

Part III

General Principles for Pay Determination

I can tell where my own shoe pinches me

Cervantes

Section I

The Backdrop

The General Economic Situation

INTRODUCTION

34.1 One of the major factors that has to underlie our recommendations is the general economic situation in the country. Obviously, if the economy is in a mess, the employees alone cannot have a good time. On the other hand, if there is a generally upbeat mood in the country, Government employees should also share in the general prosperity.

The backdrop of the present report - the New Economic Reforms

34.2 Today, as we write the present report, the reforms under the New Economic Policy have made deep inroads into the various sectors of the Indian economy. The unleashing of the reforms package has been by far the most significant development on the economic front in the last decade. These reforms have brought India to the threshold of a new era, an era which is marked by a transition away from the strong interventionist development strategies to more open and market-oriented strategies.

The genesis of the reforms

34.3 The reforms were essentially a response to the unprecedented crisis which hit the Indian economy in 1991. This exigency had been precipitated by the reckless public spending through the 1980s and the consequent decline in the foreign exchange reserves in 1991, which fell to a level just sufficient to meet the import requirement of the country for two weeks. International credit ratings plummeted and the confidence of the financial community in our ability to manage our resources fell to an all time low. We were at the brink of default. Meanwhile, the collapse of the centrally planned economies like USSR and other East European countries discredited the planning and interventionist approach the world over. It was increasingly recognised that excessive governmental intervention could be counter-productive. Thus the role of

the Government came to be redefined. Not only the scope and areas of bureaucratic intervention underwent a radical downward revision, but the bureaucracy was now required to act as a facilitator by intervening meaningfully, and not as a controller or a regulator. The economic reforms in India represented the fruition of this philosophy.

*The content of
the reforms*

34.4 The reforms package as it unfolded over the years came to have a set of stabilisation-cum-structural adjustment measures. In the field of industry, the major initiatives consisted of liberalisation of direct discretionary controls on investment and prices and delimitation of areas reserved for the public sector. With reference to the tax structure, change resulted in simplification and rationalisation of the rates of income and excise tax rates broadening of the tax base, abolition of wealth tax on productive assets, etc. In the area of trade and exchange rates, selective abolition of import controls, reduction of import duties, partial convertibility of the rupee and simplification of rules and procedures for attracting private foreign investment were the new steps. In the financial sector, revised accounting and prudential norms were introduced, SLRs reduced and rates of interest offered by Government on its own market borrowings increased. Similar reforms were initiated in the capital market and Government's control over pricing of issues was done away with, consequent to the abolition of the office of the Controller for Capital Issues. SEBI was given statutory powers and was required to regulate the market. Private sector mutual funds and foreign institutional investors were also encouraged to operate.

POSITIVE IMPACT OF REFORMS

34.5 In what follows we summarize the major trends in the economy in the post-reform period after the year of crisis (1991-92).

*Gross Domestic
Product*

34.6 We observe that India recorded one of the fastest recoveries from a macro-economic and balance of payments crisis. The growth achieved is spectacular even by international standards. A look at the rate of growth of Gross Domestic Product at factor cost and constant prices shows a jump from 0.8% in 1991-92 to 7% in 1995-96 (See Annexe 34.1). As against the earlier years when increases of this magnitude were largely explained by high rates of growth in agriculture, the improvement since 1994-95 is being attributed to the remarkable development of industry.

*The steady
increase in
Industrial
Production*

34.7 The rate of industrial growth may be gauged from a look at the Index of Industrial Production. The annual increase in the Index of Industrial Production which had dipped to a level of 0.6% in 1991-92 rose steadily to a level of 9.3% in 1994-95 and 10.4% in 1995-96 (See Annexe

34.1) Industrial growth has not only been high during the last two years but has also been broad-based. The capital goods sector maintained its position as an important contributor to the industrial surge, with a growth rate of 26.2% and 20.4% in 1994-95 and 1995-96 respectively. In the core sector, however, while the rates of growth of coal and cement have shown acceleration, those of electricity and crude oil have declined. The Index for Industrial Production for electricity has shown a sharp drop in April-May, 1996. This is primarily on account of reduced hydro-electric generation. The Index for crude oil production also declined in the period April-May, 1996.

The deceleration in the rate of inflation

34.8 We observe that the annual rate of inflation based on the WPI declined from a level of around 14% in 1991-92 to that of 10.4% at the end of 1994-95 and 5.0% at the end of 1995-96 (See Annexe 34.1). This success in containing inflation is attributed to a combination of factors including a deceleration in monetary growth, high levels of open market sales of food grains, a liberal import policy, especially for essential commodities and a surge on the supply side associated with acceleration in the rate of growth of GDP. The slowing down of inflation was noticed across the board in primary articles like food grains, manufactured products, etc. Prices of fuel, power, light and lubricants showed moderate increases in the past but are now slated to rise as a result of the upward adjustment in their administered prices. The rate of growth of Consumer Price Index, on the other hand, fell from a level of around 14% in 1991-92 to 8.9% in 1995-96.

The turnaround in the external sector

34.9 The economic reforms also led to a marked and favourable turnaround in the performance of the external sector since the crisis of 1991. The key indicators regarding the country's position are summarized at Annexe 34.2. We observe the following trends

- i) A strong and sustained recovery in exports is observed with the rate of growth of exports in dollar terms moving up dramatically from -1.1% in 1991-92 to 20.8% in 1995-96.
- ii) The ratio of exports to imports has moved within the range of 85 to 90% in recent years compared to a mere 60% in the later half of the 80s.
- iii) There has been a substantial decline in the current account deficit as a proportion of GDP from over 3% in 1990-91 to more manageable levels in recent years.
- iv) An upsurge has taken place in foreign investment from less than \$

100 million to around \$ 4 to 5 billion in the last three years.

- v) There was an increase in foreign currency reserves from \$ 2.2 billion in March, 1991 to over \$ 20 billion in March, 1995, which however declined to \$ 17 billion in March, 1996.

34.10 Though the rise in exports remained strong at 21 per cent in dollar terms during 1995-96, the balance of payments came under some pressure because of the continuing surge in imports, high debt-service ratio on liabilities incurred in the previous years and a decline in the net portfolio investments in the form of GDR issues. The pressure on the BOP manifested in the depletion of foreign currency reserves to the extent of \$ 3 billion during 1994-95 and 1995-96, as well as the depreciation of the rupee.

AREAS OF CONCERN

*The slow growth
in agriculture*

34.11 There is also some mixed news in a few critical sectors. Initially, the percentage increase in the index of agriculture production plummeted to 2.0% in 1991-92. It, however, recovered to around 4% per annum during the period 1992-93 to 1994-95. In 1995-96 the percentage increase fell to 0.9%. Food grains production which had risen to a new peak of 191.1 million tonnes in 1994-95 may also turn out to be marginally lower at 190.4 million tonnes in 1995-96 because of a decline in wheat output. Public food stocks which peaked at a high of 35.6 million tonnes in July, 1995 declined to 22.7 million tonnes in April, 1996 because of the open market sales by FCI. The buffer stock of 22.7 million tonnes is, however, still 50% more than the norm. Reforms in the customs tariff, trade policy and exchange rates have substantially reduced the bias against agriculture. Investment in agriculture still remains an area of concern and may possibly be responsible for the recent slowdown in agriculture.

*The crisis in
infrastructure,
the power
supply shortage
and congestion
in freight
transportation*

34.12 The country is already facing a crisis in the field of infrastructure. An unprecedented power supply deficit and growing freight transport problems threaten to undermine the country's stabilization and reform efforts. The recent reforms ended decades of public sector monopoly (with the exception of railways) in infrastructure and invited the private sector to address the major infrastructure needs. While the response of the private sector to shipping, air transport and telecommunications has been strong and positive, the same cannot be said of other areas like power, roads, etc.

*The decline in
poverty and*

34.13 A key objective of India's liberalisation programme has been employment generation and poverty alleviation. The sharp

*increase in
employment*

devaluation of the rupee and the decline in protection to the manufacturing sector did turn the terms of trade in favour of agriculture on which a large segment of the population is dependent. On the other hand, the increase in prices of key commodities such as fertilizers, rice, sugar, coffee and gasoline could have put a high burden on the poor. The All India figures on the number and percentage of people below the poverty line as supplied by Planning Commission, however, shows a decline in the number of poor from 201.41 million to 168.57 million between 1987-88 and 1993-94 (See Annexe 34.3). This is supported by case studies as well as statistics on wages for unskilled agricultural labour. The 1993-94 National Sample Survey released in July, 1996 also indicates that the incidence of poverty has declined. Similarly, as per the estimates of employment given by Planning Commission, the additional employment generated appears to have gone up from a level of 3.0 million in 1991-92 to 7.18 million in 1994-95 (See Annexe 34.4). While all this is heartening, what instils disquiet in our mind is the absolute numbers of the poor and the unemployed, which still continue to be unduly large.

*The inadequate
progress in the
social sector*

34.14 The progress in the field of social sector is far from satisfactory. Indicators on demography, mortality, education, nutrition etc. show a poor performance. India which was close to China in 1960 is now far behind. The main reason is the poor delivery system. Every innovative programme seems to deliver only a fraction of the intended benefits and is almost always accompanied by high administrative costs and leakages.

CONCLUSION

34.15 The sum and substance of the preceding analysis is that we no longer stand on the brink of a macro-economic disaster as we did in 1991. Our industrial growth is buoyant and so is GDP. We have made some dent in the problems of poverty and unemployment. Inflation is largely under control. Exports are doing very well and our foreign currency reserves are comfortable. No doubt, there are areas where we should do better, as in the fields of agriculture, social services and infra structural development.

34.16 From the point of our limited perspective, **we could conclude that the economic reforms have come to stay, the economy is in a better shape than before and there is every room for optimism. There is no reason, therefore, to deny what is reasonably due to the Government employees as a class.** It cannot be gainsaid that they can also legitimately claim part of the credit for the turnaround of the economy.

KEY INDICATORS OF INDIAN ECONOMY

	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96
1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.	13.
1. Gross Domestic Product at Factor Cost (Rs. thou. crores at 1980-81 prices) (% change over previous year)	150.4	156.6 4.1	163.3 4.3	170.3 4.3	188.5 10.7	201.5 6.9	212.3 5.4	214.0 0.8	224.9 5.1	236.1 5.0	251.0 6.3	268.7 7.1
2. Index of Agricultural Production (Base triennium ending 1981-82 = 100) (% change over previous year)	N.A.	119.5 N.A.	N.A. N.A.	115.3 N.A.	140.0 21.4	143.0 2.1	148.4 3.8	145.5 -2.0	151.5 4.1	156.8 3.5	164.6 5.0	166.1 0.9
3. Foodgrain Production (million tonnes) (% change over previous year)	145.5	150.4 3.4	143.4 -4.7	140.4 -2.1	169.9 21.0	171.0 0.6	176.4 3.2	168.4 4.5	179.5 6.6	184.3 2.7	191.1 3.7	190.4 -0.4
4. Index of Industrial Production (1980-81 = 100) (% change over previous year)	130.7	142.1 8.7	155.1 9.1	166.4 7.3	180.9 8.7	196.4 8.6	212.6 8.2	213.9 0.6	218.9 2.3	232.0 6.0	253.5 9.3	279.8 10.4
5. Wholesale Price Index (1981-82 = 100) (%) (% change over previous year)	121.8	127.7 4.8	134.2 5.1	148.5 10.7	156.9 5.7	171.1 9.1	191.8 12.1	217.8 13.6	233.1 7.0	258.3 10.8	285.2 10.4	299.5 5.0

1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.	13.
6. Consumer Price Index for Industrial Workers (1982 = 100)												
	120.0	130.0	138.0	153.0	163.0	177.0	201.0	229.0	243.0	267.0	293.0	319.0
(% change over previous year)		8.3	6.2	10.9	6.5	8.6	13.6	13.9	6.1	9.9	9.7	8.9
7. Money Supply \$S (Rs. thou. crores)												
	103.2	119.6	141.8	164.3	191.5	231.0	265.8	317.0	366.8	434.4	531.4	600.5
(% change over previous year)		15.9	18.6	15.9	17.8	19.4	15.1	19.3	15.7	18.4	22.3	13.0

* April-February 1995-96
 " As on end March, percentage relate
 to point to point change in the Index
 over thye year.
 \$S As on end March.

N.A. Not Available
 Q Quick Estimates
 R Revised Advance Estimates

BALANCE OF PAYMENTS: KEY INDICATORS

(US \$ million)

Items	1990-91 (Pre- Actuals)	1991-92 (Pre- Actuals)	1992-93 (Pre- Actuals)	1993-94 (Quick Est.)	1994-95 (Quick Est.)	1995-96 (Quick Est.)
1.	2.	3.	4.	5.	6.	7.
1. Exports	18,477	18,266	18,869	22,700	26,857	32,430
2. Imports	27,914	21,064	23,237	23,985	31,672	39,445
of which POL	6,028	5,364	6,100	5,650	5,928	7,156
3. Trade Balance (1-2)	9,437	2,798	4,368	1,285	4,815	7,015
Invisibles (Net)	243	1,620	842	970	2,191	1,930
(i) Non-factor services	979	1,207	1,128	777	494	68
(ii) Investment Income	3,752	3,830	3,422	4,002	3,905	4,487
(iii) Private transfers	2,069	3,783	2,773	3,825	6,200	6,150
(iv) Grants	461	460	363	370	390	335
5. Current Account (3+4)	9,680	1,178	3,526	315	2,624	5,085
6. External assistance (Net)	2,210	3,037	1,859	1,700	1,250	996
7. Commercial Borrowings (Net) @	2,249	1,456	358	1,252	1,029	82
8. I.M.F. (Net)	1,214	786	1,288	191	1,146	1,710
9. Non-resident deposits (Net)	1,536	290	2,001	940	847	1,365
10. Rupee debt service	1,193	1,240	878	745	1,050	963
11. Foreign investment	68	154	585	4,110	4,895	4,077
12. Other Flows	2,318	271	243	1,735	1,556	1,681
13. Capital Account Total (Net)	8,402	4,754	4,254	9,183	7,381	2,166
14. Reserve Use	1,278	3,576	728	8,368	4,757	2,919

	1.	2.	3.	4.	5.	6.	7.
MEMO ITEMS							
15.	Export Growth (%)	9.0	1.1	3.3	20.3	18.3	20.8
16.	Import Growth (%)	14.4	-24.5	10.3	3.2	32.0	24.5
17.	Export-Import ratio (%)	66.2	86.7	81.2	94.6	84.8	82.2
18.	Current account-GDP ratio (%)	-3.2	-0.4	-1.8	-0.1	-0.8	-1.6
19.	Foreign Currency Assets (\$ million, end of Period)	2,236	5,631	6,434	15,068	20,809	17,044
20.	Total Debt Service Payments (\$ million)	8,982	8,250	7,658	8,347	10,955	12,625

Source : Economic Survey, 1995-96 : An Update.

@ Figures include receipt on account of India Development Bonds in 1991-92 and related repayments, if any, in the subsequent years.

+ Include among others, delayed export receipts and errors and omissions. For the year 1992-93 it also includes errors and omissions arising out of dual exchange rates applicable under the Liberalised Exchange Rate Management System (LERMS)

NUMBER AND PERCENTAGE OF POPULATION BELOW THE
POVERTY LINE - ALL INDIA

Area	1987-88 (Revised)		1993-94 (Preliminary)	
	Number (Mill.)	% age Below Poverty Line	Numbers (Mill.)	% age Below Poverty Line
1.	2.	3.	4.	5.
Rural	168.30	28.37	141.05	21.68
Urban	33.11	16.82	27.52	11.55
Total	201.41	25.49	168.57	18.96

Source: Economic Survey: 1995-96

Estimates of Employment

Year	Total Employment (in millions)	Annual (%) Increase in Employment	Additional Employment Generated (in millions)
1	2	3	4
1989-90	292.89	--	--
1990-91	298.73	1.99	5.84
1991-92	301.73	1.00	3.00
1992-93	308.31	2.18	6.58
1993-94	313.33	1.63	5.02
1994-95	320.51	2.29	7.18

Source: Economic Survey 1995-96

Financial Resources of the Central Government

- Introduction* 35. Our terms of reference require us to examine the structure of emoluments and conditions of service of Government servants having regard among other relevant factors to the resources of the Central Government and the demands placed thereon, such as those on account of economic and social development, defence and national security and requirements of sound fiscal management. In this context, a review of the finances of the Central Government has been necessitated, to assess the capacity of the Government to meet the enhanced wage bill consequent to our recommendations.
- The Finances of the Central Government* 35.2 **We observe that the position of the Central Government finances at present, although not as alarming as in 1991 is by no means comfortable.** A look at the revised estimates of the various indicators of fiscal imbalance in 1995-96 show the revenue deficit to be of the order of Rs 33,331 crores or 3.1% of GDP, the budgetary deficit to be around Rs 7,600 crores or 0.7% of GDP and the gross fiscal deficit to be Rs.64,010 crores or 5.9% of GDP (see Annexe 35.1).
- Revenue Deficit* 35.3 Revenue deficit measures the excess of revenue expenditure over revenue receipts. Prudent fiscal management would require revenue receipts not only to completely finance the revenue expenditure but also to generate enough surpluses for meeting the capital expenditure. We have a large revenue deficit, and it has moved from 2.2% in 1985-86 to 3.5% in 1990-91, to 4.1% in 1993-94, before dropping to 3.1% in 1995-96. While revenue deficit has improved in comparison to 1990-91 it continues to cause anxiety as its absolute magnitude is large. This in effect means that increasingly large proportions of high cost borrowings are being diverted to meet the deficit in the revenue account without any return flow to service the borrowings.
- Budgetary Deficit* 35.4 Budgetary deficit, broadly speaking is a measure of borrowings from the RBI. Borrowings from RBI lead to a multiple increase in money supply and thus put an upward pressure on prices. We observe that the position regarding budgetary deficit is not as alarming and as a percentage of GDP budgetary deficit

*Gross fiscal
Deficit*

35.5 Gross fiscal deficit is the most comprehensive measure of fiscal imbalance as it includes internal and external borrowings of Central Government in addition to the conventional budgetary deficit. It stood at 5.9% of GDP as per the revised estimates for 1995-96. Though the fiscal deficit as a percentage of GDP has shown a substantial drop since 1990-91 when it had peaked at 8.3%, it still hovers in the danger zone. High fiscal deficits when financed out of external sources, necessarily imply increased debt burden as well as increased debt servicing. Fiscal deficits financed out of the internal borrowings from the public, increase interest rates and crowd out private investment in productive areas. Fiscal deficits financed out of borrowings from RBI can be inflationary. If such high-cost borrowings are to be used only for investing in unproductive areas, where the returns are very low or negative, such as in loss making PSUs, or on wages and salaries of Government employees, subsidies, defence etc., the situation becomes well nigh unsustainable. Reckless borrowings, among other things, have landed countries in deep financial crises. The bursting of the Mexican bubble and the consequent insolvency of the Mexican Government is a case in point. India too had landed itself in almost a similar predicament during the economic crisis of 1991 when its fiscal deficit as a percentage of GDP had touched 8.3% and it was faced with the prospect of defaulting on its international commitments. All access to external commercial markets had then been denied to India and the international financial community's confidence in our ability to manage our finances was at an all time low.

35.6 The precariousness of the country's finances is also brought out by a look at Annexe 35.2 which spells out the financing pattern of the Eighth Plan Public Sector Outlay. The realization of the target of public sector expenditure of Rs.4,34,000 crores during the Eighth Plan crucially depends on the mobilization of adequate savings from within the economy (46.6%), contribution from public sector enterprises (34.1%) and balance from current revenues (8.1%). Trends, however, show that the Balances from Current Revenues have been negative in the past 7 years (see Annexe 35.3). The performance of the Departmental Enterprises has also been very dismal. A large gap is observed between the amount of resources targeted to be generated by the Public Sector and the actual contribution from the Public Sector during the 7th plan. A number of Public Sector Enterprises continue to be in the red and Railways, inspite of generation of surpluses, continue to depend on the centre for budgetary support. No appreciable increase is observed in the rate of savings, which appear to have reached a plateau. Deficit financing as a source of finance for the Eighth plan had been targeted at 4.6% of the total resources but one can only be sceptical about this target for the reasons mentioned above. The figures for the targeted and the realized amount of deficit financing for the 7th plan only go to confirm our apprehensions.

*The Wage Bill of
the Central
Government
Employees*

35.7 We observe that expenditure on pay and allowances of the civilian employees has risen from a level of 5422.23 crores in 1985-86 to Rs.14,708.04 crores in 1993-94 and has grown at an compound annual rate of 13.28% (See Annexe 35.4). This increase is largely explained by increase in pay of gazetted and non-gazetted officers, Dearness Allowance and other allowances which grew at 17.34%, 18.38%, 9.04% and 14.72% respectively. A very small part of the increase in the wage bill can also be attributed to the increase in the number of central government employees, who grew at compound annual rate of 0.2% as per

the economic survey data

35.8 Annexe 35.5 indicates the trends in total expenditure on pay and allowances of Defence Forces. We observe that the expenditure on pay and allowances of the defence forces has grown from a level of Rs.1915.91 crores in 1985-86 to Rs.4596.41 crores in 1993-94 at a compound annual rate of 11.56%. Thus in 1993-94 the total outgo on the pay and allowances of civilian employees as well as defence employees was roughly of the order of Rs.19,305 crores

35.9 The expenditure on pay and allowances of the civilian employees as a percentage of revenue receipts, revenue expenditure and GDP is observed to have declined steadily since 1960-61 (See Annexe 35.6). However, between 1985-86 and 1993-94, expenditure on wages and salaries as a percentage of revenue receipts seems to have increased somewhat from 19.3% to 19.5%. The expenditure on wages and salaries as a percentage of revenue expenditure on the other hand has fallen from a level of 16% in 1985-86 to 13.6% in 1993-94. This indicates that other items of revenue expenditure during this period grew faster than the expenditure on wages and salaries.

Erosion in salary levels

35.10 Our examination of the salaries of Central Government employees over the years has shown serious erosion on account of inflation, especially at the higher levels. The extent of erosion at the Secretary level is as high as 71%. Comparisons with the other sectors like the private sector and the public sector show that the government employees have been left far behind in the race and have lost their position of preeminence

35.11 We also observe that the percentage increase in salaries at the various levels in government between 1.1.86 and 1.1.96 is even lower than the percentage increase of per capita income during the same period (See table below). While the percentage increase between 1986 and 1996 in per capita NNP at current prices is 178.1, that between the emoluments (Basic+DA+IR) of the peon, LDC, UDC, Assistant, Group A JTS and Secretary is much lesser and hovers between 107.3% and 174.7%. The percentage increase in per capita income measures the average increase of incomes in the country. Surely the increase in incomes of the Government employees cannot be lesser than the average increase.

Increase in Per Capita Net National Product and Emoluments of Government Employees during 1986 and 1996

Items	1.1.1986	1.1.1996	Percent Increase
1.	2.	3.	4.
Per Capita Net National Product Rs. at current prices	2962* (1986-87)	8237** (1994-95)	178.1
Emoluments (Basic+DA+IR)			
(i) Peon	750	2060	174.7

Items	1 1 1986	1 1 1996	Percent Increase
1	2	3	4
(ii) LDC	950	2556	169.1
(iii)UDC	1200	3196	166.3
(iv) Assistant	1640	4331	164.1
(v) Group A(JTS)	2200	5776	162.5
(vi) Secretary	8000	16580	107.3

* Relates to 1986-1987

** relates to 1994-95

Capacity of the Government to pay

35.12 When we examine the argument regarding Government's capacity to pay, there are two extreme opinions that need to be considered. It can be said, and it has been said by the representatives of the employees, that there really is no limit to the Government's capacity to pay. Government can raise revenue by plugging of various loopholes, it can cut down on other non-essential items of expenditure and when everything else fails it can print money. Employees also point out that scarcity of resources does not seem to inhibit the Government when it indulges in various games of populist profligacy. Its purse-strings tighten only when the question of its own employees is raised.

35.13 Another argument given by the employees is that Government used to spend almost one-third of its revenue expenditure on wages and salaries of its employees; now it is down to 13%. The Government's argument is that this is misleading and 13% itself is too high a figure of expenditure on employees, that the fiscal deficit is too steep and has necessarily to be brought down, that Government is unable to reduce its other items of expenditure in nature and the major scope for reduction lies in the expenditure on employees.

Our Approach

35.14 We have tried to steer a middle course between the two extremes. It is true that the Government is facing a difficult budgetary situation. There is need to prune the fiscal deficit as also to keep the rate of inflation at a reasonable level. At the same time, lack of resources cannot be cited as an unalterable reason by denying the employees their due. Government itself is partly to blame by its act of lifting the lid off private sector emoluments. It has also not shown circumspection while approving wage revisions in the Public Sector probably due to pressure of employees' unions. In the case of certain high-wage islands like airline pilots, Government has gone berserk. With this unenviable record, it can hardly preach abstinence and forbearance to its employees.

35.15 What is needed is statesmanship and vision. Our leadership must aim for a style of governance in which the role of direct state involvement in the life of the citizenry is reduced to the minimum. We should have fewer but better-paid employees. We have suggested certain measures for rightsizing of the Government machinery. If the Government is serious about containing the deficit it will implement those recommendations with vigour and single-mindedness. In case the numbers can be brought down, Government can very well afford to pay its employees a decent salary.

Revenue Deficit, Budgetary Deficit, Gross Fiscal Deficit and Primary Deficit of the Centre

(Rs crores)									
Items	1985-86	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	
							(R.E.)	(B.E.)	
1.	2.	3.	4.	5.	6.	7.	8.	9.	
I. RECEIPTS									
1. Revenue Receipts	28.035	54.954	66.030	74.128	75.453	91.083	110.191	130.345	
2. Capital Receipts									
(i) Recovery of Loans	2.773	5.712	6.021	6.356	6.191	6.345	7.411	7.048	
(ii) Other receipts (disinvestment of Shares of PSUs and issue of Bonds)	..	..	3.038	1.961	-48	5.607	1.392	5.001	
(iii) Borrowings and Other Liability	16.542	33.285	29.469	27.862	49.297	56.743	56.410	55.688	
Total - I	47.350	93.951	104.558	110.307	130.893	159.778	175.404	198.082	
II. EXPENDITURE									
1. Revenue Expenditure	53.524	73.516	82.292	92.702	108.169	122.112	143.522	161.820	
(i) Non-Plan Expenditure	27.017	60.896	67.218	72.925	83.321	93.847	113.099	128.353	
(ii) Plan Expenditure	6.907	12.620	15.074	19.777	24.848	28.265	30.423	33.467	
2. Capital Expenditure	18.742	31.762	29.122	29.916	33.664	38.627	39.482	42.640	
(i) Non-Plan Expenditure	5.795	16.937	13.235	13.033	15.453	19.514	21.221	21.622	
(ii) Plan Expenditure	12.947	15.745	15.887	16.883	18.231	19.113	18.261	21.218	
Total - II	52.666	105.298	111.414	122.618	141.853	160.739	183.004	204.660	
III. Revenue Deficit (I.1 - II.1)	5.889	18.562	16.262	18.574	32.716	31.029	33.331	31.475	
IV. Budgetary Deficit (I - II)	5.316	11.347	6.856	12.311	10.960	961	7.600	6.576	
V. Gross Fiscal Deficit (IV + I.2(iii))	21.858	44.632	36.325	40.173	60.257	57.704	64.010	62.266	
VI. Primary Deficit (V - Int. Payments)	14.346	23.134	9.729	9.098	23.516	13.655	12.010	2.266	
As percent of G.D.P.									
Revenue Deficit	2.2	3.5	2.6	2.6	4.1	3.3	3.1	2.5	
Budgetary Deficit	2.0	2.1	1.1	1.7	1.4	0.1	0.7	0.5	
Gross Fiscal Deficit	8.3	8.3	5.9	5.7	7.5	6.1	5.9	5.0	
Primary Deficit	5.5	4.3	1.6	1.3	2.9	1.4	1.1	0.2	

Source: 1. Budget Documents of the Central Govt.
2. Economic Survey

Pattern of Financing the Public Sector Plan Outlay

(Rs crores)						
Items	Seventh Plan 1985-90 (at 1984-85 prices)				Eighth Plan 1992-97 (at 1991-92 prices)	
	original estimates		latest estimates		Amount	% to the Total
	Amount	% to the Total	Amount	% to the Total		
1.	2.	3.	4.	5.	6.	7.
1. Balance from current revenues at pre-Plan rates of taxes	-5249	-2.9	-12502	-7.0	35.005	8.1
2. Contribution of Public Enterprises	35.485	19.7	14.083	7.9	148.140	34.1
3. Market borrowings	30.562	17.0				
4. Small savings	17.916	10.0				
5. Provident funds	7.327	4.1	103.226	57.8	176.055	40.6
6. Misc. capital receipts (net)	12.618	7.0				
7. Term Loan from Financial Institutions	4.639	2.6			26.200	6.0
8. Inflow of Foreign resources	18.000	10.0	16.124	9.0	28.700	6.6
9. Deficit financing/uncovered gap	14.000	7.8	28.256	15.8	20.000	4.6
10. Additional resource mobilisation	44.702	24.8	31.391	17.6	*	0.0
11. Opening surplus/deficit	0	0.0	(2.008)	-1.1	0	0.0
12. Total Resources	180.000	100.0	178.570	100.0	434.100	100.0

* Included under respective Heads.

Source: Eighth Five Year Plan (1992-97) Vol. I. Planning Commission.

Balance from Current Revenues: 1989-90 to 1995-96

(Latest Estimates)

(Rs crores)			
Year	Centre	States	Total
1.	2.	3.	4.
1989-90	-4371	2917	-1454
1990-91	-9163	-1365	-10528
1991-92	-6060	-2940	-9000
1992-93	-2494	220	-2274
1993-94	-15713	-1709	-17422
1994-95	-13370	-5722	-19092
1995-96 (Annual Plan)	-14796	1642	-13154

Includes ARM committed at CMs level, a part of which may relate to SLEPs also.

Source: 1. Indian Public Finance Statistics, Min. of Finance.

2. Annual Plan - 1995-96

(Rs crores)

Pay/Allowances	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94	Annual compound GR(%) 1985-86 to 1993-94
1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.
1. Pay of Gazetted officers	148.80	156.41	220.13	446.41	450.41	450.73	498.18	512.83	565.37	562.08	17.34
2. Pay of Non-Gazetted officers	1,472.58	1,506.52	3,049.08	4,821.09	5,006.68	5,143.58	5,462.70	5,545.34	5,610.93	5,811.88	18.38
3. Dearness Allowance incl. AGA and IR	2,485.64	3,012.89	1,897.80	602.31	1,186.00	1,808.14	2,300.75	3,242.14	4,761.78	6,019.60	9.04
Sub-total-(i) (1 to 3)	4,107.03	4,675.82	5,167.01	5,869.81	6,643.09	7,400.45	8,261.63	9,300.31	10,938.08	12,393.56	12.96
4. House Rent Allowance	157.27	175.17	295.57	515.67	538.63	638.94	666.08	601.50	626.06	714.00	19.20
5. Compensatory (City) Allowance	60.25	62.57	73.07	93.07	100.47	122.06	115.04	109.74	117.46	132.20	9.80
6. Overtime Allowance	156.48	168.35	172.68	210.18	230.32	229.81	234.27	285.63	315.21	333.77	8.91
7. Composite Hill Compensatory Allow.	3.16	3.13	4.15	6.00	7.43	6.44	6.24	6.66	5.34	6.43	9.42
8. Children Education Allowance	4.05	3.60	2.76	2.90	12.38	10.13	10.54	10.77	10.11	9.17	14.99
9. Reimbursement of Tuition Fee	2.08	2.10	1.81	2.46	8.12	9.12	9.09	9.83	10.91	14.05	26.82
10. Reimbursement of Medical charges	18.65	20.27	21.25	22.59	24.66	30.41	32.50	38.23	48.61	62.64	15.15
11. Leave Travel Concession	23.49	27.35	42.26	27.39	32.76	39.08	61.75	52.95	67.32	82.51	14.54
12. Other Compensatory Allowance	113.50	123.82	133.52	195.37	238.26	281.07	290.85	328.75	409.07	403.94	15.93
Sub-total- (ii) (4 to 12)	539.33	586.26	747.07	1,075.63	1,193.03	1,367.05	1,426.36	1,444.66	1,611.09	1,758.21	14.72
Total (i)+(ii)	4,646.36	5,262.08	5,914.08	6,945.44	7,836.12	8,767.50	9,687.99	10,744.37	12,549.17	14,151.77	13.16
13. Travelling Allowance	164.98	160.15	186.17	263.58	293.51	276.12	338.63	366.55	471.96	556.27	16.84
14. Grand Total	4,811.34	5,422.23	6,100.25	7,209.02	8,129.63	9,043.62	10,026.62	11,110.92	13,021.13	14,708.04	13.28

Note: 1. This does not include the expenditure incurred on pay and allowances of employees of the Indian Missions abroad and that of Union Territory Administrations.

2. This does not include the expenditure incurred on Productivity Linked Bonus/Adhoc Bonus, Honorarium and Encashment of Earned Leave.

Source: Brochure on Pay and allowances of Central Govt. Civilian Employees.
Pay Research Unit, Min. of Finance.

Trends in Total Expenditure on Pay and Allowances of
Defence Forces

(Rs. crores)				
Year	Total Defence incl. Civil Employees	Defence Civil Employees	Defence Forces (col.2-3)	Rate of growth (%) over previous year
1.	2.	3.	4.	5.
1984-85	2,418.18	730.65	1,687.53	
1985-86	2,745.83	829.92	1,915.91	13.53
1986-87	3,436.87	830.97	2,605.90	36.01
1987-88	4,087.90	985.26	3,102.64	19.06
1988-89	4,504.85	1,171.47	3,333.38	7.44
1989-90	4,918.00	1,305.92	3,612.08	8.36
1990-91	5,094.34	1,483.92	3,610.42	-0.05
1991-92	5,626.38	1,589.19	4,037.19	11.82
1992-93	6,337.48	2,133.07	4,204.41	4.14
1993-94	7,041.75	2,445.34	4,596.41	9.32
Annual compound growth rate (%) 1985-86 to 1993-94				
	12.49	14.46	11.56	

Source: 1. Pay Cell, Ministry of Defence.

2. Pay Research Unit, Ministry of Finance.

Trend in Expenditure on Pay and allowances of Central Government
Civilian Employees as Percentage of Revenue Receipts, Revenue
Expenditure and Gross Domestic Product

(Rs crores)

Year	Expenditure on pay & allowances	Central Govt.		S.D.P. at factor cost (At current prices)	Total Exp. on Salaries as percentage of		
		Revenue Receipts	Revenue Exod.		Revenue Receipts	Revenue Exod.	G.D.P.
1.	2.	3.	4.	5.	6.	7.	8.
1960-61	417.00	1297	1246	15254	32.2	33.5	2.7
1965-66	754.00	3022	2703	24063	25.0	27.9	3.1
1970-71	1186.00	4354	4191	39708	27.2	28.3	3.0
1975-76	1886.00	8075	7188	71201	23.4	26.2	2.6
1980-81	2751.11	11937	14410	122427	23.0	19.1	2.2
1985-86	5422.23	26035	33924	233799	19.3	16.0	2.3
1986-87	6100.25	33083	40860	260030	18.4	14.3	2.3
1987-88	7209.02	37037	46174	294851	19.5	15.6	2.4
1988-89	8129.63	43591	54106	352703	18.6	15.0	2.3
1989-90	9043.62	52296	64210	408662	17.3	14.1	2.2
1990-91	10026.62	54954	73516	477797	18.2	13.6	2.1
1991-92	11110.92	66031	82291	552030	16.8	13.5	2.0
1992-93	13021.13	74128	92702	627634	17.6	14.0	2.1
1993-94	14706.04	75453	108169	707145	19.5	13.6	2.1
Annual compound GR (%) between 1985-86 & 1993-94							
		13.28	13.17	15.60	14.84		

Note: This includes HRA, CCA, OTA, CHCA, Children Education allowance, Reimbursement of medical charges and Tution fees, LTC, Travelling allowance and other compensatory allowance but does not include the expenditure incurred on pay and allowances of employees of the Indian Missions abroad and that of Union Territories or the expenditure incurred on on productivity linked bonus/ad-hoc bonus, Honararium and encashment of earned leave.

Source: 1. Brochure on Pay and Allowances of Central Govt. Employees
Ministry of Finance.

2. Budget Documents of the Central Government.

Comparison with Public Sector

General Introduction

The demands made by the staff side - the demand for parity.

36.1 The staff side of the National JCM have strongly urged that fair comparisons with public sector undertakings may be recognised as a legitimate principle of pay fixation. The demand for fair comparisons derives its thrust from the doctrine of equal pay for equal work as enshrined in the Constitution of India. The staff side have confined themselves to a comparison with the Public Sector Undertakings as the sole basis for fixation of Government salaries. It has been argued that the Central Government employees were up to the Second CPC at an advantage compared to their counterparts in the Public Sector and it is only since 1958-59 that wages of Central Government employees have started lagging behind. The wage agreements in all public sector undertakings are governed by the directives issued by the Department of Public Enterprises as the Government of India is the majority shareholder in these undertakings. It is, therefore, the obligation of the Government to remunerate its employees, a majority of whom are also industrial workers, at rates which it by itself laid down for its public sector employees. Underlying the staff side's plea for fair comparison is their demand for absolute parity with Public Sector employees at the lowest levels.

Our recognition of the need to maintain a fair relativity but not parity.

36.2 At this point we wish to clarify that our terms of reference do not explicitly require us to study the pay structure and service conditions of public sector undertakings. We have included this chapter in the report to confirm that the issues raised by the staff side have been most seriously examined by us. **We generally accept fair comparison as an essential principle of pay fixation and also concede that there is a need to maintain fair relativities vis-a-vis non-governmental sectors, be it the public sector or the private sector.**

Why we cannot concede parity.

36.3 The demand for parity with the Public Sector is however difficult to concede as we feel that the job content and conditions of service in the Government and public sector are not necessarily the same. There are essential differences between the two sectors. Most PSUs have been set up with a

multiplicity of objectives, the commercial objective being the most prominent amongst them. The government on the other hand provides fiduciary services on a no-profit-no-loss basis. In this classical domain, commercial criteria cannot be easily applied, although cost effectiveness in providing services has to be taken into consideration. The type and the scale of duties and responsibilities attached to posts in government, are without parallel outside. Even fair comparisons are rendered difficult because of the heterogeneity in the pay structure across the Public Sector Undertakings. This is widely different and not at all homogeneous especially at the level of the non executives. It is also expected, that with the latest orders linking wage revisions to productivity and permitting wage negotiations at the enterprise level, these differences within the public sector itself are likely to widen, depending on the level of productivity achieved in different segments and their commercial proficiency.

Our methodology 36.4 In spite of the above mentioned factors, we have tried to identify some broadly comparable posts and common categories within the public sector and the Government. A detailed questionnaire was circulated to all Public Sector Undertakings eliciting information on these categories. 65 undertakings responded but only 29 responses provided full information. Of these, 14 were from profit making undertakings and 15 from those suffering losses. Simultaneously Management Development Institute, Gurgaon was also engaged to carry out a study on this subject.

Broad Observations

Public Sector - the definition 36.5 The public sector has varied connotations depending on the context in which it is used. When defined most liberally, it could include all activities funded out of the Government budget including public administration, defence, departmental undertakings like Railways, Posts and Telecom, all statutory corporations and companies at the Centre and the States. The public enterprises survey refers to the non-departmental undertakings at the centre as public sector enterprises and excludes banking units from the definition. The Central Government employees have referred to all non-departmental undertakings as well as banks as public sector enterprises. We too for the purpose of our enquiry propose to interpret the expression "public sector enterprises" to include all non departmental undertakings at the centre including banks.

Size of the Public Sector 36.6 We observe that the public sector is important both in terms of the size of manpower employed in it and the size of capital invested. According to the public enterprises survey, there were 245 public enterprises (excluding banks) at the Centre in 1992-93 and the capital employed by these enterprises was of the order of Rs.1,46,971.10 crores. **The number of regular employees employed by these enterprises stood at 21.37 lakhs.** As compared to this, the number of enterprises at the centre in 1984-85 stood at 207, the capital employed was Rs.36,000 crores and labour employed 21.1 lakhs. Thus it is observed that while the number of public enterprises has increased by 48 units in the intervening period and capital employed has gone up by four times, the labour employed in the public sector has shown only a marginal increase.

Variation in pay scales even amongst the same category across PSUs 36.7 A great variation in the pay scales even amongst the same category of employees across PSUs is observed (See Annexe 36.1, 36.2 and 36.3). This variation in pay scales across the PSUs can either be explained by the difference in the date of last pay revision, or the schedule classification of the enterprises, or the hierarchy at the various levels of a PSU. In certain enterprises like Hindustan Salts Limited, Hindustan Steel Works Constructions, IRCON National Seeds Corporation etc., we observe the existence of two pay scales for the same category of employee depending on whether the employee has opted for the Central Dearness Allowance (CDA) or the Industrial Dearness Allowance (IDA). The co-existence of two pay structures for the same category of employees is an outcome of the practice of taking deputationists from the Centre. We also observe that in Bharat Electronics Limited, Hindustan Aeronautics Limited and Indian Telephone Industries there exist open-ended pay scales as against the close-ended pay scales in Central Government and other PSUs. Open-ended pay scales have no problems of stagnation associated with them and are characteristic of organisations where performance is rewarded.

Pay scales at the lowest and the highest levels 36.8 Large disparities are observed to exist in the total emoluments of the employees serving in the Public Sector and Government of India. At the lower levels, in a large number of PSEs, the total emoluments drawn by the category of peons/ messengers is more than that drawn by the peon in Central Government (see Annexe 36.1). At the higher levels say the entry grade officers or the highest functionary, the Central Government Employees are seen to have an edge over the Public Sector employees as on 1.1.95 (See Annexe 36.2, 36.3 and 36.4). At the lower levels the disparities are caused primarily by the higher basic pay given by the Public Sector Undertakings. This is a result of the frequency of wage revisions in Public Sector Enterprises as well as the fact that the IDA prior to July 95 in PSEs was more lucrative than the CDA in Government at the lower levels. The total emoluments at the higher levels are found to be higher in Government primarily because the CDA formula adopted by the Government is more favourable to the employees at the top than the IDA formula adopted in PSEs. This is because compensation for price increase under CDA is linked not just to the Consumer Price Index but also to the pay, unlike in IDA. At this point it may be clarified that while this was the position as on 1.1.95, by a recent order No 2(50)/86-DPE(WC), dated 19 July, 1995, the Dearness Allowance formula in PSEs has also been linked to CPI as well as to pay in similar fashion as in the Central Government w.e.f. 1.4.92. This has reduced the edge the Central Government employees enjoyed at the higher levels. Additionally, it may be mentioned that even before this change in the Industrial DA was effected in the PSEs, the "unlimited" entertainment allowance available to the CEOs in PSEs more than compensated for the disadvantage in the dearness allowance and gave him a relative advantage in terms of his total pay packet. This observation is fully substantiated by the MDI study which has reported that the CEOs in PSEs are entitled to several allowances like club membership allowance, credit card allowance, guest entertainment allowance etc. not available to Secretaries in Government of India. The study after quantifying the non-monetized perks has found that while a CEO in the public sector costs Rs.57,262 per month on an average, a Secretary to Government of India costs Rs.44,817 per month.

Frequency of pay revisions 36.9 We observe that the pay revisions in the public sector are more frequent than that in the Government. Beginning 1973, four wage agreements had been concluded in the public sector and in 1993 the fifth round of wage negotiation

was taken up. Thus within a span of 22 years, five wage agreements were taken up implying thereby a pay revision every four years or so in the Public Sector. In contrast, Pay Commissions in the Central Government are set up only at intervals of 10 to 13 years.

Collective bargaining

36.10 Wage negotiations in the public sector take place through a system of collective bargaining, unlike the Central Government where wage revisions are based on the recommendations of Pay Commissions. We observe that the date of commencement and expiry of the wage agreements between the executives and the non-executives in each PSE varies (See Annexe 36.4). Such differences in the wage agreements between executives and non-executives also cause problems in matters of pay fixation when the non-executives are promoted to the executive cadre. In the case of workmen, which is the unionised staff under the non-executives, the management of the Central PSEs have vide order No 1(3)/86-DPE(WC) dated 12.4.93 and 17.1.94 now been given full autonomy to enter into wage negotiations subject to the proviso that there is no increase in the labour cost per physical unit of the output, no increase in the budgetary support for meeting the enhanced liability on account of the revised wages and no consequent increase in the administered prices, wherever such pricing exists. In the case of officers, however, DPE with the approval of CCEA issues revised "model" scales of pay corresponding to the existing scales of pay. After issuing the model scales, the Officers' Association is consulted on these pay scales either by the Management or the Government. The Management of the PSEs is then required to adopt the model scales of pay with the approval of the Government. DPE has recently in July, 95 issued the revised scales of pay for the officers. While profit-making PSEs are allowed to adopt these scales of pay straightaway, PSEs making losses in the past 3 years require the approval of the Government, which needs to be satisfied regarding how the additional resources for wage revision are to be generated. In the case of units referred to BIFR, pay revision and grant of other benefits is allowed only if it is decided to revive the unit and the revival package includes the enhanced liability on this account.

Dearness Allowance

36.11 In the public sector, two systems of dearness allowance are prevalent at present, namely, the IDA and the CDA. Banks follow a distinct formula of their own for Dearness Allowance. Out of the 245 Central Public Sector Enterprises (excluding Banks), 197 are on the IDA pattern while 48 continue to be on CDA pattern. Approximately, 95% of the total 22-lakh workforce in all these PSEs are on IDA pattern. The IDA pattern in PSEs used to give DA @ Rs.2 per point increase beyond 800 w.e.f. 1.1.89. However, this position has now come to be changed and vide BPE orders dated 19th July, 1995 and 26th July, 1995 a new DA formula on lines similar to the CDA has been implemented for both executives and non-executives.

36.12 Dearness Allowance in the public sector is now paid for the increase in AICPI above the quarterly index average of 1099 as on 1.1.92, to which the revised pay scales are related. The percentage increase in the AICPI is calculated on the base of 1099 and neutralisation to employees in different pay ranges is made at the following rates:-

Pay ranges-Basic pay	Neutralisation percent
----------------------	------------------------

Up to Rs 3500	100
Rs 3501-Rs 6500	75
Rs 6501-Rs 9500	60
Rs 9500 and above	50

The dearness allowance payable is subject to a minimum of Rs 2 per point shift in the quarterly average beyond 1099 w e f 1 1 92. Thus while Dearness Allowance was earlier linked only to pay in PSEs, it is now linked to both the increase in AICPI as well as pay on the Government pattern.

*City
Compensatory
Allowance*

36.13 We observe from the latest orders on CCA that PSU employees on IDA pattern are paid CCA at rates varying between 6% of the basic pay subject to maximum of Rs 100 in A class cities to 4.5% and 3.5% of basic pay subject to maximum of Rs 75 and Rs 25 in B1 and B2 cities respectively. The payment of City Compensatory Allowances in the enterprises on CDA pattern is the same as that in Central Government and is found to vary between Rs 20 and Rs 100. CCA in Central Government is, however, paid as a lump sum and not as a percentage of the basic (See Annexe 36.5)

*House Rent
Allowance*

36.14 As per the latest orders of DPE, House Rent Allowance in the Public Sector Undertakings is payable at 30% of the basic pay in Mumbai and Delhi. In other places i.e. other A, B1, B2 and C class cities or unclassified areas, the amount of HRA payable is 25%, 15% and 10% of basic pay respectively. These rates are in the nature of ceilings. Payment of HRA at these rates is subject to the proviso that the employee himself bears 10% of basic pay towards the cost of the house. In addition, production of a rent receipt from the landlord or valuation certificate issued by the Municipal Authority is also necessary. The ceilings for payment of HRA in PSEs without production of rent receipt, for executives and non-unionised supervisors on IDA and CDA patterns are as follows:-

City	IDA pay scale	CDA pay scale
Delhi, Mumbai	Rs. 1500 p.m.	Rs. 1250 p.m.
Other 'A' class cities	Rs. 1500 p.m.	Rs. 1000 p.m.
B1, B2 class cities	Rs. 750 p.m.	Rs. 340 p.m.
Unclassified areas	Rs. 450 p.m.	Rs. 310 p.m.

The HRA rates existing in the Central Government at present in A Class cities.

on the other hand, are found to vary between Rs 150 and Rs 1000 and thus are not as attractive as the PSUs

<i>Hill Compensatory Allowance</i>	36.15	We observe that Hill Compensatory Allowance (HCA), is paid only in a few PSEs. It also varies across the public sector enterprises. In certain Oil companies like HPCL and IOC, both Hill Compensatory Allowance and Winter Allowance is paid for a period of 6 months @ Rs 400 per month for officers and Rs 200 per month for non-officers. In banks like Indian Overseas Bank, State Bank of Hyderabad and LIC, HCA is paid as a percentage of the basic pay and varies according to height between Rs 110 at the lowest level to Rs 600 at the highest level. In Central Government this allowance varies between Rs 50 at the lowest level and Rs 150 at the highest level. Thus HCA as payable in certain Oil companies and Banks is more attractive than in the Central Government as on 1.1.95 (See Annexe 36.6)
<i>Medical Benefits.</i>	36.16	The major PSEs like BHEL, SAIL, NTPC AND Oil Group of Companies maintain their own dispensaries and hospitals for treatment of their employees and dependents. In other Undertakings, employees avail themselves of the services of ESI hospitals. The enterprises which neither have their own dispensary/hospital nor are covered by the ESI provide for reimbursement of medical expenses subject to certain limits. For domiciliary treatment, employees are allowed reimbursement of actual expenses subject to a ceiling of one month's salary comprising of basic pay and dearness allowance. In the case of hospitalisation reimbursement of actual expenses incurred for treatment from a hospital recognised by the enterprise concerned is permitted. However reimbursement is restricted to the rates prescribed by the All India Institute of Medical Science, New Delhi when treatment is availed from hospitals other than those recognised by the enterprise concerned.
<i>Age of Superannuation.</i>	36.17	The age of superannuation for all categories of employees in most of the undertakings is 58 years. However in some of the enterprises like India Trade Promotion Organisation, Food Corporation of India, Nuclear Power Corporation of India, Rural Electrification Corporation Limited, Mahanadi Coal Fields the age of superannuation is 58 years for Group 'A', 'B' and 'C' employees and 60 years for Group 'D' employees as is the case for Central Government employees.
<i>Death-cum- Retirement Gratuity</i>	36.18	Gratuity is payable to an employee on his superannuation or on death. The rate of fifteen days wages for each completed year of service is found to be fairly uniform across PSUs for retirement gratuity. Similarly, the eligibility limit in terms of minimum years of service required as well as the ceiling on retirement gratuity is fairly uniform and is fixed at 5 years and 1-lakh in most PSEs. In Government however, the ceiling on retirement gratuity has been recently increased to Rs.2.5 lakhs. Similarly, the eligibility, as well as the rate of death of gratuity is fairly uniform across the PSUs as well as government. (See Annexe 36.7).
<i>Provident Fund.</i>	36.19	Some variation across PSEs is also noticed in the employee's and employer's contribution to the provident fund. The contributions from the employer and employee are observed to vary between 8 1/3% of pay to 10% of pay. Pay is variously interpreted to include fixed DA and/or variable DA. (See Annexe 36.8)

36.20 A Model Voluntary Retirement Scheme for the Public Sector employees was notified by Government of India on 5th October, 1988 with the primary objective of pruning surplus manpower and to ensure optimisation of labour use in the various PSEs. In general, regular employees of Central PSEs who have completed at least ten years of service or have attained 40 years of age are eligible to seek voluntary retirement. Benefits accruing to employees under the scheme include ex-gratia payment equivalent to 1 ½ months' emoluments (basic+DA) for each completed year of service or the monthly emoluments at the time of retirement multiplied by the balance months of service left before normal date of retirement, whichever is less. The other statutory benefits such as provident fund, gratuity and encashment of leave as per entitlement under the rules would also be admissible to employees seeking voluntary retirement. Some of the enterprises also meet travelling expenses for the employee and his family as per the entitled class to the place where he intends to settle down. Finally, it is the management of the concerned PSU which enjoys the discretion whether to grant voluntary retirement or not. As per the available information 1,76,954 employees opted for voluntary retirement till 31.3.95 since the inception of the scheme in 1988. In Government however, one needs to have served for at least 20 years to be eligible for voluntary retirement.

36.21 There is no uniformity in the promotion policy across the various PSEs. Promotion policy is observed to differ across grades and categories of employees. While in some grades/enterprises, seniority-cum-merit is followed as a criterion for time-bound promotions or promotion to vacancy-related posts, in others selection or fast track promotions are favoured to reward and motivate employees for outstanding performance. In general, performance of the employees is evaluated on the basis of annual confidential reports as in the case of the Central Government.

CONCLUSION

36.22 In conclusion it must be reiterated that we cannot concede the principle of parity as between Government and the public sector. Making a fair comparison, we have tried to bring about a certain change in the relativity, in order to improve the condition of Central Government Employees. These measures include the following

- a) In order to ensure that Central Government Employees do not suffer from increase in cost of living due to non-revision of salaries for a decade or more, we have suggested a permanent pay body which would recommend annual revision of salaries. Alternatively, we have recommended a fixed 10 year period for the application of the recommendations of successive pay bodies. In that case, it has also been suggested that there should be a conversion of DA into Dearness Pay which should be counted for all purposes every time the cost of living index goes up by 50%.
- b) HRA has been changed to a percentage basis. In A-1 cities it will now be 30% of the maximum of the scale.

36.20 A Model Voluntary Retirement Scheme for the Public Sector employees was notified by Government of India on 5th October, 1988 with the primary objective of pruning surplus manpower and to ensure optimisation of labour use in the various PSEs. In general, regular employees of Central PSEs who have completed at least ten years of service or have attained 40 years of age are eligible to seek voluntary retirement. Benefits accruing to employees under the scheme include ex-gratia payment equivalent to 1 ½ months' emoluments (basic+DA) for each completed year of service or the monthly emoluments at the time of retirement multiplied by the balance months of service left before normal date of retirement, whichever is less. The other statutory benefits such as provident fund, gratuity and encashment of leave as per entitlement under the rules would also be admissible to employees seeking voluntary retirement. Some of the enterprises also meet travelling expenses for the employee and his family as per the entitled class to the place where he intends to settle down. Finally, it is the management of the concerned PSU which enjoys the discretion whether to grant voluntary retirement or not. As per the available information 1,76,954 employees opted for voluntary retirement till 31.3.95 since the inception of the scheme in 1988. In Government however, one needs to have served for at least 20 years to be eligible for voluntary retirement.

36.21 There is no uniformity in the promotion policy across the various PSEs. Promotion policy is observed to differ across grades and categories of employees. While in some grades/enterprises, seniority-cum-merit is followed as a criterion for time-bound promotions or promotion to vacancy-related posts, in others selection or fast track promotions are favoured to reward and motivate employees for outstanding performance. In general, performance of the employees is evaluated on the basis of annual confidential reports as in the case of the Central Government.

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- b) HRA has been changed to a percentage basis. In A-1 cities it will now be 30% of the maximum of the scale.

- c) **Gratuity will be calculated on the Basic Pay and DA on the date of an individual's retirement.**
- d) **Uniforms have been abolished** for most of the Group D employees and they have been **awarded an attire allowance of Rs.100 instead.**

*Need for National
Wage Policy* 36.23

With the loosening of controls over the public sector, Government may no longer be able to maintain a tight control over the compensation packages of the PSEs who have now been allowed to negotiate separate pay-scales with their unions. **This, however, underlines the need for a national wage policy, so as to ensure a broad measure of uniformity across the various sectors of the economy.**

PAY SCALE IN SELECTED PUBLIC SECTOR UNDERTAKINGS AT THE MINIMUM OF THE SCALE
I.E. PROM/MESS/ENGINEER ETC. AS ON 1.1.1995

Undertaking	Net Profit /Net Loss 1992-93 (Rs crores)	As on	Total Emoluments as on 1.1.1995 (Rs.)							Remarks	
		(Rs.)	Basic	FDA	VDA	HRA	CCA	Bonus	Others	Total	

1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.	13.	
1.	Air India Ltd.	333.14	1-10.85	1080-15-1245-20-1305 -25-1330-30-1360	1,080	..	1,563	462	82	500	..	3,687	Pay Scales due for revision w.e.f. 1.9.1990
2.	Bharat Electronics Ltd.	30.93	1.1.92	1880/- (open ended with rate of incre- ment @ 2% p.a.)	1,880	..	712	470	100	..	..	3,162	..
3.	Bharat Aluminium Co. Ltd.	1.86	1.4.89	1350-20-1650	1,350	200	1,164	405	81	500	..	3,700	..
4.	Bharat Heavy Electricals Ltd.	133.16	1.9.86	1086-20-1386	1,086	200	1,463	109	..	..	..	2,858	..
5.	Bharat Vanra Nigam Ltd.	N.A.	1.1.87	1112-20-1412	1,112	200	1,431	167	50	..	..	2,960	Pay Scales due for revision w.e.f. 1.1.1992
6.	Bongalazom Refinery and Petro Chemicals Ltd.	29.01	1.7.88	1040-20-1200-25-1425 -30-1665	1,040	140	1,522	141	..	320	..	3,163	Pay Scales due for revision w.e.f. 1.7.1992
7.	Cement Corporation of India	(-) 52.08	1.1.89	1035-20-1235- 22-1345	1,035	102	1,444	311	62	..	..	2,954	Pay Scales due for revision w.e.f. 1.1.1992
8.	Cochin Shipyard Ltd.	(-) 7.95	1.4.88	1200-20-1300- 22-1520	1,200	200	1,335	180	75	..	..	2,990	..
9.	Dredging Corporation of India Ltd.	14.88	1.4.89	1320-20-1400- 25-1750	1,320	175	1,199	231	59	50 (canteen subsidy)	..	3,034	Pay Scales due for revision w.e.f. 1.2.1993

1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.	13.
10. Delhi Transport Corporation	(-)246.22	1.1.86	775-12-955-EB-14-1025 (CDA scales)	775	..	969	150	30	..	100 (IR)	2,024	
11. Engineers India Ltd.	29.35	1.1.92	2100-25-2300-35-2510-45-2960-60-3020	2,100	..	710	630	100	..	..	3,540	
12. Ferro Scrap Nigam Ltd.	8.47		1350-20-1630	1,350	200	1,214	75	20	275	..	3,134	
13. Fertilizer Corporation of India Ltd.	(-)225.98	1.1.87	1100-40-1400	1,100	141	1,488	330	66	227	..	3,352	
14. Food Corporation of India Ltd.	1.68	1.8.87	1230-35-1440-45-1755 (IDA) 800-15-1010-20-1150 (CDA)	1,230	120	1,364	369	74	..	..	3,157	Pay Scales due for revision w.e.f. 1.1.1992
15. Garden Reach Ship Builders and Engineers Ltd.	23.35		1100-20-1260-23-1490	1,100	336	1,204	275	66	..	..	2,981	Pay Scales due for revision w.e.f. 1.2.1992
16. Hindustan Aeronautics Ltd.	52.34	1.1.92	1880/- (open ended with rate of increment of 2% p.a.)	1,880	..	660	470	100	..	..	3,110	
17. Hindustan Fertilizer Corporation Ltd.	(-)349.45	1.1.87	1100-20-1400	1,100	141	1,488	330	66	..	..	3,125	
18. Hindustan Salts Ltd.	(-)90.11	1.1.89	750-12-870-14-940 (IDA) 750-12-870-EB-14-940 (CDA)	750	..	1,444	113	30	..	..	2,337	
19. Hindustan Shipyard Ltd.	(-)113.95	1.2.90	1400-20-1760 (Unskilled labourer) 1430-25-1655-30-1985 (Peon)	1,400	300	1,123	210	63	..	100 (IR)	1,931	
20. Hindustan Steel Works Construction Co. Ltd.	(-)75.74	1.1.86	750-12-870-14-940 (CDA) 1035-1345 (IDA)	1,430	300	1,123	215	64	..	..	3,096	
				750	..	855	113	20	133	..	1,871	
				1,035	..	1,545	155	20	133	..	2,888	

1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.	13.
21. Indian Railway Construction Co. Ltd.	17.40	1.1.87	650-15-905 (IDA) 750-12-870-EB- 14-940 (CDA)	650 750	..	1,444 938	195 225	30 30	320	..	2,639 1,943	..
22. Indian Telephone Industries	85.89	1.1.92	2100-30 (open ended)	2,100	90	712	525	100	..	..	3,527	..
23. Life Insurance Corporation of India		1.8.87	815-25-840-35-1260- 40-1380-45-1470-50- 1520	815	..	1,092	82	57	240	..	2,286	..
24. Manganese Ore (India) Ltd.	10.49	1.1.89	1030-17-1387	030	100	1,240	258	62	..	..	2,690	Pay Scales due for revision w.e.f. 1.8.1992
25. Mica Trading Corporation of India Ltd.	(-)8.21	1.11.87	1350-10-1420-15- 1495-20-1615	350	100	1,311	338	75	..	..	3,174	..
26. Mineral Exploration Corporation Ltd.	(-)10.34	1.1.92	1125-20-1425	1,125	265	1,337	150	68	..	..	2,945	..
27. National Seeds Corporation Ltd.	(-)5.87	1.1.86	750-12-870-EB- 14-940 (CDA) 1035-20-1235-22- 1345 (IDA)	750 1,035	..	938 1,444	150 311	35 62	..	100 (IR)	1,973 2,954	..
28. Rail India Technical and Economic Services Ltd.	8.20	1.1.92	650 905	650	..	656	195	30	261	..	1,792	..
29. Projects & Equipment Corporation of India Ltd.	0.33	1.11.87	1100-10-1170	1,100	100	1,311	330	88	..	..	2,929	Pay Scales due for revision w.e.f. 11.1.1992
30. Government of India		1.1.86	750-12-870-14-940	750	..	938	150	35	136	100 (IR)	2,109	..

Source: Data collected by the Fifth Central Pay Commission.

**PAY SCALES IN SELECTED PUBLIC SECTOR UNDERTAKINGS AT THE MINIMUM OF THE SCALE
FOR ENTRY GRADE OFFICERS AS ON 1.1.1995**

Undertaking	Net Profit /Net Loss 1992-93 (Rs crores)	Pay Scale		Total Emoluments as on 1.1.1995 (Rs.)								Remarks
		As on	(Rs.)	Basic	FDA	VDA	HRA	CCA	Bonus	Others	Total	
1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.	13.
1. Air India Ltd.	333.14	1. 1.87	2005-50-2105-60- 2825-70-2965	2,005	..	1,563	872	100	525	..	5,065	Pay Scales due for revision w.e.f. 1.1.1992
2. Bharat Electronics Ltd.	30.93	1. 1.87	2200-100-3600	2,200	..	1,447	550	100	..	..	4,297	Pay Scales due for revision w.e.f. 1.1.1992
3. Bharat Aluminium Co. Ltd.	1.86	1. 1.89	2500-120-4300	2,500	..	1,444	750	100	..	..	4,794	..
4. Bharat Heavy Electricals Ltd.	133.16	1. 9.86	2500-120-4300	2,500	250	1,444	..	..	..	..	4,194	..
5. Bharat Yantra Nigam Ltd.	N.A.	1. 1.87	*2500-120-4300	2,500	..	1,444	375*	75	..	..	4,394	Pay Scales due for revision w.e.f. 1.1.1992
6. Bongaigaon Refinery and Petro Chemicals Ltd.	29.01	1. 1.89	2500-120-4300-130- 4820 (IDA)	2,500	..	1,444	250	..	320	..	4,514	Pay Scales due for revision w.e.f. 1.1.1992
			2200-75-2800-EB- 100-4000 (CDA)	2,200	..	2,750	220	..	..	100 (IR)	5,270	
7. Cement Corporation of India	(-) 52.08	1. 1.89	2500-120-4300	2,500	..	1,444	750	100	..	..	4,794	Pay Scales due for revision w.e.f. 1.1.1992
8. Cochin Shipyard Ltd.	(-) 7.95	1. 4.88	2400-100-3000- 120-4320	2,400	..	1,444	360	75	..	..	4,279	..
9. Dredging Corporation of India Ltd.	14.88	1. 1.87	2400-120-4320	2,400	..	1,444	360	75	..	50 (canteen subsidy)	4,329	Pay Scales due for revision w.e.f. 1.1.1992

1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.	13.
10. Delhi Transport Corporation	(-)246.22	1. 1.86	2200-75-2800-EB-100-4000	2,200		2,750	450	100	..	100 (IR)	5,600	..
11. Engineers India Ltd.	29.35	1. 1.89 1. 1.86	2350-100-4150 (IDA) 2000-60-2300-75-3200 (CDA)	2,350 2,000		1,444 2,500	705 600	100 100	.. ..	500 100	5,099 5,300	Pay Scales (IDA) due for revision w.e.f. 1.1.1992
12. Ferro Scrap Nigam Ltd.	8.47		2200-100-3600	2,200		1,444	220	100	500	..	4,464	..
13. Fertilizer Corporation of India Ltd.	(-)225.98	1. 1.87	2400-100-3000-120-4320 (IDA)	2,400		1,444	720	100	..	..	4,664	..
14. Food Corporation of India Ltd.	1.68	1. 8.87 1. 1.86	2500-120-4300 (IDA) 2200-75-2800-100-4000 (CDA)	2,500 2,200		1,444 2,750	750 660	100 100	.. ..	.. ..	4,794 5,710	Pay Scales due for revision w.e.f. 1.1.1992
15. Garden Reach Ship Builders and Engineers Ltd.	23.35		2200-100-3600	2,200		1,444	550	100	..	..	4,294	..
16. Hindustan Aeronautics Ltd.	52.34	1. 1.87	2200-100-3600	2,200		1,444	550	100	..	..	4,294	Pay Scales due for revision w.e.f. 1.1.1992
17. Hindustan Fertilizer Corporation Ltd.	(-)349.45	1. 1.87	2400-100-3000-120-4320	2,400		1,444	720	100	..	..	4,664	..
18. Hindustan Salts Ltd.	(-)0.11	1. 1.89	2400-120-4320 (IDA) 2200-75-2800-EB-100-4000 (CDA)	2,400 2,200		1,444 2,750	360 330	100 100	.. ..	.. ..	4,304 5,380	..
19. Hindustan Shipyard Ltd.	(-)113.95	1. 1.87	2400-100-3000-120-4320	2,400		1,444	360	75	..	..	4,279	Pay Scales due for revision w.e.f. 1.1.1992
20. Hindustan Steel Works Construction Co. Ltd.	(-)75.74	1. 1.86	2200-4000 (CDA) 2400-4320 (IDA)	2,200 2,400		2,750 1,444	330 360	20 20	.. ..	.. ..	5,300 4,224	..
21. Indian Railway Construction Co. Ltd.	17.40	1. 1.87 1. 1.86	2400-120-4320 (IDA) 2200-75-2800-EB-100-4000 (CDA)	2,400 2,200		1,444 2,750	720 660	100 100	.. ..	.. ..	4,664 5,710	..

1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.	13.
22. Indian Telephone Industries	85.89	1. 1.87	2500-120-4300	2.500	..	1,444	625	100	..	..	4,669	Pay Scales under revision
23. Life Insurance Corporation of India		1. 8.87	2100-120-4260	2.100	..	2,814	263	147	..	..	5,324	..
24. Manganese Ore (India) Ltd.	10.49	1. 1.89	2200-100-3600	2.200	..	1,358	550	100	..	..	4,208	Pay Scales due for revision
		1. 1.86	2000-60-2300-EB-75-3200-100-3500	2.000	..	2,500	625	100	..	..	5,225	w.e.f. 1.1.1992
25. Mica Trading Corporation of India Ltd.	(-18.21	1. 1.87	2450-120-4370	2.450	..	1,444	368	75	..	..	4,337	..
26. Mineral Exploration Corporation Ltd.	(-110.34	1. 1.89	2200-100-3600 (IDA) 2000-3500 (CDA)	2.200 2.000	..	1,444 2,280 (17.94)	550 500	100 100	..	..	4,294 4,880	..
27. National Seeds Corporation Ltd.	(-15.87	1. 1.86	2200-75-2800-EB-100-4000 (CDA)	2.200	..	2,750	450	100	..	100 (IR)	5,600	..
		1. 1.89	2400-120-4320 (IDA)	2.400	102	1,444	720	100	..	..	4,766	..
28. Rail India Technical and Economic Services Ltd.	8.20	1. 1.92	3500-150-6200	3.500	..	1,050	1,050	100	..	..	5,700	Revised w.e.f.19.7.95
29. Projects & Equipment Corporation of India Ltd.	0.33	1. 1.87	2450-120-4370 (IDA)	2.450	..	1,444	735	100	..	..	4,729	Pay Scales due for revision
30. Government of India		1. 1.86	2200-75-2800-EB-100-4000	2.200	..	2,750	450	100	..	100 (IR)	5,600	..

Source: Data collected by the Fifth Central Pay Commission.

Pay Scales in selected Public Sector Undertakings at the minimum of the Scale for the Highest Functionary as on 1.1.1995

Undertaking	Designation	Pay Scale		Total Emoluments as on 1.1.1995 (Rs.)									Remarks
		As on	(Rs.)	Basic	FDA	VDA	HRA	CCA	Bonus	Others	Total		
1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.	13.	
Air India Ltd.	Managing Director	1. 1.87	13500-500-15000	<	<	<	Not Available	<	<	<	<	<	
Bharat Electronics Ltd.				<	<	<	Not Available	<	<	<	<	<	
Bharat Aluminium Co. Ltd.		1. 1.89	7250-200-8250 (IDA) 5900-200-6700 (CDA)	<	<	<	Not Available	<	<	<	<	<	
Bharat Heavy Electricals Ltd.	Chairman & Managing Director	1. 9.86	9000-250-10000	9,000	900	1,444					11,344		
Bharat Yantra Nigam Ltd.	General Manager	1. 1.87	7250-200-8250	7,250	1,444	1,444	1,000	75			9,769	Pay Scales w.e.f. 1.1.1992	
Bongachan Refinery and Petro Chemicals Ltd.	General Manager (Function)	1. 1.89 1. 1.86	7250-200-8250 (IDA) 5900-200-6700 (CDA)	7,250 5,900								Pay Scales w.e.f. 1.1.1992	
Cement Corporation of India	Executive Director	1. 1.89	7250-200-8250	7,250								Pay Scales w.e.f. 1.1.1992	
Dredging Corporation of India Ltd.	General Manager	1. 4.89	6250-175-7475	6,250		1,444	938	75			8,707	Pay Scales w.e.f. 1.1.1992	
Delhi Transport Corporation	Chief General Manager	1. 1.86	4500-150-5700	<	<	<	Not Available	<	<	<	<	<	

1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.	13.
10. Engineers India Ltd.	Executive Director	1. 1.89	8250-200-9250 (DDA)	8,250								Pay Scales due for revision w.e.f. 1.1.1992
11. Ferro Scrap Nigam Ltd.	General Manager		6250-175-7475	6,250								
12. Fertilizer Corporation of India Ltd.	Chairman & Managing Director	1. 1.87	8500-200-9500	8,500								
13. Food Corporation of India Ltd.	Executive Director Zonal Manager	1. 1.87	7250-200-8250	7,250		1,444	1,000	100			9,792	Pay Scales due for revision w.e.f. 1.1.1992
14. Garden Reach Ship Builders and Engineers Ltd.	Chief General Manager		7250-200-8250	7,250								
15. Hindustan Aeronautics Ltd.	Chairman		9000/- (Fixed)	9,000		1,444	1,000	100			11,544	
16. Hindustan Fertilizer Corporation Ltd.	Chairman & Managing Director	1. 1.87	8500-200-9500 (CDA)	8,500		6,885	1,000	100			16,485	
17. Hindustan Salts Ltd.	Group General Manager	1. 1.89 1. 1.86	6250-175-7475 (DDA) 5100-150-5700-200-6300 (CDA)	6,250 5,100								
18. Hindustan Shipyard Ltd.	Chairman & Managing Director	1. 1.87	8500-200-9500	8,500								Pay Scales due for revision w.e.f. 1.1.1992
19. Indian Railway Construction Co. Ltd.	Group General Manager	1. 1.87 1. 1.86	7250-200-8250 5900-200-6700	7,250 5,900								
20. Indian Telephone Industries	Executive Director	1. 1.87	8250-200-9250	2,500		8,250						Pay Scales under revision

	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.	13.
21. Life Insurance Corporation of India	1. 1.86	7500-125-8000	<		Not Available						
22. Manganes Ore (India) Ltd.	1. 1.89 1. 1.86	6250-175-7475 (IDA) 5100-150-5700- 200-6300 (CDA)	6,250 5,100		1,358	1,000	100			8,708	Pay Scales due for revision w.e.f. 1.1.1992
23. Mica Trading Corporation of India Ltd.	1. 1.87	5200-160-6000- 175-6875	5,200		1,444	780	75			7,499	
24. Mineral Exploration Corporation Ltd.	1. 1.89	7250-200-8250	<		Not Available						
25. National Seeds Corporation Ltd.	1. 1.86 1. 1.89	4500-150-5700 (CDA) 5550-165-6870 (IDA)	4,500 5,550		4,375 1,444	1,000 1,000	100 100		100 (IR)	10,075 8,094	
26. Rail India Technical and Economic Services Ltd.	1. 1.92	12000-400-14000	<		Not Available						
27. Projects & Equipment Corporation of India Ltd.	1. 1.87	8500-200-9500	8,500		1,444	1,000	100			11,044	
28. Government of India	1. 1.86 1. 1.86	9000/- (Fixed) 8000/- (Fixed)	9,000 8,000		7,290 6,480	1,000 1,000	100 100		100 (IR) 100 (IR)	17,490 15,680	

Source: Data collected by the Fifth Central Pay Commission.

**TOTAL EMOLUMENTS INCLUDING PAY, FDA, VDA AND IR AT THE
MINIMUM OF THE PAY SCALE FOR SOME COMMON CATEGORIES
IN THE PUBLIC SECTOR AND CENTRAL GOVERNMENT AS ON 1.1.95**

Undertaking	Net Profit /Net Loss 1992-93 (Rs crores)	Unskilled Worker	Entry Grade Clerk	Staff Car Driver	Entry Grade Officer	Highest Function- ary	Last Pay Revision	
							Non- Executive	Executive
1.	2.	3.	4.	5.	6.	7.	8.	9.
1. Air India Ltd.	333.14	2,643	2,748	2,748	3,568	N.A.	1.10.1985	1.1.1987
2. Bharat Electronics Ltd.	30.93	2,592	2,767	2,962	3,647	N.A.	1.1.1992	1.1.1987
3. Bharat Aluminium Co. Ltd.	1.86	2,714	2,814	2,814	3,944	N.A.	1.4.1989	1.1.1989
4. Bharat Heavy Electricals Ltd.	133.16	2,749	2,809	N.A.	4,194	11,344	1.9.1986	1.9.1986
5. Bharat Yantra Nigam Ltd.	N.A.	2,743	2,731	2,773	3,944	8,694	1.1.1987	1.1.1987
6. Bongaigaon Refinery and Petro Chemicals Ltd.	29.01	2,702	2,897	2,762	3,944	N.A.	1.7.1988	1.1.1989
7. Cement Corporation of India	(-) 52.08	2,581	2,681	2,681	3,944	N.A.	1.1.1989	1.1.1989
8. Cochin Shipyard Ltd.	(-) 7.95	2,735	2,845	2,845	3,844	N.A.	1.4.1988	1.4.1988
9. Dredging Corporation of India Ltd.	14.88	2,694	2,759	2,709	3,844	7,695	1.4.1989	1.1.1987
10. Delhi Transport Corporation	(-) 246.22	1,844	2,294	2,294	5,050	N.A.	1.1.1986	1.1.1986
11. Engineers India Ltd.	29.35	2,810	3,310	3,185	3,794	N.A.	1.1.1992	1.1.1989
12. Ferro Scrap Nigam Ltd.	8.47	2,764	2,879	2,879	3,644	N.A.		

	1.	2.	3.	4.	5.	6.	7.	8.	9.
13.	Fertilizer Corporation of India Ltd	(-)225.98	2,729	2,864	2,864	3,844	N.A.	1. 1.1987	1. 1.1987
14.	Food Corporation of India Ltd.	1.68	2,714	2,958	2,948	3,944	8,694	1. 8.1987	
15.	Garden Reach Ship Builders and Engineers Ltd.	23.35	2,640	2,725	2,685	3,644	N.A.		
16.	Hindustan Aeronautics Ltd.	52.34	2,540	2,670	2,670	3,644	10,444	1. 1.1992	1. 1.1987
17.	Hindustan Fertilizer Corporation Ltd.	(-)349.45	2,729	2,864	2,979	3,844	15,385	1. 1.1987	1. 1.1987
18.	Hindustan Salts Ltd.	(-)0.11	2,194	2,394	2,391	3,844	N.A.	1. 1.1989	1. 1.1989
19.	Hindustan Shipyard Ltd.	(-)113.95	2,823	2,953	2,913	3,844	N.A.	1. 2.1990	1. 1.1987
20.	Hindustan Steel Works Construction Co. Ltd.	(-)75.74	2,580	2,680	2,680	3,844	N.A.		
21.	Indian Railway Constructor Co. Ltd.	17.40	2,094	2,494	2,494	3,844	N.A.	1. 1.1987	1. 1.1987
22.	Indian Telephone Industries	85.89	2,902	3,052	3,052	3,944	N.A.	1. 1.1992	1. 1.1987
23.	Life Insurance Corporation of India		1,907	2,340	2,176	4,914	N.A.	1. 8.1987	1. 8.1987
24.	Manganese Ore (India) Ltd.	10.49	2,370	2,445	2,510	3,558	7,608	1. 1.1989	1. 1.1989
25.	Mica Trading Corporation of India Ltd.	(-)8.21	2,716	2,586	N.A.	3,894	6,644	1.11.1987	1. 1.1987
26.	Mineral Exploration Corporation Ltd.	(-)10.34	2,727	2,797	2,797	3,644	N.A.	1. 1.1992	1. 1.1989
27.	National Seeds Corporation Ltd.	(-)5.87	2,581	2,681	2,681	3,946	6,994	1. 1.1989	1. 1.1989

	1.	2.	3.	4.	5.	6.	7.	8.	9.
28.	Rail India Technical and Economic Services Ltd.	8.20	1,306	1,706	1,706	4,550	N.A.	1.1.1992	1.1.1992
29.	Projects & Equipment Corporation of India Ltd.	0.33	2,511	2,731	N.A.	3,894	9,944	1.11.1987	1.1.1987
30.	Average - Public Sector		2,539	2,706	2,700	3,931	9,345		
31.	Government of India		1,788	2,238	2,238	5,050	14,580	1.1.1986	1.1.1986
32.	Difference (G.O.I. - Public Sector)	(751)	(468)	(462)	1,119	5,235			

Source: Data Collected by the Fifth Central Pay Commission.

**RATES OF CITY COMPENSATORY ALLOWANCE IN
SELECTED PUBLIC SECTOR UNDERTAKINGS AND
CENTRAL GOVERNMENT AS ON 1.1 1995**

Undertaking	Type of Scale	City Compensatory Allowance (p.m.) in different class of Cities		
		A' Class	B-1' Class	B-2' Class
1.	2.	3.	4.	5.
1. Air India Ltd.		<-----At the rate of 6 % of Basic Pay with max. of Rs. 100/----->		
2. Bharat Aluminium Co. Ltd.		6% of Basic with max. of Rs.100/-	4.5% of Basic with max. of Rs. 75/-	3.5% of Basic with max. of Rs. 20/-
3. Bharat Electronics Ltd.		- do -	- do -	- do -
4. Bharat Heavy Electricals Ltd.		- do -	- do -	- do -
5. Bharat Yantra Nigam Ltd.		<-----At the rate of 4.5% of Basic Pay with max. of Rs. 75/----->		
6. Bongaigaon Refinery and Petro- Chemicals Ltd.		6% of Basic with max. of Rs.100/-	4.5% of Basic with max. of Rs. 75/-	3.5% of Basic with max. of Rs. 20/-
7. Cement Corporation of India Ltd.		- do -	- do -	- do -
8. Dredging Corporation of India Ltd.		- do -	- do -	- do -
9. Delhi Transport Corporation		<-----As per Central Government rates ----->		
10. Engineers India Ltd.	IDA	6% of Basic with max. of Rs.100/-	4.5% of Basic with max. of Rs. 75/-	3.5% of Basic with max. of Rs. 20/-
	CDA	1500 - 1999 Rs. 75/- 2000 & above Rs.100/-	1500 - 1999 Rs. 50/- 2000 & above Rs. 75/-	1500 - 1999 Rs. 20/- 2000 & above Rs. 20/-
11. Engineering Projects India Ltd.		<-----At the rate prescribed by HPCC/DPE----->		
12. Ferro Scrap Nigam Ltd.		6% of Basic with max. of Rs.100/-	4.5% of Basic with max. of Rs. 75/-	3.5% of Basic with max. of Rs. 20/-

1.	2.	3.	4.	5.
13.	Fertilizer Corporation of India Ltd.	- do -	- do -	- do -
14.	Food Corporation of India Ltd.	IDA 6% of Basic with max. of Rs.100/-	4.5% of Basic with max. of Rs. 75/-	3.5% of Basic with max. of Rs. 20/-
	CDA	Below 950 Rs. 30/- 950 - 1499 Rs. 45/- 1500 - 1999 Rs. 75/- 2000 & above Rs.100/-	Below 950 Rs. 25/- 950 - 1499 Rs. 35/- 1500 - 1999 Rs. 50/- 2000 & above Rs. 75/-	Below 950 Rs. 20/- 950 - 1499 Rs. 20/- 1500 - 1999 Rs. 20/- 2000 & above Rs. 20/-
15.	Garden Reach Ship Builders and Engineers Ltd.	<-----At the rate of 6 % of Basic Pay with max. of Rs. 100/----->		
16.	Hindustan Aeronautics Ltd.	6% of Basic with max. of Rs.100/-	4.5% of Basic with max. of Rs. 75/-	3.5% of Basic with max. of Rs. 20/-
17.	Hindustan Fertilizer Corporation Ltd.	<-----At the rate of 6 % of Basic Pay----->		
18.	Hindustan Salts Ltd.	Below 950 Rs. 30/- 950 - 1499 Rs. 45/- 1500 - 1999 Rs. 75/- 2000 & above Rs.100/-	Below 950 Rs. 25/- 950 - 1499 Rs. 35/- 1500 - 1999 Rs. 50/- 2000 & above Rs. 75/-	Below 950 Rs. 20/- 950 - 1499 Rs. 20/- 1500 - 1999 Rs. 20/- 2000 & above Rs. 20/-
19.	Hindustan Shipyard Ltd.	Bombay & New Delhi @ 6% of Basic Pay with maximum of Rs. 100/-	Visakhapatnam @ 4.5% of Basic Pay with maximum of Rs. 75/-	
20.	Hindustan steel Works Construction Co. Ltd.	IDA 6% of Basic with max. of Rs.100/-	4.5% of Basic with max. of Rs. 75/-	3.5% of Basic with max. of Rs. 20/-
	CDA	Below 950 Rs. 30/- 950 - 1499 Rs. 45/- 1500 - 1999 Rs. 75/- 2000 & above Rs.100/-	Below 950 Rs. 25/- 950 - 1499 Rs. 35/- 1500 - 1999 Rs. 50/- 2000 & above Rs. 75/-	Below 950 Rs. 20/- 950 - 1499 Rs. 20/- 1500 - 1999 Rs. 20/- 2000 & above Rs. 20/-

1.	2.	3.	4.	5.
21.	Indian Petro Chemicals Corporation Ltd	6% of Basic with max. of Rs.100/-	4.5% of Basic with max. of Rs. 75/-	3.5% of Basic with max. of Rs. 20/-
22.	Indian Overseas Bank	Places in Area -I and in the State of Goa = All Lower Places i.e. population of 5 lakhs = and over Places in Area -I and in the State of Goa = All Lower Places i.e. population of 5 lakhs = and over		6.5% of Basic with max of Rs. 220/- 4% of Basic with max. of Rs. 135/- 6.5% of Basic with min of Rs. 65/- & max. of Rs.150/- 4% of Basic with min of Rs. 45/- & max. of Rs.100/- 6.5% of Basic with max of Rs. 75/- 4% of Basic with max of Rs. 50/-
23.	Indian Railway Construction Co. Ltd.	Below 950 Rs. 30/- 950 - 1499 Rs. 45/- 1500 - 1999 Rs. 75/- 2000 & above Rs.100/-	Below 950 Rs. 25/- 950 - 1499 Rs. 35/- 1500 - 1999 Rs. 50/- 2000 & above Rs. 75/-	Below 950 Rs. 20/- 950 - 1499 Rs. 20/- 1500 - 1999 Rs. 20/- 2000 & above Rs. 20/-
24.	Indian Telephone Industries	6% of Basic with max. of Rs.100/-	4.5% of Basic with max. of Rs. 75/-	3.5% of Basic with max. of Rs. 20/-
25.	Life Insurance Corporation of India	Cities with population exceeding 12 lakhs Cities with population of 5 lakhs and above but not exceeding 12 lakhs	7% of Basic with maximum For Class - I = Rs.220/- For Dev. Off. = Rs.165/- For Class III = Rs.150/- and IV 4% of Basic with maximum For Class - I = Rs.135/- For Dev. Off. = Rs.110/- For Class III = Rs.100/- and IV	

1.	2.	3.	4.
26.	Maharashtra Antibiotics and Pharmaceuticals Ltd.	< -----At the rate of 6 % of Basic pay with max. of Rs. 100/- ----- >	
27.	Manganese Ore (India) Ltd.	Rs. 100/-	
	Executive at Nagpur/Delhi		
	Non-Executive at Nagpur/Delhi	< -----At the rate of 6 % of Basic Pay with max. of Rs. 100/- ----- >	
28.	Mazgaon Dock Ltd.	< ----- up to Rs. 1000/- = Rs. 75/- ----- > < ----- Rs. 2000 and above = Rs. 100/- ----- >	
29.	Mica Trading Corporation of India Ltd.	6% of Basic with max. of Rs. 100/-	4.5% of Basic with maximum of Rs. 75/-
	Officers		
	Staff	8% of Basic with max. of Rs. 100/-	6% of Basic with maximum of Rs. 75/-
30.	Mineral Exploration Corporation Ltd.	Below 950 Rs. 30/- 950 - 1499 Rs. 45/- 1500 - 1999 Rs. 75/- 2000 & above Rs. 100/-	Below 950 Rs. 25/- 950 - 1499 Rs. 35/- 1500 - 1999 Rs. 50/- 2000 & above Rs. 75/-
31.	National Fertilizers Ltd.	< -----As per Central Government rates ----- >	
32.	National Textile Corporation Ltd.	6% of Basic with max. of Rs. 100/-	4.5% of Basic with max. of Rs. 75/-
	IDA		
	CDA	Below 950 Rs. 30/- 950 - 1499 Rs. 45/- 1500 - 1999 Rs. 75/- 2000 & above Rs. 100/-	Below 950 Rs. 25/- 950 - 1499 Rs. 35/- 1500 - 1999 Rs. 50/- 2000 & above Rs. 75/-
33.	National Thermal Power Corporation Ltd. @	Rs. 100/-	Rs. 75/-
	Executive and Supervisors		
			Rs. 20/-

1.	2.	3.	4.	5.	
	Workers	6% of Basic with max. of Rs.100/-	4.5% of Basic with max. of Rs. 75/-	3.5% of Basic with max. of Rs. 20/- (for pay below Rs.1515) Amount by which pay falls short of Rs.1524 (Rs.1515 and above)	
34.	Projects & Equipment Corporation of India Ltd.	Officers	6% of Basic with max. of Rs.100/-	Rs. 75/-	Rs.20/-
		Workmen	8% of Basic with max. of Rs.100/-	Rs. 75/-	Rs.20/-
35	Central Government		Below 950 Rs. 30/- 950 - 1499 Rs. 45/- 1500 - 1999 Rs. 75/- 2000 & above Rs.100/-	Below 950 Rs. 25/- 950 - 1499 Rs. 35/- 1500 - 1999 Rs. 50/- 2000 & above Rs. 75/-	Below 950 Rs. 20/- 950 - 1499 Rs. 20/- 1500 - 1999 Rs. 20/- 2000 & above Rs. 20/-

@ Pay also includes special pay, Personal pay, Deputation Duty allowance & Non-Practicing Allowance
Source: Data Collected by the Fifth Central Pay Commission..

**COMPARATIVE POSITION OF HILL COMPENSATORY ALLOWANCE/WINTER ALLOWANCE ETC.
IN PUBLIC SECTOR UNDERTAKINGS & CENTRAL GOVERNMENT AS ON 1.1.95.**

ANNEXE 36.6

Undertaking	Places	Basic pay/Class of Employees	Type of Allowance	Rates of Allowance	Date of revision
1.	2.	3.	4.	5.	6.
1. Cement Corporation of India.		Below Rs.950 Rs. 950 - Rs.1499 Rs.1500 - Rs.1999 Rs.2000 - Rs.2999 Rs.3000 and above	HCA	Rs. 50 p.m. Rs. 70 p.m. Rs.120 p.m. Rs.150 p.m. Rs.150 p.m.	
2. Hindustan Aeronautics Ltd. (Koraput Division).		Workmen: Gr. A Gr. B Gr. C Gr. D Gr. E Gr. F	HCA	Rs. 70 p.m. Rs. 80 p.m. Rs. 90 p.m. Rs.100 p.m. Rs.115 p.m. Rs.130 p.m.	1994
		Officers (1982 pay scale) Rs. 900 - Rs.1000 Rs.1001 - Rs.1100 Rs.1101 - Rs.1799 Rs.1800 and above		Rs. 49 p.m. Rs. 60 p.m. Rs. 65 p.m. Rs. 70 p.m.	1983
3. Hindustan Petroleum Corporation Limited.	Height of above 1500 metres.	Officers	HCA + WA	Rs.400 p.m. from October to March	
		Non-Officers	HCA + WA	Rs.200 p.m. from October to March	
4. Hindustan Salts Limited.		Below Rs. 950 Rs. 950 - Rs.1499 Rs.1500 - Rs.1999 Rs.2000 and above	HCA	Rs. 50 p.m. Rs. 70 p.m. Rs.120 p.m. Rs.150 p.m.	
5. Indian Oil corporation.	Height of 1500 Metres or above	Officers.	HCA + WA	Rs.400 p.m. from October to March	

1.	2.	3.	4.	5.	6.	
6.	Indian Overseas Bank	Height of 1000 metres & above but less than 1500 metres.	Clerical & Subordinate Staff Officers	HCA HCA	6% of basic pay maximum of Rs.110 p.m. 5% of basic pay subject to maximum of Rs.130 p.m.	7.10 91
		Height not less than 750 metres and which are surrounded by hills with a height of 1000 metres & above.	-- do --	-- do --	-- do --	
		Height of 1500 and above but less than 3000 metres.	Clerical & Subordinate Staff Officers	HCA HCA	8% of basic pay maximum of Rs.150 p.m. 6.5% of basic pay subject to a maximum of Rs.600 p.m.	
		Height of 3000 Metres and above.	Clerical & Subordinate Staff Officers	HCA HCA	18% of basic pay maximum of Rs.450 p.m. 15% of basic pay subject to a maximum of Rs.600 p.m.	
7.	Indian Telephone Industries Ltd.		Employees of Srinagar Unit	Composite Allowance	Rs.190 p.m.	
8.	Life Insurance Corporation of India.	Height of 1500* Metres above Sea level.	Class-I Class-II, III & IV	HCA	7% of basic pay subject to maximum of Rs.180 p.m. 7% of basic pay subject to maximum of Rs.150 p.m.	11.87
		Height between 1000 metres & 1500 metres.	Class-I Class-II, III & IV	HCA	5% of basic pay subject to maximum of Rs.150 p.m. 5% of basic pay subject	

1.	2.	3.	4.	5.	6.
	Height not less than 750 metres but surrounded by and accessible through hill of 1000 metres and above.				to maximum of Rs.125 p.m.
9.	State Bank of Hyderabad	Height 3000 metres & above.	Clerical & Subordinate Staff Supervisory Staff	HCA	18% of basic pay subject to maximum of Rs.450 p.m. 15% of basic pay subject to maximum of Rs.600 p.m.
		1500 - 3000 metres	Clerical & Subordinate Staff Supervisory Staff		8% of basic pay subject to maximum of Rs.150 p.m. 6.5% of basic pay subject to maximum of Rs.160 p.m.
		1000 - 1500 metres	Clerical & Subordinate Staff Supervisory Staff		6% of basic pay subject to maximum of Rs.110 p.m. 5% of basic pay subject to maximum of Rs.130 p.m.
10.	Tehri Hydro Development Corporation Limited.	Project site, Tehri.	Below Rs.1500 Rs.1500 - Rs.1999 Rs.2000 - Rs.2499 Rs.2500 & above	HCA	Rs. 50 p.m. Rs. 70 p.m. Rs.120 p.m. Rs.150 p.m.
11.	Central Government Employees.		Below Rs.950 Rs. 950 - Rs.1499 Rs.1500 - Rs.1999 Rs.2000 & above	CHCA	Rs. 50 p.m. Rs. 70 p.m. Rs.120 p.m. Rs.150 p.m.

HCA Hill Compensatory Allowance

CHCA Composite Hill Compensatory Allowance

WA Winter Allowance

Source Data collected by the Fifth Central Pay Commission.

**DEATH-CUM-RETIREMENT GRATUITY ADMISSIBLE TO THE EMPLOYEES OF THE PUBLIC
SECTOR AND GOVERNMENT OF INDIA**

ANNEXE 36.7

Undertaking	Death-cum-retirement Gratuity							
	Retirement Gratuity				Death Gratuity			
	Eligi- bility (min. year of service)	Rate	Ceiling		Eligi- bility	Rate	Ceiling	
			No. of Months	Amount (Rs.)			No. of Months	Amount (Rs.)
1.	2.	3.	4.	5.	6.	7.	8.	9.
1. Air India Ltd.		15 days salary for each comple- ted year of service		1 lakh				
2. Bharat Electronics Ltd.			16.5 Months Emoluments	1 lakh				
3. Bharat Aluminium Co. Ltd.	5 years	15 days salary for each comple- ted year of service	20 Months Salary (Basic + DA)	1 lakh	less than 1 yr.	2 Months Emoluments		
					1 yr. & above but less than 5 yrs.	6 Months Emoluments		
					5 yr. & above but less than 20 yrs	12 Months Emoluments		
					After 20 yrs.	1/2 Month's Emoluments for comple- ted half yr. of qualifying service		1 lakh
4. Bharat Heavy Electricals Ltd.	<-----do----->		20 Months Wages	1 lakh	<-----do----->		33 times Emoluments	1 lakh

1.	2.	3.	4.	5.	6.	7.	8.	9.
5. Bharat Yantra Nigam Ltd.	<-----do----->			1 lakh				
6. Bongaigaon Refinery and Petro Chemicals Ltd.	<-----do----->				<-----do----->			1 lakh
7. Cement Corporation of India	<-----do----->		16.5 Months Emoluments	1 lakh	<-----do----->		33 times Emoluments	1 lakh
8. Delhi Transport Corporation		15 days salary for each completed year of service		1 lakh	<-----do----->		33 times Emoluments	1 lakh
9. Engineers India Ltd.	5 years	<-----do----->	16.5 Months Emoluments		<-----do----->		33 times Emoluments	1 lakh
10. Ferro Scrap Nigam Ltd.	<-----do----->		20 times Emoluments	1 lakh				
11. Food Corporation of India	5 years	15 days salary for each completed year of service (Basic + DA + Spl. Pay)	16.5 Months Emoluments	1 lakh	<-----do----->		33 times Emoluments	1 lakh
12. Garden Reach Ship Builders and Engineers Ltd.	5 years	15 days salary for each completed year of service		1 lakh				
13. Hindustan Shipyard Ltd.	<-----do----->			1 lakh				

1.	2.	3.	4.	5.	6.	7.	8.	9.
14 Hindustan Steel Works Construction Ltd.	5 years	15 days salary for each completed year of service (Basic + DA + Spl. Pay)	16.5 Months Emoluments	1 lakh	<-----do----->		33 times Emoluments	1 lakh
15 Indian Oil Corporation Ltd.	5 years	15 days salary for each completed year of service		1 lakh				
16 Indian Railway Construction Co. Ltd.	<-----do----->		16.5 Months Emoluments	1 lakh	<-----do----->		33 times Emoluments	1 lakh
17 Indian Telephone Industries	5 years	15 days salary for each completed year of service	16.5 Months Emoluments	1 lakh	<-----do----->			
18 Maharashtra Antibiotics and Pharmaceuticals Ltd.		<-----do----->	20 Months Salary (Basic + DA)	1 lakh				
19 Manganes Ore (India) Ltd.	5 years	15 days salary for each completed year of service	20 Months Salary		<-----do----->		20 Months Salary	1 lakh
20 Mazagon Dock Ltd.	5 years	15 days salary for each completed year of service	16.5 Months Emoluments	1 lakh	<-----do----->		33 times Emoluments	1 lakh
21 Mica Trading Corporation of India Ltd.	5 years	15 days salary for each completed year of service	16.5 Months Emoluments	1 lakh				

1.	2.	3.	4.	5.	6.	7.	8.	9.
22. Mineral Exploration Corporation Ltd.	4 years	15 days salary for each completed year of service	20 Months Emoluments	1 lakh		15 days wages for each completed year of service till the date of retirement	20 Months Emoluments	1 lakh
23. National Thermal Power Corporation Ltd.	5 years	15 days salary for each completed year of service	40 times 15 days wages (20 months)	1 lakh	less than 1 yr. Emoluments	2 Months Emoluments	33 times	1 lakh
					1 yr. & above but less than 5 yrs.	6 Months Emoluments		
					5 yr. & above but less than 20 yrs	12 Months Emoluments		
					After 20 yrs.	1/2 Month's Emoluments for completed half yr. of qualifying service	1 lakh	
24. Rashtriya Ispat Nigam Ltd.	5 years	15 days emoluments for each completed year of service	20 months Emoluments (Basic + DA)	1 lakh	<-----do----->			1 lakh
25. Government of India	5 years	1/4 th of Emoluments for each completed six months of service (Basic + DA @ 97% for Pay up to Rs. 3500/- Basic + DA @ 73% for Pay of Rs.3501-6000 subject to minimum of Rs. 3395 Basic + DA @ 63% for Pay of Rs.6001 & above subject to minimum of Rs. 4380 w.e.f. 1.4.1995)	16.5 times Emoluments	2.5 lakh	<-----do----->			33 times Emoluments 2.5 lakh

Note: For the purpose of computation of gratuity in PSUs, a month should be reckoned as consisting of 26 working days

Source: Data collected by the Fifth Central Pay Commission.

**STATEMENT OF PROVIDENT FUND CONTRIBUTION
APPLICABLE TO THE EMPLOYEES OF PSUS
AS ON 1.1.1995**

Undertaking	Provident Fund Scheme	
	Employee's Contribution	Employer's Contribution
1.	2.	3.
1. Air India Limited	10% of basic pay	10% of basic pay
2. Bharat Electronics Limited	10% of basic pay + DA	10% of basic pay + DA
3. Bharat Heavy Electricals Ltd.	10% of Pay + DA + FDA	10% of Pay + DA + FDA
4. Bharat Aluminium Co. Ltd.	10% of Pay + DA + Spl. Pay	
5. Bongaigaon Refinery & Petro Chemicals Limited	10% of Basic pay + DA	
6. Cement Corporation of India	10% of basic pay + DA	10% of basic pay + DA
7. Cochin Shipyard Limited	8 1/3% of basic wages + DA	8 1/3% of basic wages + DA
8. Dredging Corp. of India Ltd.	10% of basic pay + DA	
9. Ferro Scrap Nigam Limited	10% of basic pay + DA	10% of basic pay + DA
10. Food Corporation of India Limited	10% of basic pay + FDA + VDA (IDA scale)	
	10% of basic pay + CDA (CDA scale)	
11. Hindustan Aeronautics Ltd.	10% of basic pay + DA	10% of basic pay + DA
12. Hindustan Fertilizers Ltd.	10% of basic pay + DA	10% of basic pay + DA
13. Hindustan Shipyard Limited	8.33% of basic	
14. Indian Railway Construction Company Limited	10% of basic pay + DA	10% of basic pay + DA

1.

2.

3.

15. Indian Telephone Industries Limited	10% of basic pay + DA	10% of basic pay + DA
16. Life Insurance Corporation of India	10% of the aggregate of the basic pay including 90% of the Spl. Allowances	10% of basic pay
17. Manganese Ore Limited	10% of basic pay + DA	10% of basic pay + DA
18. Mica Trading Corporation of India Limited	10% of basic pay + VDA	10% of basic pay + VDA
19. Mineral Exploration Corporation Limited	10% of basic pay + DA	10% of basic pay + DA
20. National Industrial Development Corporation	8 1/3% of basic wages + DA	8 1/3% of basic wages + DA
21. National Seeds Corporation Limited	10% of basic pay + DA	10% of basic pay + DA
22. Rail India Technical and Economic Services Limited	10% of basic pay + DA	10% of basic pay + DA
23. Paradeep Phosphates Ltd.	10% of basic pay	• 10% of basic pay
24. Projects and Equipment Corporation of India Limited	10% of basic pay + DA	10% of basic pay + DA
25. Rehabilitation Industries Corporation Limited	8.33% of basic pay + DA	8.33% of basic pay + DA
26. North Eastern Handicrafts and Handlooms Development Corporation	8.33% of basic pay + DA	8.33% of basic pay + DA
27. Central Government Employees	6 % of basic pay only	Not applicable

Source: Data collected by the Fifth Central Pay Commission.

Comparison with the Private Sector

Introduction

37.1 We observe that subsequent to the opening up of the economy, salaries in the private sector have skyrocketed and gone through the roof. The recent spurt in the compensation packages of employees in the private sector is a result of the intense competition amongst the large number of players that have emerged on the industrial scene. It is these players who are making such lucrative offers in a bid to attract and retain key personnel.

Boom in private sector salaries

37.2 Government too has contributed to the salary boom in the private sector, initially by raising the ceilings on the remuneration of managerial personnel, and later by relaxing the ceilings completely for profit-making companies. Today, such companies can pay their managerial personnel 5% or 10% of their net profits, depending on whether the company has one or more than one Managing Director/Whole-time Director. **Thus, a company with a net profit of Rs.100 crores and with one Managing Director can pay him Rs.5 crores per annum.** This kind of astronomical salary is not merely an example, these days it is fact. Thus Government policy has blown up the hitherto innocuous differentials between the Government and the private sector, especially at the highest levels, many times over. Needless to say, this has led to extreme resentment and heart-burning among the Government employees.

Feelings of Government employees

37.3 At a Seminar organized in January, 1995, by the Centre for New Perspectives on the "Salary System in Government", the public servants argued vehemently in support of a comparable status with the private sector in respect of salaries. It was argued that the "over offerings" by multinationals to fresh IIT and management graduates, which were as high or higher than the salaries of senior Government officials, were eroding the morale of all Government functionaries. Such glaring disparities between the pay structure in the Government and the private sector might create a serious crisis of talent, especially at higher levels.

Consultancy Report

37.4 The issue of salaries in private sector has hogged considerable media attention and generated a great deal of controversy. While there is a plethora of newspaper and magazine articles available on the subject of salaries in the private sector, there is no reliable database. In this context, we decided to assign a study to the Management Development Institute (MDI), Gurgaon to carry out an objective assessment of the situation, comparing the salaries and perquisites

obtaining in the Central Government with those in the private sector. The MDI circulated a questionnaire to about 400 private sector enterprises ranging from small traders to huge multinational companies. The list was drawn up so as to cover a wide spectrum of enterprises in terms of their scale of operations, types of activities, organisational structures, locations etc. The sample drawn was influenced by convenience of access to information and technically could not be called a random sample. The private sector is highly reluctant to part with information relating to compensation packages. With great deal of persuasion and personal efforts, MDI succeeded in eliciting information from 112 organisations. The response to the questionnaire was received from these 112 enterprises. This is a good beginning and it is **hoped that Management Institutes across the country will take this as an example to follow, so that a body of literature is created on private sector remunerations.**

Findings of the study entrusted to MDI

37.5 After making some assumptions regarding the comparable levels in the private sector and the Government, and other assumptions for the purpose of quantifying non-quantifiable benefits (see Annex 37.1) the MDI have calculated the "average total cost to the organisation" of maintaining officers at various levels, in the Government and the private sector. This average total cost includes both the direct and indirect cost and is given for five levels of management in Annexe 37.2. The MDI have concluded as under :

- i) **The Secretary to the Government of India, on an average, costs his employer around half of what a Chief Executive Officer (CEO) costs his employer in the private sector.** The average cost of a CEO in the private sector is Rs.1,02,255 p.m. For a Secretary it comes to Rs.44,817.
- ii) Besides an average basic salary (including DA + CCA) of Rs.23,303, the **CEO in the private sector draws an incentive pay of Rs.14,752 which works out to 65% of the basic salary.** The Secretary to the Government of India does not get any payment of this nature.
- iii) **CEOs in the private sector enjoy a little more than their basic salaries in the form of housing and car benefits.** These include house with furnishing allowance, house maintenance, telephone, driver, car maintenance, insurance, road tax, petrol, etc. In some cases, portion of expenditure on housing and car is given in cash on reimbursement basis. The Secretary also enjoys housing and car benefits but not of commensurate value.
- iv) In addition, **a CEO in the private sector draws sundry allowances such as books and periodicals, club memberships, credit cards, LTC, medical entertainment, services and amenities, servants, etc., to the tune of Rs.12,645 p.m. which is nearly 55% of his basic salary.** As regards the Secretary to the Government of India, he is entitled to some medical benefits and LTC by rail only, which may be valued at Rs.2700 or 16% of the basic salary.

- v) In the private sector, CEOs are increasingly being given **superannuation benefits** which are significantly better than the pension entitlements available to the Secretaries.
- vi) The annual increase in the compensation to a CEO in the private sector enterprise is 30 to 35%, while the increase permitted to the Secretary is marginal (in the range of 8-9%). If the trend continues, the gap between compensations allowed to CEOs and Secretaries will increase dramatically over time.
- vii) The structure of the compensation package of a Head of Department in the private sector is similar to that of his CEO, but the differential in the quantum of remuneration is wide. An HOD gets about 40% lesser than his CEO. However, in Government the differential between the emoluments of a Secretary and a Joint Secretary is very little. At the HOD level private organisations are very liberal with designations but conservative with regard to compensations. While an HOD has approximately 8-10 years of experience, a Joint Secretary has already spent 16 to 22 years in service.
- viii) Though the average compensation package of entry level executives in the private sector may be lower than in the Government, in some cases entry level executives reach a compensation level that is nearly two times the compensation at the highest level available in Government of India, within a short span of time. This is primarily because of performance-related rewards available in the private sector.
- ix) In the private sector, performance criteria are well laid down and salaries are revised annually. Those performing better than others are given accelerated increments and promotions.
- x) Amongst the non-executives in the private sector it is observed that there is a high degree of flexibility and multiple functionality. For instance, a typist also performs the role of a telephone operator, a stenographer, a PA or an assistant. Similarly, a Peon/Messenger is asked to work as a driver as also attend to other errands like making and serving tea.
- xi) Annual pay is revised in such a manner for non-executives that the rate of increment includes both the components i.e. inflation adjustment and reward for performance.
- xii) In the private sector, there are many employee-friendly link parameters. For example, attendance/shift allowance, transport for family members, picnic, free gifts on the occasions of important festivals etc.
- xiii) Salaries are deliberately structured in the private sector so that an employee is able to save on income tax. A significant

component of the pay packet in the private sector is that of cash allowances, which are given to them on "reimbursement" basis in order to avoid payment of income tax. Some of these could also be termed as malpractices. Similar methods are not possible in the Government where there is more transparency and a rigorous system of auditing. **The study has suggested exemption of Government employees from income tax or reduction of their tax burden.**

- xiv) **The number of holidays in the private sector is far less than that in the Government. But the duration of working hours and working days is much greater. In practice, there are no standard hours of work.**
- xv) **Government may consider introduction of a fast track for promotions. Some of the appointments could be made on contract basis.**
- xvi) **In certain sectors in Government, linkage between performance and compensations could be easily established, as these are departmentally run commercial or service undertakings.**

Our approach

37.6 From the above study, it is indisputable that there has come to be a yawning gap between the salaries and benefits available in the private sector and the Government at all levels. We believe that this problem if not addressed at this juncture is likely to gradually spell a rot in the system. Not only is a flight of talent an immediate possibility, a tendency towards corruption is equally likely. We also observe that it may not be possible to lift the remuneration system, prevailing in the private sector and transplant it in its entirety on to the Government as there are vital differences between the two sectors. **Security of tenure in the Government is a distinct advantage compared to the private sector.** Similarly, unlike the Government, profitability considerations in the private sector continue to be the prime driving force. Even so, some relative parities will have to be maintained. Countries abroad have already started doing so. **In Singapore, salaries in Government have been benchmarked to the salaries in the private sector.** The salaries of Permanent Secretaries in the U.K. are also close to the salaries of Chief Executives in the private sector.

Borrowing from the private sector

37.7 We are, however, constrained by the availability of funds within the Government in making recommendations of this sort. Yet, we have tried to strike a balance by borrowing certain features from the private sector. **Our recommendations on exemption of allowances and pensions from taxes, performance-related increments, linking part of running allowance with punctuality of trains, introduction of Limited Departmental Competitive Examinations for promotion, reduction in number of holidays, etc., have drawn inspiration from the experiences of the private sector.** We have also narrowed down the astronomically large differentials at the highest level to a limited extent by recommending 100% inflation neutralisation at all levels.

Need for National 37.8
Wage Policy

While we hope that the present boom in private sector salaries is a transitory phenomenon and will be self-limiting, we do feel that a **National Wage Policy needs to be drawn up** to put an end to the corporate warfare being currently waged by private industry for wooing away human capital.

Assumptions made by MDI for the purposes of calculating and comparing total compensation packages in companies.

- 1 Designations and salary structures do not have one to one linkage in several organisations. Where the salary structure is not clearly defined, we have taken the basic salary of the incumbent in that post as an estimate of the basic salary.
- 2 Many companies use a variable annual increment as a combined measure for both inflation adjustment and increment (up valuing skills). Consequently in our reporting the changes in DA + annual increment may be combined together to estimate increase in compensation.
- 3 Wherever a company car has been provided, a sum of Rs.9000/- per month has been used as an estimate for this benefit. This figure has been arrived at based on estimate of driver's monthly salary plus car maintenance plus petrol expenses plus other expenses like tax etc. This figure is for non-AC standard car model. In the case of luxury cars like Contessa, Cello, Esteem, etc., a sum of Rs. 15,000/- per month is taken as an estimate.

Telephone : If a telephone with local call facility is provided, a sum of Rs.500/- per month, with STD facility and ISD facility Rs.1500/- and Rs.2500/- respectively is added in the monthly compensation package.
- 5 Transport Compensation : In some cases it cannot be treated as a part of compensation since the location of the unit is outside the city. In such cases the cost of monthly pick up is not included as a part of the compensation.
- 6 Medical Benefits : Whenever the company does not specify the upper limit for medical reimbursement, it is estimated that this figure is equal to one month's basic salary.
- 7 LTC : Where an upper limit on LTC is not specified, it is estimated that this figure is equal to one month's salary.
- 8 Accommodation : Where company accommodation is provided and HRA is not specified, 50 per cent of salary (basic+DA) is used as an estimate for the rental value of the house. In the case where bachelor accommodation is provided, 25 per cent of the basic + DA may be used.
- 9 Subsidised Food : Wherever lunch, Tea/Coffee is provided by the company a flat sum of Rs.750/- per month is added to the total monthly compensation package of executive and Rs.300/- in case of workmen.
- 10 Gratuity : In the case of gratuity, 15 days' salary for every completed year of service is taken as an estimate. The salary here may be taken to be the basic pay + DA of the upper limit of the pay scale.
- 11 Provident Fund : For PF 10 per cent of the basic + DA is added to the total monthly compensation.

12. **Leave Encashment** : Wherever this scheme exists, the amount may be added to gross annual compensation, whether it is availed or not.
13. **Productivity Incentives** : Wherever this scheme is in vogue, last year's data is used as an estimate.
14. **Uniforms, Shoes, etc.**, which are given to employees are treated as a part of compensation, although some companies do not treat them as such.
15. The jobs responsibilities and hours of work for the same designation vary considerably in many organisations. We have used our judgement to classify them into similar clusters.

Some Definitions used for Analysis

Cost to company:

This represents all direct and indirect cost to the company for hiring an employee. This would include all monthly payments, annual payments statutory obligations (ESI, PF, Pension, etc.) and subsidies (Canteen, Conveyance, Uniform, etc.)

Effective Pay

This is the total cost to the company excluding statutory obligations (PF, Gratuity and other Terminal Benefits), housing benefits (Rent on leased house, house maintenance, telephone, etc.), conveyance (including car, petrol, insurance, tax and maintenance). This, however, would not give the cash pay packet which employees across the sector take home. Nevertheless, it serves as a useful measure of comparing the pay across sectors, especially when a significant proportion of the pay is strictly non-measurable or non-variable.

Take Home Pay

This is the pay packet in cash which an employee receives each month. It includes basic pay, DA, CCA, Cash Allowances and excludes HRA if any and all annual benefits like Bonus, Ex-gratia, LTC, etc., as also statutory benefits like PF, Gratuity, Pension, etc.

COMPARATIVE LEVELS OF TOTAL COST IN THE GOVT. AND THE PRIVATE SECTOR

(Rs./Month)				
Level	Designation	Total Cost to the Organisation		
		Low	Avg.	High
1.	2.	3.	4.	5
Highest level	(a) CEO	28,542	102,255	269,967
	(b) Secretary	44,817	44,817	44,817
Senior level	(a) Head of the Deptt.	20,208	65,283	112,783
	(b) Joint Secretary	36,805	N.A.	N.A.
Entry level	(a) Executives	2,000	10,837	23,288
	(b) Group A Officers	12,139	14,350	16,380
Supporting Staff	(a) Typist in Pvt. Sector	1,086	4,146	8,381
	(b) Typist in Govt.	3,312	4,251	5,139
Lowest level	(a) Peon in Pvt. Sector	930	3,582	8,065
	(b) Peon in Govt.	2,688	2,961	3,234

Source: MDI Study

Comparisons with State Governments

GENERAL INTRODUCTION

The need for comparisons with the States

38.1 Our Terms of Reference require us to make recommendations about the structure of the emoluments and conditions of service of the Central Government employees having regard, among other relevant factors, to the prevailing pay structure and retirement benefits available under the State Governments.

VIEWS EXPRESSED BY PREVIOUS COMMISSIONS

The Second CPC

38.2 The Second CPC while admitting problems of making valid comparisons among State Government employees stated: "...The rates of remuneration of the heads of major departments are comparable with those of heads of departments under the Central Government. The differences however, are most conspicuous in the case of Class IV and clerical staff which in conjunction with the similarity of qualifications and duties has provided a ground for agitation by the non-gazetted employees. The disparities in the emoluments of public servants in different States are to a large extent, but not entirely, the reflection of unequal levels of economic development and of differences in the financial resources of the State Governments."

The Third CPC

38.3 The Third CPC did not comment on the issue of comparison with States.

The Fourth CPC observed " while a graduate teacher, staff car driver, staff nurse are paid less at the minimum of the scale compared to the Centre, certain other categories like LDC, Constable, Head Constable, Telephone Operator, Midwives etc. are getting higher emoluments. There is no uniformity of pay scales across the States and relativities between different posts also differ across states"

METHODOLOGY

In order to study the prevailing pay structure in the State Governments, a questionnaire was designed for eliciting information about the pay scales of different categories of posts, allowances and retirement benefits of the employees and other relevant conditions of service. Copies of the same were forwarded to all the State Governments. Replies were received from 21 out of the 25 States. The four defaulting States were Bihar, Kerala, Nagaland and Punjab. We also visited some States. During our visits we had discussions with the Chief Ministers, Chief Secretaries, Officers of the State Governments and the State units of the respective All India Services officers' Associations.

SIZE OF EMPLOYMENT IN THE STATE GOVERNMENTS

Based on the information received from State Governments it is observed that the total number of employees under the State Governments is more than the number of civilian employees under the Central Government. While according to the data based on Economic Survey, 1995-96 the number of civilian employees in the Central Government rose from 32.7 lakhs in 1983 to 33.9 lakhs in 1994, the number of State Government employees increased from 60.4 lakhs to 73.4 lakhs during the same period, representing an increase of about 3.7% for Central employees and about 21.5% for State Government employees. Even if we take the information based on the schedules, the figure for Central Government employees shows an increase of 10.3% over the period 1984-94; there are no figures for State Government employees available from the same source. It can be broadly stated that **the Central Government has been able to keep a tighter control on the number of its employees than the State Governments** because of the freeze operative since 1984.

BROAD OBSERVATIONS BASED ON COMMON CATEGORIES

From the replies received it is observed that the pay structure of State Government employees is periodically reviewed and revised by the respective State Pay Commissions/Committees on the pattern of Central Government pay scales. The number of such Pay Commissions varies from three to nine across the States, with the largest number having been set up in Andhra Pradesh, Assam and Orissa (Seven each), Rajasthan (Eight) and Jammu & Kashmir (Nine). (See Annexe 38.1 - for details)

Most of the States have adopted the Central Government pattern with slight modifications to suit local conditions. In certain States like Karnataka, Andhra Pradesh and Assam, the pay scales have been revised as recently as 1.7.1993, 1.7.1992 and 1.1.1989, as compared to 1.1.1986 which is the

date of effect of the Fourth CPC's recommendations. Consequently, the pay scales in these States are much higher than the pay scales at the Centre as these are linked to higher levels of AICPI.

Pay-scales in States

38.9 The number of pay scales are seen to vary across States, with a maximum of 46 scales in Goa and a minimum of 17 in Haryana. The number of scales in some other States are Andhra Pradesh (32), Arunachal Pradesh (36), Assam (30), Gujarat (36), Maharashtra (30), Rajasthan (25), Uttar Pradesh (37), West Bengal (24) and Himachal Pradesh (29). (See Annexe 38.2)

38.10 There is no uniformity in the scales of pay of various categories of employees across States. The Chief Secretary's post, being an IAS post, is in the scale of Rs.8,000/- in almost all States, except Goa and Tripura. The Chief Secretary of Haryana gets a special pay of Rs.500 over and above the basic pay of Rs.8,000/-. The scales of pay of Directors of Education and Chief Engineers show considerable variation across States.

38.11 It is also observed that the pay scales of some common categories like Constable, Head Constable and Staff Car Driver in a large number of States are more attractive than at the Centre. (See Annexe 38.2)

Minimum-Maximum ratio in States

38.12 The minimum-maximum ratio across States as on 31.3.95 is at the level of 1 : 10.7 as at the Centre. Goa and Tripura are the only exceptions, as their Chief Secretaries are in the scale of Rs.7300-7600 and not Rs.8000 as in the other States and their peons are in a higher scale than their counterparts at the Centre.

Inflation indexation in States

38.13 Salaries are indexed for inflation in all States and the compensation for increase in the cost of living is given in the form of dearness allowance as per the Central pattern. All the States use All India Consumer Price Index for Industrial Workers for measuring inflation, as is the practice in the Central Government.

Encashment of leave and LTC

38.14 In regard to the other conditions of service like holidays, encashment of leave and LTC we find that there are large scale variations between the Central and State Government employees (See Annexe 38.3). As compared to 16 gazetted holidays at the Centre, the number of holidays in the States vary from 41 in Sikkim to 30 in Jammu & Kashmir and 19 in Goa. Similarly, as compared to 12 days's Casual Leave at the Centre, the provision in most States is for 15 days. Earned Leave is uniformly fixed at 30 days both in the Centre and the States. While no encashment of leave during service is permitted at the Centre, such encashment during service ranges from 15 to 30 days in a block of two years in the States such as Andhra Pradesh, Gujarat, Karnataka and Maharashtra. Gujarat also permits encashment of LTC but is alone in this respect. In most States as well as at the Centre, Government employees and their families are, for the purposes of LTC, entitled to travel by a specified class which is not the same class as the official is entitled to travel while on tour. However, in the case of officers and the families of Tamil Nadu Government drawing a certain pay, air travel is permitted. Assam and Meghalaya Government permits the employees and their families to travel on LTC by the same class to which the official is entitled to travel while on tour.

<i>Overtime Allowance</i>	38.15	Most of the States do not have a system of payment of overtime allowance . For a few categories of employees who are required to work at odd hours, a special tiffin allowance is permitted.
<i>Other allowances</i>	38.16	We also observe that certain other local allowances or facilities like a peon surrender allowance, car for private use on nominal payment along with free petrol, medical reimbursement of treatment from private medical practitioners, sumptuary allowance etc., are given by certain States like Tamil Nadu to their employees, while such allowances or facilities are not provided by the Centre
<i>Retirement Benefits</i>	38.17	A great deal of uniformity is observed in the retirement benefits available to the State and Central Government employees with average emoluments for calculating pensions being based on last 10 months' pay in most cases, rate of pension being 50%, qualifying service for full pension being 33 years and for eligibility of pension being 10 years (See Annexe 38.4). The minimum and maximum pension limits vary across States because of differences in the pay structure. The States of Andhra Pradesh, Madhya Pradesh, Orissa, Rajasthan, Tamil Nadu and Tripura have no ceiling on pensions. As at the Centre, on third of pension is allowed to be commuted in all States. While restoration of commuted value is generally allowed after a period of 15 years both at the Centre and in the States in a few States this period has been reduced even to 12 years.
	38.18	While no variation is observed between the Centre and the States in the rate of death-cum-retirement gratuity and the ceiling limit in terms of number of months is also broadly uniform at 16.5 months or so, many of the States have not yet reported an increase in the financial ceilings. (See Annexe 38.5)
<i>Promotion Policy</i>	38.19	Regarding promotion policy, we observe that the States of Andhra Pradesh, Goa, Gujarat, Kerala, Rajasthan, Maharashtra, Mizoram, Uttar Pradesh and West Bengal have introduced some form of time bound promotions at Group B, C and D level (See Annexe 38.6). Sikkim has introduced an advancement grade of Joint Secretary after 10 years of service at the Group A level. The number of such time-bound promotions vary between 2 to 3 across States and levels. In the Central Government also, time-bound promotions, have been introduced at the lower levels of certain Group C staff in the Department of Posts. Many scientific departments at the Centre operate a flexible complementing scheme for Group A scientists and for other categories of employees, which is also a variant of time-bound promotion.
<div style="border: 1px solid black; padding: 10px; text-align: center;"> WAGE BILL IN STATES AS A PERCENTAGE OF REVENUE RECEIPTS, REVENUE EXPENDITURE AND STATE DOMESTIC PRODUCT. </div>		
<i>The wage bill at the Centre and States</i>	38.20	As compared to Rs.9044 crores spent by the Centre on the wages and salaries of Central Government employees in 1989-90, the corresponding amount spent by the States varied between Rs.2049.27 crores in a large State like U.P. and Rs.42.67 crores in a small State like Sikkim. (See Annexe 38.7)
<i>Wage bill as a</i>	38.21	The wage bill of the State Government employees as a percentage

percentage of
Revenue Receipt,
Revenue
Expenditure and
State Domestic
Product

of Revenue Receipts, Revenue Expenditure and State Domestic Product varies across States from 14% to 56%, 14% to 51% and 2% to 23% respectively, as compared to 17.3%, 14.1% and 2.21% at the Centre. There are certain States which are spending a larger proportion of their revenue receipts, revenue expenditure and SDP on wages and salaries as compared to the Centre. This is either because of the disproportionately large number of Government employees in some States, or their low revenue receipts, revenue expenditure and State Domestic Product, or a combination of the above factors. It is also observed that the rate of growth of revenue deficit in some States like Haryana, Himachal Pradesh, Kerala, Punjab and Tamil Nadu is much faster than the rate for the Centre which stood at 22.7% between 1984-85 and 1994-95 (See Annexe 38.8). This seems to be *inter alia* on account of a large component of revenue receipts being used for payments of wages and salaries of State Government employees.

LESSONS FROM THE EXPERIENCE OF THE STATES

Certain broad
conclusions

38.22 Looking at the scenario across the various States, certain broad conclusions may be drawn :

While the pay structure and conditions of service in respect of State Government employees are mostly on the Central Government pattern, some peculiar features have been introduced by each State with reference to its requirements. **The conventional wisdom that State Government employees are not paid as much as their counterparts in the Central Government is no longer valid for some of the States.** Many States have either formally switched over to the Central pattern or are now committed to grant of Central pay scales or have evolved their own patterns which are not in any way lower than those prevalent at the Centre.

Notwithstanding their strained fiscal situation, some States pay a large number of special allowances to their employees as compared to the Centre. In regard to other conditions of service also like Earned Leave, Casual Leave and Encashment of Leave, the State Governments are more liberal and innovative than the Centre.

Time-bound promotions have been introduced by several States to keep intact the morale of their employees.

The State Governments have been compelled to take many of these steps in order to keep peace with their employees. This has resulted in a kind of competitive populism in which different States are forced to emulate each other due to pressures brought by staff associations. **The budgetary deficits of the States have thus mounted, not least because they have not been as successful in keeping tab over the numbers as the Central Government has.**

It is possibly too late in the day now to mouth pious homilies asking the States to cut down the salaries and perquisites of their employees, especially when inflation is rampant and private sector salaries are no longer under check. In the long run, it may possibly turn to be an advantage, as a well-paid but smaller sized bureaucracy can also be a motivated and honest one. But the States will definitely need to prune the numbers drastically. The trend worldwide is to have lean but efficient organisations and the States will do well to follow in the same direction.

*Lessons for the
Central
Government*

38.23 As far as the Central Government is concerned, we feel that there are some lessons to learn from the States. Some of the ideas borrowed from their experience are :

- encashment of leave during service
- travel by entitled class in LTC
- transport allowance
- sumptuary allowance to executive cadres
- commutation of pension in 12 years
- assured career progression

Ripple effect

38.24 We also appreciate that our recommendations for the Central Government employees are likely to have a ripple effect and are not without its implications for the State Governments. We have kept this constraint in mind while making our recommendations.

Note of caution

38.25 There is a final note of caution we would like to sound. Between the State services and the All India Services, there is an interface, as the former are feeder cadres to the latter. In their enthusiasm to better the lot of the State services, some State Governments have made them more attractive than the All India Services. This is an unhealthy trend which needs to be looked into. We shall speak of this at greater length in our chapter on All India Services.

Statewise Pay Scales of different categories of Employees

Annexe 38

States	Number of Commissions/ Committees set up after 1947	AICPI to which Pay Scales relate	Date of Effect	Pay Scales (Rs)					
				Peon	L.D.C. (Sectt)	Constable	Head Constable	Telephone/PBX operator	Staff Car Driver
1.	2.	3.	4.	5.	6.	7.	8.	9.	10.
I. Centre	4	608	1.1.86	750 - 940	950 - 1500	825 - 1200	950 - 1500	975 - 1660	950 - 1500
II. States									
1 Andhra Pradesh	7	1114	1.7.92	1375 - 2375	1745 - 3420	1595 - 3020	1975 - 4010	1745 - 3420	1595 - 30
2 Arunachal Pradesh	N.A.	608	1.1.86	750 - 950	950 - 1500	825 - 1200	975 - 1660	950 - 1500	N.A.
3 Assam	7	776	1.1.89	900 - 1435	1285 - 3075	975 - 1935	1065 - 2095	N.A.	N.A.
4 Goa	N.A.	608	1.1.86	775 - 1025	1150 - 1500 (Jr. Asstt.)	950 - 1500	975 - 1660	N.A.	1150 - 150
5 Gujarat	5	608	1.1.86	750 - 940	950 - 1500	825 - 1200 with a start of Rs. 855/-	1320 - 2040	N.A.	950 - 1500
6 Haryana	3	608	1.1.86	750 - 940 + spl. pay of Rs.30/-	950 - 1500 + spl. pay of Rs.40/-	950 - 1800 with a start of Rs. 1000/-	1200 - 2040	N.A.	N.A.
7 Himachal Pradesh	4	608	1.1.86	750 - 1350 with a start of Rs.770/-	950 - 1800 with a start of Rs. 1000/-	950 - 1800 with a start of Rs. 1050/-	1200 - 2130 with a start of Rs. 1260/-	N.A.	1020 - 213
8 Jammu & Kashmir	9	608	1.4.87	750 - 940	950 - 1500 (Jr. Asstt.)	825 - 1200 950 - 1500 1300 - 1870 (sel. grade)	1340 - 1940	N.A.	N.A.
9 Karnataka	7	632	1.7.93	840 - 1340	1040 - 1900	1040 - 1900	1130 - 2100	1040 - 1900	N.A.
10 Madhya Pradesh	4	608	1.1.86	750 - 945	950 - 1530	950 - 1530	1150 - 1800	N.A.	N.A.
11 Maharashtra	4	608	1.1.86	750 - 940	950 - 1500	825 - 1200	975 - 1660	975 - 1660	950 - 1500
12 Manipur	5	608	1.1.86	750 - 940	950 - 1500	825 - 1200	975 - 1660	N.A.	950 - 1500
13 Meghalaya	3	661	1.1.87	820 - 1175	1300 - 2205	1050 - 1735 (Matric)	1200 - 1995	N.A.	N.A.
14 Mizoram	3	608	1.1.86	800 - 1150	NA	825 - 1200	N.A.	N.A.	N.A.
15 Orissa	7	608	1.5.89	750 - 940	950 - 1500	950 - 1500	N.A.	975 - 1660	950 - 150
16 Rajasthan	8	608	1.9.88	750 - 940	950 - 1680	825 - 1350 with a start of Rs.855/-	950 - 1680	N.A.	950 - 168

Statewise Pay Scales of different categories of Employees

Annex 38.1

States	Number of Commissions/ Committees set up after 1947	AICPI to which Pay Scales relate	Date of Effect	Pay Scales (Rs)					
				Peon	L.D.C. (Sectt)	Constable	Head Constable	Telephone/PBX operator	Staff Car Driver
1.	2.	3.	4.	5.	6.	7.	8.	9.	10.
Sikkim	4	656	N.A.	800 - 1060	N.A.	910 - 1290	N.A.	N.A.	N.A.
Tamilnadu	5	608	1.6.88	750 - 945	975 - 1600	950 - 1500 gr.I 825 - 1200 gr.II	1200-2040	975 - 1660	975 - 1660
Tripura	4	608	1.1.86	775 - 1130	N.A.	850 - 2130	N.A.	N.A.	N.A.
Uttar Pradesh	4	608	1.1.86	750 - 940	950 - 1500	950 - 1400	975 - 1660	1200-2040	950 - 1500
West Bengal	5	608	1.1.86	800 - 1265	1040-1920	920 - 1617 with a start of Rs.962/-	980 - 1755	NA	980 - 1755

Source: Replies of the Questionnaire received from States * Monitorily effective from 1.4.90

Statewise Pay Scales of Selected category of Posts

Annexe 38.2

States	Total Number of Scales	Chief Secretary	Secretary	Director of Education	Chief Engineer	Director General Police	Constable	Peon	Minimum/ Maximum Ratio
1.	2.	3.	4.	5.	6.	7.	8.	9.	10.
1. Andhra Pradesh	32	IAS	8140-10380	7580-10100	7580-10100	IPS	1595-3020	1375-2375	N.A.
2. Arunachal Pradesh	36	8000	NA	4100-5300	5900-6700	5900-5700 (I.G.)	825 -1200	750 - 950	1:10.7
3. Assam	30	NA	4200-5300	3990-6100	3990-6100	3375-5200 (APS SrGrI)	975 -1935	900 -1435	N.A.
4. Goa	46	7300-7600	NA	3700-5000	5900-6700	5900-6700 (I.G.)	950 - 1500	775 -1025	1:9.4
5. Gujarat	36	N.A.	5900-6700	5300-6200	5300-6200	IPS	825-1200 start at 855	750-940	N.A.
6. Haryana	17	8000 +Rs 500 special pay	NA	4100-5300	7300-7600	7600-8000	950 -1800 start at 1000	750 - 940 +Rs 30 sd. pay	1:10.7
7. Himachal Pradesh	29	8000	NA	4500-6100	5900-6700 +Rs 500 sd. pay	7600-8000	950 -1800 start at 1050	750 -1350 start at 770	1:10.4
8. Jammu & Kashmir	28	IAS	IAS	4500-5700	4500-5700	IPS	825 -1200	750 -940	N.A.
9. Karnataka	20	IAS	IAS	4700-6400	5825-6800	IPS	1040-1900	840 -1340	N.A.
10. Madhya Pradesh	19	8000	NA	5900-6700	5900-6700	7600-8000	950 -1530	750 -945	1:10.7
11. Maharashtra	30	NA	7300-7600	5100-6300	5100-6300	Cadre Post	825-1200	750 -940	N.A.
12. Manipur	24	8000	NA	3700-5000	4100-5300	7300-8000	825 -1200	750 -940	1:10.7
13. Meghalaya	24	8000	5900-6700	4200-5800	4200-5800	NA	1050-1735	820 -1175	1:9.8
14. Mizoram	31	8000	NA	4500-5700	4500-5700	7300-7600	825 -1200	800 -1150	1:10.0
15. Orissa	27	8000	NA	4800-6300	5100-6500	N.A.	950 -1500	750 -940	1:10.7
16. Rajasthan	25	8000	NA	3900-5000	5100-6300	7300-8000	825 -1350 start at 855	750 -940	1:10.7
17. Sikkim	21	IAS	NA	4000-5400	4500-5700	IPS	910 -1290	800 -1060	N.A.
18. Tamilnadu	25	IAS	5500-6500	5100-5700	5100-5700	IPS	825 -1200	750 -945	N.A.
19. Tripura	N.A.	7300-7600	N.A.	4000-5900	5900-6700	7300-7600	850-2130	775-1130	1:9.4
20. Uttar Pradesh	37	IAS	IAS	5900-6700	7300-7600	NA	950 -1400	750 -940	N.A.
21. West Bengal	24	8000	NA	5900-6700	5900-6700	7300-7600 Commissioner	920 -1617 start at 962	800 -1265	1:10.0

* Director of Public Instruction

@ Director of Higher Education

x Law Secretary

State/States	Holidays		Yearly		Encashment of leave during service	Leave Travel Concession Home Town/ All India	Remarks/ Other Special Features
	Gazetted	Restri- cted	Casual Leave	Earned Leave			
1.	2.	3.	4.	5.	6.	7.	8.
Andhra Pradesh	16	2	12	30	<---Nil--->	Home Town once in a block of 2 years and Anywhere in India once in a block of 4 years	
Assam							
Bihar Pradesh	21	5	15	30	15 days E.L. at a gap of 12 months	Home Town once in 1st block of 2 yrs and anywhere in India once in 2nd block of 2 years	
Chhattisgarh Pradesh	12+2 days as desired by DC for their districts.	3	<-----On Central Pattern----->				For two days for Offices of Arunachal Pradesh located at New Delhi, Assam, Meghalaya & West Bengal.
Goa	29	2	15	30	Nil	Home Town once in a block of 2 years and Anywhere in India once in a block of 4 years	For the purpose of LTC Govt. Employees and their families are entitled by class of journey to which Govt. Employee is entitled to travel while on tour.
Gujarat	19	2	<-----On Central Pattern----->				
Haryana	N.A.	N.A.	12	30	15 days in a block of 2 calendar yrs	Home Town once in a block of 2 yrs and anywhere in India once in a block of 4 yrs subject to max. of 5000 kms to and fro	
Karnataka	23	2	N.A.	30	N.A.	<--On Central Pattern-->	
Kerala Pradesh	19	2	Central Pattern		Nil	<--On Central Pattern-->	
Jammu & Kashmir	30	2	Central Pattern		Nil	L.T.C. Introduced w.e.f. 13.3.1992	

Centre/States	Holidays		Yearly		Encashment of leave during service	Leave Travel Concession Home Town/ All India	Remarks/ Other Soecial Features
	Gazetted	Restri- cted	Casual Leave	Earned Leave			
1.	2.	3.	4.	5.	6.	7.	8.
9 Karnataka	19	2	15	30	30 days E.L. in a block of two years.	Home Town once in 2 years. Anywhere in India only once in entire service period.	
10 Madhya Pradesh	20	3	<-----Central Pattern----->			N.A.	
11 Maharashtra	24	2	N.A.	N.A.	30 days in a year on availment of not less than 30 days E.L.	Only Home Town is allowed.	
12 Manipur	21	3	<----- On Central Pattern----->				
13 Meghalaya	18	2	15	30	Nil	Home Town once in a block of 2 years and Anywhere in India once in a block of 4 years	For the purpose of LTC Govt. Employees and their families are entitled by class of journey to which Govt. Employee is entitled to travel while on tour.
14 Mizoram	26	N.A.	<----- On Central Pattern----->				
15 Orissa	24	2	10 days + 5 day Sp1.C.L every alter -nate year	30 days 31 days in 24 months when he has to his credit minimum 120 days E.L.	30 days E.L. in a block period of 24 months when he has to his credit minimum 120 days E.L.	Only once in entire service period.	
16 Rajasthan	25	2	15	30	30 days E.L. in a block of two years.	<----Not Allowed---->	
17 Sikkim	41	N.A.	10	1/11 of the period spent on duty	30 days in a block of three years	<----Not Allowed---->	
18 Tamilnadu	20	2	12	30	15 days at interval of 12 months & 30 days at interval of 24 months.	One way once in two yrs. and both ways once in 4 yrs	Officers of State service drawing a pay of Rs.5000/- p.m. and A.I.S. Officers drawing a pay of Rs.5900/- are allowed to travel by Air under L.T.C.

Centre/States	Holidays		Yearly		Encashment of leave during service	Leave Travel Concession Home Town/ All India	Remarks/ Other Special Features
	Gazetted	Restri- cted	Casual Leave	Earned Leave			
1.	2.	3.	4.	5.	6.	7.	8.
19 Tripura	N.A.	N.A.	12	30	(--Nil--)	Home Town once in a block of 2 yrs and anywhere in India once in service period	
20 Uttar Pradesh	20	2	14	N.A.	upto Rs.2900/- 30 days and above Rs.2900/- 15 days.	Only once in entire service. Limited to 3000 kms. Eligible after continuance service for 15 yrs.	
21 West Bengal	20	2	14	30	(--Nil--)	Anywhere in India within 2 yrs of actual retirement. Employees posted at a distance of 400 kms or above from Calcutta are entitled to once in a year to visit Calcutta	

Source: Replies to the Questionnaire received from the States.

Annexe 38.4

Centre/States	Average emolument (AE) calculated on the basis of	Qualifying service		Rate of Pension	Pension (Rs.) per month		Remarks
		For full pension	For eligibility of pension		Minimum	Maximum	
1.	2.	3.	4.	5.	6.	7.	8.
I. Centre	10 months Basic Pay	33 yrs.	10 yrs.	50 %	375	4500	
II. States							
1 Andhra Pradesh	10 months Basic Pay	33 yrs.	10 yrs.	50 %	370	No ceiling	
2 Arunachal Pradesh	(<----- Central Pattern is being followed ----->)						
3 Assam	10 months Basic Pay	33 yrs.	10 yrs. or 20 yrs. of Temporary pensionable service	50 %	450	3150	
4 Goa	(<----- Central Pattern is being followed ----->)						
5 Gujarat	N.A.	33 yrs.	10 yrs.	N.A.	375	4000	
6 Harvna	N.A.	33 yrs.	10 yrs.	N.A.	375	3800	
7 Himachal Pradesh	(<----- Central Pattern is being followed ----->)						
8 Jammu & Kashmir	10 months Basic Pay	33 yrs.	10 yrs.	N.A.	375	3750	
9 Karnataka	Basic Pay at the time of retirement	33 yrs.	10 yrs.	50 %	390	3450	* plus spl. pay for stenographers, typists, drivers & lift attendants
10 Madhya Pradesh	N.A.	33 yrs.	10 yrs.	N.A.	375	No ceiling	
11 Maharashtra	10 months Basic + NPA	33 yrs.	10 yrs.	N.A.	375	4000	
12 Manipur	10 months Basic	33 yrs.	10 yrs.	50 %	375	4500	
13 Meghalaya	10 months Basic, Spl. & Personal Pay	33 yrs.	10 yrs.	N.A.	375	3000	
14 Mizoram	(<----- Central Pattern is being followed ----->)						

Centre/States	Average emolu-ments (AE) calculated on the basis of	Qualifying service		Rate of Pension	Pension (Rs.) per month		Remarks
		For full pension	For eligi-bility of pension		Minimum	Maximum	
1.	2.	3.	4.	5.	6.	7.	8.
15 Orissa	Basic Pay at the time of retirement	33 yrs.	10 yrs.	50	300	No ceiling	
16 Rajasthan	Basic, Spl. Personal Pay last drawn & 10 months Avg. NPA wherever applicable	33 yrs.	10 yrs.	N.A.	300	No ceiling	
17 Sikkim	N.A.	33 yrs.	10 yrs.	N.A.	375	3350	
18 Tamilnadu	10 months Basic, Spl. & Personal Pay	33 yrs.	10 yrs.	50 %	375	No ceiling	
19 Tripura	Last Basic Pay	33 yrs.	10 yrs.	Proportionate to length of qualifying service	400	No ceiling	
20 Uttar Pradesh	10 months Basic Pay	33 yrs.	10 yrs.	N.A.	375	4500	
21 West Bengal	Last Pay drawn	33 yrs.	10 yrs.	50%	400	3650	

Source: Replies to the Questionnaire received from States.

Centre/States	Commutation of Pension		Death-cum-retirement gratuity			
	Portion of pension allowed to be commuted	Restoration of commuted value after	Eligibility	Rate	Ceiling	
					No. of Months	Amount
1.	2.	3.	4.	5.	6.	7.
I. Centre	One Third of the Pension	15 yrs. or 73 years of age		1/4 of emoluments (Basic+ 97% DA) for each monthly period	16.5	Rs. 2.50 Lakh
II. States						
1 Andhra Pradesh	One Third of the Pension	15 yrs.		1/4 of emoluments (last Basic Pay) for each completed 6 monthly period	15	Rs. 0.60 Lakhs
				or 3/16 of emoluments (last Basic Pay) for each completed 6 monthly period	12.375	Rs. 1.00 Lakhs
2 Arunachal Pradesh	(-----C.C.S.(Pensions) Rules -----)					
3 Assam	One Third of the Pension	14 yrs.	5 yrs qualifying service	1/4 of emoluments (last Basic Pay) for each completed 6 monthly period	16.5	Rs. 0.72 Lakhs
4 Goa	(-----Central Pattern is followed -----)					
5 Gujarat	One Third of the Pension	15 yrs.	Death	less than 1 yr 2 times of pay 1 - 5 yrs. 6 times of pay 5 - 20 yrs. 12 times of pay 20 or more 1/2 of the Basic Pay for each completed six monthly period of qualifying service subject to maximum of 33 times pay or Rs. 1.00 Lakh whichever is less.		
6 Haryana	One Third of the Pension	70 yrs. of age or when full value of commutation is recovered along with notional interest whichever is later.	(----- N.A. -----)			Rs. 1.00 Lakh

Commutation of pension and Death-cum-retirement Gratuity
admissible to Central and State Government Employees

Annexe 38.5

Centre/States	Commutation of Pension		Death-cum-retirement gratuity			
	Portion of pension allowed to be commuted	Restoration of commuted value after	Eligibility	Rate	Ceiling	
					No. of Months	Amount
1.	2.	3.	4.	5.	6.	
7 Himachal Pradesh	(-----Central Pattern is followed-----)					
8 Jammu & Kashmir	One Third of the Pension	15 yrs.	(-----Central Pattern is followed-----)			
9 Karnataka	One Third of the Pension	15 yrs.	10 six monthly periods of qualifying service	1/4 of emolu- ments for each completed six monthly period	16.5	Rs. 1.00 Lakh
10 Madhya Pradesh	(-----Central Pattern-----)		5 yrs quali- fying service	1/4 of emolu- ments (Basic + 20% DA) for each completed six monthly period	16.5	Rs. 1.00 Lakh
11 Maharashtra	One Third of the Pension	15 yrs.	Retirement ----- 5 years quali- fying service	1/4 of last Basic Pay for each completed 6 monthly period of qualifying service	16.5	Rs. 1.00 Lakh
			Death ----- less than 1 yr	2 times of pay		
			1 - 5 yrs.	6 times of pay		
			5 - 20 yrs.	12 times of pay		
			20 or more	1/2 of the Basic Pay for each completed six monthly period of qualifying service subject to maximum of 33 times pay or Rs. 1.00 Lakh whichever is less.		
12 Manipur	(-----Central Pattern is followed-----)					
13 Meghalaya	One Third of the Pension	15 yrs.	5 years	1/4 of six monthly emolu- ments.	16.5	Rs. 0.72 lakhs.
14 Mizoram	(-----Central Pattern is followed-----)					

Commutation of pension and Death-cum-retirement Gratuity
admissible to Central and State Government Employees

Annexe 38.5

Centre/States	Commutation of Pension		Death-cum-retirement gratuity			
	Portion of pension allowed to be commuted	Restoration of commuted value after	Eligibility	Rate	Ceiling	
					No. of Months	Amount
1.	2.	3.	4.	5.	6.	
15 Orissa	One Third of the Pension	12 yrs.	Retirement ----- 5 yrs quali- fying service	1/4 of last emoluments for each completed six monthly period	16.5	Rs. 1.00 Lakhs.
			Death ----- less than 1 yr 1 - 5 yrs. 5 - 20 yrs. 20 or more	2 times of pay 6 times of pay 12 times of pay 1/2 of the emoluments for every six monthly period subject to maximum of 33 times emoluments provided that amount of Death gratuity in no case exceeds Rs. 1.00 lakh.		
16 Rajasthan	One Third of the Pension	14 years or 70 years of age whichever is later	<-----N.A.----->			
17 Sikkim	One Third of the Pension	15 Yrs.	5 yrs. quali- fying service	1/4 of emolu- ments for each completed six monthly period	16.5	Rs. 0.65 Lakhs
18 Tamilnadu	One Third of the Pension	15 yrs.	5 yrs. quali- fying service	1/4 of emolu- ments (Basic+ 20% DA) for each completed 6 monthly period	16.5	Rs. 1.00 Lakh
19 Tripura	One Third of the Pension	15 yrs.	Retirement -----	1/4 of emolu- ments for each completed six monthly period	16.5	Rs. 1.00 Lakh

Commutation of pension and Death-cum-retirement Gratuity
admissible to Central and State Government Employees

Annexe 38.5

Centre/States	Commutation of Pension		Death-cum-retirement gratuity			
	Portion of pension allowed to be commuted	Restoration of commuted value after	Eligibility	Rate	Ceiling	
					No. of Months	Amount
1.	2.	3.	4.	5.	6.	7.
20 Uttar Pradesh	One Third of the Pension	1 yrs.	Retirement ----- 5 yrs quali- fying service	1/4 of emolu- ments for each completed six monthly period	16.5	Rs. 1.00 Lakh
<p>Death</p> <p>-----</p> <p>less than 1 yr 2 times of pay 1 - 5 yrs. 6 times of pay 5 - 20 yrs. 12 times of pay 20 or more 1/2 of the emoluments for every six monthly period subject to maximum of 33 times emoluments provided that amount of Death gratuity in no case exceeds Rs. 1.00 lakh.</p>						
21 West Bengal	One Third of the Pension	15 yrs.	Retirement -----	1/4 of emolu- ments for each completed six monthly period	16.5	Rs. 0.85 Lakh
<p>Death</p> <p>-----</p> <p>less than 1 yr 2 times of pay 1 - 5 yrs. 6 times of pay 5 - 20 yrs. 12 times of pay 20 or more 1/2 of the emoluments for every six monthly period subject to maximum of 33 times emoluments provided that amount of Death gratuity in no case exceeds Rs. 0.85 lakh.</p>						

Source: Replies to the Questionnaire received from the States.

States	Promotion Policy
1.	2.
1. Andhra Pradesh	(i) After 8 years service - Special grade (ii) After 16 years service - Promotion post scale (iii) After 24 years service - An addl. increment in promotional post scale
2. Assam	Promotion is made subject to the availability of posts
3. Goa	Time bound promotions to group 'C' and 'D' employees including those group 'C' employees who are eligible to be promoted to group 'B' posts. Should have 12 years of service in the existing post. Not applicable to the teaching staff.
4. Gujarat	3 Time bound promotions to the posts carrying pay maximum of which does not exceed Rs 3500 after 9, 18 and 27 years of service. For teachers the period is 9, 20 and 31 years.
5. Kerala	(i) 3 Time bound promotions to the posts with pay scale of Rs 775-1065 to 825-1250. (ii) 2 Time bound promotions to the posts with pay scale of Rs.950-1500 to 2375-3500. (iii) Direct recruits in the pay scale of Rs. 2500-4000 are given higher scale on completion of 12 years of service. (iv) Teachers ----- (a) Secondary Schools ----- 1. T.G.T. - Ist promotion after 12 yrs. Rs.1640-2900 (1400-2600) 2nd promotion after 12 yrs. Rs. 2000-3500 and attainment of post-graduate qualification (limited to 20% posts) 2. Headmaster - Ist promotion after 12 yrs. Rs.2200-4000 (2000-3500) and attainment of post-graduate qualification (b) Primary ----- 1. Teachers - Ist promotion after 12 yrs. Rs. 1400-2600 (1200-2040) 2nd promotion after 12 yrs. Rs. 1640-2900 and attainment of trained graduate qualification (limited to 20% posts)

States	Promotion Policy
1.	2.
	2. Headmaster - 1st promotion after 12 yrs. Rs. 2000-3500 (1640-2900) and attainment of graduate qualification
6. Maharashtra	2 promotions to group 'C' and 'D' employees.
7. Mizoram	Time bound promotions to group 'D' employees who have completed 20 years of service.
8. Rajasthan	3 selection grades to class IV ministerial and subordinate employees on completion of 9, 16 and 27 years of service.
9. Sikkim	Advancement grade upto the level of Joint Secretary who have completed 10 years of service.
10. Uttar Pradesh	Applicable to the employees drawing pay upto Rs. 3500 <ul style="list-style-type: none"> (i) After 8 years of satisfactory service - One additional increment in the form of selection grade (ii) After 14 years including 6 years in selection grade - Next higher grade (iii) After 20 years of service - One additional increment (iv) After 26 years of service - Next higher grade
11. West Bengal	2 Time bound promotions - each after 10 years of continuous and satisfactory service.

States and Centre's Total Expenditure on Pay & Allowances of
its employees as percent of Revenue Receipts, Revenue Expenditure
and Gross Domestic Product: 1989-90

(Rs crores)

States	Govt. Employees (as on 31st Mar.)	Expd. on Pay and Allow- ances	Revenue Receipts	Revenue Expendi- ture	Gross Domestic Product (current prices)	Total Exod. on Pay & Allowances as % of		
						Revenue Receipts	Revenue Expendi- ture	State's Gross Domestic Product
1.	2.	3.	4.	5.	6.	7.	8.	9.
1 Andhra Pradesh	383.632	1,037.51	4,476.89	4,715.12	22,544 \$	23.17	22.00	4.60
2 Arunachal Pradesh	40.980	84.33	289.16	256.66	382	29.16	32.86	22.08
3 Assam	366.283	637.76	1,534.82	1,668.78	8,647	41.55	38.22	7.38
4 Bihar	N.A.	1,855.67	3,640.46	3,830.96	20,638	50.97	48.44	8.99
5 Goa	30.910	76.21	217.17	228.33	1,069	35.09	33.38	7.13
6 Gujarat	239.762	511.09	3,537.20	3,703.64	24,426	14.45	13.80	2.09
7 Haryana	276.544	663.78	1,607.24	1,701.73	11,288	41.30	39.01	5.88
8 Himachal Pradesh	157.767	349.19	721.23	782.50	2,251	48.42	44.62	15.51
9 Jammu & Kashmir	238.103	501.96	960.00	1,096.36	N.A.	52.29	45.78	N.A.
10 Karnataka	537.392	1,233.91	3,336.48	3,482.94	20,126	36.98	25.43	6.13
11 Kerala	331.762	680.77	2,047.64	2,298.09	11,649	33.25	29.62	5.84
12 Madhya Pradesh	776.709	1,628.17	3,876.78	3,779.30	19,802	42.00	43.08	8.22
13 Maharashtra	671.214	1,394.57	7,528.66	7,902.55	51,281	18.52	17.65	2.72
14 Manipur	64.307	155.22	334.19	303.87	683	46.45	51.08	22.73
15 Meghalaya	34.752	94.66	309.19	258.77	632	30.62	36.58	14.98
16 Mizoram	29.658	73.92	344.38	239.63	N.A.	21.46	30.85	N.A.
17 Nagaland	65.475	157.58	335.41	380.51	N.A.	46.98	41.41	N.A.
18 Orissa	382.930	637.77	1,740.72	1,846.11	10,388	36.64	34.55	6.14
19 Punjab	332.535	999.00	1,799.97	2,032.79	16,290	55.50	49.14	6.13
20 Rajasthan	405.206	924.01	2,667.60	2,697.63	13,776 \$	34.64	34.25	6.71
21 Sikkim	19.495	42.67	134.27	115.27	194 \$	31.78	37.02	21.99
22 Tamilnadu	1,151.266	1,462.39	4,251.57	4,730.79	24,790	34.40	30.91	5.90
23 Tripura	112.348	206.33	427.00	419.54	N.A.	48.32	49.18	N.A.
24 Uttar Pradesh	859.501	2,049.27	6,623.17	7,654.05	45,787	30.94	26.77	4.48
25 West Bengal	468.608	945.61	3,494.07	3,971.25	26,125 \$	27.06	23.81	3.62
26 Centre	3,774.396	9,043.62	52,296.00	64,210.00	408,662	17.29	14.08	2.21

\$ Relates to 1988-89 as 1989-90 not available.

Note: Pay & Allowances of the Centre includes HRA, CCA, OTA, CHCA, Children Education allowance, Reimbursement of medical charges and Tuition fees, LTC, Travelling allowance and other compensatory allowance but does not include the expenditure incurred on pay and allowances of employees of the Indian Missions abroad and that of Union Territories or the expenditure incurred on productivity linked bonus/ad-hoc bonus, Honarium and encashment of earned leave.

Revenue Surplus/Deficit of the Centre and States: Annex 38.8
1984-85, 1990-91 and 1994-95

Centre/States	1984-85	1990-91	1994-95 (B.E.)	Annual com- boud GR (%) 1994-95 over 1984-85
I.	2.	3.	4.	5.
I. Centre	-4225.00	-13562.00	-32727.00	22.7
II. States				
1 Andhra Pradesh	-169.04	-157.60	-703.66	15.3
2 Arunachal Pradesh	..	100.08	114.78	N.A.
3 Assam	-135.81	-143.75	441.28	15.6
4 Bihar	106.71	-566.09	-693.09	-22.3
5 Goa		7.15	38.22	N.A.
6 Gujarat	66.26	-702.65	87.33	2.5
7 Harvada	29.56	-19.65	-512.27	-33.7
8 Himachal Pradesh	37.56	-94.84	-413.08	-28.2
9 Jammu & Kashmir	-70.94	-91.24	-148.66	7.7
10 Karnataka	-143.62	-76.91	219.93	9.7
11 Kerala	-13.67	-422.02	-833.37	50.8
12 Madhya Pradesh	79.13	-200.67	-30.71	3.30
13 Maharashtra	-212.00	-54.65	-998.85	16.8
14 Manipur	37.62	88.54	104.67	10.8
15 Meghalaya	31.16	42.20	36.58	1.6
16 Mizoram	..	157.09	60.12	N.A.
17 Nagaland	37.63	-5.22	-64.69	10.5
18 Orissa	-74.03	-19.59	-421.94	19.0
19 Punjab	-9.35	-544.22	-716.39	54.3
20 Rajasthan	-75.66	167.95	-482.77	20.3
21 Sikkim	16.66	31.37	46.67	10.0
22 Tamilnadu	17.17	-553.41	-1239.16	-53.6
23 Tripura	36.53	-1.70	54.62	4.1
24 Uttar Pradesh	-147.30	-1228.26	-1971.78	29.6
25 West Bengal	-371.34	-1016.86	-1335.86	13.6
Total - II (All States)	-923.53	-5308.97	-9360.10	26.1

Source: 1. Budget Documents of the Central Government.

2. Reserve Bank Bulletins.

Remuneration in Public Services - The International Experience

INTRODUCTION

Our approach

39.1- Our terms of reference require us to evolve the principles which should govern the emoluments and conditions of service of Central Government employees within the country. While studying the principles governing the emoluments, we felt the need for examining the experience of other countries. A Questionnaire on International Comparisons was, therefore, framed and forwarded to the High Commissioners/Ambassadors of India in 27 selected countries. Only some countries responded and information on several issues was found to be incomplete. We had to refer to many journals and reports of International Labour Organisation and Common-wealth Secretariat to tie up the loose ends. We followed this up with a visit to countries like Malaysia, New Zealand, Canada and U.K. to complete our familiarisation exercise.

39.2 This chapter summarizes only the broad trends in the remuneration offered to public servants abroad. The international experience in downsizing and administrative reforms has been discussed elsewhere in the report.

SIZE OF EMPLOYMENT IN THE PUBLIC SERVICES

The rapid expansion in the public sector until the 1980s

39.3 Our study of the available literature shows that by the 1960s and 1970s, a major expansion in public sector was underway world-wide. The welfare role of the State had by then been recognized and taken form. In Central and Eastern Europe the Public Sector had come to be a basic tenet of the political system. In most developing economies, only Governments could have found the means to carry out the much needed large scale projects such as public utilities, infrastructure, industrial development, social services and health care. Thus the period until the 1980s saw a rapid expansion in the size of the work force in the

Public Sector. The size of Public Sector employment for the period 1960-90 as per an IMF study is given below:-

Size of Public Sector Employment* as a percentage of total employment.

	1960	1980	1988	1989	1990
Australia	23.0	26.0	24.1	23.0	22.8
Canada	----	18.8	19.4	19.4	19.7
Finland	7.7	17.8	21.7	21.9	22.4
France	----	20.8	23.0	22.8	22.6
Norway	----	23.2	25.7	26.9	27.7
UK	14.8	21.1	20.8	19.6	19.2
United States	14.7	15.4	14.4	14.4	----

Public Sector Employment here includes all Central, Regional, Provincial and Autonomous Public Institutions.

39.4 It may be observed from the above table that Public Sector employment accounted for nearly one fifth of the total employment in most countries under study in 1990.

*The experiments
in downsizing*

39.5 By the late 1970s, however, Public Sector had become a heavy drain on the national budgets all over the world. The early 80s brought along oil shocks, exceptionally high interest rates, falling commodity prices and a global economic downturn. The burden on the exchequers became unsustainable. Mounting foreign debt and interest payments began to cause concern. Any restructuring of the debt by the IMF and World Bank carried with it the obligation of reducing the size of government. It was the pressure to reduce public expenditure which became the primary stimulus for the "downsizing" exercises that have been underway in countries like USA, UK and Malaysia.

*Information
compiled from the
Questionnaire on
International
Comparisons*

39.6 Some information regarding the size of Federal Government employees and the amount spent on the salaries and wages of Government employees was also collected by us (see Annexe 39.1). Bearing in mind the caution that needs to be exercised while making cross-country comparisons (on account of differing concepts and definitions), we may, on the basis of the information available with us, broadly conclude as follows:-

- i) Amongst the countries that have responded, the share of the bureaucracy as a percentage of total population is the highest in Malaysia at 4.60% followed by 3.20% in Hongkong, 2.98% in Sweden, 2.50% in Indonesia and Thailand. The size of the federal bureaucracy as a percentage of total population is amongst the lowest in India and China, because of the large size of population in these countries.
- ii) Similarly, the expenditure on salaries and wages as a percentage of revenue expenditure is the highest in countries like Sri Lanka at 60%, followed by Malaysia at 40.6% and Indonesia at 19.0%.

India ranks fifth amongst the countries under study in terms of expenditure on wages and salaries as a percentage of revenue expenditure.

THE BROAD TRENDS IN PAY STRUCTURE IN PUBLIC SERVICES ABROAD

The broad trends in pay structure in Public Services abroad Basic Salary

39.7 From the information received in response to our questionnaire, we observe that the pay of the public servants all over the world consists of basic salary, allowances and bonuses. Most countries have not reported the ratio of the basic salary to the various supplements. However, as per a study conducted by the ILO, basic salary constitutes 70% to 80% of the monthly income in Germany, 80% in Hungary and 72.4% in Korea. This is probably because basic salary is often the only factor which is used in determining social security rights, unemployment benefits, old age pension and the level of certain other allowances. It is therefore, important that the basic salary accounts for a larger proportion of the pay.

Allowances

39.8 Most countries have reported that allowances and other fringe benefits are awarded to their employees in order to compensate for specific circumstances related either to work, such as working in remote areas or under dangerous conditions or to their personal or family situation. Others grant allowances for specific qualifications. Some developed countries have reported that allowances are offered mainly to make the public service more competitive. While in most countries allowances constitute a small proportion of pay, in Turkey it is observed that for high ranking civil servants, supplementary remuneration makes up the largest part of the emoluments. The language bonus and the hardship allowance are both quite high and the latter may even turn out to be the largest component of the salary for the civil servants who are working in the so called priority development areas.

Real Earnings

Salaries in the public services viz-a-viz the private sector

39.9 A fall in the real earnings of civil servants also appears to be fairly universal and as per an ILO document, most countries like Argentina, Colombia, Mexico, Peru, Sierra Leone, Denmark, Germany, Greece, reported a fall in the real earnings of the civil servants for the period 1960-1990. We also observe that the salary scales in the private sector are slightly higher than the public sector in most cases (See Annexe 39.2). Where public service remuneration has deteriorated with respect to private sector remuneration, the motivation of workers has tended to suffer; there is a higher rate of moonlighting and a greater difficulty in recruiting qualified new workers. The bottom line has generally been an erosion in the quality of public services. That is why in some countries like Singapore an attempt has been made to reverse this trend by formally bench marking the salaries of the ministers and the civil servants to the salaries in the private sector.

Cost of Living Adjustments (COLA)

39.10 In the past, the pay scales in several countries such as Denmark, France, Greece, Italy and United Kingdom were indexed to inflation. It seems however, that many countries have abandoned this system in recent years. The automatic indexation of wages of police staff in U.K. is soon to be terminated. In Denmark the automatic cost of living indexation scheme was abolished in 1982. France discontinued its quarterly adjustment of public service salaries in 1980s. Germany and Italy have also discontinued this practice. In general, countries which

have abolished automatic adjustment have done so on the assumption that indexation tends to fuel inflation and is therefore inconsistent with cost containment and price stability policies. However, some countries like Germany, Portugal, Pakistan, Switzerland do provide partially for inflation. The same trend is also observed from the information collected by us (See Annexe 39.2). Cost of Living Adjustment or COLA has been done away with in most countries and does not exist in countries like Canada, Sweden, Indonesia, Japan, Malaysia and Thailand. In certain other countries like Sri Lanka, China and Hongkong only partial compensation for increase in cost of living is given. In most countries, pay revision take place through a mechanism of collective bargaining. An important element in such negotiations is the neutralisation of the cost of living increase that may have taken place since the previous revision of salaries. Therefore, although there is formally no Cost of Living Adjustment (COLA), in actual practice revisions of salaries do take into account the need to neutralize inflationary pressures.

Disparity Ratios 39.11 The disparity ratio between the minimum and the maximum varies between 1:2.66 in Sri Lanka to 1:40 as reported by Hongkong. (See Annexe 39.2). However, the maximum and minimum levels reported by these countries may not be comparable with our conditions.

Performance related pay 39.12 Based on our study of the existing trends, another development we anticipate in the structure of emoluments is the movement towards increased variable component of pay because of the introduction of performance related pay schemes in most countries. We observe a departure away from rigid public service pay in favour of flexible pay schemes. Flexible pay schemes allow the public service to offer more competitive salaries as well as to reward performance. In U.K. for grades below the Permanent Secretary, the system is now entirely performance based and there are no automatic annual increases of any kind. Earlier there used to exist a centralized pay and grading system where grade wise pay scales were negotiated centrally and were uniform across departments. Now there exists a system of delegated pay and grading. Under this system the individual Permanent Secretary controls the pay progression of his staff taking into account performance, level of responsibility and marketability of skills. There is a uniform pay range for all Permanent Secretaries including the Head of Home Civil Service, however. The level and extent of the range of pay of the Permanent Secretary is determined on the basis of the advice of the Senior Salaries Review Body made up of three outside members. The heads of Home Civil Service and Treasury, though members of the remuneration committee, do not play a part in determining their own pay. Australia and Canada have also introduced performance related pay schemes. Malaysia has introduced a performance related remuneration scheme in 1992, called the New Remuneration System (NRS), which provides for salary progression based on individual performance differentials. Four different types of salary progressions have been introduced under this scheme - diagonal, vertical, horizontal and static. With the introduction of NRS the salary progression of a civil servant is no longer automatic as in the past. Those who produce unsatisfactory work remain static and do not receive any increment, those who are satisfactory get a horizontal increment, those who are good get a vertical salary progression and those who are excellent get a diagonal progression. New Zealand also introduced performance based pay on a widespread basis in 1988. New Zealand used to have a system in which life time Civil Servants worked as administrators executing government policies. They have now moved to a structure

wherein everybody in civil service is employed on fixed-term contracts with performance related pay to deliver outputs that Ministers have contracted for.

- Income Tax* 39.13 It is also observed from Annexe 39.2 that the Federal employees' incomes are not exempt from Income Tax in most countries. But then income tax rates in these countries are much lower than in India. Countries like Sri Lanka have declared complete exemption of government servants salaries from Income Tax since 1977. Hongkong has exempted certain allowances only like House Rent Allowance, Travel Allowance and Children Education Allowance from Income Tax.
- Retirement age and other terminal benefits* 39.14 The international experience shows that retirement age varies between 60 and 65 years in most countries. Women have the option of retiring at 55 years. 80% to 90% of the last pay drawn is paid as pension in Sri Lanka. However no gratuity is paid in Sri Lanka and the only terminal benefit available is pensions. It is also observed that in most cases like Canada, Hongkong, Indonesia, Japan and Sweden pensioners are protected against inflation. The heavy expenditure on pensions has made most countries think of a pension fund as an alternative. In Japan this scheme is already in existence. Further details are contained in our section on Pensionary Benefits
- Lessons from International Experience* 39.15 As will be apparent in the later Chapters, we have tried to draw some lessons from the international experience. A major element in our strategy to improve the productivity of Government employees in India is the Performance Related Increment, the seed of which was derived from the Malaysian experience. The same is true of the use of the time clock even at the level of Prime Minister and Cabinet Secretary. Our suggestion about increase in age of retirement to 60 is based on international experience. We also drew inspiration from the trend towards right sizing of the bureaucracy in almost all the countries. Our recommendations on Pension fund take into account the lessons learnt elsewhere.
- Need for update on data* 39.16 There is a need, in our opinion, to have a continuous update on our information about what is happening to the bureaucracies of other countries. It is imperative that we join hands with organisations like the ILO and the Common-wealth Secretariat to generate information about the major trends. For this purpose, the Department of Personnel may bring out an annual publication on Public Services in India, summarizing the broad trends, and encourage other countries to do the same. Exchange of information through our diplomatic missions abroad should also be done on a regular basis.

Size of Federal Government Employees in Countries abroad

Sl. No.	Country	Number of Federal Government Employees (FGE) (Lakhs)	% of Work force	% of FGE to Total Population	Total Expenditure on Salaries & Wages as a percent of	
					Total Rev. Expenditure	G.D.P.
1.		2.	3.	4.	5.	6.
1. Australia		1.44	N.A.	0.80	4.4 (1993-94)	1.2 (1993-94)
2. Canada		2.26	1.5	0.77	<---not reported--->	
3. France		<----->			not reported	
4. Sweden		2.60	N.A.	2.98	<---not reported--->	
5. China		90.00	N.A.	0.75	<---not reported--->	
6. Hongkong		1.97	6.6	3.20	<---not reported--->	
7. Indonesia		45.00	--	2.50	19.0 (1990-91)	3.0 (1990-91)
8. Japan		8.39	N.A.	N.A.	<---not reported--->	
9. Malaysia		8.80	12.9	4.60	40.6 (1995)	11.8 (1995)
					<---calculated--->	
10. Sri Lanka		4.30	N.A.	2.47	60.0 (total revenue)	not reported
11. Thailand		15.0	N.A.	2.50	18.9	4.8
12. United Kingdom		5.33	N.A.	N.A.	N.A.	N.A.
13. India		38.9	1.2	0.46	13.6	2.1
					(1993-94)	(1993-94)

Source: Fifth Central Pay Commission.

* Total of Central and Provincial Government Employees.

** Of total Govt. Expenditure

*** White Paper on "The Civil Service: Continuity and Change" in U

Sl. No.	Country	Number of Pay Scales and groupings	Mechanism for pay review	Ratio between minimum and maximum emoluments	Relation-ship with Private Sector	Inflation adjustment	Exemption from Income Tax FGE
1.	2.	3.	4.	5.	6.		
1. Australia	Large Nos.	The Australian Public Service operates within the Federal Industrial Relations System and negotiations are held between Govt. & Trade Unions.	1 : 7.66 (1.1.95)	No formal linkage but an informal relativity is maintained	No direct link between Australian Public Service pay increases and cost of living.	Not exempted from Income Tax.	
2. Canada	Large Nos.	Collective bargaining between employer & employee Till summer of 1997 collective bargaining banned. Instead, increase in wages restricted to 3% over 72 months.	1 : 9.15 (31.10.94)	No formal linkage but relativity with Private Sector is maintained. However public salaries are deliberately kept slightly lower than the Private Sector.	Except post office employees, none of the employees salaries protected by cost of living allowance.	Not exempted from Income Tax.	

Sl. No.	Country	Number of Pay Scales and groupings	Mechanism for pay review	Ratio between minimum and maximum emoluments	Relationship with Private Sector	Inflation adjustment	Exemption from Income Tax for FGE
1.	2.	3.	4.	5.	6.	7.	
3.	France	<-----not reported----->		1 : 6.6 (calculated)	Yes. salary scales in Private Sector Slightly Higher than civil servants.	not reported	Not exempted from Income Tax.
4.	Sweden	No fixed pay scales. Each employing agency based on its requirement can hire people.	Revised through negotiations between Associations of employers and employees. Various factors like inflation. Economic conditions etc. considered.	1 : 4	Yes. Govt. servants salaries adjusted to market levels.	Equivalent of DA doesn't exist. Cost of living Index indirectly constitute an important factor for negotiating higher increment in wages.	Not exempted from Income Tax.
5.	China	12 grades with salaries ranging from US \$16.9 to \$144.6	not reported	1:8 (1993)	not reported	Inflation adjustment is adhoc and is paid in the form of an allowance.	Not exempted from Income Tax

Sl. No.	Country	Number of Pay Scales and groupings	Mechanism for pay review	Ratio between minimum and maximum emoluments	Relationship with Private Sector	Inflation adjustment	Exemption from Income Tax for FGE
1.	2.	3.	4.	5.	6.	7.	
6.	Hongkong	455 grades 1250 ranks or job levels pay scales for different groups. (unified Civil Service common appointment procedure disciplinary code and conditions of service)	Revised on the basis of the findings of the annual survey conducted on the emoluments admissible in the Private Sector. Other factors like economic conditions budgetary constraints, cost of living etc. considered.	1:40 (1995)	Linkage is recognised formally and qualification benchmarking exists.	Increase in the cost of living is an important consideration but not full compensation is given.	Not exempt from salary tax.
7.	Indonesia	4 groups of pay scales varying with the length of service.	Not automatic. Revision done through presidential decree and Govt. regulations.	1:6.9 (1995)	No linkage but pay-scales in the Private Sector are higher at the higher levels and lower at the messenger level	No allowance to compensate erosion in real income or pay.	Government employees pay income tax notionally. Govt. pays income tax, in lieu, which is 15% of salary irrespective of range/ amount of income.

Sl. No.	Country	Number of Pay Scales and groupings	Mechanism for pay review	Ratio between minimum and maximum emoluments	Relation-ship with Private Sector	Inflation adjustment	Exemption from Income Tax for FGE
1.	2.	3.	4.	5.	6.	7.	
8. Japan	Large Nos. (no fixed pay scales)	For officers NPA makes recommendations and for industrial staff in Govt. enterprises through collective bargaining.	Can't be calculated in Japanese Govt.	NPA attempts to bring NPE salary at par with Pvt. Sector Implicit relationship between Govt. & Pvt. Sector salary scales.	COLA doesn't exist. salaries of National Public Employees revised to offset increase in cost of living index.	Not exempt from income tax.	
9. Malaysia	11 Officer level scales	By special cabinet committee every 3 yrs. but not automatic.	1 : 3	No relationship	COLA has been done away with.	Not exempt from income tax.	
10. Sri Lanka	9 salary scales. uniform across all the 9 services	Revised by a permanent salary cadre committee. At times by High Power Committees.	1:2.66 Ratio between Secretary and entry level of officers	No formal relationship exists. Pvt. Sector is paid twice as much that in the Govt.	COLA exists but not linked to COLI. It is at discretion of Govt. to sanction cost of living allowance.	Exempted from Income Tax since 1977	

Sl. No.	Country	Number of Pay Scales and groupings	Mechanism for pay review	Ratio between minimum and maximum emoluments	Relationship with Private Sector	Inflation adjustment	Exemption from Income Tax for FGE
1.		2.	3.	4.	5.	6.	7.
11.	Thailand	11 pay scales (24 steps) Generalist and Specialist and top management groups are given some additional allowances.	On the recommendations of the Civil Service Commission headed by P.M./Deputy P.M.	1 : 9	Informal relativity with the Private Sector is maintained.	No equivalent of DA in Thailand. Infact, salaries of Civil Servants are revised frequently to take care of increase in the cost of living.	Basic salary and most of the allowances subjected to income tax. However, certain allowances like HRA, TA, Children Education Allowance etc. are not taxed.
12	India	62	on the recommendations of the Pay Commission	1:10.7	No linkage. D.A. is paid but pay scales to neutralise in the private sector are higher at the living higher levels and lower at the lower levels.		not exempted from Income Tax

Source: Data collected by the Fifth Central Pay Commission.

Section II

Principles for Pay Determination

Pay Determination : A Conceptual Frame

INTRODUCTION

*Terms of
reference*

40.1 We have been instructed in our Terms of Reference to "evolve the principles which should govern the structure of emoluments and those conditions of service of Central Government employees which have a financial bearing". Earlier Pay Commissions have also grappled with this subject, with varying results. It is not our intention to traverse the same ground. We would only draw attention to some emerging trends and the impact it has had on our thinking, while taking decisions on pay determination.

Mega-trends

40.2 As we move towards the twenty first century, some trends have come into sharp focus and these may be briefly referred to as under :

- a) We are moving towards a period of less visible governance. Governments will increasingly withdraw from direct control of mining, manufacturing, trading or service activities. The emphasis will shift to facilitation and regulation of ensuring and refereeing the fair competition among private, cooperative, corporate and other non-governmental forms of enterprises.
- b) With the third tier of governance being formally mandated by the Constitution, there would be progressive need for reorienting the bureaucracy to provide effective coordination of multifarious activities at the Panchayati raj level. This would require substantial reduction of bureaucracy at Central and State levels and its strengthening at the lowest level.
- c) There would be a steady and persistent pressure on budgets, which will force governments to right size the bureaucracy drastically.

- d) At the same time, the wage levels in other sectors will be so volatile as to incite government employees to collective bargaining methods for bringing about parity with the compensation packages available elsewhere. The net result would be that governments would be forced to have less people and pay them better.
- e) The trend would be towards an officer-oriented administrative set up. Thus there would be a tendency towards reduction of numbers at the supporting and auxiliary levels. Such reduction would be achieved through multi-skilling.
- f) There would be a great emphasis on professionalisation of Government, as a result of which the compensation packages of all professionals like managers, doctors, scientists, computer professionals etc. would have to be specially jacked up.

Modified principles necessary

40.3 Viewed in the light of the above mega-trends, the application of the principles of pay determination as enunciated by the previous CPCs will undergo suitable modifications. We have tried to do so in the manner described hereafter.

CHARACTERISATION OF A SOUND PAY STRUCTURE

Three characteristics

40.4 The earlier CPCs had referred to three characteristics of a sound pay structure - inclusiveness, comprehensibility and adequacy. There is no doubt that these characteristics are as valid today as ever.

Inclusiveness

40.5 Inclusiveness implies that the broad patterns of pay scales that have been adopted for the civil services will be uniformly applied everywhere, especially in areas where some autonomy has been provided.

As applied to FCS

40.6 We would like to point to a few instances of departments which have not put their autonomy to the best use and have infringed the principle of inclusiveness. The scientific departments were allowed at one stage to devise certain special schemes for a smoother and quicker career progression of scientists. Initially, certain parameters were held to be sacrosanct. For example, when the Flexible Complementing Scheme was launched it was meant to be applicable only to Group 'A' scientists engaged in research and development. Unfortunately, over the years, FCS has degenerated into a routine time-bound promotion scheme not only for Group 'A' scientists engaged in R&D, but even scientists of Group 'B' and 'C' categories, even scientists not engaged in R&D, and even non-scientists like artisans, ministerial staff and the like. We have had to take resort to the principle of inclusiveness and modify the FCS so as to make it applicable only to Group 'A' scientists once again. At the same time, we have broadened its application in the new milieu to all Group 'A' R&D professionals. The principle of inclusiveness justifies a comparison between professionals of different disciplines, but they should belong to Group 'A' and be involved with research and development.

*As applied to
defence artisans*

40.7

Another example is that of the grade structure prevalent in the railways, as opposed to the defence production units. The relative autonomy enjoyed by the Railway Board because of its peculiar administrative structure enables the Railways to resort to solutions that cannot even be conceived of by other departments, least of all by a conservative department like Defence. The unions of the railways also have greater bargaining power, as compared to the defence associations. Resultantly, we found that the intergrade ratios achieved by the railway artisans were much superior to those prevalent in defence production units. In theory, the railways had arrived at these ratios through a meticulous exercise based on functional considerations. In practice, the fact that all such ratios in different disciplines were the same told a different story. It could not even be argued in extenuation that sophistication in terms of technology in the railways was superior to that prevalent in defence production units. We used the principle of inclusiveness to grant a superior inter-grade ratio to the defence units, based on the example of the railways.

Comprehensibility

40.8

Coming next to comprehensibility, we agree with the finding of the previous CPCs that **a pay scale should normally give a total picture of the emoluments of a post, rather than being fragmented into a number of allowances. We have, therefore, tried to rationalize allowances wherever possible.** This rationalization has been attempted in a number of ways:

- a) Where two allowances were found to be subserving the same object, we have abolished one of them. This has been necessary, especially because of the scheme of Performance Related Increment.
- b) There are cases where a number of allowances were being granted for the same general purpose. In such cases, the allowances have been merged into a single allowance and given a generic name.
- c) In many cases, allowances were actually called "pay". This resulted in confusion as to whether they would be counted as "pay" for various purposes. We have renamed all such "pays" as "allowances". The reverse is also true.
- d) We have tried to abolish special pays in a number of cases and awarded a higher pay scale in lieu thereof, in order to give a more transparent pay package to those posts.

Adequacy

40.9

The third requirement is that of adequacy. Most government employees have a feeling that their emoluments are inadequate with respect to their skills, educational qualifications, experience, duties and responsibilities, but also as compared to their peers outside the Government. We will be dealing with these questions later in this chapter.

SUPPLY AND DEMAND CONSIDERATIONS

Group D scales

40.10

This criterion which was first enunciated by the Islington Commission has been decried by subsequent Commissions. It appears reasonable as a purely economic criterion, but it fails the test of being acceptable on other

considerations. To take a single illustration, it is quite evident that an entrant to Group D Service today would be available even at Rs. 1500 or Rs.2000, not because these amounts are sufficient but due to the unemployment situation in the country. We cannot, for that reason, award very low pay packets to the entrants to Group 'D' services.

High-wage Islands

40.11 On the other hand, there are high-wage islands like those of airline pilots who command a very high price due to supply and demand considerations. We have taken these into account while deciding upon the total packages for BSF pilots or the pilots of fighter aircraft in the Indian Air Force, although we have not been able to take these anywhere near what is being offered in the private sector.

Minimum and Maximum Wage

40.12 On both the minimum and maximum wage, we have tried to evolve other more humane, rational and realistic criteria and these have been explained at great length in the relevant chapters.

EQUAL PAY FOR EQUAL WORK

Defining 'equal work'

40.13 As a principle, the 'equal pay for equal work' criterion has been used widely by the higher courts. Incidentally, it may be mentioned that the Canadian Human Rights Act has further amplified the concept to include "equal wages for equal value of work". Theoretically, nothing can be said against it. In practice, it is extremely difficult to define what equal work is.

Job Evaluation

40.14 Job evaluation is a technique that has been practised in some departments. The Expert Classification Committees of the Ministry of Defence are one example. We had also appointed inter-Departmental Committees for several common categories. Where the categories are nearly the same in terms of qualification, job description, designation, method of recruitment, promotion avenues, etc., there has been no difficulty and we have been able to suggest uniform scales of pay in model cadre structures for adoption by all the concerned departments. Wherever it was found that most of the parameters matched and one or two did not, we have suggested parity in pay scales subject to qualifications being upgraded or resort being had to direct recruitment.

Relativities

40.15 Much more intractable are the questions of horizontal relativities between say a forest guard, a Constable of a central police organisation, an army soldier and a skilled artisan. There is a lot of history in each equation and each lack of equation. We have had to take the bull by the horns in such cases and arrive at certain conclusions based on our general experience. For example, we have equated Forest guards to the Constables of CPOs, but we have maintained the differentials between the CPO Constable, the Army soldier and the Skilled artisan.

Ministerial and Artisan cadres

40.16 There was a certain warped relativity between the ministerial and artisan cadres. While the LDC (Rs 950-1500) was promoted to UDC (Rs 1200-2040) and then to Assistant (Rs 1400-2300), the skilled artisan (Rs.950-1500) rose to Highly Skilled II (Rs 1200-1800), then to Highly Skilled I (Rs 1320-2040) and then to master craftsman (Rs 1400-2300). We merged the scales of Rs 1200-2040, Rs 1200-1800 and Rs 1320-2040 to arrive at a single scale of Rs 1320-2040. One rung out of the two Highly Skilled categories was made to disappear. This has provided some relief to the artisan category.

Qualification-based pay scales

40.17 We are suggesting in a later chapter that there should be a permanent pay body, so that it can keep on studying the parameters of different jobs and develop more objective criteria for job evaluation than are available at present. Although it is not very scientific or conclusive, we felt that as a preliminary step towards rationalisation, the entry qualification could provide a fairly reliable clue. It will be noticed that we have attempted a broad rationalisation of pay scales across cadres and departments, depending on whether the entry qualification is middle pass, matriculation, 10+2, matriculation with ITI Certificate, 10+2 with a 2-year diploma, 10+2 with a 3-year diploma, an ordinary degree, a degree in agriculture, horticulture, law, engineering, etc. or a post-graduate degree. The results may not be perfect, but one can have some justification that at least the educational qualifications have been recognised.

FAIR COMPARISON

Use of the criterion

40.18 We have used "fair comparison" to a large extent in our deliberations. In almost every discussion, we have tried to make comparisons across cadres, departments, state governments, public sector enterprises, the private sector and even internationally.

Central scales no longer the best

40.19 As a general observation it would be useful to point out that while the Central Government's pay scales used to be, once upon a time, the leading pay scales, it is no longer so. Banks, PSUs and the private sector have marched ahead, for obvious reasons. But that even the cash-strapped State Governments should pay their employees more is surprising. The Junior Engineers have given a comparative statement of pay scales granted to Junior Engineers by the various State Governments; the State Government scales seem to be higher. Same is true of the police personnel. Even the Provincial Civil Service Officers now have higher pay scales than IAS Officers, with the result that their adjusment on promotion is becoming a problem.

Strict control by MCF

40.20 What this means is that the Central Government has been somewhat conservative in granting pay increases. This shows that the control of the Ministry of Finance over pay scales is quite stringent. That this is so is also exhibited by the tight control exercised on the sanction of posts. The Central Government has witnessed a compound growth rate of just 1% per year in its civilian posts.

Greater responsibility on CPC

40.21 There are two conclusions to be drawn from this. First, it is necessary for the Central Government not only to control but even to reduce numbers. Only the requisite political and administrative will is required. Secondly, the Ministry of Finance being so conservative during the decade intervening between the Pay Commissions, a greater responsibility devolves upon any Pay Commission to be reasonable and pragmatic, and try to bridge the widening gap between the compensation packages of the Central Government and the rest of the economy. We hope that we have performed our task well.

PRODUCTIVITY

40.22 As far as productivity is concerned, we have devoted a full chapter to it, which we commend for close scrutiny.

MODEL EMPLOYER

40.23 As stated above, the Central Government is now neither the model employer nor a good employer. With its burgeoning budgetary deficit, the only hope of the Central Government becoming a good employer is for it to right size the bureaucracy first and then pay it adequately.

OUR APPROACH TO PAY DETERMINATION

40.24 We would like to state that there is a modicum of truth and relevance in each of the general principles of pay determination that have been used in the past. In addition, we would like to state a few more criteria that we have found to be useful in our analysis.

Intrinsic value of a job

40.25 **The first is the "intrinsic value of a job".** This is a summation of all the factors that one can think of in relation to a job - the skills, the arduousness, the work atmosphere, the qualification, the recruitment procedure, the chances of career progression, the status, the security, the prestige, the perquisites - everything that is quantifiable and non-quantifiable.

Linking smaller entities to larger ones

40.26 **The second is the need to link smaller entities to larger entities.** Our attempt throughout has been to collect isolated posts and place them in a cadre, pick up cadres and put them in a service. We have suggested new All India Services for medical and engineering fields and Central Services in the fields of veterinary science, agriculture, informatics, shipping, archaeology, archives, library and so on.

Delinking pay from position

40.27 **The third is the need to delink pay from position in the hierarchy.** The entire scheme of Assured Career Progression is about granting a person pay upgradation, when functional considerations do not permit his rise in the hierarchy. He continues to perform the same job as before but moves into the next higher scale. The idea here is the basic one that a person needs more money as he becomes older, but he may not receive a promotion because there is no need for another post in the hierarchy. Our effort is to relieve stagnation without unduly upsetting the hierarchy.

Justice to all Central Government employees

40.28 **The fourth is that we have recognised the need to be even-handed in justice towards the lowest and the highest-paid functionaries.** For the entrant to Group 'D', we have given a jump of 3.25 times, much more than what our consultants had suggested. For the higher cadres we have introduced the concepts of full neutralisation of cost of living and giving allowances and pensions net of income tax so that they receive the full compensation package as decided by us, without its being decimated by inflation or tax policy.

40.29 **With regard to allowances, our policy has been to recognise that these should either reimburse in full the expenses incurred by the employee (as in the case of travelling allowance, daily allowance or medical reimbursement), or the reimbursement is more liberal than at present (as in the case of house rent allowance or city compensatory allowance), or the compensation for loss incurred is raised substantially so as to match the loss (as in the case of Non- Practising Allowance). In some cases, we have been forced to sanction new allowances like transport allowance (in view of the heavy expenditure incurred on commutation between office and residence), attendant allowance (in view of the fact that large number of officers have orderlies and batmen and only a few do not) or entertainment allowance (in view of the fact that officers partake of dinners with other people and should be in a position to return the hospitality).**

40.30 **Above all, we have always kept the capacity of Government to pay uppermost in our mind. The financial implication of each demand was calculated in detail and decisions to accept, not accept or only partially accept a proposition depended largely on the expenditure they involved. We are happy that we have been able to accommodate some of the demands of the employees without unduly inflating the pay bill of the Government. In the final analysis, we shall consider our efforts worthwhile only if we have succeeded in maintaining a balance between the interests of the Government and the interests of the employees.**

Determination of the Minimum Salary

INTRODUCTION

Our approach

41.1 When we come to the nuts and bolts of determination of pay scales in Government, we realize that the first exercise is somehow to fix the two ends of the spectrum. Once we arrive at the minimum and maximum salaries on the basis of rational and pragmatic criteria, it becomes relatively simple to deduce the scales which fall in between. We, therefore, start our analysis by considering the various parameters that ought to be kept in view while fixing the minimum salary.

41.2 Although in the context of the Government it is more relevant to speak in terms of 'minimum salaries', much of the literature deals with the concept of 'minimum wages'. We may, therefore, take these terms as broadly synonymous for the purpose of our general understanding.

LEGISLATION ON MINIMUM WAGES

The Minimum Wages Act, 1948

41.3 By 1938, legislation on minimum wages was firmly in place in most countries like Australia (1896), New Zealand (1894), Great Britain (1909) and USA (1938). The evolution of minimum wage legislation in India, can, however, be traced back to the Minimum Wages Act of 1948. The Minimum Wages Act aims at preventing exploitation of workers in scheduled employments by fixing minimum rates of wages. The coverage of the act is selective, as it aims at protecting workers mainly in the unorganised industries. The Act empowers the Government to add to the list of employments given in the schedule and prescribes that the minimum wage should consist of basic and variable elements (with or without linkage to the cost of living). What the Act does not comment on is what should go into the determination of minimum wages.

41.4 The role of the State in securing a living wage was recognised in the Article 43 in the Constitution of India, under the Directive Principles of State Policy which reads as follows:

"The State shall endeavour to secure by suitable legislation or economic organisation or in any other way to all workers, agricultural, industrial or otherwise, work, a living wage, conditions of work ensuring a decent standard of life and full enjoyment of leisure and social and cultural opportunities and, in particular, the State shall endeavour to promote cottage industries on an individual or cooperative basis in rural areas."

41.5 It was at the 15th Indian Labour Conference in 1957, that for the first time the concept of minimum wages crystallized and a consensus was arrived at about the factors which should go into the determination of minimum wages. The norms were to be as follows :

- (a) Three consumption units for one wage earner i.e. four consumption units per family.
- (b) Minimum food requirement of 2700 calories per average Indian adult.
- (c) Clothing requirement of 72 yards per annum per family.
- (d) Rent corresponding to the minimum area provided for under Government's Industrial Housing Scheme.
- (e) Fuel, lighting and other miscellaneous items of expenditure to constitute 20% of total minimum wage.

Thus, in 1957, Minimum Wages' evolved as a need-based concept.

41.6 In 1968, a few more criteria for determination of Minimum Wages came to be recognised when the International Labour Organisation listed three criteria for fixing minimum wages. These were (i) the needs of the worker, (ii) the capacity to pay of the employer and (iii) wages paid for comparable work. In 1969, the capacity to pay was explicitly admitted as a relevant factor by the National Commission on Labour, when it held that in fixing the need-based minimum wage, the capacity to pay should be explicitly taken into account.

41.7 In 1991, the Supreme Court in a judgement in the case of *Reptakoo Brett and Co. versus others* opined that the criteria recommended by the Indian Labour Conference 1957 may not suffice. It held that an additional component for children's education, medical requirements, recreation including festivals/ceremonies and provisions for old age and marriage should constitute 25% of minimum wages.

41.8 The Minimum Wages Advisory Board (Central) in its 24th Meeting in 1991 recommended that minimum wages should be linked to

productivity and the appropriate Government under Minimum Wages Act may fix piece rate wages wherever feasible.

ILO (1992)

41.9 The Indian Labour Conference in its Thirtieth Session in September, 1992 opined that while the tendency to fix minimum wages at unrealistically high levels must be checked, implementation of wages once fixed must be ensured. It felt that the implementation machinery, consisting of labour administration in the States, had been far from effective. It was desirable that a greater role was played by workers' organisations, non-governmental voluntary organisations etc. instead of enlarging the army of inspectors for this purpose.

*National
Minimum Wage*

41.10 The subject of a National Minimum Wage has been considered by several bodies and fora in the past. The National Commission on Labour (1969) was of the view that such a wage in the sense of a uniform minimum monetary remuneration for the country as a whole was neither feasible nor desirable in view of the variation in prices across regions and differences in capacity to pay across employers. The 28th Indian Labour Conference (1985) also discussed the need for a national minimum wage. It was felt that till such time as a national wage became feasible, it would be desirable to have a regional minimum for which the Central Government may lay the guidelines.

APPROACH OF THE PREVIOUS PAY COMMISSIONS

*The approaches
for the
determination of
Minimum Wages*

41.11 The foregoing paragraphs would indicate that the subject of Minimum Wages is steeped in controversy. The following appear to be some of the approaches for the determination of minimum wages:

- | | |
|-------|----------------------------|
| (i) | The need-based approach |
| (ii) | Capacity to pay approach |
| (iii) | Relative parities approach |
| (iv) | Job evaluation approach |
| (v) | Productivity approach |
| (vi) | Living Wage approach |

41.12 The decision of the previous Pay Commissions on minimum wages was often determined by some kind of a harmonization between the first two i.e. the need-based approach and the capacity to pay approach. This was essential because a minimum wage which was found to be socially desirable was not necessarily economically feasible. Job evaluation and measurement of productivity was not found to be feasible by the earlier Pay Commissions and fair comparisons with the public and private sector were also not conceded by them. Regarding living wages they observed that a living wage was a desirable level towards which the State must endeavour to reach. The concept however is inherently elusive, for it advances with the prosperity of the economy or State. It may be of some interest to note how the different Pay Commissions have addressed the problem so far

*The approach of
the First CPC*

41.13 The First CPC observed: "The theory that State should be a model employer requires that a Government which proposes to sponsor minimum wage legislation for private industry must be ready to give the benefit of that principle to its own employees. The application of minimum wage rule has always been recognised to be subject to the limitations imposed by the general economy

Among the Members of the Commission, opinion is not unanimous on the point. After some discussion, majority of the members agreed that Rs.55 per mensem (made up of Rs.30 as basic salary and Rs.25 as dearness allowance) would be a fair minimum wage."

The approach of the Second CPC

41.14 The Second CPC was required to make its recommendations on minimum wages in the backdrop of the Fifteenth Indian Labour Conference. A consensus had by then evolved on the need-based norms for determining the minimum wages. Regarding the figure of Rs.125 arrived at on the basis of the norms prescribed at the ILC, the Second Pay Commission observed : "...This would be about 70 to 80 per cent higher than the rates generally prevailing in the organised sector and it would be well above the highest wages i.e. Rs.112 then in the cotton textiles industry in Bombay. We have considered if a minimum remuneration of this size is at all feasible at the present level of our economic development... The minimum wages cannot be of the order of Rs.125, when on the basis of National Income the average for a family works out only to Rs.97... minimum remuneration payable to a Central Government employee which at present is Rs.75 per month should be increased to Rs.80."

The approach of the Third CPC

41.15 The Third CPC also based its approach on the 15th Indian Labour Conference norms and calculated minimum wages at Rs.314 per month. This, when compared to the then existing emoluments of Rs.170, would have meant an increase of 80-90%. The minimum salary in private sector ranged from Rs.170 to Rs.385. However, the Third CPC did not accept comparisons with the private sector. As there existed a nexus between the private and public sector salaries, they did not accept comparisons with the public sector either. They rejected the Indian Labour Conference norms on the ground that Central Government employees could not be treated as a specially privileged section of the community and guaranteed a need-based minimum wage as per the Indian Labour Conference norms, when the barest essentials could not be provided to millions of their less fortunate compatriots. The Third CPC calculated minimum wages at Rs.196 based on modifications of Indian Labour Conference norms as suggested by Institute of Applied Manpower Research in 1968, but recommended Rs.185 as minimum wages. They felt that Rs.196 was an overestimate. However, at the implementation stage, a minimum wage of Rs.196 actually came into effect.

The approach of the Fourth CPC

41.16 The Fourth CPC observed that the State as a model employer was expected to move in the direction indicated by Article 43 towards a living wage and a decent standard of living. They were content with the State being a "good" employer as against a "model" employer and fixed the minimum salary at Rs.750/-. The methodology for arriving at this figure was not outlined however.

HISTORICAL TREND IN MINIMUM SALARIES

The increase in real terms in the emoluments at the lowest level

41.17 The minimum salaries fixed by the earlier Pay Commissions and the trend in emoluments received at the lower level at different periods in time are summarised in the Table given below:

Peon's Emoluments (Pay + DA)

Year-	1948	1949	1960	1973	1986	1988	1990	1992	1994	1996
	1st		2nd	3rd	4th					
	CPC		CPC	CPC	CPC					
Emolu- ments (in Rs.)	55	65	80	196	750	885	1035	1283	1530	1860
Index of Emolu- ments	85	100	123	302	1154	1362	1592	1973	2354	2862
AICPI Index	97	100	124	252	754	895	1039	1311	1546	1874
Index of real earnings	88	100	99	120	153	152	153	150	152	153

(All indices are with 1949 as base)

Real Wages up

41.18 It will be observed from the Table that the emoluments of a peon in 1949 have not only been fully protected against inflation, but have gone up in real-terms to the extent of 53 per cent. This has been done as a measure of deliberate policy in order to raise the standard of living of the lowest paid employees and to bridge the gulf between lowest and highest salaries.

PRESENT SITUATION

*Categories
involved*

41.19 Today, the pay scale of Rs.750-940 is the minimum scale in Government. The categories of employees found in this scale are those of peon, farash, sweeper, chowkidar, cleaner, packer, beidar, mali, watchman, tea-maker, miller, workshop helper, bearer, wash-boy, durban, bhishtee, etc. There were around 5.66 lakh employees in this pay scale as on 31.3.94.

*Emoluments
today*

41.20 Besides a minimum of Rs.750/- in terms of basic salary, an employee at the entry level is entitled to Dearness Allowance of Rs.1110, (as on 1.1.1996) House Rent Allowance of Rs.150, City Compensatory Allowance of Rs.30, a monthly bonus of Rs.155 p.m. and two interim reliefs of Rs.100 each. Some employees also get an overtime allowance over and above this.

COMPARISON WITH PUBLIC SECTOR EMPLOYEES

*Information
collected by the
Fifth CPC*

41.21 Some data has been collected by us on the comparable levels of pay + DA in various public sector undertakings. Annex-41.1 summarizes the findings as on 1.1.1995. The figures reported vary from Rs.1744, in Delhi Transport Corporation to Rs.2902 in the Indian Telephone Industries. The average of 27 PSUs yielded a figure of Rs.2609, as against Rs.1688 for the Central Government, showing a difference of Rs.921 on that date. The gap has widened since then.

*Information
collected by the
NPC*

41.22 Annexe-41.2 states a similar position in respect of 27 PSUs, as compiled by the National Productivity Council for 1.1.1995. Here, the National Textiles Corporation has been shown as paying Rs.1605 while the Indian Telephone Industries have a figure of Rs.2902. The average is Rs.2514 and the difference as compared to the Central Government has been indicated as Rs.826.

*Information
submitted by the
JCM*

41.23 Annexe-41.3 is a table submitted by the staff side of the National JCM. From this it is observed that the range of emoluments varies from Rs.2254 as paid by ONGC at the lowest level to Rs.2977 as paid by Damodar Valley Corporation at the highest level. The average has been calculated as Rs.2400 and the difference vis a vis the Central Government has been calculated as Rs.870.

41.24 The Staff Side have also brought to our notice the increase in wages of public sector workers effective from 1.1.1991/1992, which is in the neighbourhood of 15% approximately. Coupled with the addition of industrial D.A. @ Rs.2 per point for the increase of 270 points in the AICPI between 1.1.1994 and 1.1.1996, they have worked out the overall gap between the minimum emoluments in the public sector and the Government at Rs.1,240 p.m. as on 1.1.1996.

COMPARISON WITH THE PRIVATE SECTOR

The NPC Study

41.25 Data about the private sector is difficult to obtain. However, some information has been gathered by the NPC for us through a survey of 209 respondents holding jobs such as Restaurant Waiter, Shop Assistant, Lift Attendant, Auto Driver and Private Bus Conductor, etc., which could be treated as 'next best alternatives' to jobs held by the lowest functionaries in the Central Government.

Some of the conclusions of the NPC study are :

- **The average age at entry is 25 years, both in Central Government and the private sector**
- **93% of Central Government employees with current age below 25 years are married, while only 50% are married in private sector**
- **Those in the private sector tend to have relatively smaller families**
- **The average salary of the lowest functionaries in Government is Rs.23,638 per year, while the figure for the private sector is Rs.20,721**
- **The life-time salaries which include Basic, Dearness Allowance and Interim Relief in the Government and private sector are Rs 9.47 lakhs and Rs.8.28 lakhs respectively**

The life-time emoluments which include salary and allowances in the Government and private sector are Rs.11.36 lakhs and Rs.9.08 lakhs respectively

The life-time earnings which include emoluments and bonus in the Government and private sector are Rs.12.00 lakhs and Rs.9.09 lakhs respectively

46% of Central Government employees stayed in allotted accommodation, whereas only 19% of the private sector employees had such accommodation

COMPARISONS WITH STATE GOVERNMENTS

Information based on the questionnaire circulated by the Fifth CPC

41.26 A comparison with State Government employees based on the questionnaire circulated by us reveals that most States have placed their peons in the pay scale of Rs.750-940, except for Goa (Rs.775-1025), Himachal Pradesh (Rs.750-1350 with a start of Rs.770) Mizoram (Rs.800-1150), Tripura (Rs.775-1130) and West Bengal (Rs.800-1265). There are yet other States like Andhra Pradesh where a higher pay scale of Rs.1375-2375 has been given to a peon but this is primarily on account of a later date of revision (1.7.92). (See Annexe-41.4)

EXPECTATIONS OF THE EMPLOYEES

The demands made by the employees

41.27 The Commission has received several memoranda wherein the issue of minimum wages has been discussed. The demands range from a minimum of Rs.2500 to a maximum of Rs.3340. The views of some important associations are detailed below.

The demands made by the JCM

41.28 According to the staff side of the National JCM, "The Central Government employees in the fifties and up to Second CPC were in terms of emoluments better placed than others. This position however started to change from 1958-59 onwards when the wages of Central Government started sliding back as the time passed and today they are behind most public sector workers. This happened primarily because wage revisions in all other organised sectors took place more frequently after every three to five years through bilateral negotiations whereas in the Central Government revisions took place only after 10 to 15 years. This has resulted in serious demoralisation and a sense of grievance is building up in the employees of the Central Government. As job evaluation is not possible and as the Government is not committed to implementing the 15th ILC norm, the principle which should be evolved by the Fifth Central Pay Commission for fixing a minimum wage should be based on fair comparisons. A comparison with the public sector as on 1.1.94 shows that while on an average in PSUs a pay + DA of Rs.2400/- is available, in Government this is Rs.1530 only i.e. a differential of Rs.870 exists." In their subsequent letter on 27.2.96, the JCM further stated "Since the submission of our memorandum, wages have been revised in almost all public sector undertakings and most conservatively calculated, the average increase in the salaries of PSU employees has been to the tune of 15%. With the addition of 15%, our demand of Rs.2400/- as the minimum has been raised to Rs.2760/- (Rs.2400/- + Rs.360/-) as on 1.1.94." Further, on account of an increase on 21%

in the CPI during 1994-1995, an addition of Rs.580 has taken their demand to **Rs.3340 (2400+360+580)**.

Demands made by Bhartiya Railway Mazdoor Sangh 41.29 Bharatiya Railway Mazdoor Sangh have proposed that a family for the purpose of computation of the minimum wage should be assumed to consist of 5 consumption units. This figure is based on the findings of a survey conducted by Dr.S.Subramaniam, an eminent statistician. **The Sangh has computed the minimum basic pay of Rs.2600** at the AICPI of 1302 (Base 1960=100) for the lowest functionary.

All India Railway Employees Confederation 41.30 All India Railway Employees Confederation have also demanded that a family should be taken to consist of five members. The Commission should determine a need-based minimum wage and incorporate changes in the food habits noticed over the years. It should include non-vegetarian items in the diet which were left out by the Third CPC. They have **demand a minimum basic pay of Rs.2500 as on September, 1993** for the lowest functionary.

Expectations as per NPC study 41.31 According to the study conducted by the National Productivity Council the respondents surveyed by them expected the basic pay to be at least Rs.2000, with the maximum expectation being as high as Rs.5000. However, the mean was found to be Rs.3450 and the maximum number of respondents expected the basic pay to be fixed at Rs.3500.

41.32 A large number of memorandists have desired that the concept of "living wage" should be made the basis for fixing the minimum salaries.

THE NATIONAL PRODUCTIVITY COUNCIL STUDY ON MINIMUM SALARIES

The NPC Study 41.33 In order to obtain an expert view on the entire gamut of issues concerning the determination of minimum salaries in Government, it was decided to commission a study on the subject through the National Productivity Council.

41.34 The National Productivity Council has listed the approaches for the determination of minimum wages as those based on the Income Criteria and those based on Consumption Standards. The various methods used by NPC are detailed below:

MINIMUM PAY BASED ON NATIONAL INCOME CRITERIA

The Per Capita NNP Method

- (a) Here the underlying assumption is that as the average per capita NNP represents the living standard of a typical Indian, the minimum salary payable to a Central Government employee at the lowest level should not be lower. Projections of per capital NNP have been made on the basis of past trends for family sizes of 3, 3.5 and 4 units.

The Per Capita Disposable Income Method

- (b) This method is based on the same considerations as in (I) above, except that as against NNP, "disposable income" has been used as the norm

NNP-Minimum Salary Ratio

- (c) This approach assures a fixed ratio of minimum salary to per capita income, in order to ensure that the relative position of the Government employee vis à vis an average citizen remains unchanged. For this purpose, the ratio of 29.60 based on 1986 figures has been extrapolated to 1996 and applied to an annual per capita income of Rs.8559.90.

Constant Relative Real Income Criterion

- (d) Previous CPCs have arrived at the minimum remuneration payable to the lowest functionary by adding Dearness Allowance and Interim Reliefs to the basic pay and adjusting the total by a compensation factor. This factor has been based on the increment in the real per capita income during the interval between two Pay Commissions. Whereas the first three CPCs applied 5% of the basic pay as the compensation factor, the Fourth CPC adopted a norm of 20%

NPC has estimated that the real per capita income grew by about 28% during the period 1986-87 to 1995-96. This has been taken as the compensation factor for the fixation of the minimum salary under the Relative Real Income Criterion

MINIMUM PAY BASED ON CONSUMPTION STANDARDS

Consumption standards based on NSS (48th Round) Consumption Norms

- (e) The objective here is to arrive at the minimum salary levels that will ensure a pre-determined consumption standard for the employee and his family. The first approach is to use the data of the NSS (48th Round). Since the survey was conducted in 1992, the consumption norms have been adjusted for increments in consumption between 1992-93 and 1995-96.

Consumption standards based on Poverty Line Norms

- (f) Under this criterion, the underlying consideration is that Government being a model employer needs to ensure that the minimum salary paid to the lowest functionary does not take him below the poverty line.

Consumption standards based on Calory Intake Norms

- (g) Here the need-based minimum wages based on the diet recommended by Dr. Patwardhan during the Second CPC and by ICMR 1968 during the Third CPC have been extrapolated

MINIMUM PAY BASED ON COMPARABLE WAGES

Based on Agricultural Wages

- (h) Here NPC has attempted to use the monthly income of agricultural labourers as a yardstick for identifying the next best

alternative source of income available for an unskilled person. The monthly money wages have been computed using the standard 23, 24 and 28 working days.

Based on
Minimum Wages
Act, 1948

- (i) Another indicator of the next best alternative income is the monthly salary based on norms accepted under the Minimum Wages Act, 1948 in the fields of construction, agriculture, loading/unloading and mining.

Minimum salary
based on different
methods

41.35 The figures of minimum salary based on the different methods as calculated by the NPC are summarized in the table below

Sl No	Criteria	Family Size Adult Consumption Units			Unspecified	
		3	3.5	4		
1	<u>Income Method (Direct)</u>					
	<i>I. Per Capita NNP</i>					
	(a)Unadjusted for HRA	2140	2497	2853		
	(b)Adjusted for HRA	1783	2081	2378		
	<i>II. Per Capita disposable Income</i>					
	(a)Unadjusted for HRA	2156	2371	2874		
	(b)Adjusted for HBA*	1796	1976	2395		
	III. <i>Per Capita Income Ratio</i>	---	---	---	2533	
	IV. <i>Constant Relative Real Income Method</i>	---	---	---	2248	
2.	<u>Consumption Standards Method</u>					
	(I) NSS (1992)	1642	1916	2190		
	(II)Poverty Line	1016	1185	1355		
	(III)Calory Intake Norm					
	(a)Based on II Pay Commission Norm*	1203	1403	1604		
	(b)Based on III Pay Commission Norm*	1330	1552	1773		

Sl. No.	Criteria	Family Size				Unspecified
		<u>Adult Consumption Units</u>				
		3	3.5	4		

3. Comparable Wages

(I)Agricultural Wages					
(23 Working days)	---	---	---		1001
(24 Working days)	---	---	---		1044
(26 Working days)	---	---	---		1131
(II)Minimum Wages Act, 1948	---	---	---		1240

*Excludes HRA calculated at 7.5 per cent of total consumption.

*Conclusions of
NPC study*

41.36 The NPC study concludes as follows :-

- (a) From the field survey it has been found that the average age of the lowest functionary at the time of joining service is around 25 in the Central Government as well as in the Private Sector. About 93% of the Central Government employees below 25 years are married. The average number of children per family is 1.5 at the time of joining service. Central Government employees in the pay scale of Rs.750-940 have a mean age of 36.41 years.
- (b) Based on the actual size of the family of 4.8 according to the NSS (48th Round) for 1992 and the findings of the field survey, the NPC study finds it necessary to treat the family size as 4. Taking the various approaches mentioned before into account and ignoring extreme values, the estimates for minimum salary vary between Rs.2190 and Rs.2395. Since the data available from NSS (48th Round) for 1992 is the most reliable indicator of the average level of consumption, **the NPC study concludes that a minimum salary of Rs.2190 should be treated as sufficient to guarantee average consumption levels in urban areas of the country.**

CRITERIA ACCEPTED BY THE FIFTH CENTRAL PAY COMMISSION

Our strategy

41.37 Taking into account the background of this important issue, we have evolved our strategy to fix the minimum salary in Government as under

Job evaluation

- (I) In our view, the most scientific criterion for fixation of salaries in

Government is job evaluation. Over the years the techniques of job evaluation have been considerably improved. We came across the detailed evaluation technique evolved by the Government of Canada in order to arrive at a point rating for each job in the Government. This, however, presupposes an elaborate exercise for which the Fifth CPC has neither the time nor the requisite wherewithal. We are separately suggesting the setting up of a Permanent Pay Body, which could be charged with the responsibility of evaluation of each job in the Government on a continuing basis. However, as such data on point ratings of individual jobs is not available to us we have to reluctantly discard the criterion of job evaluation at the present moment.

Fair comparison

- (ii) Fair comparison is another favourite formula that is often advocated with considerable emphasis, especially by the staff associations. While, on the face of it, this seems to be a fair and equitable method of arriving at a reasonable figure, it suffers from several infirmities :

Data about the private sector is not available. If available, it is not reliable. There is no transparency about the benefits received by an employee from his private employer. Very often, there are hidden or clandestine methods of compensation which do not bear scrutiny. On the negative side, the employee has no job security, no assured career progression and no post-retirement benefits

- The position of the public sector is also different. Employees in the public sector are engaged in commercial or production activities, with the primary purpose of earning a profit on the investment. Within the Government, profit-making often takes second place and primacy is accorded instead to the provision of a service to the people. The hours of work, the ambience of the work-place, the work-culture etc. are quite at variance. Wages in the public sector are settled through collective bargaining mechanisms, while the governmental salaries are decided through awards of Pay Commissions
- People who join the Government have a different cultural ethos. They value security more than opportunity, status more than money, service more than commerce and dignity more than a fast track. There are invisible perquisites and compensations in Government service which do not carry a price tag
- Even so, it is considered expedient to keep the salaries prevalent in the private and public sectors in view, while fixing the salaries of Government

employees. We would like to concede a relativity, but not a parity as between these sectors.

Model employer (iii)

The Government's role as a model or enlightened employer is self-evident and does not need to be proved. The fact that there has been a 53% increase in the real earning of a peon in the last 77 years with 1949 as base is a clear indication of Government policy. The reduction of the post-tax minimum-maximum ratio from the pre-1947 level of 1 : 41 to 1 : 6 in 1996 is positive proof of Government's intentions. The fact that the lowest emoluments in Government are noticeably higher than the poverty line, the minimum wage, the agricultural wage, the lowest salaries in the private sector, or the salaries based on consumption norms as worked out by the NPC is also a pointer in the same direction.

Multi-pronged strategy

(iv) We would like to approach the question of minimum salaries in Government by a multi-pronged strategy, as under :

we do not agree with the NPC finding that a norm of 4 consumption units should be adopted for the person joining Government service. The sample size taken by them is too small to yield reliable data for the entire population. Our general impression is that the average age at entry is around 22 years. With the break-up of the joint family system, increase in the age of marriage and practising of the small family norm, the average number of consumption units at age of entry cannot be taken as more than three.

- Taking 3 consumption units, we find that the figures worked out by the NPC on the basis of consumption standards range from Rs.1016 to Rs.1642. These are lower than the existing emoluments drawn by these categories.
- The Per Capita NNP and Per Capita Disposable Income Methods yield figures ranging between Rs.1783 and Rs.2156, while the constant Relative Income Criterion given an amount of Rs.2248.
- We would like to adopt a modified version of the Constant Relative Income Criterion as possibly the most equitable norm, both from the point of view of the employee as well as the Government. Taking Rs.750 as the basic pay fixed in 1986, and dearness allowance of Rs.1110 as on 1.1.96 we may adopt a compensation factor of 30.9% (See Annexe-41.5) as being the increase in the per capita net national product during the period 1986-1995. This comes to Rs.574.74. When it is added to the existing basic pay (Rs.750) and dearness allowance as on 1.1.96 (Rs.1110), the total works out as Rs.2434.75. This figure could be

rounded off to Rs.2440, which would also incidentally mean more than a threefold jump in the basic pay from Rs. 750 to Rs.2440. The interim reliefs of Rs.200 paid so far to the lowest functionary would naturally be subsumed within the above mentioned figure.

FINANCIAL IMPLICATIONS

41.38 It is estimated that the above proposal would mean an additional financial outgo to the tune of Rs. 294.1 crores (See Annexe-41.6) every year, taking civilian and defence employees together.

CONCLUSION

41.39 Taking into account the expectations of the employees, the amount suggested by us may appear to be somewhat inadequate. However, we have to take the Government's capacity to pay into account while making our recommendations. Group D employees constitute 41% of the total work force in the Central Government. It is well known that any increase in the basic pay of the lowest functionaries has a ripple effect on the entire salary structure. A rough estimate shows that an increase of Rs. 100 in the minimum basic pay involves a massive overall financial implication of around Rs.1000 crores. It would, therefore, be correct to say that even if the employees had a good case for a further increase in their emoluments, the government could ill afford the same. Association leaders should also weigh and consider the complete package of benefits that have been recommended by this Commission. Consideration of just the minimum salary out of context would not be a fair approach to the problem.

Annexe 41.1

Minimum Wage for Lowest Unskilled Worker at Recruitment
Level in Different Public Sector Undertakings as on
1.1.1995 *

Name of the Company		Total Wage (Pay+DA) (Rs.)
1.		2.
1.	Air India Ltd.	2,646
2.	Andaman & Nicobar Islands Forests & Plantations Corporation Ltd. •	2,580
3.	Bharat Electronics Ltd.	2,592
4.	Bharat Aluminium	2,714
5.	Bharat Heavy Electricals Ltd.	2,749
6.	Bharat Yantra Nigam Ltd.	2,743
7.	Bongaigaon Refinery and Petro Chemicals Ltd.	2,702
8.	Cement Corporation of India Ltd.	2,581
9.	Cochin Shipyard Ltd.	2,735
10.	Dredging Corporation of India Ltd.	2,694
11.	Delhi Transport Corporation Ltd.	1,744
12.	Engineers India Ltd.	2,810
13.	Fertiliser Corporation of India Ltd.	2,729
14.	Ferro Scrap Nigam Ltd.	2,764
15.	Food Corporation of India Ltd.	2,714
16.	Garden Reach Ship Builders & Engineers Ltd.	2,640
17.	Hindustan Aeronautics Ltd.	2,460
18.	Hindustan Fertilisers Corporation Ltd.	2,729
19.	Hindustan Shipyard Ltd.	2,823
20.	Indian Telephone Industries	2,902
21.	Life Insurance Corporation of India	1,907
22.	Manganese Ore (India) Ltd.	2,370
23.	Mica Trading Corporation of India Ltd.	2,761
24.	Mineral Exploration Corporation Ltd.	2,761
25.	National Industrial Development Corporation	2,509
26.	National Seeds Corporation Ltd.	2,581
27.	Projects & Equipment Corporation of India Ltd.	2,511
28.	Average	2,609
29.	Central Government (as on 1.1.1995)	1,688
30.	Difference	921

* Based on data collected by the Pay Commission.

**Pay Scales of lowest Functionaries and Salary at the Minimum
of the Scale for selected Public Sector Undertakings**

(Rupees)

Name of the Company		Pay Scale	Salary at the minimum of the Scale as on 1.1.95
1.		2.	3.
1.	Ferro Scarp Nigam Ltd.	1350-1680	2,763.50
2.	Garden Reach Ship Builders & Engineers Ltd.	1100-1490	2,639.70
3.	Dredging Corporation of India Ltd.	1320-1750	2,649.00
4.	Engineers India Ltd.	2100-3020	2,810.00
5.	Manganese Ore India Ltd.	1060-1507	2,400.00
6.	Bharat Aluminium Co. Ltd.	1350-1650	2,714.00
7.	India Addities Ltd.	1075-1305	2,468.70
8.	Bharat Heavy Electricals Ltd.	1096-1487	2,758.60
9.	Indian Railway Construction Corpn. Ltd.	650- 905	2,093.70
10.	Mica Trading Corporation of India Ltd.	1350-1615	2,761.00
11.	Life Insurance Corporation of India Ltd.	815-1520	1,907.00
12.	Bongaigaon Refinery and Petrochemicals Ltd.	1040-1665	2,702.50
13.	National Seeds Corporation Ltd.	1035-1345	2,580.30
14.	Project & Equipment Corporation Ltd.	1100-1170	2,511.30
15.	National Textiles Corporation Ltd.		1,605.00
16.	Bharat Yantra Nigam Ltd.	1112-1412	2,743.00
17.	Cement Corporation of India Ltd.	1035-1345	2,580.00
18.	Hindustan Aeronautics Ltd.	1880	2,540.00
19.	Hindustan Salt Ltd.	750- 950	1,888.00
20.	Hindustan Shipyard Ltd.	1400-1760	2,822.70
21.	Food Corporation of India Ltd.	800- 1150	1,800.00
22.	Instrumentation Ltd.	1107-1507	2,833.10
23.	Hindustan Fertilizer Corporation Ltd.	1100-1400	2,729.30
24.	Indian Telephone Industries Ltd.	2100	2,902.00
25.	Bharat Electronics Ltd.	1880	2,592.00
26.	National Industrial Development Corporation	1065-1415	2,509.00
27.	Andaman & Nicobar Islands Forests & Plantation Corporation Ltd.	1035-1345	2,580.30
28.	Average		2,514.00
29.	Central Government (as on 1.1.1995)		1,688.00
30.	Difference		826.00

Source: Based on Data collected by the NPC.

Note: Salary includes Pay, Average Fixed DA and Variable DA.

Minimum Wages for lowest unskilled worker at
Recruitment Level in Public Sector Undertakings
and Central Government Establishments

All India Consumer Price Index 1240 (Base 1960=100)		
Sl. No.	Name of the Company	Total Wages (Pay & DA) (Rs)
1.	2.	3.
1.	Damodar Valley Corporation	2,977
2.	Air India	2,449
3.	Indian Airlines	2,429
4.	Goa Shipyard Ltd.	2,334
5.	Electronic Corpn. of India Ltd.	2,398
6.	Hindustan Aeronautics Ltd.	2,398
7.	Bharat Electronics Ltd.	2,398
8.	Hindustan Machine Tools	2,398
9.	Hindustan Copper Ltd.	2,391
10.	National Thermal Power Corpn.	2,399
11.	Central Electronics Ltd.	2,398
12.	Neyveli Lignite Corporation	2,399
13.	Bharat Heavy Electricals Ltd.	2,399
14.	Hindustan Cables Ltd.	2,391
15.	Port and Docks	2,378
16.	Fertilisers and Chemicals	2,354
17.	Fertiliser Industry	2,311
18.	Coal Industry	2,277
19.	Oil & Natural Gas Commission	2,254
20.	Indian Oil Corporation	2,278
21.	Steel Industry	2,410
22.	Average	2,400
23.	Central Government	1,530
24.	Difference	870

Note: Interim Relief of Rs.100/- has not been included in the above figures for Central Govt. Employees as the same is also not included in the Public Sector. The Interim Relief in Public Sector has been granted in many cases and in some of the cases same is under discussion. In any case the amount there in is also Rs.100/- and above.

Source: Memorandum of the J.C.M.

Annexe 41.4

Statewise payscales of the lowest category (Peon)

States	Peon (Rs.)
1.	2.
1. Andhra Pradesh	1375-2375
2. Arunachal Pradesh	750 - 950
3. Assam	900 -1435
4. Goa	775 -1025
5. Gujarat	750-940
6. Haryana	750 - 940 +Rs 30 spl. pay
7. Himachal Pradesh	750 -1350 start at 770
8. Jammu & kashmir	750 -940
9. Karnataka	840 -1340
10. Madhya Pradesh	750 -945
11. Maharashtra	750 -940
12. Manipur	750 -940
13. Meghalaya	820 -1175
14. Mizoram	800 -1150
15. Orissa	750 -940
16. Rajasthan	750 -940
17. Sikkim	800 -1060
18. Tamilnadu	750 -945
19. Tripura	775-1130
20. Uttar Pradesh	750 -940
21. West Bengal	800 -1265

Annexe 41.5

Percentage increase in Per Capita
Net National Product at factor cost

Year	Per Capita Net National Product (at factor cost) at constant prices
1.	2.
1 1986-87	1,871
2 1987-88	1,901
3 1988-89	2,059
4 1989-90	2,157
5 1990-91	2,222
6 1991-92	2,175
7 1992-93	2,239
8 1993-94	2,292
9 1994-95	2,449
Percent increase in 1994-95 over 1986-87	30.9 ----

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Additional Financial Implication

1. Total Employees (Lakhs) in the Scale of Rs. 750-940	
(i) Civil	5.66
(ii) Defence Forces	0.79
(iii) Total	6.45
-----	-----
2. Emoluments (Rs./Month)	
A. Present	

(i) Basic (Minimum)	750
(ii) Dearness Allowance as on 1.1.96 @ 148%	1110
(iii) Interim Relief two instalments @ Rs 100/- each	200
A. Total	2060
-----	-----
B. Proposed	2440
-----	-----
C. Additional (B-A)	380
-----	-----
3. Total Additional Financial Implication Rs crores/Year	294.1
=====	

Determination of the Maximum Salary

BACKGROUND

Significance of Maximum Salary

42.1 Having fixed the minimum salary in Government, we move to the other end of the spectrum. By the term "maximum salary", we imply the salary of the senior most civil servants. The pay and allowances of these top functionaries constitutes a tiny, almost invisible, fraction of the total expenditure on government salaries. Yet, in spite of its budgetary insignificance, the way the officials at the summit of Government are rewarded is of critical importance as it determines the kind of people who join Government, the way they perform their task and the efficiency with which public administration is run.

The potential conflicts in fixing the maximum salary

42.2 The process of arriving at maximum salary is attended by a host of special difficulties. There is the potential conflict arising out of the top bureaucrat's simultaneous role as that of an employer, where he is aiming at minimizing salary costs and his role as an employee where his natural inclination would be for a hike in salaries. There is the short term concern with cutting costs and showing exemplary restraint and the long-term concern for avoiding the tendency towards questionable methods of income supplementation. There is the larger issue of whether the pay structure at the top should be performance-related as dictated by the "principal agent" model of public service management. There are also relativities to be maintained with respect to the salaries of elected politicians, constitutional authorities and the like.

Other issues

42.3 Within the institutional constraints mentioned above there are some other questions which need to be resolved. These are the issues of erosion of real income at the highest level, pre tax and post-tax disparity ratios, comparisons with the private and public sectors, quality of recruits, proliferation of number of posts etc. These questions have been dealt with at great length by the

previous Pay Commissions and pay fixation at the highest levels has been based on one or all of these considerations.

RECOMMENDATIONS OF THE PREVIOUS PAY COMMISSIONS

*Views of
previous
Comm.*

42.4 The predominant issues confronting the first three Pay Commissions on the subject of maximum salary were entirely different from those before the fourth. While the overriding concern of the former was whether the maximum salary in Government should be reduced in view of the inordinately high disparity ratio, the Fourth CPC had to address itself to the widening gap between the salaries of top executives in the private and Government sectors.

*Views of the First
CPC*

42.5 The prevailing public opinion at the time the First CPC was set up was that salaries of senior functionaries in Government were too high and needed to be cut down drastically. It was believed that high scales of pay in Indian public service had been responsible for diverting the attention of brilliant young men from other fields and concentrating it on Government service. The First CPC therefore felt that Rs.2000 per month should be the maximum salary for public servants, but for the highest posts such as Secretaries to Government of India, Members of Railway Board, Members of the Union Public Service Commission, General Managers of Railways and Ambassadors, salaries of Rs.2250, Rs.2500, Rs.2750 and Rs.3000 would be suitable. No dearness allowance was admissible to this category of employees. While the ICS and pre-1931 officers were entitled to Rs.4000 when appointed to posts of Secretary and Rs.3500 when appointed to posts of Additional Secretary, with the implementation of the First CPC's report, a ceiling of Rs.3000 per month was made applicable to the highest appointments of Cabinet Secretary, Secretaries to the Government of India and the Chiefs of Staff. But this reduction in the highest salary did not have any visible impact as most top posts were at that time held by officers of the Indian Civil Service or pre-1931 entrants to superior services. In the Army, the reductions did not affect the King's Commissioned Officers who were holding most of the higher ranks at that time.

*Views of the
Second CPC*

42.6 The Second CPC examined the subject of highest salary in considerable detail and after going into issues pertaining to erosion of real incomes at the highest level, disparity ratio, quality of recruits and comparable salaries in the private sector recommended no changes. Thus a non-ICS Secretary came to draw a salary of Rs.3000 per mensem.

42.7 The highest salary remained unchanged till the year 1965 when the salary of a Secretary was raised from Rs.3000 to Rs.3500 even before the setting up of the Third CPC. The salaries of the Additional Secretary and Joint Secretary were raised from Rs.2750 and Rs.2250 to Rs.3000 and Rs.2500-125-2750 respectively. These sudden increases in salaries at the highest levels were necessitated by the steady fall in the number of candidates appearing before the UPSC, rising consumer price indices and salaries in the private sector and a disparity ratio of 19.2 in 1965 which had come down from the level of 257 in 1939-40.

*Views of the
Third CPC*

42.8 The Third CPC keeping in view the social desirability of reducing disparities in the levels of income and that this reduction had to be brought about consistently with due requirements of efficiency in public service, recommended that no change be made in the maximum salary of Rs.3500.

*Views of the
Fourth CPC*

42.9 The Fourth CPC did not examine the issue of maximum salary as such. It however, recommended a replacement scale of Rs.8000 for Secretaries to the Government of India. The Cabinet Secretary who was earlier in the scale of Rs.3500 was upgraded and given a replacement scale of Rs.9000, in view of his very important role of coordinator at the inter-ministerial level.

REAL INCOME AT SENIOR LEVELS: THE TREND

*The erosion in the
real Income of
Secretaries since
1949*

42.10 We now briefly touch upon the trends in the levels of pre-tax emoluments, post-tax emoluments, All India Consumer Price Index and Real Earnings of Secretaries for the period 1949 to 1996. These are summarized in the table given below:

Trends in the Emoluments of Secretaries to Government of India, 1949-1996.

	(Emoluments in Rs.)						
	1949	1959	1.9.65	1.1.70	1.1.73	1.1.86	1.1.96
	-60						
Emol- uments* (Pre-tax)	3000	3000	3500	3500	3500	8000	16580
--do-- (Post tax)	2263	2281	2422	2399	2331	5896	12,615
Index of Emoluments (pre-tax)	100	100	117	117	117	267	553
--do-- (Post tax)	100	101	107	106	103	261	557
AICPI**	100	124	163	211	252	754	1874
Real earnings Index (pre-tax)	100	81	72	55	46	35	29

(Emoluments in Rs.)							
	1949	1959	1.9.65	1.1.70	1.1.73	1.1.86	1.1.96
	-60						
-do- (Post tax)	100	81	66	50	41	35	30

* Includes Dearness Allowance, Dearness Pay and Interim Relief.

** Base 1949 = 100

42.11 The above table reveals the following:-

- i) During the period 1949-1996, the pre-tax emoluments of a Secretary to the Government of India increased 5.53 times from Rs.3,000 to Rs.16,580.
- ii) During the same period, the AICPI increased by as much as 18.74.
- iii) Thus there was an erosion of 71% in the real earnings of Secretaries. This may be compared to the increase of 53% in the real income of a peon over the same period (See paras 41.17 and 41.18).

DISPARITY RATIO: THE TREND

*Declining
Maximum
Minimum
Disparity Ratio*

42.12 We turn next to the behaviour of the maximum-minimum disparity ratios. The trend of pre-tax and post-tax disparity ratios over the years has been summarized in the table given below:-

	Trend of Disparity ratios, 1948-1996					(Emoluments in Rs.)		
	1948	1949	1959- 1960	1/9/65	1/1/70	1/1/73	1/1/86	1/1/96
Maximum Salary (Rs.)* (Pre-Tax)	3000	3000	3000	3500	3500	3500	8000	16580
Maximum Salary (Rs.) (post-tax)	2263	2263	2281	2422	2399	2331	5896	12615
Minimum Salary* (Rs.)	55	65	80	103	141	196	750	2060

	Trend of Disparity ratios, 1948-1996					(Emoluments in Rs.)		
	1948	1949	1959-1960	1/9/65	1/1/70	1/1/73	1/1/86	1/1/96
Pre-tax Disparity Ratios	54.5	46.2	37.5	34.0	24.8	17.9	10.7	8.0
Post-tax Disparity Ratios	41.0	34.8	28.5	23.5	17.0	11.9	7.9	6.1

* Includes Dearness Allowance, Dearness Pay and Interim Relief

42.13 The above table reveals the following:-

- i) During the period 1948-1996, the minimum salary of the lowest Government employee rose from Rs.55 to Rs.2,060.
- ii) During the same period, the pre-tax maximum salary rose from Rs.3,000 to Rs.16,580, while the post-tax salary rose from Rs.2,263 to Rs.12,615.
- iii) The disparity ratio between the maximum pre-tax remuneration and the minimum went down progressively from 54.5 (1948) to 46.2 (1949), 37.5 (1959), 34.0 (1965), 24.8 (1970), 10.7 (1986) and 8.0 (1996).
- iv) The post-tax disparity ratio came down even more drastically from 41.0 (1948) to 6.1 (1996). The post-tax ratios were naturally lower than the pre-tax over because of progressive rates of taxation.

42.14 The falling disparity ratio was the result of a deliberate policy followed by successive Commissions. This was probably in tune with the general upsurge of socialist ideas in the economic field. The ratios did not remain constant even in the intervening period between two consecutive Pay Commissions. Thus the pre-tax ratio slipped from 10.7 (1986) to 8.0 (1996). This phenomenon is explained by the prevailing practice of offering only partial neutralization for increased cost of living at the higher levels, while there is complete neutralization at the lower levels.

PRESENT SITUATION

The total emoluments of Secretary and Cabinet Secretary

42.15 At present, a Secretary level officer draws total emoluments of Rs. 16,580 consisting of a fixed basic pay of Rs 8000, a Dearness Allowance of Rs 7,680 (a 96% of basic pay) and two interim reliefs of Rs 100 and Rs 800. The Cabinet Secretary, draws total emoluments of Rs 18,640 consisting of a fixed basic

pay of Rs.9000, a Dearness Allowance of Rs.8,640 and two interim reliefs of Rs.100 and Rs.900 respectively.

42.16 As per the information collected by the Commission, there were on 1.1.95, 11 filled civilian posts in the scale of Rs.9000 fixed, 170 posts in the scale of Rs.8000 fixed, 7 posts in the scale of Rs.7600-8000, 21 posts in the scale of Rs.7600 fixed, 51 posts in the scale of Rs.7300-8000 and 466 posts in the scale of 7300-7600.

EXPECTATIONS OF THE CENTRAL GOVERNMENT EMPLOYEES

The demands made by memorandists

42.17 The demands for maximum salary as voiced by the various Associations range between Rs.37,000 and Rs.1,00,000. The IAS Association has requested for a replacement scale of Rs.37,000-39,000 for the Secretary, the Indian Foreign Service has suggested Rs.60,000 for the Foreign Secretary and the Indian Revenue Service has demanded Rs.40,000 for the Chairman CBDT. The CPWD engineers have asked for a maximum salary of Rs.65,000 and NIC employees Rs.1,00,000 for their Director General.

42.18 These demand for increased salaries have been made in the context of the removal of ceilings on the salaries in the private sector and the consequent sky rocketing of salaries in all the segments of the economy. The clamour for external comparisons prompted us to commission a study for comparing salaries in the Government with those in the private and public sectors, and accordingly a study was awarded to MDI.

COMPARISON WITH THE PRIVATE SECTOR

Higher emoluments and perks in the private sector at the senior most levels compared to the Govt..

2.19 The study carried out by MDI on comparisons with the Private Sector makes the following observations :

- i) The average pay, including DA & CCA, of a Chief Executive in a private sector organisation is Rs.23,303 in comparison to Rs.16,580 paid to a Secretary in the Government of India. Thus a CEO in the private sector gets a pay packet which is nearly 50% higher than his counter parts in PSUs and Government. When compared with large private sector enterprises this difference is as high as 80 percent.
- ii) In addition to the salary, a CEO in a private sector enterprise draws an average performance-related incentive pay of Rs.14,752 which works out to 65% of the basic salary. His counterparts in Government do not get anything on this account. While a CEO in the private sector enjoys a little more than his salary in the form of housing and car benefits, his

counterparts in Government and PSUs also enjoy housing and car benefits but not of commensurate value.

- iii) **In addition, a CEO in the private sector draws sundry allowances for club memberships, credit cards, services and amenities, domestic servants, etc., which are not available in Government. In private sector, CEOs are increasingly being given superannuation benefits which are significantly better than pension entitlements available to Secretaries in the Government of India. As a result of the above, while the average cost of a CEO to a Private Sector Company works out to Rs.1,02,255 per month, the average cost of a Secretary to the Government of India works out to only Rs.44,817.**
- iv) While the annual increase in compensation in the case of a Secretary to the Government of India is in the range of 8-9%, **the annual increase in compensation of a CEO in a private sector enterprise is 30 to 35%.** It can reasonably be concluded that if this trend continues, the gap between the compensation paid to private sector CEOs and Secretaries to the Government of India is likely to increase dramatically.

42.20 While a differential between the private and public sectors always did exist, the magnitude of the variation now observed is largely attributable to the removal of the ceilings on private sector salaries. The ceiling on the remuneration of managerial personnel in the private sector was raised substantially on 14th July, 1993 and relaxed completely for profit-making companies on 1st February 1994. This was done in the context of the philosophy of liberalisation and globalisation.

42.21 All restrictions on the nature and quantum of remuneration payable by a profitable company were withdrawn from 1.2.94, as long as remuneration paid to the managerial personnel during any financial year did not exceed 5% or 10% of its profits. Companies without any net profits or with inadequate profits were allowed to pay remuneration ranging from Rs.40,000 to Rs.87,500 p.m., depending on the effective capital of the Company. In the case of loss-making companies also, the above limits were treated as the minimum remuneration payable to individual managerial persons without Central Government approval. These limits can be waived in certain cases with Central Government approval.

COMPARISONS WITH PUBLIC SECTOR

Higher emoluments and perks in the public sector compared to the Govt.

42.22 As per the MDI study, **a CEO in a Schedule A Public Sector organisation on an average draws about Rs.16,200 (including Basic + DA + CCA) in comparison to the Rs.16,580 drawn by a Secretary to Government of India. The CEOs in PSUs like the Secretary to the Government of India do not get any incentive pay. They, however, draw sundry allowances for club membership, credit cards, guest entertainment, etc., which are not available to a Secretary to Government of India. It has been reported that at the senior management levels in PSUs, several facilities are provided which may be treated as perquisites. For example, a sentry is provided at the residence of a Senior**

Executive for 24 hours and he performs tasks other than merely guarding a house. In PSUs this does not constitute a part of the compensation package but gets accounted as organizational expenditure. The entertainment budget in PSUs is rather liberal and it is sufficient for the Chief Executive to certify that these were business development expenses in order to claim reimbursement. If all such factors are taken into account the disparities between the compensation packages of executives in Public Sector Undertakings and Secretaries to Government of India turn out to be wide. The study reports that while the cost to company of a CEO in a Public Sector Schedule of Company may be as high as Rs.57,262 per month, a Secretary to Government of India costs Rs.44,817 per month.

INTERNATIONAL COMPARISONS OF MAXIMUM SALARY

42.23 In order to take into account the experience of other countries in respect of fixation of maximum salary, the Commission sent out questionnaires to 27 countries. Information was elicited on questions such as maximum salary, maximum minimum ratios, number of pay scales, size of bureaucracy, etc. The information received on maximum-minimum ratio is listed below:-

International Disparity ratios, 1995

<u>Country</u>	<u>Ratio</u>
Malaysia	3.0
Sweden	4.0
France	6.6
Indonesia	6.9
Australia	7.7
China	8.0
Thailand	9.0
Hongkong	40.0

It is observed that the disparity ratio ranges between 3 in Malaysia and 40 in Hongkong.

42.24 An OECD study on the salaries of senior functionaries has reported that Japan, UK and Canada reward their senior civil servants better than Germany, USA, the Netherlands, Ireland, Australia, France, Finland and Sweden. While the real incomes of senior civil servants rose in the range of 20 to 40% between 1980 and 1990 in the case of Japan, UK, Canada, Ireland, Finland, Sweden and US it fell in the case of Germany, the Netherlands, Australia and France. Differentials between the senior and lower grades are clearly compressed in the case of Canada, Australia, France, Germany, the Netherlands, UK and US. Also substantial remuneration discounts for public service vis a vis private service exist in countries like France, Germany and the United Kingdom.

42.25 A word of caution may be added here, however. In practice it is difficult to present cross-national comparisons reliably, because of the problems of matching grades and levels across countries and differing pay definitions. Further, cross-national comparisons need to be interpreted with care as they could reflect a range of factors such as the size of the civil service, the extent to which

senior civil servants are able to take up well-paid positions in the private sector whether they work in capital cities etc.

COMPARISONS WITHIN GOVERNMENT

*Salaries and
perks drawn by
the elected and
non-elected
Constitutional
Functionaries*

42.26 We also decided to examine the compensation structure of other senior functionaries in Government such as the President, Prime Minister, Ministers, Chairman Rajya Sabha, Speaker Lok Sabha, Leader of Opposition, Members of Parliament, Chief Justice and Judges of the Supreme Court of India and the High Courts, the Comptroller and Auditor General, the Chief Election Commissioner etc.

42.27 The details of salary, allowances, pension and facilities admissible to the above dignitaries are given in Annexe 42.1 and 42.2.

We observe the following:-

- i) Amongst the constitutional functionaries the President draws the highest salary of Rs.20,000 per month. He is followed by the Chief Justice of the Supreme Court of India, who draws a salary of Rs.10,000 per month. The CEC, CAG, the Chief Justices of High Court and the Judges of the Supreme Court of India draw a salary of Rs.9000 fixed. The revision of pay for the Secretary to Government of India will call for necessary adjustments in the scales of these functionaries.
- ii) The salaries of the elected constitutional functionaries are found to be more modest than those of the non-elected constitutional functionaries.
- iii) These functionaries are entitled to several allowances such as daily allowance, sumptuary allowance, constituency allowance. The highest rates of daily allowance vary from Rs.400 per day in expensive cities to Rs.250 per day in ordinary cities and is payable to the Chief Justice and Judges Supreme Court and High Courts. The elected representatives get a more modest daily allowance of Rs.200 per day. The sumptuary allowance ranges from Rs.4000 for the Chief Justice of the Supreme Court to Rs.2000 per month for the Judge of a High Court. Sumptuary allowance available to elected representatives ranges from Rs.1500 per month for the Prime Minister to Rs.300 for a Deputy Minister. A constituency allowance of Rs.3000 per month is payable to the elected representatives.
- iv) The senior most appointments in the Judiciary are entitled to rent free accommodation or HRA @ Rs.3000 per month. Furnishing limits range from Rs.2,50,000 for the Chief Justice of Supreme Court to Rs.1,50,000 for the Judge of a High Court. Water and electricity is free for the Chief Justice and Judges of Supreme

Court while some limits have been imposed for the High Court Judges. MPs have a liberal dispensation in respect of water and electricity charges, free telephone calls and travel.

42.28 In our country the salaries of elected representatives and constitutional authorities are not formally linked to senior civil service grades, as is the case in Singapore or as was the case in United States traditionally. Where the elected representatives' salaries are linked to senior civil service, the pay fixation exercise for civil servants inevitably becomes a part of the debate about elected representatives' own salaries.

RATIONAL CRITERIA FOR FIXATION OF MAXIMUM SALARIES

42.29 The approach of fixing maximum salaries on the basis of a pre-determined minimum-maximum disparity ratio has been widely criticized as being at best ad hoc and arbitrary. Neither does such an approach reflect the true requirements and expectations of the senior functionaries nor does it bear any relation to their functional responsibilities. While a need-based norm exists for bench-marking the minimum salary no comparable norms appear to have been evolved for bench-marking the salaries of senior functionaries in Government. In view of the diversity of opinions and expectations on the subject of maximum salary, the range of differentials and the institutional constraints involved, the Commission decided to engage an independent professional body viz. the Indian Institute of Public Administration to suggest a scientific and rational formula for pay fixation for senior functionaries in Government.

The findings of the study conducted by IIPA

42.30 The study conducted by IIPA, which is based on an opinion survey, seeks to quantify the "reasonable requirements and the realistic expectations" of the senior most functionaries in Government and thereby offers a bench-mark for fixing their salaries. The study concludes as follows:-

- i) A rational salary structure for senior functionaries should allow a salary level which is adequate to meet the current levels of consumption and reasonable additional requirements.
- ii) While the average current expenditure has been quantified as Rs.6,490, the reasonable additional requirements have been quantified as Rs.8,349 thereby suggesting an average consumption level of Rs.14,839.
- iii) Based on an average propensity to consume of 49%, the average income required to support the above level of consumption has been worked out as a pre-tax salary of Rs.40,000 for the Cabinet Secretary, Rs. 36,000 for Secretaries, Rs.33,500 for Additional Secretaries and Rs.29,500 for Joint Secretaries to the Government of India and officers equivalent in rank to them.

- iv) The post-tax salaries have been suggested as Rs.27,667 for the Cabinet Secretary, Rs.25,267 for Secretaries, Rs.23,767 for Additional Secretaries and Rs.21,367 for Joint Secretaries.

OUR APPROACH TO MAXIMUM SALARY

Erosion in salaries at the highest level and widening differentials between the Govt., the private and public sector

42.31 From the foregoing discussion it is abundantly clear that consequent to the removal of ceilings in the private sector, wide differentials have crept in between the salaries of senior functionaries in Government and their counterparts in the private and public sectors. A substantial erosion in the real income at the senior levels has also been observed, and this seems to have assumed disturbing proportions.

The need for a competent bureaucracy

42.32 We are of the view that inadequate salaries in the public service are an expense and not an economy. Although it can be argued that corruption is a state of mind, it cannot be denied that beyond a certain point the penury of a powerful civil servant can have disastrous consequences for his integrity. A bureaucracy that is under-paid is almost invariably unproductive and overstaffed. The World Bank in its policy paper titled "The East Asian Miracle: Economic Growth and Public Policy", has singled out "competent bureaucracy" as one of the most important factors for the sustainability of reforms in the high-performing Asian economies like Hongkong, Japan, Korea, Singapore, Taiwan and China. To sustain growth, insulation of technocracy is necessary. What is more necessary, however, is that the bureaucracy must have the competence to formulate effective policies and the integrity to implement them fairly. Various ways have been employed by these high performing economies to achieve a competent bureaucracy. The basic principles followed make recruitment and promotion merit-based and highly competitive. Simultaneously, total compensations have been made comparable with the private sector and those making it to the top are amply rewarded.

The Cabinet Secretary and Secretary to the Govt. of India

42.33 While the study carried out by IIPA has recommended a pre-tax salary of Rs.40,000 for the Cabinet Secretary and Rs.36,000 for Secretaries we are inclined to be more modest and recommend a pre-tax salary of Rs.30,000 for Cabinet Secretary and Rs.26,000 for Secretaries. In suggesting these salaries we have tried to bridge somewhat the gap existing between the salaries of the private, public and the Government sector. We have also tried to retain the pre-tax disparity ratio between the minimum and maximum salary at the Fourth CPC level of 10.7. Such an increase at the highest level was more than warranted on account of the serious and continuous erosion in the real income of senior functionaries since 1949 and the pressing need for a competent bureaucracy in this hour of economic reform and liberalisation.

Ceiling on private sector salaries

42.34 We have also received some suggestions regarding the reimposition of ceilings on salaries in the private and public sectors. The abolition of ceilings, it has been stated, would lead to the creation of high-wage islands, flight of talent, consumerism and heart-burning as Government may not be in a position to pay comparable salaries to its employees. Some others argue that the recent spurt in the compensation structure of the private sector is a temporary phenomenon and a state of equilibrium is likely to be restored once the economy

integrates itself with the global market. We however feel that there is an urgent need for a National Wage Policy in the interim period to ensure that there is no competitive jacking up of salary levels to disproportionate heights.

Salary, Allowances and Pension admissible to senior most functionaries in Government

Annex 42

Category	Salary	Daily Allowance	Constitutional Agency Allowance	Sumptuary Allowance	Pension	Remarks
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(Rs. -----)

0. 1. 2. 3. 4. 5. 6.

1. President 20,000 Nil Nil Nil Rs. 10,000/month or Rs. 1,20,000/year

2. Prime Minister 1,500 200/day 3,000/month 1,500/month Rs. 1,400 per month for minimum period of membership of 4 yrs or two terms of Lok Sabha + Rs. 250 for every additional year of membership without any maximum ceiling. The ex-HP pension is allowed irrespective of any other pension without any upper limit on the aggregate.

Family Pension - for 5 years @ Rs. 500 per month if the Member dies in harness.

3. Cabinet Minister 1,500 200/day 3,000/month 1,000/month - do -

4. Minister of State 1,500 200/day 3,000/month 500/month - do -

5. Deputy Minister 1,500 200/day 3,000/month 300/month - do -

6. Chairman Rajya Sabha 7,500 200/day 1,000/month - Nil -

: 442 :

Category	Salary	Daily Allowance	Constituency Allowance	Sumptuary Allowance	Pension	Remarks
0.	1.	2.	3.	4.	5.	6.
7. Speaker Lok Sabha	1,500	200/day	3,000/month	1,000/month	same as Cabinet Minister	
8. Dy. Speaker Lok Sabha	1,500	200/day	3,000/month	500/month	- do -	
9. Dy. Chairman Rajya Sabha	1,500	200/day	3,000/month	500/month	- do -	
10. Leader of Opposition	1,500	200/day	3,000/month	1,000/month	- do -	
11. Members of Parliament	1,500	200/day	3,000/month	1,000/month		<p>Relates to Official Expense Allowance.</p> <p>During any period of residence on duty subject to the condition that the Member signs the register on all the days (except intervening holidays for which no such signing is required) of the session for which the allowance</p> <p>(1) Minimum pension of Rs 1,400 p.m. for membership of 4 years or 2 terms of Lok Sabha and Rs. 250/- per month for every year in excess of five without any maximum ceiling.</p> <p>(2) In cases where the Elections are not held due to unforeseen circumstances like weather conditions etc., such as in Ladakh in J & K and Hindi in H.P., such period should be counted towards their eligibility period for grant of pension.</p>

Salary, Allowances and Pension admissible to senior most functionaries in Government

Category	Salary	Daily Allowance	Constituency Allowance	Sumatuary Allowance	Pension	Remarks
0.	1.	2.	3.	4.	5.	6.

(3) Pension to all Members of the Provisional Parliament (Constituent Assembly). Minimum Rs. 1,400/-.

(4) Ex-MPs' pension allowed irrespective of any other pension without any upper limit on the aggregate.

Pension to the spouse/dependent of an MP dying in harness- Rs. 500/- 0.M. for a period of five years from the date of death of MP.

12. Attorney General of India	5,000 (Retainer Fee)	-	500/month	1,000/- per month as office allowance except during the period of leave	Nil	Entertainment allowance except during the period of his leave.
13. Solicitor General	4,000 (Retainer Fee)	-	-	-	Nil	
14. Addl. Solicitor General	3,500. (Retainer Fee)	-	-	-	Nil	

Salary, Allowances and Pension admissible to senior most functionaries in Government

Annex 42.1

Category	Salary	Daily Allowance	Consti- tuency Allowance	Sumatuary Allowance	Pension	Remarks
(----- Rs. -----)						
0.	1.	2.	3.	4.	5.	6.
15. Chief Election Commissioner	9,000	250/day for all types of locality Rs 400/day and transport charges not exceeding Rs. 20/- per day in special expensive locality	-	-	5,000/- & 1,500/- (commuted)	
16. Election Commissioner	9,000		-	-	2,567/- & 1,333/- (commuted) 4,000/- (provisional)	
17. Chief Justice Supreme Court	10,000	250/- for ordinary cities 400/- for expensive cities	-	4,000/month	5,000/- per month	
18. Justice Supreme Court	9,000		-	3,000/month	4,500/- per month	
19. Chief Justice High Court	9,000	250/- for ordinary cities 400/- for expensive cities	-	3,000/month	4,500/- per month	
20. Justice High Court	8,000		-	2,000/month	4,000/- per month	

Other benefits available to senior most functionaries in Government

Annex 42.2

category	Telephone facility	House facility	Water and Electricity facility	Medical facility	Conveyance Advance
0.	1.	2.	3.	4.	5.

1. President

2. Prime Minister

3. Cabinet Minister

4. Minister of State

5. Deputy Minister

6. Chairman Rajya Sabha

7. Speaker Lok Sabha

8. Dy. Speaker Lok Sabha

9. Dy. Chairman Rajya Sabha

10. Leader of Opposition

(-----Information not available-----)

Other benefits available to senior most functionaries in Government

Annex 42.

category	Telephone facility	House facility	Water and Electricity facility	Medical facility	Conveyance Advance
0.	1.	2.	3.	4.	5.
11. Members of Parliament	50,000 free local calls per year on both Delhi & Constituency residence telephones pooled together. The trunk call bills will be adjusted within the monetary equivalent of the ceiling of 50,000 local calls per annum. Excess calls made over and above the existing quota of 50,000 free local calls is allowed to be adjusted in the next year's quota.	Rent free flats only (including hostel accommodation). If a Member is allotted bungalow at his request, he shall pay:- (a) Full normal rent if he is entitled to such accommodation; and (b) Full normal rent and a non-entitlement charge of rupees five hundred per mensem, if he is not so entitled.	Free water and electricity up to a maximum of 7,200 units of electricity (3,600 unit measured on light meters and 3,600 units on power meter) and 1,000 K.L. of water per annum beginning first January of every year. (Members who have no power meters installed at their residence are allowed upto a maximum of 7,200 units of electricity per annum measured on light meter free of charge).	As available to Grade-I Officers of the Central Govt. under the C.G.H.S.	Conveyance advance of Rs. 50,000/- or the rate of interest as applicable to the Central Govt. Employees but recoverable within a maximum period of 5 years not extending beyond the tenure of the M.P.
12. Attorney General of India		suitable residential accommodation would be provided by the Government of India	Nil	Nil	Nil
13. Solicitor General	At office and residence provided by the Government of India free of cost	on payment of usual rent fixed by the Government of India	Nil	Nil	Nil
14. Addl. Solicitor General			Nil	Nil	Nil

Other benefits available to senior most functionaries in Government

Annex 42.2

category	Telephone facility	House facility	Water and Electricity facility	Medical facility	Conveyance Advance
G.	1.	2.	3.	4.	5.
15. Chief Election Commissioner	Office: 4 - with 1 fax facility & 1 Rax ----- Residence: 5 -with a fax facility, 1 Rax ----- and a cellular phone	Free accommodation	N.A.	C.G.H.S facility	Nil
16. Election Commissioner	Office: 2 - with 1 fax facility & 1 Rax ----- Residence: 2 -with a fax facility, 1 Rax ----- and a cellular phone	Free accommodation	N.A.	C.G.H.S facility	Nil
17. Chief Justice Supreme Court	No specific limit	Rent free furnished accommodation or HRA @ Rs. 3000/- per month Furnishing - Rs. 2,50,000/-	Free Water and Electricity	Full reimbursement of Medical expenses on prescription of Govt. Hospital or Reqd. Medical Practitioner	conveyance advance of Rs. 80,000/- or 16 months pay whichever is less
18. Justice Supreme Court	No specific limit	Rent free furnished accommodation or HRA @ Rs. 3000/- per month Furnishing - Rs. 2,00,000/-	Free Water and Electricity		
19. Chief Justice High Court	varies from State to State (in Delhi 56,000 calls per annum at residence)	Rent free furnished accommodation or HRA @ Rs. 2500/- per month Furnishing - Rs. 2,00,000/-	3,600 K.L. of Water and 10,000 units of Power per annum	As available to the Members of I.A.S. holding ranks of Secretary to the Govt. of India	N.A.
20. Justice High Court		Rent free furnished accommodation or HRA @ Rs. 2500/- per month Furnishing - Rs. 1,50,000/-	3,600 K.L. of Water and 10,000 units of Power per annum		N.A.