of Defence forces. For others, individual pay scales continued till the V CPC. It was the VI CPC which recommended running pay bands for both Civilians as well as Defence forces. **This was coupled with the introduction of the concept of Grade Pay as a level differentiator. Another new feature was the calculation of the annual increment on percentage basis.** Prior to VI CPC, the increment was a flat sum, depending on the pay scale. The effort at compression of levels was carried forward by the VI CPC, which reduced the existing 35 levels to 19. Another radical measure was the doing away with 'GroupD' as a category and placement of 'Group-D' personnel in 'Group-C' after appropriate training whenever necessary. Hence, it can be seen that the simplification process set in motion by previous Pay Commissions acted as a precursor for progressive rationalisation by the subsequent Commissions.

Terms of Reference with regards to the Pay Structure before the Seventh CPC

5.1.3 One of the Terms of Reference (TOR) before this Commission is *"to examine, review, evolve and recommend changes that are desirable and feasible regarding the principles that should govern the emoluments structure including pay, allowances and other facilities and benefits in cash or kind having regard to rationalisation and simplification therein."*

5.1.4 Further, it is expected that the recommendations on the pay structure should ensure that the framework for an emoluments structure is linked with *"the need to attract the most suitable talent to government service, promote efficiency, accountability and responsibility in the work culture, and foster excellence in the public governance system to respond to complex challenges of modern administration and rapid political, social, economic and technological changes, with due regard to expectations of stakeholders."*

5.1.5 The Commission has endeavored to incorporate the above principles while devising the new pay structure. The approach of the Commission has been to ensure that the emolument structure is in consonance with the nature of work, role and responsibilities and accountability involved at various levels of the hierarchy in the Government of India. The value that individual employees are expected to bring to the job, by way of relevant educational qualifications, skill sets and experience are also important considerations. Internal equity, by way of salaries payable at comparable levels within the organization, are also important considerations.

Existing System

5.1.6 The new paradigm of running pay bands was brought

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percent on 01.01.2016, while the balance is the real increase being recommended by the Commission. The real increase works out to 14.2 percent (2.57÷2.25 =1.1429). The following table shows the real increase given by each CPC/Government over the previously set minimum pay :

	(in percent)
II CPC	14.2
III CPC	20.6
IV CPC	27.6
V CPC	31.0
VI CPC	54.0
VII CPC	14.3

4.2.10 The real pay in government is protected by providing **Dearness Allowance (DA), which is that percentage of pay by which the CPI (IW)[16] (CPI (IW) is Consumer Price Index for Industrial Workers maintained by Labour Bureau, Shimla.)** increases over a fixed base value. Consequently the absolute amount of DA keeps on growing with every point increase in CPI (IW). On the other hand the real value of the industrial minimum wage is protected by providing Variable Dearness Allowance (VDA), which is a fixed amount of money given per point increase in CPI (IW) as notified by the Chief Labour Commissioner (central sphere) from time to time. Consequently, over a period of time, the minimum pay + DA in government becomes larger than the minimum wage + VDA in the private sector even though the basic minimum wage in both the sectors is calculated on the basis of the 15th ILC norms. As on 01.01.2015 the minimum pay in government was Rs.14,910 whereas minimum wage for a skilled worker was in the range of Rs.9,000–Rs.11,000 per month.

4.2.11 Besides DA, government provides house rent, transport, location and function specific allowances besides Leave Travel Allowance (LTA) which, along with the basic pay, constitute the gross pay of a government employee. If one were to only take HRA at 30 percent of the basic pay and transport allowance at Rs.400+DA, as are admissible in A1/A class cities, together with educational allowances for two children at the rate of Rs.1,500 per month, the gross pay further increases to Rs.20,870 (20870 = 14910 +2100+860+3000) as on 01.01.2015. In addition government gives a host of other benefits that can be measured under the CTG (Cost to Government of an employee) concept. **From these numbers it is clear that benefits given to the lowest ranked government employees, whether monetized or not, are significantly higher than the minimum basic pay and also much higher than the emoluments of skilled industrial workers.**

4.2.12 To obtain a comparative picture of the salaries paid in the government with that in the private sector enterprises the Commission engaged the Indian Institute of Management, Ahmedabad to conduct a study. According to the study the total emoluments of a General Helper, who is the lowest ranked employee in the government is Rs.22,579, more than two times the emoluments of a General Helper in the private sector organizations surveyed at Rs.8,000-Rs.9,500.

4.2.13 After considering all relevant factors the Commission is of the view that the minimum pay in government recommended at Rs.18,000 per month, w.e.f. 01.01.2016, is fair and reasonable and one which, along with other allowances and facilities, would ensure a decent standard of living for the lowest ranked employee in the Central Government.

in by the VI CPC primarily to address the problem of stagnation faced in the earlier regime. Until then the limited span of individual pay scales resulted in employees reaching the maximum of the scale and stagnating until their next regular promotion. **To alleviate the situation, often new posts were created even when no functional justification existed. This led to proliferation of levels and unwarranted increase in financial liability.** Frequent movement from one scale to another also led to problems in pay fixation of seniors who, in some cases, ended up drawing lesser pay than their juniors.

5.1.7 At the time of constitution of the VI CPC there were about 35 standard pay scales in existence. Many of these pre revised scales were merged by the VI CPC to arrive at 19 grades spread across four distinct Pay bands along with 4 distinct scales including one Apex scale (fixed) for Secretary/equivalent and one scale for Cabinet Secretary/equivalent (fixed). **The concept of Grade pay was intended as a fitment benefit but it also served as a level determiner within a pay band.**

5.1.8 Following implementation of the VI CPC recommendations, **the pay structure in the Civilian set up consists of four pay bands with 15 levels of grade pay,** along with four standalone scales viz., the HAG scale, HAG+ scale, Apex scale (fixed) and the scale of Cabinet Secretary (fixed) as shown below in Table 2 :

TABLE 2

PRESENT PAY STRUCTURE (CIVILIAN)*

Pay Band 1 (5200- 20200)					
Grade Pay	1800	1900	2000	2400	2800
Pay Band 2 (9300-34800)					
Grade Pay	4200	4600	4800	5400	
Pay Band 3 (15600-39100)					
Grade Pay	5400	6600	7600		
Pay Band 4 (37400-67000)					
Grade Pay	8700	8900	10000		
HAG (67000-79000)					
HAG+ (75500-80000)					
Apex 80000 (fixed)					
Cabinet Secretary 90000 (fixed)					

**For the Defence Forces the structure is identical, with only minor variations with regard to certain grade pay levels.*

5.1.9 The pay structure as it stands today is fairly compact and manageable.

5.1.10 As has been mentioned earlier the VI CPC introduced several new features in the overall structure for determination of pay and allowances. In the course of implementation, while according approvals, the government, in some cases, departed from the recommendations of the Pay Commission.

5.1.11 Since the concept of running pay bands coupled with grade pays was novel, this Commission, at the outset, sought feedback from all stakeholders regarding the existing pay structure before deciding whether to continue with the existing pay structure or to devise a new pay model.

Key Demands Received

5.1.12 Consequent to receipt of feedback from various stakeholders as part of the response to the questionnaire circulated by the Commission as well as memoranda submitted by various Association/Federations and during oral evidence, the major issues which have been brought to the notice of the Commission in respect of the pay structure are discussed below seriatim :-

a. **Grade pay :** As mentioned earlier, **the grade pay was in the nature of a fitment benefit and was computed at 40 percent of the maximum of pre-revised pay scale.** This was also meant to delineate the hierarchy in any cadre. The issue raised by various groups of employees is that the methodology that was adopted in arriving at the grade pay values resulted in the difference in grade pay between adjacent levels not being uniform. This in itself has caused resentment particularly at the lower levels. The quantum of difference between successive grade pays varies within pay bands too. For example in Pay Band-1, the difference between successive Grade pays is Rs.400 between GP 2000 and GP 2400 and only Rs.100 between GP 1800 and GP 1900. A large number of stakeholders have represented that the benefit accruing from progression either through MACP or from regular promotion was miniscule, especially in Pay Bands 1and 2. As per the rules on pay fixation a promotion or financial upgrade by way of MACP fetches one increment plus the difference of grade pay and a low differential in grade pay presently results in only a nominal increase in pay. **Consequently, there have been numerous demands for rationalisation of the grade pay structure.**

b. **Pay bands :** Employees have pointed out that while moving from one pay band to another the difference between successive pay bands is also not uniform and the variation is much more remarkable between Pay bands 3 and 4. This has led to significant difference in benefits accruing on account of fixation of pay (and of pension) for persons in adjacent pay bands. As a result, there have been demands from some quarters for going back to the system of individual pay scales and from some other to move towards an open ended pay structure.

c. **Uniform Fitment factor :** The fitment recommended by the VI CPC was in the form of grade pay. Any inconsistency in the computation of grade pay or in the spacing between pay bands has a direct bearing on the quantum of fitment benefit. Therefore, these issues have also been raised by numerous stakeholders. **It has been demanded by a majority of the stakeholders that there should be a single fitment factor which should be uniformly applied for all employees.**

d. **Entry Pay :** Entry to any pay band could either be through an upward movement from a lower pay band or through direct entry. While the pay of persons moving from a lower pay band to a higher one on promotion would be regulated by the pay fixation formulation prescribed (pay was fixed at the minimum of the pay band plus grade pay), the VI CPC had recommended a separate entry pay for new recruits, taking into account the length of qualifying service prescribed by Department of Personnel and Training (DoPT) for movement from the first grade in the pay band to the grade in which recruitment was being made. The resultant formulation was such that it led to many situations where direct recruits drew higher pay as compared to personnel who reached that stage through promotion. **Demands have been received from many staff associations and employees for removal of this disparity.**

e. **MACP :** In almost all the memoranda received in the Commission, the inadequacy of the benefit accruing from the present MACP formulation has been underscored. As per the existing dispensation, upward movement in this scheme is through the grade pay hierarchy and the financial benefit as a result of this progression is equivalent to one increment plus the difference in grade pay between the existing and next level. It has been stated by employees that this amount is very meagre especially when the difference in grade pay is as low as Rs.100. Further, progression through the MACP scheme can take place only when ten years have lapsed after the previous promotion/ MACP upgrade, making the position even starker. Comparisons are also made of the MACP introduced post VI CPC with the ACP scheme introduced post V CPC. In the case of earlier ACP scheme, although it was available with lesser frequency i.e., after the passage of 12 and 24 years of service, the upgrade that was given was in the promotional hierarchy. Therefore the monetary benefit to the employee was sizeable as compared to that under the present MACP. **Numerous demands have therefore been received in the Commission to rationalize the progression of grade pay,** to increase the frequency of administering MACP and to make the progression follow the promotional instead of the grade pay hierarchy.

New Pay Structure

5.1.13 Although the VI CPC had mentioned that grade pay would be equivalent to 40 percent of the maximum of the pre-revised scale and that the grade pay will constitute the actual fitment, yet the computation varied greatly. After the implementation of recommendations, the difference became more pronounced in Pay Band 4 as compared to the other three pay bands. This resulted in varying fitment factors for various levels and promotional benefits that were perceived to be rather differentiated. The same pattern was discernible in the pension fixation too.

5.1.14 After analysing the issues brought out by various stakeholders, **this Commission is suggesting a new pay model that is expected to not only address the existing problems but will also establish a rationalised system** which is transparent and simple to use.

5.1.15 To begin with, **the system of Pay Bands and Grade Pay has been dispensed with and the new functional levels being proposed have been arrived at by merging the grade pay with the pay in the pay band.** All of the existing levels have been subsumed in the new structure; no new level has been introduced nor has any existing level been dispensed with.

5.1.16 The pay structures in vogue, by way of pay scales or pay bands, indicate the definite boundaries within which the pay of an individual could lie. It is however difficult to ascertain the exact pay of an individual at any given point of time. Further, the way the pay progression would fan out over a period of time was also not evident. Since various cadres are designed differently the relative pay progression also varies. The Commission believes that any new entrant to a service would wish to be able to make a reasonable and informed assessment of how his/her career path would traverse and how the emoluments will progress alongside. **The new pay structure**

TABLE 4

RATIONALISATION APPLIED IN THE PRESENT PAY STRUCTURE

Pay Band 1	**(5200- 20200)**				
Grade Pay	1800	1900	2000	2400	2800
Current Entry Pay	7000	7730	8460	9910	11360
Rationalised Entry Pay (2.57)	7000*(2.57) = 18000	7730*(2.57) = 19900	8460*(2.57) = 21700	9910*(2.57) =25500	11360*(2.57) =29200
Pay Band 2	**(9300-34800)**				
Grade Pay	4200	4600	4800	5400	
Current Entry Pay	13500	17140	18150	20280^	
Rationalised Entry Pay (2.62)	13500*(2.62) = 35400	17140*(2.62) = 44900	18150*(2.62) = 47600	20280*(2.62) =53100	
Pay Band 3	**(15600-39100)**				
Grade Pay	5400	6600	7600		
Current Entry Pay	21000	25350	29500		
Rationalised Entry Pay (2.67)	21000*(2.67) = 56100	25350*(2.67) = 67700	29500*(2.67) = 78800		
Pay Band 4	**(37400-67000)**				
Grade Pay	8700	8900	10000		
Current Entry Pay	46100	49100	53000		
Rationalised Entry Pay (2.57/2.67/2.72)	46100*(2.57) = 118500	49100*(2.67) = 131100	53000*(2.72) = 144200		
HAG	**(67000-79000)**				
Current Entry Pay	67000				
Rationalised Entry Pay (2.72)	67000*(2.72) = 182200				
HAG+	**(75500-80000)**				
Current Entry Pay	75500				
Rationalised Entry Pay (2.72)	75500 *(2.72) = 205400				
Apex	**80000 (fixed)**				
Rationalised Pay (2.81)	80000*2.81 = 225000				
Cabinet Secretary	**90000 (fixed)**				
Rationalised Pay (2.78)	90000*2.78 = 250000				

^ In the existing system no entry pay has been prescribed at the level of GP 5400 (PB-2). Therefore a logical figure has been interpolated here based on the fitment table issued by Government of India post VI CPC recommendations.

has been devised in the form of a pay matrix to provide complete transparency regarding pay progression.

5.1.17 The Commission has designed the new pay matrix keeping in view the vast opportunities that have opened up outside government over the last three decades, generating greater competition for human resources and the need to attract and retain the best available talent in government services. The nomenclature being used in the new pay matrix assigns levels

TABLE 5

Pay Matrix (Civilian Employees)

Pay Band	5200-20200					9300-34800				15600-39100			37400-67000		
GP*	1800	1900	2000	2400	2800	4200	4600	4800	5400	5400	6600	7600	8700	8900	10000
(EP) @	7000	7730	8460	9910	11360	13500	17140	18150	20280	21000	25350	29500	46100	49100	53000
Level	1	2	3	4	5	6	7	8	9	10	11	12	13	13A	#14
Index	2.57	2.57	2.57	2.57	2.57	2.62	2.62	2.62	2.62	2.67	2.67	2.67	2.57	2.67	2.72
1	18000	19900	21700	25500	29200	35400	44900	47600	53100	56100	67700	78800	118500	131100	144200
2	18500	20500	22400	26300	30100	36500	46200	49000	54700	57800	69700	81200	122100	135000	148500
3	19100	21100	23100	27100	31000	37600	47600	50500	56300	59500	71800	83600	125800	139100	153000
4	19700	21700	23800	27900	31900	38700	49000	52000	58000	61300	74000	86100	129600	143300	157600
5	20300	22400	24500	28700	32900	39900	50500	53600	59700	63100	76200	88700	133500	147600	162300
6	20900	23100	25200	29600	33900	41100	52000	55200	61500	65000	78500	91400	137500	152000	167200
7	21500	23800	26000	30500	34900	42300	53600	56900	63300	67000	80900	94100	141600	156600	172200
8	22100	24500	26800	31400	35900	43600	55200	58600	65200	69000	83300	96900	145800	161300	177400
9	22800	25200	27600	32300	37000	44900	56900	60400	67200	71100	85800	99800	150200	166100	182700
10	23500	26000	28400	33300	38100	46200	58600	62200	69200	73200	88400	102800	154700	171100	188200
11	24200	26800	29300	34300	39200	47600	60400	64100	71300	75400	91100	105900	159300	176200	193800
12	24900	27600	30200	35300	40400	49000	62200	66000	73400	77700	93800	109100	164100	181500	199600
13	25600	28400	31100	36400	41600	50500	64100	68000	75600	80000	96600	112400	169000	186900	205600
14	26400	29300	32000	37500	42800	52000	66000	70000	77900	82400	99500	115800	174100	192500	211800
15	27200	30200	33000	38600	44100	53600	68000	72100	80200	84900	102500	119300	179300	198300	218200
16	28000	31100	34000	39800	45400	55200	70000	74300	82600	87400	105600	122900	184700	204200	
17	28800	32000	35000	41000	46800	56900	72100	76500	85100	90000	108800	126600	190200	210300	
18	29700	33000	36100	42200	48200	58600	74300	78800	87700	92700	112100	130400	195900	216600	
19	30600	34000	37200	43500	49600	60400	76500	81200	90300	95500	115500	134300	201800		
20	31500	35000	38300	44800	51100	62200	78800	83600	93000	98400	119000	138300	207900		
21	32400	36100	39400	46100	52600	64100	81200	86100	95800	101400	122600	142400	214100		
22	33400	37200	40600	47500	54200	66000	83600	88700	98700	104400	126300	146700			
23	34400	38300	41800	48900	55800	68000	86100	91400	101700	107500	130100	151100			
24	35400	39400	43100	50400	57500	70000	88700	94100	104800	110700	134000	155600			
25	36500	40600	44400	51900	59200	72100	91400	96900	107900	114000	138000	160300			
26	37600	41800	45700	53500	61000	74300	94100	99800	111100	117400	142100	165100			
27	38700	43100	47100	55100	62800	76500	96900	102800	114400	120900	146400	170100			
28	39900	44400	48500	56800	64700	78800	99800	105900	117800	124500	150800	175200			
29	41100	45700	50000	58500	66600	81200	102800	109100	121300	128200	155300	180500			
30	42300	47100	51500	60300	68600	83600	105900	112400	124900	132000	160000	185900			
31	43600	48500	53000	62100	70700	86100	109100	115800	128600	136000	164800	191500			
32	44900	50000	54600	64000	72800	88700	112400	119300	132500	140100	169700	197200			
33	46200	51500	56200	65900	75000	91400	115800	122900	136500	144300	174800	203100			
34	47600	53000	57900	67900	77300	94100	119300	126600	140600	148600	180000	209200			
35	49000	54600	59600	69900	79600	96900	122900	130400	144800	153100	185400				
36	50500	56200	61400	72000	82000	99800	126600	134300	149100	157700	191000				
37	52000	57900	63200	74200	84500	102800	130400	138300	153600	162400	196700				
38	53600	59600	65100	76400	87000	105900	134300	142400	158200	167300	202600				
39	55200	61400	67100	78700	89600	109100	138300	146700	162900	172300	208700				
40	56900	63200	69100	81100	92300	112400	142400	151100	167800	177500					

NOTES :- (*) GP stands for Grade Pay, **(@)** E P stands for Entry Pay **(#)** After level 14, level 15 to 18 are :-

Level : 15, Pay Band : 67000-79000, Grade Pay : Nil, Entry Pay (EP) : 67000, Index : 2.72 = 182200, (2) 187700 (3) 193300 (4) 199100 (5) 205100 (6) 211300 (7) 217600 (8) 224100

Level : 16, Pay Band : 75500-80000, Grade Pay : Nil, Entry Pay (EP) : 75500, Index : 2.72 = 205400, (2) 211600, (3) 217900, (4) 224400

Level : 17, Pay Band : 80000, Grade Pay : Nil, Entry Pay (EP) : 80000, Index : 2.81 = 225000

Level : 18, Pay Band : 90000, Grade Pay : Nil, Entry Pay (EP) : 90000, Index : 2.78 = 250000 in place of erstwhile grade pay and Table 3 below brings out the new dispensation for various grades pay pertaining to Civil, Defence and MNS.

TABLE 3

LEVELS AS PER THE PAY MATRIX

Existing Pay Bands	Existing levels of Grade Pay	Available for*	New Levels
PB-1	1800	C	1
	1900	C	2
	2000	C, D	3
	2400	C	4
	2800	C, D	5
PB-2	3400	D	5A
	4200	C, D	6
	4600	C, D	7
	4800	C, D	8
	5400	C	9
PB-3	5400	C, D, M	10
	5700	M	10 A
	6100	D	10 B
	6100	M	10 B
	6600	C, D, M	11
	7600	C	12
PB-4	7600	M	12
	8000	D	12 A
	8400	M	12B
	8700	C	13
	8700	D	13
	8900	C	13 A
	8900	D	13 A
	9000	M	13 B
	10000		14
HAG			15
HAG+			16
Apex			17
Cabinet Secretary, Defence Chiefs			18

*C: Civil; D: Defence; M: Military Nursing Service (MNS)

5.1.18 Prior to VI CPC, there were Pay Scales. The VI CPC had recommended running Pay Bands with Grade Pay as status determiner. **The Seventh CPC is recommending a Pay matrix with distinct Pay Levels. The Level would henceforth be the status determiner.**

5.1.19 Since the existing pay bands cover specific groups of employees such as PB-1 for Group 'C' employees, PB-2 for Group 'B' employees and PB-3 onwards for Group 'A' employees, any promotion from one pay band to another is akin to movement from one group to the other. These are significant jumps in the career hierarchy in the Government of India. Rationalisation has been done to ensure that the quantum of jump, in financial terms, between these pay bands is reasonable. This has been achieved by applying 'index of rationalisation' from PB-2 onwards on the premise that with enhancement of levels from Pay Band 1 to 2, 2 to 3 and onwards, the role, responsibility and accountability increases at each step in the hierarchy. The proposed pay structure reflects the same principle. Hence, the existing entry pay at each level corresponding to successive grades pay in each pay band, from PB-2 onwards, has been enhanced by an 'index of rationalisation' as shown below *(on page 8 of this Bulletin)* in Table 4

5.1.20 While a carefully calibrated gradation has been adopted as the levels progress upwards, it would be seen that two levels, corresponding to GP 8700 and GP 10000 witness a slight departure.

i. In the existing system there is a disproportionate increase in entry pay at the level pertaining to GP 8700. To address this, the proposed increase at this level has been moderated.

ii. In so far as GP 10000 is concerned, this represents the Senior Administrative Grade, which carries a significantly higher degree of responsibility and accountability. Further, the levels of SAG and above are those which are involved in policy formulation.

iii. Hence, in recognition of the same, the entry pay pertaining to GP 10000 as well as that of HAG and HAG+ has been enhanced by a multiple of 2.72.

iv. The Apex pay of Secretary/equivalent and pay of Cabinet Secretary/equivalent has been fixed by applying indices of 2.81 and 2.78 respectively. The rationalised entry pay so arrived has been used in devising the new pay matrix.

5.1.21 The pay matrix comprises two dimensions. It has a **"horizontal range"** in which each level corresponds to a **'functional role in the hierarchy'** and has been assigned the numbers 1, 2, and 3 and so on till 18. The **"vertical range"** for each level denotes **'pay progression'** within that level. These indicate the steps of annual financial progression of three percent within each level. The starting point of the matrix is the minimum pay which has been arrived based on 15th ILC norms or the Aykroyd formula. This has already been explained in Chapter 4.2.

5.1.22 On recruitment, an employee joins at a particular level and progresses within the level as per the vertical range. The movement is usually on an annual basis, based on annual increments till the time of their next promotion.

5.1.23 When the employee receives a promotion or a non-functional financial upgrade, he/she progresses one level ahead on the horizontal range.

5.1.24 The pay matrix will help chart out the likely path of pay progression along the career ladder of any employee. For example, it can be clearly made out that an employee who does not have any promotional prospects in his cadre will be able to traverse through at least three levels solely by means of assured financial progression or MACP, assuming a career span of 30 years or more.

5.1.25 The new pay matrix for civilian employees is brought out in Table 5 *(on page 9 of this Bulletin)*

Minimum Pay

5.1.26 The JCM-Staff Side, in their memorandum, have proposed that the minimum salary, at the lowest level, should be determined using a need based approach. They have proposed that the minimum wage for a single worker be based on the norms set by the 15th Indian Labour Conference, with certain additions to the same. The minimum pay as suggested in the memorandum is Rs.26,000, which is around 3.7 times the existing minimum salary of Rs.7,000. While the broad approach is similar, the specifics do vary and **the Commission has, based on need-based minimum wage for a single worker with family as defined in the Aykroyd formula, computed the minimum pay at Rs.18,000. Details on the computation of minimum pay have been brought out in Chapter 4.2.**

Fitment

5.1.27 The starting point for the first level of the matrix has been set at Rs.18,000. This corresponds to the starting pay of Rs.7,000, which is the beginning of PB-1 viz., Rs.5,200 + GP 1800, which prevailed on 01.01.2006, the date of implementation of the VI CPC recommendations. Hence the starting point now proposed is 2.57 times of what was prevailing on 01.01.2006. **This fitment factor of 2.57 is being proposed to be applied uniformly for all employees.** It includes a factor of 2.25 on account of DA neutralisation, assuming that the rate of **Dearness Allowance would be 125 percent at the time of implementation of the new pay. Accordingly, the actual raise/fitment being recommended is 14.29 percent.**

Pay Fixation in the New Pay Structure

5.1.28 The fitment of each employee in the new pay matrix is proposed to be done by multiplying his/her basic pay on the date of implementation by a factor of 2.57. The figure so arrived at is to be located in the new pay matrix, **in the level that corresponds to the employee's grade pay on the date of implementation, except in cases where the Commission has recommended a change in the existing grade pay.** If the identical figure is not available in the given level, the next higher figure closest to it would be the new pay of the concerned employee. A couple of examples are detailed below to make the process amply clear.

5.1.29 The pay in the new pay matrix is to be fixed in the following manner :

Step 1 : Identify Basic Pay (Pay in the pay band plus Grade Pay) drawn by an employee as on the date of implementation. This figure is 'A'.

Step 2 : Multiply 'A' with 2.57, round-off to the nearest rupee, and obtain result 'B'.

Step 3 : The figure so arrived at, i.e., 'B' or the next higher figure closest to it in the Level assigned to his/her grade pay, will be the new pay in the new pay matrix. In case the value of 'B' is less than the starting pay of the Level, then the pay will be equal to the starting pay of that level.

Example I

i. For example an employee **H** is presently drawing Basic Pay of Rs.55,040 (Pay in the Pay Band Rs.46340 + Grade Pay Rs.8700 = Rs.55040). After multiplying Rs.55,040 with 2.57, a figure of Rs.1,41,452.80 is arrived at. This is rounded off to Rs.1,41,453.

ii. The level corresponding to GP 8700 is level 13, as may be seen from Table 4, which gives the full correspondence between existing Grade Pay and the new Levels being proposed.

iii. In the column for level 13, the figure closest to Rs.1,41,453 is Rs.1,41,600.

iv. Hence the pay of employee **H** will be fixed at Rs.1,41,600 in level 13 in the new pay matrix as shown below :

TABLE 6

PAY FIXATION

GP 8700	**GP 8900**	**GP 10000**
Level 13	**Level 13A**	**Level 14**
118500	131100	144200
122100	135000	148500
125800	139100	153000
129600	143300	157600
133500	147600	162300
137500	152000	167200
141600	156600	172200
145800	161300	177400
150200	166100	182700

5.1.30 As part of its recommendations if Commission has recommended any upgradation or downgrade in the level of a particular post, the person would be placed in the level corresponding to the newly recommended grade pay.

Example II

i. Take the case of an employee T in GP 4200, drawing pay of Rs.20,000 in PB-2. The Basic Pay is Rs.24,200 (20,000+4200). If there was to be no change in T's level the pay fixation would have been as explained in Example I above. After multiplying by 2.57, the amount fetched viz., Rs.62,194 would have been located in Level 6 and T's pay would have been fixed in Level 6 at Rs.62,200.

ii. However, assuming that the Commission has recommended that the post occupied by T should be placed one level higher in GP 4600. T's basic pay would then be Rs.24,600 (20000 + 4600). Multiplying this by 2.57 would fetch Rs.63,222.

iii. This value would have to be located in the matrix in Level 7 (the upgraded level of T).

iv. In the column for Level 7 Rs.63,222 lies between 62200 and 64100. Accordingly, the pay of T will be fixed in Level 7 at Rs.64,100.

Entry Pay

5.1.31 The Commission has received numerous representations on the issue of fixation of entry pay for direct recruits at a level higher than those promoted into the same level from below. In the existing system, the entry pay for new or direct recruits takes into consideration the weightage given to qualifying service prescribed by DoPT, whereas for those reaching the grade through promotion from lower grade, the entry pay is fixed at the minimum of the pay band plus grade pay corresponding to the new grade. The entry pay therefore varies, and is different for those entering a level directly and those getting promoted into it. There have been demands for a uniform entry pay for all.

5.1.32 In the new pay matrix, it is proposed that direct recruits start at the minimum pay corresponding to the level to which recruitment is made, which will be the first cell of each level. For example a person entering service as a direct recruit at level 3 will get a pay of Rs.21,700, at level 8 of Rs.47,600, at level 10 of Rs.56,100 and so on.

5.1.33 For those who have been promoted from the previous level, the fixation of pay in the new level will depend on the pay they were already drawing in the previous level. For instance, if a person who was drawing Rs.26,000 in level 3 gets a promotion to level 4, his pay fixation will be as shown in Table 7:

TABLE 7

ENTRY PAY

L3	L4	L5	L6	L7	L8
21700	25500	29200	35400	**44900**	47600
22400	26300	30100	36500	46200	49000
23100	**27100**	31000	37600	47600	50500
23800	27900	31900	38700	49000	52000
24500	28700	32900	39900	50500	53600
25200	29600	33900	41100	52000	55200
26000	30500	34900	42300	53600	56900
26800	31400	35900	43600	55200	58600
27600	32300	37000	44900	56900	60400
28400	33300	38100	46200	58600	62200
29300	34300	39200	47600	60400	64100
30200	35300	**40400**	49000	62200	66000
31100	36400	41600	50500	64100	68000

Step 1 : After grant of one increment in level 3 the pay increases to Rs.26,800 in level 3 itself.

Step 2 : Locate the equal or next higher amount in level 4 which in this case will be Rs.27,100. Hence the new pay on promotion from level level 3 to level 4 will be fixed at Rs.27,100.

5.1.34 In case of a direct recruit to level L4 the entry pay will be fixed at the start of the level L4 i.e., at Rs.25,500.

5.1.35 To take another example, if a person drawing Basic Pay of, say, Rs.40,400 in level L5 is promoted to L7, the steps to arriving at his pay on promotion will be to first add one increment within level L5 to arrive at Rs.41,600, and then fix the pay at Rs.44,900 in level L7 as Rs.44,900 is the nearest, next higher figure to Rs.41,600 in the column of figures for level L7.

5.1.36 Although the rationalisation has been done with utmost care to ensure minimum bunching at most levels, however if situation does arise whenever more than two stages are bunched together, one additional increment equal to 3 percent may be given for every two stages bunched, and pay fixed in the subsequent cell in the pay matrix.

5.1.37 For instance, if two persons drawing pay of Rs.53,000 and Rs.54,590 in the GP 10000 are to be fitted in the new pay matrix, the person drawing pay of Rs.53,000 on multiplication by a factor of 2.57 will expect a pay corresponding to Rs.1,36,210 and the person drawing pay of Rs.54,590 on multiplication by a factor of 2.57 will expect a pay corresponding to Rs.1,40,296. Revised pay of both should ideally be fixed in the first cell of level 15 in the pay of Rs.1,44,200 but to avoid bunching the person drawing pay of Rs.54,590 will get fixed in second cell of level 15 in the pay of Rs.1,48,500.

Annual Increment

5.1.38 The rate of annual increment is being retained at 3 percent.

Span of Each Level

5.1.39 In the true spirit of having open ended pay scales the span of levels 1 to 11 has been kept at 40 years. **This has been done to ensure that no stagnation takes place.** However, level 12 and beyond, the span of successive levels has been reduced so that the maximum at each level is lower than the maximum pay at the subsequent level. This has been done as a result of capping of maximum pay at HAG+ (level 16) at a lower stage as compared to the Apex pay at level 17. Since Apex pay at level 17 is fixed at Rs.2,25,000, a person residing in the previous level (level 16) should not draw equivalent or more than the apex pay, the maximum pay has been restricted to Rs.2,24,400. Similarly the process has been followed until level 11 keeping in mind the maximum pay drawn by the person in the next higher level. Accordingly, the span of levels beyond level 11 progressively reduces from 39 years at level 11 to 4 years at level 16. It is important to note that the end-points of any column **do not signify** the end points of any traditional pay scale. Hence in any kind of calculation which attempts to work with the "maximum pay of a particular pay scale" it would be inappropriate, even incorrect, to pick the last figure of the column to be so. As has been stated earlier in this paragraph the column spans have been kept at 40 to cater to persons who may enter a particular level at any stage and may have resided in the level for a fair length of time. The end-points of the column, representing the possible highest and lowest pay in that level, **may not be treated as the maximum and minimum of any closed pay scale,** as used to prevail prior to the implementation of the VI CPC.

Compression Ratio

5.1.40 This Commission has felt that comparison of entry pay of the lowest functionary in the government with the highest pay drawn by the Secretary to Government of India is not appropriate. The comparison should be like to like while calculating the compression ratio. Accordingly, the lowest pay at entry level of Group 'C' should be compared with the entry pay of Group 'A' to arrive at the compression ratio. This Commission has recommended a minimum pay of Rs.18,000 at entry level in Group 'C' and Rs.56,100 as entry pay at Group 'A' level. **The compression ratio is thus arrived at 1: 3.12** which signifies that a Group 'A' officer entering the government on direct recruitment basis gets roughly three times the pay drawn by a Group 'C' level functionary at their entry level.

5.1.41 Similarly comparisons can be made between maximum pay (Rs.56,800) of any employee who has joined in level 1 and rendered 35 years of service and received pay progression solely by way of MACP with the maximum pay of Rs.2,25,000 drawn by Group 'A' officer at Apex level (level 17), the compression ratio works out to be 1:3.96. Since the maximum pay drawn for different officials will depend on their age of entry, promotional prospects in their services/cadres and individual performance, the minimum pay at entry level is considered a better comparator.

Date of Effect

5.1.42 The various associations of the JCM-Staff Side have demanded that the recommendations of this Commission should be implemented w.e.f. 01.01.2014. Their argument is that there has been substantial erosion in the value of wages owing to non-merger of DA, which has crossed the 100 percent mark in January 2014. They have also demanded wage revision after every five years, instead of the present decennial exercise.

5.1.43 However, it is to be noted that this Commission was constituted in year 2014, well before the completion of ten years since the implementation of the VI CPC recommendations, which were made effective on 01.01.2006. As a result, its recommendations would be available for consideration before the ten year period gets over on 01.01.2016. The Commission does not agree with the demand of early implementation of revised pay structure and recommends that the **date of effect should be 01.01.2016.**

Modified Assured Career Progression (MACP)

5.1.44 Although a number of demands were received for increasing the frequency of MACP as well as to enhance the financial benefit accruing out of it, this Commission feels that the inherent issues in the existing pay structure owing to which there was widespread resentment have been set right by way of rationalisation of pay levels, abolition of pay band and grade pay and introduction of a matrix based open pay structure. Hence, there is no justification for increasing the frequency of MACP and it will continue to be administered at 10, 20 and 30 years as before. In the new Pay matrix, the employees will move to the immediate next level in the hierarchy. Fixation of pay will follow the same principle as that for a regular promotion in the pay matrix. MACP will continue to be applicable to all employees up to HAG level except members of Organised Group 'A' Services where initial promotions up to NFSG are time bound and hence assured.

5.1.45 There is, however, one significant aspect where this Commission feels that a change is required. This is with regard to the benchmark for performance appraisal for MACP as well as for regular promotion. **The Commission recommends that this benchmark, in the interest of improving performance level, be enhanced from 'Good' to 'Very Good.'** In addition, introduction of more stringent criteria such as clearing of departmental examinations or mandatory training before grant of MACP can also be considered by the government.

Withholding Annual Increments of Non-performers after 20 Years

5.1.46 There is a widespread perception that increments as well as upward movement in the hierarchy happen as a matter of course. **The perception is that grant of MACP, although subject to the employee attaining the laid down threshold of performance, is taken for granted.** This Commission believes that employees who do not meet the laid down performance criterion should not be allowed to earn future annual increments. The Commission is therefore proposing withholding of annual increments in the case of those employees who are not able to meet the benchmark either for MACP or a regular promotion within the first 20 years of their service. This will act as a deterrent for complacent and inefficient employees. However, since this is not a penalty, the norms for penal action in disciplinary cases involving withholding increments will not be applicable in such cases. **This will be treated as an "efficiency bar". Additionally, for such employees there could be an option to leave service on similar terms and conditions as prescribed for voluntary retirement.**

Benefits of Migrating to a New System

5.1.47 The following benefits are expected to accrue by migrating to the new system :

a. The issues raised by various stakeholders in respect of the existing pay structure have been addressed by **subsuming of grade pay and pay bands into one composite level.**

b. The correction of variable spacing between adjacent grade pay and pay bands by way of rationalisation has been effected. The disparity between PB-3 and PB-4 has been set right by the process of normalisation. This will also help address the demands for **upgradation of grade pay** received in the Commission solely on grounds of disparity between various pay bands.

c. **The fixation of revised pay has been greatly simplified** in the new pay matrix and will not involve further calculations. The basic pay being drawn by any person on the date of implementation is to be multiplied by a factor of 2.57 and the figure so obtained will be matched for the closest figure in the level pertaining to his/her existing grade pay and fixed there.

d. The issue of differential entry pay has been resolved.

e. The employee can traverse both **vertically** within a level in the new pay matrix by way of annual progression, and **horizontally** across levels by way of MACP as well as on regular promotion. This will enable him/her to visualise the career path across levels and span of service.

f. The new matrix will provide **greater visibility and transparency** with respect to actual pay drawn as compared to the earlier system of pay scales or pay bands. It will also depict the exact amount payable to a person in relation to number of years spent in service in each level.

g. The new pay matrix is expected to be **easy to administer.**

h. In line with the principle of greater transparency, the new pay matrix will provide **an unambiguous and complete view of the pay system** in the Government of India.

i. The pay matrix can be gainfully analysed to provide crucial data on trends in pay progression, number of personnel populating each level, number of personnel entering and retiring at various levels, promotional trends of various cadres, financial outgo at various levels, and so on. **Hence, it can act as a powerful tool to bring in financial management reforms.**

5.1.48 Similar pay matrices have been designed for the personnel of defence forces and the MNS so as **to ensure uniformity in pay structures.**

5.1.49 The Commission, after its interaction with the authorities of Australia and New Zealand, feels that **India should also have a permanent Remuneration Authority that should review the pay structure based on job roles evaluation, remuneration prevailing in the market for comparable job profiles,** general working of the economy, etc. within a given budgetary outlay. With this, the pay structure could be revised periodically, at more regular intervals, say annually, without putting an undue burden on the public exchequer every ten years, as is the case now. Such a periodic review may have many possible fallouts: impact of revision of wages could be easily absorbed in each year's budget and quicker remediation of anomalies would take place, leading to greater employee satisfaction. In the backdrop of annual revisions, the present system of biannual revision of DA could also be dispensed with.

Some Additional Illustrative Examples in Respect of Pay Fixation in the New Pay Matrix

5.1.50 ***Normal Fitment***

Ms. ABC is presently drawing a Basic Pay of Rs.12,560 in GP 2400. For Normal Fitment, her Basic Pay will first be multiplied by a factor of 2.57 and then rounded-off to the nearest Rupee. In this case 12560 x 2.57 = 32,279.20, which will be rounded-off to Rs.32,279. She will then be placed in the Pay Matrix in the Level corresponding to GP 2400 (Level 4 in this case) in a cell either equal to or next higher to Rs.32,279. In this case, her salary will be fixed at Rs.32,300.

Pay Band	5200-20200				
Grade Pay	1800	1900	2000	2400	2800
Entry Pay (EP)	7000	7730	8460	9910	11360
Levels	1	2	3	4	5
Index	2.57	2.57	2.57	2.57	2.57
1	18000	19900	21700	25500	29200
2	18500	20500	22400	26300	30100
3	19100	21100	23100	27100	31000
4	19700	21700	23800	27900	31900
5	20300	22400	24500	28700	32900
6	20900	23100	25200	29600	33900
7	21500	23800	26000	30500	34900
8	22100	24500	26800	31400	35900
9	22800	25200	27600	**32300**	37000
10	23500	26000	28400	33300	38100
11	24200	26800	29300	34300	39200

5.1.51 ***Upgraded by Seventh CPC***

Suppose, Ms. ABC, who is presently drawing a Basic Pay of Rs.12,560 in GP 2400 (10160+2400), is upgraded to GP 2800 as a result of Seventh CPC's recommendations. Then the fitment will be in two steps :

1. The new basic pay will be computed using the upgraded grade pay. The pay arrived will be as follows: Basic Pay: 10160+2800=12,960.

2. Then this value will be multiplied by a factor of 2.57 and then rounded-off to the nearest Rupee. In this case 12960 x 2.57 = 33,307.20, which will be rounded-off to Rs.33,307. She will then be placed in the Pay Matrix in the Level corresponding to her upgraded Grade Pay, i.e. GP 2800 (Level 5 in this case) in a cell either equal to or next higher to Rs.33,307. In this case, her salary will be fixed at Rs.33,900.

Pay Band	5200-20200				
Grade Pay	1800	1900	2000	2400	2800
Entry Pay (EP)	7000	7730	8460	9910	11360
Levels	1	2	3	4	5
Index	2.57	2.57	2.57	2.57	2.57
1	18000	19900	21700	25500	29200
2	18500	20500	22400	26300	30100
3	19100	21100	23100	27100	31000
4	19700	21700	23800	27900	31900
5	20300	22400	24500	28700	32900
6	20900	23100	25200	29600	**33900**
7	21500	23800	26000	30500	34900

5.1.52 Promotion/MACP

Suppose, Ms. ABC, who, after having been fixed in the Pay Matrix, is drawing a Basic Pay of Rs.28,700 in Level 4. She is upgraded to Level 5 (either regular promotion or through MACP).Then her salary will be fixed in the following manner:

1. She will first be given one increment in her current Level 4 (to Rs.29,600 in this case).

2. Then she will be placed in the Level 5 at a Level equal to or next higher compared to Rs.29,600, which comes to Rs.30,100 in this case.

Pay Band	5200-20200				
Grade Pay	1800	1900	2000	2400	2800
Entry Pay (EP)	7000	7730	8460	9910	11360
Levels	1	2	3	4	5
Index	2.57	2.57	2.57	2.57	2.57
1	18000	19900	21700	25500	29200
2	18500	20500	22400	26300	**30100**
3	19100	21100	23100	27100	31000
4	19700	21700	23800	27900	31900
5	20300	22400	24500	**28700**	32900
6	20900	23100	25200	**29600**	33900
7	21500	23800	26000	30500	34900

5.1.53 Annual Increment

Suppose, Ms. ABC, who, after having been fixed in the Pay Matrix, is drawing a Basic Pay of Rs.32,300 in Level 4. When she gets an annual increment on 1st of July, she will just move one stage down in the same Level. Hence, after increment, her pay will be Rs.33,300.

Pay Band	5200-20200				
Grade Pay	1800	1900	2000	2400	2800
Entry Pay (EP)	7000	7730	8460	9910	11360
Levels	1	2	3	4	5
Index	2.57	2.57	2.57	2.57	2.57
1	18000	19900	21700	25500	29200
2	18500	20500	22400	26300	30100
3	19100	21100	23100	27100	31000
4	19700	21700	23800	27900	31900
5	20300	22400	24500	28700	32900
6	20900	23100	25200	29600	33900
7	21500	23800	26000	30500	34900
8	22100	24500	26800	31400	35900
9	22800	25200	27600	**32300**	37000
				–	
10	23500	26000	28400	**33300**	38100
11	24200	26800	29300	34300	39200

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Chapter 10.1
Pension and Related Benefits of Civilian Employees

Terms of Reference of the Commission

10.1.1 The term of reference of the Seventh CPC with regard to pension is as under : *"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 have retired prior to the date of effect of these recommendations, keeping in view that retirement benefits of all Central Government employees appointed on and after 01.01.2004 are covered by the National Pension System (NPS)."*

Pensions- Constitutional Provisions and Judicial Position

10.1.2 Article 366(17) of the Constitution defines pension as : *"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 subscriptions to a Provident Fund."*

10.1.3 Pension has been the subject matter of a number of landmark judgements by the Supreme Court of India in which its nature, obligations of the government thereon and the recognition of distinctiveness in categories of pensions and pensioners has been settled.

10.1.4 In its judgment in D.S. Nakara and others Vs Union of India [AIR 1983 SC 130] the Supreme Court held that a pension scheme consistent with available resources must provide that a pensioner would be able to live free from want, with decency, independence and self respect and standard equivalent at pre-retirement level. It held that pension is not an ex-gratia payment but payment for past services rendered. At the same time in Indian Ex-Services League & Others Vs Union of India & Others [(1991) 2 SSC 104] the Supreme Court held that the decision in the Nakara case has to be read as one of a limited application and its ambit cannot be enlarged to cover all claims made by the pension retirees or a demand for an identical amount of pension to every retiree from the same rank irrespective of the date of retirement, even though the reckonable emoluments for computation of their pension be different. In the judgement in Vasant Gangaramsachandan Vs State of Maharashtra & Others [(1996) 10 SSC 148] Supreme Court reiterated that pension is not a bounty of the State. It is earned by the employee for service rendered to fall back upon after retirement. It is attached to the office and it cannot be arbitrarily denied.

10.1.5 In the case of petitioners who were retired Railway employees, covered by or who opted for the Railway Contribution Fund Pension Scheme, the Supreme Court in Krishna Kumar Vs Union of India and Others [(1990) 4 SSC 207] averred that it was never held that both the pension retirees and PF retirees formed a homogenous class and that any further classification among them (viz., pension retirees and PF retirees) would be violative of Article 14. Under the Pension Scheme, the government's obligation does not begin until the employee retires but it begins on his/her retirement and then continues till the death of the employee. Thus, on the retirement of an employee, government's legal obligation under the PF account ends while under the Pension Scheme it begins. The rules governing the PF and its contribution are entirely different from the rules governing pension. An imaginary definition of obligation to include all the government retirees in a class was not decided and could not form the basis for any classification for this case.

Strength of Pensioners as on 01.01.2014

10.1.6 Pensioners can be broadly categorised into Civil and Defence. Within civil pensioners there exist three broad categories: Central Civil, Railways and Post.

10.1.7 As on 01.01.2014, as per data reported to the Commission, the total number of pensioners were **51.96 lakh.** The category wise break up is shown in the pie chart below.

Number of Pensioners (in lakh) : Central Civil : 10.81, Railways : 13.75, Post : 3.25, Defence : 18.60, Defence Civilian : 5.55

Pensioners and Family Pensioners

10.1.8 The break-up of the total **51.96 lakh** pensioners as on 01.01.2014 between pensioners and family pensioners, category wise, is as under :

(in lakh)

	Central Civil	Railways	Post	Defence	Defence Civilian	Total
Pensioners	9.37	10.59	2.28	13.78	4.11	40.13
Family pensioners	1.44	3.16	0.97	4.82	1.44	11.83
Total number of pensioners	10.81	13.75	3.25	18.60	5.55	51.96

10.1.9 The table above brings out the following :

i. Of the total 51.96 lakh pensioners as on 01.01.2014, 11.83 lakh viz., 23 percent were family pensioners.

ii. Civilian pensioners consisting of Central Government Civil, Railways and Posts, as on 01.01.2014 number 27.81 lakh while defence pensioners (including defence civilians were 24.15 lakh. Defence pensioners (including defence family pensioners and defence civilians) constitute 47 percent of all pensioners.

Para 10.1.10

(following table be added at end of Para 10.1.10)

Categories	> 60and < 70 years	70 to < 80 years	80 to < 90 years	90 to < 100 years	Others#	Total
Central Civil	5,22,621	2,12,283	63,899	12,155	2,70,040@	10,80,998
Railways^	5,82,847	5,06,543	2,30,409	55,684	-	13,75,483
Post	1,86,463	83,452	20,558	3,185	30,931	3,24,589
Defence (Civil)	2,83,638	2,24,435	43,618	3,006	-	5,54,697
Defence (Services)	3,57,725	2,97,402	1,03,132	42,861	10,59,379	18,60,499
Total	19,33,294	13,24,115	4,61,616	1,16,891	13,60,350	51,96,266
As % of total pensioners	37.21	25.48	8.88	2.25	26.18	

 # Others includes those below 60 years of age and those above 100 years.

@ Others under Central Civil additionally includes cases whose revision had not been effected, certain categories of pensioners like Judges of Supreme Court and High Courts, Ex-MPs, freedom fighters.

^ Railways have included those less than 60 years of age in the 60-70 age group.

Age Analysis of Pensioners as on 01.01.2014

10.1.10 Payment of additional pension/family pension with advancing age came into force based on recommendations of the VI CPC. This Commission, with a view to ascertain the strength in various age groups, called for information on age profile of pensioners and family pensioners. The data with regard to pensioners in terms of various age groups, as reported to the Commission, for the five categories of pensioners' viz., Central Civil, Railways, Post, Defence (Civil) and Defence (Services) is as under : *(See this table on page 14 of this Bulletin)*

10.1.11 From the table above it can be observed that of the total 51.96 lakh pensioners, 37 percent are in the 60-70 age group, about 26 percent each are in the 70-80 and 'Others' age group. The balance 11 percent are in the 80 plus category and thus entitled to enhanced pension based on advancing age.

10.1.12 The stacked bar graph brings out for each category of pensioners the break up in percentage terms of each age group viz., 60-70 years, 70-80 years, 80-90 years, 90-100 years and Others.

Age Analysis of Pensioners by Categories
(Percentage of Pensioners in each Category)

	90 to< 100 yrs.	80 to< 90 yrs.	70 to< 80 yrs.	60 to< 70 yrs.	Others
Central Civil	1	6	20	48	25
Railways	4	17	37	42	
Post	1	6	26	57	10
Defence(Civil)	1	8	40	51	
Defence(Services)	2	6	16	19	57

Railways have included those less than 60 years of age in the 60-70 age group

10.1.13 The graph above brings out the following :

i. Railways, in comparison to other categories have largest percentage of pensioners above the age of 80 years. While in all other categories this percentage is in the range of 7-9 percent, in the Railways it is 21 percent.

ii. Defence Services have a large percentage of personnel retiring at an early age, as is confirmed by the data. 57 percent of defence service pensioners fall in the 'Others' age group. Central Civil which also includes CAPFs has 25 percent in 'Others' age group.

Expenditure on Pension and other Retirement Benefits

10.1.14 Expenditure on pensions consists of superannuation and retirement pension, commuted value of pension, gratuities, family pensions, leave encashment benefits, compassionate allowance, government's contribution for defined pension scheme for civil personnel joining on or after 01.01.2014 etc. It also includes expenditure on medical treatment of CGHS pensioners. The total expenditure of the Union Government on pensions between FY 2007-08 and 2013-14 is as under :

10.1.15 The table above brings out broadly the following :

i. Substantial growth in expenditure on pensions by 3.1 times during the period 2007-08 to 2013-14, particularly in FY 2008-09 and 2009-10, in the aftermath of implementation of the recommendations of the VI CPC.

ii. As a percentage of GDP expenditure on pension rose significantly from 0.69 in FY 2007-08 to 1.20 in FY 2009-10. While there has been a fall in the ratio it was 0.92 in FY 2013-14, well above the levels prior to the implementation of the Report of the VI CPC.

iii. After the spurt in expenditure in FY 2008-09 and 2009-10, the expenditure stabilised from FY 2010-11. Yearly increases thereafter can be attributed largely to the increase in number of pensioners and additional dearness relief paid to pensioners from time to time.

iv. Expenditure on defence pensions has been the single largest component over the years ranging between 43.5 percent and 48.7 percent of total expenditure of the Union Government on pensions.

Pension Regime Over Time

10.1.16 The changes in the pension payout regime in the recent decades, in terms of certain key parameters relating to pension, are listed below.

10.1.17 ***Minimum and Maximum Pension :*** The minimum and maximum pension as admissible based on recommendations of successive CPCs/decision of Government thereon is as under:

Amount (Rs.)

CPC	Minimum Pension	Maximum Pension
IV CPC	375	4,500
V CPC	1,275	15,000
VI CPC	3,500	45,000

10.1.18 ***Minimum and Maximum Family Pension :*** The minimum and maximum family pension as admissible, based on recommendations of successive CPCs/decision of Government thereon is as under :

Amount (Rs.)

CPC	Minimum Family Pension	Maximum Family Pension
IV CPC	375	1,250
V CPC	1,275	9,000
VI CPC	3,500	27,000

(figures in Rs. in crore)

Year	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
1. Civil	**9,017**	**12,707**	**21,149**	**20,069**	**23,597**	**26,111**	**29,397**
(As % of total Pension expenditure)	(26.7)	(27.3)	(27.8)	(26.2)	(28.6)	(27.6)	(28.2)
(% increase over previous year)		(40.9)	(66.4)	(-5.1)	(17.6)	(10.7)	(12.6)
2.Defence (Including Defence Civilians)	**15,244**	**20,233**	**34,999**	**37,336**	**37,569**	**43,368**	**45,499**
(As % of total Pension expenditure)	(45.1)	(43.5)	(46.0)	(48.7)	(45.5)	(45.9)	(43.7)
(%increase over previous year)		(32.7)	(73.0)	(6.7)	(0.6)	(15.4)	(4.9)
3. Railways	7,953	11,264	16,603	16,018	17,919	21,021	24,762
(As % of total Pension expenditure)	(23.5)	(24.2)	(21.8)	(20.9)	(21.7)	(22.3)	(23.8)
(% increase over previous year)		(41.6)	(47.4)	(-3.5)	(11.9)	(17.3)	(17.8)
4. Posts	**1,609**	**2,274**	**3,339**	**3,177**	**3,499**	**3,968**	**4,443**
(As % of total Pension expenditure)	(4.8)	(4.9)	(4.4)	(4.1)	(4.2)	(4.2)	(4.3)
(% increase over previous year)		(41.3)	(46.8)	(-4.9)	(10.1)	(13.4)	(11.7)
5. Total Pension expenditure	**33,823**	**46,478**	**76,090**	**76,600**	**82,584**	**94,468**	**1,04,101**
(% increase over previous year)		(37.4)	(63.7)	(0.7)	(7.8)	(14.4)	(10.2)
Pension expenditure as % of GDP	0.69	0.84	1.20	1.00	0.94	0.95	0.92

Pension Expenditure based on Union Finance Accounts of the respective years.

[GDP at market prices based on Economic Survey 2014-15]

10.1.19 ***Gratuity :***

Limit as per	Amount (Rs. lakh)
IV CPC	1.0
V CPC (Interim Report)	2.5
V CPC (Final Report)	3.5
VI CPC	10.0

10.1.20 Commutation : The 15 year period of restoration has been uniform through the currency of the IV, V and VI CPCs.

CPC	%age of Pension which can be Commuted for Civilians	%age of Pension which can be Commuted for Defence Personnel
IV CPC	1/3rd	45% for JCOs/ORs and 43% for Officers
V CPC	40%	
VI CPC	40%	50%

10.1.21 ***Ex Gratia Lump Sum Compensation Circumstances and Amount :***

(Rs. in lakh)

Circumstance in which Death Occurred	VCPC	VICPC
Accident while performing duties	5	10
Acts of violence by terrorists, anti-social elements etc.	5	10
Border skirmishes and action against militants, terrorists, extremists etc. (and enemy action in international war as applied by MHA)	7.5	15
Specified high altitude, inaccessible border post etc.#		15
Enemy Action in international war or war like engagements notified by Ministry of Defence	10	20
Note: # Post VI CPC		

10.1.22 *Leave Encashment permitted at the time of retirement :*

CPC	Earned Leave
IV CPC	240 days
V CPC	300 days
VI CPC	300 days#
# excludes 60 days EL encashment during LTC	

Demands made with regard to Pension

10.1.23 The principal demands made before the Seventh Central CPC in respect of pensions for civil personnel and those common to both civil and defence personnel are:

i. Raising the existing rates of pension and family pension

ii. The quantum of minimum pension should equal the minimum wage

iii. Increase in the rate of additional pension and family pension to the older pensioners as also reducing the age the eligibility for its receipt from the existing 80 years

iv. Increasing the existing time period of seven years for enhanced family pension.

v. Enhancement in the gratuity ceiling of Rs.10 lakh and its indexation

vi. Rationalisation of death gratuity

vii. Reduction in the time period for restoration of basic pension, reduced on account of commutation

viii. Ex-gratia lump sum compensation

ix. Enhancement of ceiling of Earned Leave for purposes of Leave Encashment

x. Enhancement in the existing rates of Fixed Medical Allowance

xi. Enhancement in the rates of Constant Attendance Allowance

xii. Parity in Pension between pre and post Seventh CPC retirees

Raising the Existing Rates of Pension and Family Pension

10.1.24 In representations to and in meetings with the Commission a number of entities have, while seeking a raise in pension from the existing level of 50 percent of last pay drawn, questioned the basis for determination of pension at 50 percent of last pay drawn. Similarly representations for increasing family pension from existing 30 percent to 50 percent of the last pay drawn have been received by the Commission.

Analysis and Recommendations

10.1.25 The Commission sought the views of the government in this regard. The Department of Pension and Pensioners Welfare stated that the VI CPC had recommended calculation of pension @ 50 percent of last pay or the average emoluments (for last 10 months) whichever is more beneficial. The Commission also recommended delinking of pension from qualifying service of 33 years. Effectively the dispensation on pension has already been liberalised by the VI CPC. Further the recommendations of this Commission in relation to pay of both the civilian and defence forces personnel will lead to a significant increase in the pay drawn and therefore in the 'last pay drawn'/ 'reckonable emoluments.' **Therefore the Commission does not recommend any further increase in the rate of pension and family pension from the existing levels.**

Quantum of Minimum Pension should Equal the Minimum Wage

10.1.26 In representations/depositions before the Commission it has been stated that the existing minimum pension fixed at Rs.3,500 is low and it has been argued that minimum pension be fixed equal to minimum pay for sustenance.

Analysis and Recommendations

10.1.27 The Commission sought the views of the government in this regard. The Department of Pension and Pensioners Welfare stated that as per the orders issued after V CPC, the minimum pension in the government was Rs.1,275. The normal revised consolidated pension of a pre-2006 pensioner is 2.26 of the pre-revised basic pension. The revised minimum pension of Rs.3,500 is much more than 2.26 time of the pre-revised pension of Rs.1,275. Further the recommendations of this Commission in relation to pay of personnel will lead to a significant increase in the minimum pay from the existing Rs.7,000 per month to Rs.18,000 per month. This, based on the computation of pension, will raise minimum pension from the existing Rs.3,500 to Rs.9,000. The minimum pension based on the recommendations of this Commission will increase by 2.57 times over the existing level.

Increase in the Rate of Additional Pension and Family Pension to the Older Pensioners

10.1.28 In representations/depositions before the Commission, a case has been made by a number of Pensioners Bodies/Associations for lowering the existing age slabs of old pensioners for payment of additional quantum of pension and family pension from the existing 80 years of age. Enhancing the rates for payment of additional quantum of pension and family pension with advancing age have also been made.

Analysis and Recommendations

10.1.29 The additional pension with advancing age came into force based on the recommendations of the VI CPC. The rates as applicable for the additional pension are as under:

- 80 years to < 85 years : 20% of basic pension
- 85 years to < 90 years : 30% of basic pension
- 90 years to < 95 years : 40% of basic pension
- 95 years to < 100 years : 50% of basic pension
- 100 years and more : 100% of basic pension

10.1.30 The Commission sought the views of the government in this regard. Department of Pension and Pensioners Welfare stated that the additional pension for old pensioners of the age of 80 years and above has been allowed as per the recommendations of VI CPC. However, it is felt that the same should be allowed from 75 years onwards. The Ministry of Defence has not supported the proposal. The Commission is of the view that **the existing rates of additional pension and additional family pension are appropriate.**

Increasing the existing time period of seven years for enhanced family pension

10.1.31 The Commission has received representations seeking enhancement in the period of enhanced family pension from the existing seven years or 67 years, whichever is less, to ten years in case of death of retirees.

Analysis and Recommendations

10.1.32 The current rates of enhanced family pension are–

i. In the case of death in service: Payable to the family of a government servant for a period of ten years from the date of death of a government servant, without any upper age limit.

ii. In the case of death after retirement: Payable for a period of seven years or up to the date on which he would have attained 67 years had he survived, whichever is less.

10.1.33 The Commission notes that the revision with regard to period of eligibility for the enhanced family pension of ten years was made based on recommendations of the VI CPC Report. No further change is being recommended by this Commission.

Enhancement in the Gratuity Ceiling and its Indexation

10.1.34 A number of representations have been received by the Commission stating that there is a need to revise the existing ceiling of Rs.10.00 lakh with regard to payment of service gratuity.

Analysis and Recommendations

10.1.35 Rule 49 and 50 of the CCS (Pension) Rules provides that a government servant is entitled to get retirement gratuity equal to one-fourth of his emoluments for each completed six monthly period of qualifying service subject to a maximum of 16.5 times of the last emoluments subject to a maximum of Rs.10 lakh.

10.1.36 The Commission sought the views of the government in this regard. The Department of Pension and Pensioners Welfare stated that the VI CPC has increased the amount of gratuity from Rs.3.5 lakh to Rs.10 lakh w.e.f. 01.01.2006. This amount, in the view of the department, is not commensurate with emoluments that are available to senior officers at the time of retirement. The department has suggested to the Commission that a view could be taken to index gratuity with amount of DA admissible at the time of retirement.

10.1.37 The Commission notes that there is merit in the argument advanced to index the ceiling on gratuity so that the benefits of the enhanced ceiling are available to personnel in a manner which is more even over a time frame. **The Commission recommends enhancement in the ceiling of gratuity from the existing Rs.10 lakh to Rs.20 lakh from 01.01.2016. The Commission further recommends, as has been done in the case of allowances that are partially indexed to Dearness Allowance, the ceiling on gratuity may increase by 25 percent whenever DA rises by 50 percent.**

Rationalisation of Death Gratuity

10.1.38 The Commission has received representations pointing to a need for rationalization of current slabs for death gratuity, especially for the slab of 5 to 20 years of qualifying service in which family pensioners are stated to be placed at a disadvantageous position.

Analysis and Recommendations

10.1.39 As per Rule 50 of Pension Rules, the death gratuity admissible will be as follows, subject to the maximum limit prescribed for the gratuity :

Length of Service	Rate of Death Gratuity
Less than one year	2 times of monthly emoluments
One year or more but less than 5 years	6 times of monthly emoluments
5 years or more but less than 20 years	12 times of monthly emoluments
20 years or more	Half month of emoluments for every complete six monthly period of qualifying service subject to a maximum of 33 times of monthly emoluments

10.1.40 The Commission sought the views of the government in this regard. Department of Pension and Pensioners Welfare stated that it had received similar demands from pensioners' association and it feels a need for a review of the existing slabs for death gratuity.

10.1.41 The Commission, after examination of the matter, recommends the following revised rates for payment of death gratuity :

Length of Service	Rate of Death Gratuity
Less than one year	2 times of monthly emoluments
One year or more but less than 5 years	6 times of monthly emoluments
5 years or more but less than 11 years	12 times of monthly emoluments
11 years or more but less than 20 years	20 times of monthly emoluments
20 years or more	Half month of emoluments for every complete six monthly period of qualifying service subject to a maximum of 33 times of emoluments

Reduction in the time period for Restoration of Basic Pension

10.1.42 The Commission has received a number of representations requesting reduction of restoration period of commuted portion of pension from the existing 15 years.

Analysis and Recommendations

10.1.43 The Commission notes that prior to V CPC the commutation allowed was one-third. However, there was no restoration. The Supreme Court, vide their judgement dated 09.12.1986, allowed restoration of pension after 15 years. The Supreme Court in its judgement specifically stated that though the amount is recovered in 12 years, yet since there is a risk factor and some of the states are restoring pension after 15 years, the period of restoration is fixed at 15 years. The V CPC in its recommendation increased the percentage of commutation to 40 percent and recommended restoration period at 12 years. But the reduction of restoration period was not accepted by the government. The VI CPC did not recommend any change in the maximum percentage of commutation allowed or in the period of restoration. **This Commission also does not recommend any change either in the maximum percentage of commutation or in the period of restoration.**

Enhancement of ceiling of Earned Leave for purposes of Leave Encashment

10.1.44 The Commission has received representations seeking raising the ceiling limit of 300 days to 450 days for purposes of Leave encashment.

Analysis and Recommendations

10.1.45 The Commission notes that based on the recommendations of the VI CPC, serving employees are entitled for encashment of Earned Leave up to 60 days while in service. This is not to be deducted from the maximum number of Earned Leave of 300 days encashable at the time of retirement. The VI CPC, therefore, has further liberalised the regime of leave encashment.

10.1.46 The recommendations in relation to pay of both the civilian and defence forces personnel will also lead to a significant increase in the pay drawn and therefore in the total amount of leave encashment available for an employee. Therefore raising the present ceiling of 300 days is not recommended by the Commission.

Ex-gratia lump sum compensation

10.1.47 The Commission has received representations seeking enhancement in ex-gratia lump sum compensation for Next-of-Kin (NoK) of CAPF, Assam Rifles and defence forces personnel who die in harness in performance of their bona fide official duties.

10.1.48 The issue has been dealt with in Chapter 10.2.

Fixed Medical Allowance

10.1.49 The Commission has received representations seeking enhancement in Fixed Medical Allowance, currently payable at the rate of Rs.500 per month for pensioners not covered under Central Government Health Service (CGHS).

10.1.50 The Commission has examined the matter in Chapter 8.17.

Constant Attendance Allowance

10.1.51 The Commission has received representations seeking enhancement in Constant Attendance Allowance from the present rate of Rs.4,500 per month.

10.1.52 The Commission has examined the matter in Chapter 8.17.

Parity in Pension between Pre and Post Seventh CPC Retirees

10.1.53 This Commission has received a number of representations on the issue of disparities in pensions between past pensioners and existing pensioners. The JCM-Staff Side, has in its memorandum, stated that the pay of every pre-Seventh CPC 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 Seventh CPC retirees. A similar view has been expressed by a number of other Associations/Bodies representing Central Government pensioners. Further, certain groups of pensioners have contended that based on the recommendations of the VI CPC, the new pay structure consisting of Pay Bands and Grade Pays has led to bunching of a number of pre revised pay scales into a particular Pay Band. This, in their view, has placed pre-01.01.2006 pensioners in certain pay scales/Pay Bands at a disadvantage not only compared to the post 01.01.2006 pensioners in the corresponding pay scales but also in comparison to post 01.01.2006 retirees of lower pay scales.

Analysis and Recommendations

10.1.54 The Commission is of the view that the issue of parity in pensions is extremely important from the viewpoint of inter-temporal equity and merits a careful examination.

10.1.55 Treatment of Existing and Past Pensioners over time : The concerns of pensioners' associations and of individual pensioners on the issue of disparities in pensions amongst broadly comparable retirees, has been dealt with in reports of successive CPCs and also by the government. This is detailed in the succeeding paragraphs.

10.1.56 Till the III CPC, it was a general view that past and future pensioners cannot be treated at par and the practice was that benefit of improvement in the pension would be available to newly retiring pensioners from a prospective date. In fact the III CPC took the view that serving government employees and pensioners could not be treated at par as regards grant of DA at the same rate. A significant change in the paradigm for treatment of pensioners, past and future, emerged from the judicial pronouncement in D.S. Nakara vs Union of India in 1982 (AIR 1983 SC 130), based on which, for the first time, improvements in pensionery benefits were extended to pensioners who had retired prior to the date from which improvements became effective.

10.1.57 The IV CPC recommended, for both civil and defence pensioners, additional relief in terms of a percentage increase in amount of pension subject to a certain minimum increase. Separate rates were applicable to pensioners drawing pension upto Rs.500 per mensem and those above Rs.500 per mensem.

10.1.58 The V CPC made a definitive shift in the treatment of past pensioners. The Commission took the view that the process of bridging the gap in pension of past pensioners, set into motion by the IV CPC by grant of additional relief in addition to consolidation of pension, needed to be continued so as to achieve complete parity over a period of time. It, accordingly, recommended that pension of all the pre-1986 retirees may be updated by notional fixation of their pay as on 1 January, 1986 by adopting the same formula as for the serving employees. The consolidated pension so arrived at was to be not less than 50 percent of the minimum pay, as revised by V CPC, of the scale of the pensioner at the time of retirement.This principle by which past pensioners are brought up to the minimum of the scale which replaced the scale in which the pensioner retired has been termed as modified parity. This consolidated amount of pension was to be the basis for grant of dearness relief in future.

10.1.59 The VI CPC noted that modified parity had already been conceded between pre and post 1 January, 1996 pensioners. It also observed that full neutralisation of price rise on or after 1 January, 1996 had also been extended to all the pensioners. Therefore, the Commission felt that no further changes in the extant rules were necessary. To maintain the existing modified parity between present and future retirees, it recommended that those who retired before 01.01.2006 be given the same fitment benefit as was recommended for the existing government employees.

10.1.60 The above points to a distinct transition in the view taken by successive CPCs and the government, beginning with the III CPC. The V CPC, by recommending that pension of all the pre-1986 retirees should be updated by notional fixation of their pay, made a landmark advancement in the regime for past pensioners. In principle, the VI CPC proposed provision of the same modified parity as was envisaged in by the V CPC. However, the new pay structure introduced by the VI CPC, based on running Pay Bands and Grade Pays, led to the bunching of a number of pre revised pay scales into a particular Pay Band, thereby diminishing the benefit of the intended modified parity. This naturally led to several representations following which certain corrective orders were issued by the government, some of which were based on the orders of various Courts.

10.1.61 Judicial Pronouncements on the Issue : The issue of pension has been a matter of debate in a large number of cases before the Hon'ble Supreme Court of India. One of the early leading judgments on the subject is the case of D.S. Nakara V/S Union of India & Ors. [1983] 1 SSC 305. **In this case, it was held that pensioners form a class as a whole and cannot be micro-classified by an arbitrary, unprincipled and unreasonable eligibility criteria for grant of revised pension.** This ratio further came up for consideration before another constitutional bench in the case of Krishan Kumar V/S Union of India & Ors. [(1990 4 SCC 207)]. This constitutional bench distinguished the D.S. Nakara (supra) and held that it has limited application. The D.S. Nakara case again came up for discussion in the case of Indian ExServices League V/S Union of India & Ors [(1991) 2 SCC 104)]. This constitutional bench further considered the case of D.S. Nakara and held that this case has limited application and its ambit cannot be enlarged to cover all claims made by pensioners retirees or a demand for an identical amount of pension to every retiree from the same rank irrespective of the date of retirement, even though the reckonable emoluments for computation of their pension be different. **The decision of D.S. Nakara came up for consideration in two successive constitutional benches and they did not approve the ratio enunciated in the case D.S. Nakara** (Supra). Subsequently, the case of D.S. Nakara (Supra) has been followed by some benches and some have distinguished it. A large number of cases have been summed up recently in the decision given in the case of State of Punjab V/S Amar Nath Goyal [(2005) 6 SCC 754)]. **In this case, all cases on the subject were reviewed and it was laid down that the government can make distinction in the matter of payment of pension between two classes of pensioners.** Various decisions, including the aforesaid two constitutional benches i.e., Krishan Kumar (Supra) and Indian Ex-Services League (Supra) and the judgement given in D.S. Nakara (Supra) were considered. Decisions given in the case of Action Committee South Eastern Railway Pensioners V/S Union of India [(1991 Supp. (2) SCC 544)] was also referred to. In this case also, **it was accepted that distinction can be made between two pensioners.** Similarly in the case of State of Rajasthan V/S Amrat Lal Gandhi [(1997) 2 SCC 342)], it was held that financial implication can be a consideration for making two classes of the

The present system of pay bands and grade pay has been dispensed with and a new pay matrix has been designed. *(See Para 5.1.13 to 5.1.17)* pensioners though similarly placed. Similarly in the case of State of Punjab V/S Buta Singh [(2000) 3 SCC 733)], the Supreme Court held that the position that emoluments of persons holding the same status who retired after a notified date must be treated to be the same cannot be accepted. In the case of State of Punjab V/S G.L. Gupta [(2003) 3 SCC 736)] it was held that for grant of additional benefits that had financial implications, the prescription of a specific future date for conferment of additional benefits could not be considered arbitrary. **However, the Apex Court has also taken a contrary view in some cases relying on D.S. Nakara's case.**

10.1.62 In the case of Dhanraj & Ors. V/S State of J&K and others [(1994) 4 SCC 30)], **it was held with reference to government order of J&K, that the distinction between pre and post retires of June 1981 in payment of pension cannot be justified and it is violative of Article 14 of Constitution.** Similarly, in a recent judgement of Hon'ble Court given in the case of Union of India & Anr. V/S SPS Vains (Retd.) & Ors. [(2008) 2 SCC (LS 838)], the case of D.S. Nakara (Supra) was followed and it was held that the disparity created within the same class i.e., **two officers both retired as Major Generals one prior to 1.1.1996 and other after that date but getting different amounts of pension was arbitrary and that the same also offends Article 14 of the Constitution of India.**

10.1.63 The legal position that emerges from the aforesaid decision of the Apex Court is that classification should be founded on a rational basis while distinguishing one class from other. It should not be discriminatory or violative of Article 14 of the Constitution. **The Apex Court has examined each case on its merit and wherever they have found that distinction between similarly placed classes is discriminatory then the same has been struck down.**

10.1.64 Pension Payout to Personnel in the Central Government : The preceding paragraphs bring out the evolution of the pension regime over time and the role of the Judiciary in settling the law on the subject. There is clear evidence that governments have progressively moved towards a liberalised regime for past pensioners. The VI CPC has further provided for additional pension with advancing age. What this has effectively translated into is testified by examples[36] (Actual cases as obtained from Central Pension Accounting Office (CPAO) etc.) of pension fixation of personnel across groups who have retired in the past decades. **For example a Secretary to the Government of India retiring on 31 August, 1992 was in receipt of a basic pension of Rs.4,000 per month.** The basic pension after implementation of the V and VI CPC got revised to Rs.13,000 and Rs.40,000 respectively. With the benefit of dearness relief [37] (Dearness Relief of 119 percent, as effective from 1 July, 2015.) this pensioner is on date entitled to a total payout in terms of pension and dearness relief of Rs.87,600. Further, as a pensioner who is over 80 years of age he is entitled to an additional pension equivalent to 20 percent of basic pension. In effect the pensioner is in receipt of a total payout of Rs.105,120 per month as on date. Similarly, a **Director (in GP 8700 as per VI CPC) retiring on 30 September, 1994 with a basic pension of Rs.2,556 per month got revised basic pension of Rs.7,042 and Rs.22,701 per month after** implementation of the V and VI CPC respectively. With the benefit of dearness relief [38] (Dearness Relief of 119 percent, as effective from 1 July, 2015.) the pensioner is on date entitled to a total payout in terms of pension and dearness relief of Rs.49,715 per month. **The basic pension for a Group 'C' official retiring on 30 September, 1991 from the scale of Rs.950- 1500 was fixed at Rs.717 per month.** His basic pension, after implementation of the V and VI CPC, got revised to Rs.2,188 and Rs.4,946 respectively. With dearness and pensionery increase due beyond 80 years the pensioner is in receipt of a total payout of Rs.12,998 per month.

10.1.65 The three illustrations point to a substantial increases in pension, across groups, during a span of between 20 and 25 years.

10.1.66 Recommendations of the Commission : For employees joining on or after 01.01.2004, the concept of pension, so far as Civilian employees including CAPFs are concerned, has undergone a complete change. After the enactment of the Pension Fund Regulatory and Development Act, 2013, it is not the exclusive liability of the government to pay the pension. As per the new dispensation the employee and the government are to make equal matching contribution towards their pension. This dispensation is not applicable to the defence forces personnel. They continue to get the defined benefit pension as before. In this section the Commission is dealing with Civilian pensioners under the old pension scheme, i.e. those who joined before 01.01.2004.

10.1.67 The Commission recommends the following pension formulation for civil employees including CAPF personnel, who have retired before 01.01.2016 :

i) All the civilian personnel including CAPF who retired prior to 01.01.2016 (expected date of implementation of the Seventh CPC recommendations) shall first be fixed in the Pay Matrix being recommended by this Commission, on the basis of the Pay Band and Grade Pay at which they retired, at the minimum of the corresponding level in the matrix. This amount shall be raised, to arrive at the notional pay of the retiree, by adding the number of increments he/she had earned in that level while in service, at the rate of three percent. Fifty percent of the total amount so arrived at shall be the revised pension.

ii) The second calculation to be carried out is as follows. The pension, as had been fixed at the time of implementation of the VI CPC recommendations, shall be multiplied by 2.57 to arrive at an alternate value for the revised pension.

iii) Pensioners may be given the option of choosing whichever formulation is beneficial to them.

10.1.68 It is recognised that the fixation of pension as per formulation in (i) above may take a little time since the records of each pensioner will have to be checked to ascertain the number of increments earned in the retiring level. It is therefore recommended that in the first instance the revised pension may be calculated as at (ii) above and the same may be paid as an interim measure. In the event calculation as per (i) above yields a higher amount the difference may be paid subsequently.

10.1.69 Illustration on fixation of pension based on recommendations of the Seventh CPC.

CASE I

10.1.70 Pensioner 'A' retired at last pay drawn of Rs.79,000 on 30 May, 2015 under the VI CPC regime, having drawn three increments in the scale Rs.67,000 to 79,000 :

		Amount in Rs.
1.	Basic Pension fixed in VI CPC	39,500
2.	Initial Pension fixed under Seventh CPC (using a multiple of 2.57)	1,01,515- Option 1
3.	Minimum of the corresponding pay level in 7 CPC	1,82,200
4.	Notional Pay fixation based on 3 increments	1,99,100
5.	50 percent of the notional pay so arrived	99,550- Option 2
6.	Pension amount admissible (higher of Option 1 and 2)	1,01,515

CASE II

10.1.71 Pensioner 'B' retired at last pay drawn of Rs.4,000 on 31 January, 1989 under the IV CPC regime, having drawn 9 increments in the pay scale of Rs.3000-100-3500-125-4500 :

		Amount in Rs.
1.	Basic Pension fixed in IV CPC	1,940
2.	Basic Pension as revised in VI CPC	12,543
3.	Initial Pension fixed under Seventh CPC (using a multiple of 2.57)	32,236 Option 1
4.	Minimum of the corresponding pay level in 7 CPC	67,700
5.	Notional Pay fixation based on 9 increments	88,400
6.	50 percent of the notional pay so arrived	44,200 Option 2
7.	Pension amount admissible (higher of Option 1 and 2)	44,200

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Chapter 8.7

Allowances related to Housing

House Rent Allowance (HRA)

House Rent Allowance (HRA)

8.7.3 Presently, HRA is payable at the following rates:

Population of Cities/ Towns	Class of Cities/ Towns	HRA rates as % of Basic Pay (including MSP and NPA)
50 lakh and above	X	30
50-5 lakh	Y	20
Below 5 lakh	Z	10

8.7.4 There are a large number of demands for paying HRA as a percentage of (Basic Pay + DA), instead of as a percentage of Basic Pay alone, as at present. Representations have also been received regarding enhancement of percentage rates and having only two classifications of Metros and Non-metros (instead of the present classification of X, Y and Z cities).

8.7.5 PBORs of uniformed forces have vehemently argued for doing away with the concept of Authorized Married Establishment and the requirement of a minimum age of 25 years for grant of Compensation in Lieu of Quarters (CILQ).

Analysis and Recommendations :

8.7.6 Compensation towards the housing needs of Central Government employees is covered in three ways : **(1)** As a component of Basic Pay when it is initially fixed (based upon the Aykroyd formula) **(2)** As a constituent of Dearness Allowance [the AICPI(IW), on which the DA is currently based includes a weight of 15.27% towards housing], and **(3)** In the form of House Rent Allowance

8.7.7 In view of the fact that the DA calculation methodology that is being followed does include a certain weightage for housing, **the demand to pay HRA as a percentage of Basic Pay + DA is not justified.**

8.7.8 To arrive at the appropriate rates of HRA, the Commission used a two-fold approach : (i) It compared the rise in housing compensation with the cost of housing in major X, Y and Z category cities over the period 2006 to 2013, and (ii) It compared, de novo, the HRA after the rise in Basic Pay proposed with representative house rents in major X, Y and Z category cities.

8.7.9 For (i) above, the table of comparison (for a hypothetical employee whose Basic Pay was Rs.1000 in 2006) is given below:

TABLE 2[30]

RISE IN HOUSING COMPENSATION IN 2013 VIS-A-VIS 2006

	2006					2013					
Class of City	BP	DA (0%)	HRA	15.27% of DA	Total Housing Comp. (A)	BP (7 increments of 3% each)	DA (90 % of BP)	HRA	15.27% of DA	Total Housing Comp. (B)	(B)/ (A)
X	1000	0	300	0	300	1230	1107	369	169	538	1.79
Y	1000	0	200	0	200	1230	1107	246	169	415	2.07
Z	1000	0	100	0	100	1230	1107	123	169	292	2.92

(30) The compensation for housing that is provided when Basic Pay is initially fixed has not been considered here.

8.7.10 As is clear from the above table, compensation for housing in 2013 was 1.79 times that in 2006 for Class X cities, 2.07 times for Class Y cities and 2.92 times for Class Z cities.

8.7.11 During the same period, the weighted (by population of cities) average rise[31] [Housing Index of AICPI(IW)] in housing index for Class X cities was 1.69 times, for thirty most populated Class Y cities it was 2.10 times, and for twenty-five most populated Class Z cities it was also 2.10 times.

8.7.12 Thus, it can be safely concluded that the rise in housing compensation has largely kept pace with the rise in rental values in all categories of cities.

8.7.13 However, if a zero-based comparison of HRA with house rents is carried out the Commission observed that today there are websites that give a good idea of the prevalent house rents in various cities. From the information available on the websites, it was observed that with the increase in Basic Pay proposed (and consequent rise in HRA with the rationalized percentages), most of the employees will be able to afford a rented house as per their entitlement.

8.7.14 The Commission also took note of the link between increase in HRA and increase in house rent. There was a sharp rise in the index from the first half of 2009, immediately following VI CPC recommendations. The All India House Rent Index [32] (Source : All India Consumer Price Index (Industrial Workers) chart given below) demonstrates this :

House Rent Index 2000-01 = 100

2006-H 1 : 123, 2006-H 2 : 126, 2007-H 1 : 128, 2007-H 2 : 131, 2008-H 1 : 134, 2008-H 2 : 136, 2009-H 1 : 142, 2009-H 2 : 166, 2010-H 1 : 189, 2010-H 2 : 201, 2011-H 1: 212, 2011-H 2 : 223, 2012-H 1 : 231, 2012-H 2 : 238, 2013-H 1 : 246, 2013-H 2 : 255, 2014-H 1 : 260, 2014-H 2 : 268,

8.7.15 Considering all these factors, and in line with our general policy of rationalizing the percentage based allowances by a factor of 0.8, the Commission **recommends that HRA should be rationalized to 24 percent, 16 percent and 8 percent of the Basic Pay for Class X, Y and Z cities respectively.** However, the Commission also recognizes that with the current formulation, once the new pay levels are implemented, the compensation towards HRA will remain unchanged until such time as the pay and allowances are next revised. Going by the historical trend this event is likely to be a decade away. Some representations have been received stating that towards the later part of the ten year period the HRA compensation falls considerably short of the requirement. Having regard to this, **the Commission also recommends that the rate of HRA will be revised to 27 percent, 18 percent and 9 percent when DA crosses 50 percent, and further revised to 30 percent, 20 percent and 10 percent when DA crosses 100 percent.**

8.7.16 Currently, in the case of those drawing either NPA or MSP or both, HRA is being paid as a percentage of Basic Pay+NPA or Basic Pay+MSP or Basic Pay+NPA+MSP respectively. HRA is a compensation for expenses in connection with the rent of the residential accommodation to be hired/leased by the employee and is graded based on the level of the employee, and therefore should be calculated as a percentage of Basic Pay only. **Add-ons like NPA, MSP, etc. should not be included while working out HRA.**

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Chapter 17
Executive Summary

17.1 Minimum Pay : After considering all relevant factors and based on the Aykroyd formula the minimum pay in government is recommended to be set at Rs.18000 per month.*(chapter 4.2)*

17.2 New Pay Structure : The present system of pay bands and grade pay has been dispensed with and a new pay matrix has been designed. The status of the employee, hitherto determined by grade pay, will now be determined by the level in the pay matrix. Separate pay matrices have been drawn up for civilians, defence personnel and for military nursing service. All existing levels have been subsumed in the new structure; no new levels have been introduced nor has any level been dispensed with. *(paras 5.1.13 to 5.1.17)*

17.3 In the **"horizontal range"**of the pay matrix level corresponds to a **'functional role in the hierarchy'** and as the employee's level rises he or she moves from level to level. The **"vertical range"** for each level denotes **'pay progression'** within that level and an employee would move vertically within each level as per the annual financial progression of three percent. The starting point of the matrix is the minimum pay which has been arrived based on 15th ILC norms or the Aykroyd formula. *(para 5.1.21)*

17.4 Fitment : The starting point for the first level of the matrix has been set at Rs.18,000. This corresponds to the present starting pay of Rs.7,000, which is the beginning of PB-1 viz., Rs.5200+ GP 1800, on the date of implementation of the VI CPC recommendations. Hence the starting point now proposed is 2.57 times of what was prevailing on 01.01.2006. This fitment factor of 2.57 is being proposed to be applied uniformly for all employees. *(para 5.1.27)*

17.5 Annual Increment : The rate of annual increment is being retained at 3 percent. *(para 5.1.38)*

17.6 Entry Pay : The differential of entry pay between new recruits and promoted employees at various levels has been done away with. (para 5.1.32 and para 5.1.33)

17.7 Modified Assured Career Progression (MACP) :

i. This will continue to be administered at 10, 20 and 30 years as before.

ii. In the new Pay matrix, the employees will move to the immediate next level in the hierarchy.

iii. In the interest of improving performance level, the benchmark for MACP has been recommended to be enhanced from 'Good' to 'Very Good.

iv. The Commission has proposed withholding of annual increments in the case of those employees who are not able to meet the benchmark either for MACP or a regular promotion within the first 20 years of their service. *(paras 5.1.44-5.1.46)*

17.8 Defence pay matrix : A pay matrix similar to that for civilian employees has been drawn up for defence personnel. The commencement of the Defence Pay Matrix for combatants corresponds to the existing GP 2000, which is the induction level for Sepoys and equivalent. The Pay Matrix designed for the defence forces personnel is more compact than the civil pay matrix keeping in view the number of levels, age and retirement profile of the service personnel. *(para 5.2.13 and para 5.2.14)*

17.9 Military Nursing Officers (MNS) : Similarly, in the case of the pay matrix for (MNS), the existing uniqueness in the pay structure of MNS officers has been captured in the pay matrix designed for the MNS. *(para 5.2.12)*

17.10 Military Service Pay (MSP) : The Defence forces personnel will continue to be entitled to payment of Military Service Pay for all ranks up to and inclusive of Brigadiers and their equivalents. The MSP per month recommended is as follows:

i. Service Officers	Rs.15,500
ii. Nursing Officers	Rs.10,800
iii. JCO/ORs Rs.5,200	
iv. Non Combatants (Enrolled) in the Air Force	Rs. 3,600

17.11 MSP will continue to be reckoned as Basic Pay for purposes of Dearness Allowance, as also in the computation of pension. Military Service Pay will however not be counted for purposes of House Rent Allowance, Composite Transfer Grant and Annual Increment. *(para 5.2.22)*

17.12 The Military Service Pay, which is a compensation for the various aspects e.g., intangibles linked to special conditions of service, conducting full spectrum operation including force projection outside India's boundaries, superannuation at a younger age and for the edge historically enjoyed by the Defence Forces over the civilian scales, will be admissible to the **Defence forces personnel only.** *(para 6.1.31)*

17.13. MACP : MACP for defence forces personnel will continue to be administered at 8,16 and 24 years of service. *(para 6.2.85)*

17.14 Rationalisation of Trades : All X trades should mandatorily obtain a qualification which is equivalent of a diploma in engineering (recognised by AICTE). The incentive structure will henceforth be linked with the qualifications as follows :

i. X pay for JCOs/ORs in Group X at ?3,600 per month for those currently in X pay, but not having a technical qualification recognised by AICTE).

ii. X pay for JCOs/ORs in Group X at ?6,200 per month for all X trades which involve obtaining a qualification which is equivalent of a diploma recognised by AICTE. *(para 6.2.79 and para 6.2.88)*

17.15 Defence Security Corps (DSC) : The benefit of MACP be permitted to DSC personnel also. However this benefit should be limited to a total of three upgrades in the entire service career, taking the combined length of the regular employment and the course of reemployment as defence service corps personnel. The first benefit of MACP may be extended to them after a period of eight years from their date of re-employment, in case they do not get a promotion during this period. *(para 6.2.98)*

17.16 Grant of Annual Increment to Recruits : The benefit of grant of first annual increment to recruits will be reckoned from date of enrolment. *(para 6.2.94)*

17.17 Short Service Commissioned Officers : Short Service Commissioned Officers will be allowed to exit Armed Forces any time between 7 and 10 years of service with a terminal gratuity equivalent of 10.5 months of reckonable emoluments. They will further be entitled to a fully funded one year Executive Programme or a M.Tech. programme at a premier Institute. *(para 6.2.63)*

17.18 Headquarters Staff : Parity in pay, up to the rank of Assistants, between the field staff and headquarter staff is recommended. It is recommended that the level of Assistants of CSS be brought at par with Assistants in the field offices who are presently drawing GP 4200. Accordingly, in the new pay matrix the Assistants of both Headquarters as well as field units will come to lie in Level 6 in the pay matrixand pay fixed accordingly. This level corresponds to pre-revised GP 4200. The corresponding posts in the Stenographers cadre will also follow similar pay parity between field and headquarter staff. The pay of those Assistants/ Stenographers who have, in the past, been given higher Grade pay would be protected. *(chapter 7.1)*

17.19 Recently, through a government order 'edge in pay' has been extended to the Upper Division Clerks belonging to CSS in the Secretariat by way of grant of non-functional selection grade to GP 4200.This is available to 30 percent of UDCs. Since the Commission is recommending placement of all Assistants, field and Headquarters, in Level 6 of the pay matrix, which corresponds to pre-revised GP 4200, this non-functional selection grade to GP 4200 for Upper Division Clerks belonging to CSS is recommended to be withdrawn. *(para 7.1.4 (j))*

17.20 Two Additional Increments in CSS/CSSS are granted at the time of their promotion from the grade of Under Secretary/ PPS to the grade of Deputy Secretary/Senior PPS. The Commission finds no merit in continuation of two increments for CSS/CSSS as no such dispensation exists in any other service except the IAS and hence recommends abolition of the same. *(para 7.1.6 (d))*

17.21 Cadre Review : To hasten the process of cadre reviews and reduce the time taken in inter-ministerial consultations, it isrecommended that the examination of the cadre restructuring proposal should be undertaken at the department level itself with one member each from DoPT and Department of Expenditure attending such meetings chaired by the concerned Secretary of the cadre seeking the review, in the capacity of the cadre controlling officer. The proposal can thereafter be placed before the Cadre Review Committee chaired by the Cabinet Secretary where the concerned Secretaries are represented. *(para 7.3.17)*

17.22 Common Categories : To streamline the common cadres residing in different Departments/Ministries/UTs it is recommended that the government assign specific ministries to be the nodal ministry for each such category. These nodal ministries be tasked with drafting model recruitment rules laying down the educational qualifications, job responsibilities and pay structure for all such categories. A few examples are the Statistical Cadres and Firefighting staff. *(para 7.7.75)*

17.23 Allowances : The entire structure of allowances have been examined de novo with the overall aim of transparency, simplification and rationalization, keeping amongst other things, the proposed pay structure in mind. The Commission has recommended abolishing 52 allowances altogether. Another 36 allowances have been abolished as separate identities, but subsumed either in an existing allowance or in newly proposed allowances. Particular emphasis has been placed on simplifying the process of claiming allowances. Allowances relating to Risk and Hardship will be governed by the proposed Risk and Hardship Matrix. *(para 8.2.5)*

17.24 Most of the allowances that have been retained have been given a raise that is commensurate with the rise in DA. Allowances that are in the nature of a fixed amount but fully indexed to DA have not been given any raise. Regarding percentage based allowances, since the Basic Pay will rise as a result of the recommendations of this Commission, the quantum of percentage based allowances has been rationalized by a factor of 0.8. *(para 8.2.3)*

17.25 Risk and Hardship Allowance : Allowances relating to Risk and Hardship will be governed by the newly proposed nine-cell Risk and Hardship Matrix, with one extra cell at the top, viz., RH-Max to include Siachen Allowance. This would be the ceiling for risk/hardship allowances and there would be no individual RHA with an amount higher than this allowance. *(para 8.10.65 and para 8.10.66)*

17.26 House Rent Allowance : In line with our general policy of rationalizing the percentage based allowances by a factor of 0.8, the Commission recommends that HRA should be rationalized to 24 percent, 16 percent and 8 percent of the Basic Pay for Class X, Y and Z cities respectively. The Commission also recommends that the rate of HRA will be revised to 27 percent, 18 percent and 9 percent when DA crosses 50 percent, and further revised to 30 percent, 20 percent and 10 percent when DA crosses 100 percent. *(para 8.7.15)*

17.27 Currently, in the case of those drawing either NPA or MSP or both, the amounts of NPA/MSP are included with the Basic Pay and HRA is being paid as a percentage of the total amount. The Commission recommends that HRA should be calculated as a percentage of Basic Pay only and that add-ons like NPA, MSP, etc. **should not be included** while working out HRA. *(para 8.7.16)*

17.28 The Commission, in the interactions it has had with the men on the ground at all field locations it has visited, has seen first-hand that the lack of proper housing compensation is a source of discontentment among these employees. The service rendered by PBORs of uniformed services needs to be recognized and Housing provisions of PBORs of Defence, CAPFs and Indian Coast Guard have been simplified and HRA coverage has been extended to them. *(para 8.7.26)*

17.29 Uniform related allowances have been amalgamated under a simplified Dress Allowance payable annually. It is thus recommended that uniform related allowances be subsumed in a single Dress Allowance (including shoes). *(para 8.16.14)*

17.30 Any allowance, not mentioned here (and hence not reported to the Commission), shall cease to exist immediately. In case there is any demand or requirement for continuation of an existing allowance which has not been deliberated upon or covered in this report, it should be re-notified by the ministry concerned after obtaining due approval of Ministry of Finance and should be put in the public domain. *(para 8.2.5)*

17.31 Entire CPMA will be payable to the PBORs of Defence Forces. Except Rum Allowance, other components of CPMA will be payable to PBORs of CAPFs, Indian Coast Guard, RPF and Police forces of Union Territories. Rum Allowance will be granted to PBORs of CAPFs and Indian Coast Guard as per the existing guidelines. *(para 8.17.25)*

17.32 Night Duty Allowance : While the present weightage of 10 minutes for every hour of duty performed between the hours of 22:00 and 06:00 the present prescribed hourly rate of NDA equal to (BP+DA)/200 may be continued, the amount of NDA should be worked out **separately for each employee** and the existing formulation for giving same rate of NDA for all employees with a particular GP should be abolished. *(para 8.17.77)*

17.33 OTA should be abolished (except for operational staff and industrial employees who are governed by statutory provisions). At the same time it is also recommended that in case the government decides to continue with OTA for those categories of staff for which it is not a statutory requirement, then the rates of OTA for such staff should be increased by 50 percent from their current levels. *(para 8.17.97)*

17.34 All non-interest bearing Advances have been abolished. *(para 9.1.4)*

17.35 Regarding Motor Car Advance and Motor Cycle/ Scooter/Moped Advance, since quite a few schemes for purchase of vehicles are available in the market from time to time. The employees should avail of these schemes and both these advances should be abolished. *(para 9.1.7)*

17.36 Regarding other interest-bearing advances, the following is recommended : *(para 9.1.8)*

(i) **PC Advance**	Rs.50,000 or actual price of PC, whichever is lower	May be allowed maximum five times in the entire service.
(ii) **HBA**	34 times Basic Pay OR Rs.25 lakh OR anticipated price of house, whichever is least	The requirement of minimum 10 years of continuous service to avail of HBA should be reduced to 5 years.If both spouses are government servants,HBA be admissible to both separately. Existing employees who have already taken Home Loans from banks and other financial institutions should be allowed to migrate to this scheme.

17.37 The three different kinds of leave admissible to civilian/ defence employees which are granted for work related illness/ injuries–Hospital Leave, Special Disability Leave and Sick Leave are being subsumed and rationalized into a composite new Leave named Work Related Illness and Injury Leave (WRIIL). *(para 9.2.36)*

1. Full pay and allowances will be granted to all employees during the entire period of hospitalization on account of WRIIL.

2. Beyond hospitalization, WRIIL will be governed as follows:

a. For Civilian employees, RPF employees and personnel of Police Forces of Union Territories: Full pay and allowances for the 6 months immediately following hospitalization and Half Pay only for 12 months beyond that. The Half Pay period may be commuted to full pay with corresponding number of days of Half Pay Leave debited from the employee's leave account.

b. For Officers of Defence, CAPFs, Indian Coast Guard: Full pay and allowances for the 6 months immediately following hospitalization, for the next 24 months, full pay only.

c. For PBORs of Defence, CAPFs, Indian Coast Guard: Full pay and allowances, with no limit regarding period.

17.38 The Rates of contribution as also the insurance coverage under the Central Government Employees General Insurance Scheme have remained unchanged for long. The following rates of CGEGIS are recommended : (para 9.3.6)

Level of Employee	Monthly Deduction (Rs.)	Insurance Amount (Rs.)
10 and above	5000	50,00,000
6 to 9	2500	25,00,000
1 to 5	1500	15,00,000

17.39 A simplified process for Cadre Reviews and revamping of the screening process under Central Staffing Scheme have been recommended. *(para 7.3.41)*

17.40 Health Insurance : The Commission strongly recommends the introduction of health insurance scheme for Central Government employees and pensioners. In the interregnum, for the benefit of pensioners residing outside the CGHS areas, the Commission recommends that CGHS should empanel those hospitals which are already empanelled under CS (MA)/ECHS for catering to the medical requirement of these pensioners on a cashless basis. This would involve strengthening of administrative capacity of nearest CGHS centres. The Commission recommends that the remaining 33 postal dispensaries should be merged with CGHS. The Commission further recommends that all postal pensioners, irrespective of their participation in CGHS while in service, should be covered under CGHS after making requisite subscription. The Commission recommends that possibility of such a combined network of various medical schemes should be explored through proper examination. **(para 9.5.18)**

17.41 Pension : The Commission recommends a revised pension formulation for civil employees including CAPF personnel **and** Defence personnel, who have retired before 01.01.2016. This formulation will bring about **complete parity** of past pensioners with current retirees :

i. All the personnel who retired prior to 01.01.2016 (expected date of implementation of the Seventh CPC recommendations) shall first be fixed in the Pay Matrix being recommended by this Commission, on the basis of the Pay Band and Grade Pay at which they retired, at the minimum of the corresponding level in the matrix. This amount shall be raised, to arrive at the notional pay of the retiree, by adding the number of increments he/she had earned in that level while in service, at the rate of three percent. Fifty percent of the total amount so arrived at shall be the revised pension. In the case of the Defence personnel, total amount so arrived at shall be inclusive of MSP.

ii. The second calculation to be carried out is as follows. The pension, as had been fixed at the time of implementation of the VI CPC recommendations, shall be multiplied by 2.57 to arrive at an alternate value for the revised pension.

iii. Pensioners may be given the option of choosing whichever formulation is beneficial to them. *(para 10.1.67)*

17.42 Since the fixation of pension as per formulation (i) above may take a little time it is recommended that in the first instance the revised pension may be calculated as at (ii) above and the same may be paid as an interim measure. In the event calculation as per (i) above yields a higher amount the difference may be paid subsequently. *(para 10.1.68)*

17.43 The Commission recommends enhancement in the ceiling of gratuity from the existing Rs.10 lakh to Rs.20 lakh from 01.01.2016. The Commission further recommends, as has been done in the case of allowances that are partially indexed to Dearness Allowance, the ceiling on gratuity may increase by 25 percent whenever DA rises by 50 percent. (para 10.1.37)

17.44 Lump sum Compensation for Invalidation due to Disability : The Commission recommends an increase in the existing lump sum compensation of Rs.9 lakh for 100 percent disability to Rs.20 lakh. However it finds no justification to recommend broad banding for payment of Ex-gratia award to service personnel boarded out on account of disability/war injury attributable to or aggravated by military service. *(para 10.2.65)*

17.45 The Commission notes that cadets are not considered on duty during training and therefore cannot be treated at par with serving defence forces personnel. The Commission, however, keeping in view the facts relating to cadets, recommends an increased ex-gratia disability award from the existing Rs.6,300 per month to Rs.16,200 per month for 100 percent disability. *(para 10.2.67)*

17.46 Disability Pension : Keeping in view the tenets of equity, the Commission is recommending reverting to a slab base system for disability element, instead of existing percentile based disability pension regime. Distinct rates separately for officers, JCOs and ORs have been prescribed. *(para 10.2.55)*

17.47 Ex-gratia Lump sum Compensation to Next of Kin : The Commission is recommending the revision of rates of lump sum compensation for next of kin (NOK) in case of death arising in five separate circumstances, to be applied uniformly for the defence forces personnel and civilians. *(para 10.2.77)*

Circumstances	**Proposed (Rs.)**
Death occurring due to accidents in course of performance of duties.	25 lakh
Death in the course of performance of duties attribute to acts of violence by terrorists, anti-social elements etc.	25 lakh
Death occurring in border skirmishes and action against militants,terrorists, extremists, sea pirates	35 lakh
Death occurring while on duty in the specified high altitude, inaccessible border posts, on account of natural disasters, extreme weather conditions	35 lakh
Death occurring during enemy action in war or such war like engagements, which are specifically notified by Ministry of Defence# and death occurring during evacuation of Indian Nationals from a wartorn zone in foreign country	45 lakh

17.48 Indian Coast Guard : The Commission is recommending for the Indian Coast Guard :

a. Merger of pay group Z into pay group Y. *(para 11.12.15)*

b. X pay of Rs.6,200 p.m. to all direct entry diploma holders. *(para 11.12.18)*

c. Sarang Laskars to be upgraded to pay level 4 in the civilian pay matrix. *(para 11.12.21)*

d. Upgradation of Director General to Apex Level. *(para 11.12.27)*

Other highlights are as under :

17.49 The Edge : The edge, presently accorded to the Indian Administrative Service in the form of two additional increments @ 3 percent over their basic pay at three promotion stages i.e., promotion to the Senior Time Scale (STS), to the Junior Administrative Grade (JAG) and the NFSG to continue in the proposed pay matrix.

17.50 Having regard to the difficult demands placed on police officers by their jobs including long working hours, the risk of personal injury and death and the immense public responsibility they carry, the view of the Chairman hasrecommended that this financial edge, as given to the IAS, be extended to the IPS as also to the third All India Service, the IFoS. *(para 7.2.38)*

17.51 In so far as the Indian Foreign Service is concerned, the existing dispensation shall continue. *(para 7.2.18 and para 7.2.19)*

17.52 Shri.Vivek Rae, Member, Seventh CPC is of the view that the financial edge for IAS and IFS is fully justified but has not agreed with the view that it should be extended to the IPS and the IFoS. *(para 7.2.20)*

17.53 Dr.Rathin Roy, Member, Seventh CPC is of the view that the financial edge accorded to the IAS and IFS should be removed. IAS officers have a multi-dimensional leadership role to play and in specific jobs such as that of DM/DC, officers occupying such positions must be able to be primus inter pares by administrative affirmation. According to him, if this position is to be reflected through superior financial remuneration, then their recruitment must be conducted separately. *(para 7.2.21)*

17.54 Chairman and Dr.Rathin Roy, Member are of the view that all AIS and Central Services Group A officers who have completed 17 years of service should be eligible for empanelment under the Central Staffing Scheme and the "two year edge", presently enjoyed by the IAS should be withdrawn. Shri Vivek Rae, Member, has not agreed with this view and has recommended review of the Central Staff Scheme guidelines. *(para 7.2.23 and para 7.2.24)*

17.55 Non Functional Upgradation for Organised Group 'A' Services : The Chairman is of the considered opinion that since NFU has been in existence for the last ten years and is being availed by all the organised Group 'A' Services it should be allowed to continue. The same will be available not only to all organised Central Group 'A' Services but also members of CAPFs, ICG and Defence forces. NFU will henceforth be based on the respective residency periods in the preceding substantive grade. All the prescribed eligibility criteria and promotional norms including 'benchmark' for upgradation to a particular level would have to be met at the time of grant of NFU. *(para 6.2.35, para 7.3.21 and para 7.3.22)*

17.56 Shri Vivek Rae, Member and Shri Rathin Roy, Member, have favoured abolition of NFU at SAG and HAG level. *(para 7.2.24)*

17.57 Chairman and Dr. Rathin Roy, Member, hold the view that the age of superannuation for all CAPF personnel should be 60 years uniformly. Shri Vivek Rae, Member, has not agreed with this recommendation and has endorsed the stand of the Ministry of Home Affairs. *(para 11.22.33 and para 11.22.34)*

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Chapter 8.17
Other Allowances : (DA)

Dearness Allowance

8.17.34 The Dearness Allowance (DA) is paid to Central Government employees to adjust the cost of living and to protect their Basic Pay from erosion in the real value on account of inflation. Presently, DA is based on the All India Consumer Price Index (Industrial Workers).

8.17.35 The JCM-Staff Side has suggested that the existing formula for the calculation of DA may continue.

Analysis and Recommendations

8.17.36 The VI CPC had recommended that the National Statistical Commission may be asked to explore the possibility of a specific survey covering government employees exclusively, so as to construct a consumption basked representative of government employees and formulate a separate index. This has, however, not been done.

8.17.37 Keeping in mind that the present formulation of DA has worked well over the years, and there are no demands for its alteration, **the Commission recommends continuance of the existing formula and methodology for calculating the Dearness Allowance.**

Chapter 8.15
Allowances related to Travel
Leave Travel Concession (LTC)

8.15.28 LTC is granted to Central Government employees to facilitate home travel as well as travel to different parts of the country. Presently two hometown visits are allowed in a block of four years with one hometown visit substitutable with "All India" visit. However, for the first two 4-year blocks, three hometown visits and one "All India" visit are permissible. LTC is not granted to an employee whose spouse is working in Indian Railways.

8.15.29 There are demands to increase the frequency of LTC, especially of the "All India" visit, and extend LTC to foreign countries also. Personnel posted on islands have requested the Commission that splitting of hometown LTC may be permitted so that their families can visit them from the mainland once a year and they (the employees) can also travel to the mainland once a year to visit the family. Personnel of Sashastra Seema Bal (SSB) have sought parity with other CAPFs for facility of Additional LTC. Railway employees have strongly represented that there are many places that are not connected by rail and in absence of LTC, they are not able to visit these places. Hence they should be allowed the facility of LTC in lieu of certain number of their free passes. Similar sentiments have also been expressed by employees whose spouses are Railway employees.

Analysis and Recommendations

8.15.30 Extension of LTC to foreign countries is not in the ambit of this Commission.

8.15.31 The proposal to split hometown LTC has merit and can be considered. Hence, it is **recommended that splitting of hometown LTC should be allowed in case of employees posted in North East, Ladakh and Island territories of Andaman, Nicobar and Lakshadweep.** This will enable these employee and their families to meet more often.

8.15.32 Presently, personnel of Defence forces serving in field/high altitude/CI Ops areas are granted one additional free railway warrant. This should be extended to all personnel of CAPFs and the Indian Coast Guard mutatis mutandis.

8.15.33 The facility of Additional LTC should be extended to SSB personnel, at par with other CAPFs.

8.15.34 Regarding bringing Railway employees (and employees whose spouses are Railway servants) into the fold of LTC, the following is recommended :

a. No hometown LTC will be admissible to Railway employees, only "All India" LTC will be granted once in four years.

b. For the grant of LTC, all passes for the current year will have to be surrendered.

c. If the employee has already availed of a pass in any year, then LTC will not be allowed in that year.

d. If both spouses are Railway servants, then surrender of passes of any one of them will suffice.

e. For the purposes of this allowance, year means Calendar year.

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