

Part V

Civilian Employees : Allowances and Facilities

*If you do not hope, you will not find what is beyond your
hopes*

St. Clement of Alexandria

Compensation for Price Rise

INTRODUCTION

*Definition
and historical
background*

105.1 Dearness Allowance (DA) is a compensatory payment to the employees for the erosion in the real value of their salaries, resulting from price increase. The institution of DA came into existence during the Second World War. It started in the form of grain compensation allowance and was paid only to the low paid employees of the Central Government, originally at rates sanctioned by Provincial Governments for their employees. Subsequently in 1942 the grain allowance was replaced by DA which now came to be paid uniformly in all States on an all-India basis.

*Views of the
Previous Pay
Commissions.*

105.2 Since 1947, the DA formula has undergone several modifications on account of each of the earlier Pay Commissions suggesting their own methodology for deciding the quantum as well as the frequency of payment of this allowance. While the First and Second CPC's suggested payment of DA at flat rates for employees in different pay scales for different levels of Consumer Price Index (CPI), the 3rd and 4th CPC's while linking DA to both the CPI and pay scales, recommended DA as a percentage of the basic pay. While DA was made payable automatically by the first CPC once a specific level of Consumer Price Index was attained, the 2nd CPC did not favour automatic sliding scale adjustments and recommended that the Government should review the position and consider the case for an increase in DA, each time the index increased by 10 points. This they felt was necessary as allowing an automatic increase, each time prices rise, without going into the reasons for price rise, would tend to fuel inflation because of a wage-price spiral. Price increase, fuelled by a fall in production levels or due to hike in indirect taxes should not merit compensation. The absence of a precise scheme of DA revision, however, resulted in a situation where two high-powered bodies had to be appointed in the intervening period between the 2nd and the 3rd CPC for the payment of DA because of the continuing upward trend of prices. As a result, the 3rd CPC partially reversed the recommendations of the 2nd CPC by making DA payment automatic each time the CPI rose by 8 points over the index of 200, up to the level of 272. DA until the 2nd CPC had been imagined to be a temporary expedient and was intended to deal with the phenomenon of a temporary rise in

prices. It was precisely for these reasons that the pay structure then had to have three separate components: basic pay, dearness pay and dearness allowance. While basic and dearness pay represented the irreversible components, DA represented the component which could be reversed in the case of a price fall. Thus only a part of DA was converted into dearness pay after finding out the level below which cost of living was not likely to fall. Subsequently however, even though price rise came to be observed as a permanent phenomenon, a part of dearness allowance was declared as dearness pay on several occasions, but for different reasons, more particularly for providing relief in the matter of death-cum-retirement benefits to retiring employees. The Fourth CPC changed the DA formula given by the 3rd CPC, from a 'point basis' to a 'percentage basis'. This change was merely cosmetic. More significantly, the Fourth CPC improved the percentage neutralization at higher levels. DA was also made admissible twice a year to them. This was a significant improvement, as the earlier practice of releasing DA each time the index rose by 8 points had resulted in a situation where as many as 9 instalments of DA had to be released in 1974-75. The principle of declining percentage neutralisation at the higher levels was however the only common thread between the previous Pay Commissions and was adhered to by them for reasons of 'vertical equity'.

EXISTING POSITION

*The existing
Dearness
Allowance
formula*

105.3 The existing formula for grant of DA to Central Government employees is based on the recommendations of the Fourth CPC. At present DA is admissible twice a year as on 1st January and 1st July and is payable with the salary for March and September respectively in the same year. Each instalment of DA is calculated with reference to the percentage increase in the 12 monthly average of AICPI (base 1960) over the average index of 608, which is the base for the existing scales of pay as recommended by the Fourth CPC. This percentage increase is taken in whole numbers only.

Thus, the formula for calculating DA is:-

$$\frac{\text{12 Monthly Average - 608}}{\text{of AICPI}} \times 100 = \text{The percentage increase in prices}$$

The extent of neutralization admissible to employees against the percentage increase in prices for different pay ranges is as follows:-

<u>Pay Range (Basic Pay)</u>	<u>Extent of Neutralization</u>
i) Pay upto Rs.3500/- p.m.	100%
ii) Pay above Rs.3500/- p.m. and upto Rs.6000/-p.m.	75% Subject to a minimum of the maximum available at (i) above.

iii) Pay above Rs.6000/- p.m. 65% Subject to a minimum of the maximum available in (ii) above.

*Release of
DA instalments
since 1.1.86*

105.4 The revised pay scales based on the recommendations of the Fourth CPC were made effective from 1.1.1986. Since then, 20 instalments of Dearness Allowance have been released till 1.1.1996, as shown in Annexe 105.1. These instalments have been paid in cash to all Central Govt. employees, except for five instalments of DA from 1.7.1990 to 1.7.1992 which were credited to the Provident Fund Accounts of Central Govt. employees drawing pay above Rs.3500/- p.m.

*Yearly
expenditure on
Dearness
Allowance for
civilian
employees*

105.5 The yearly expenditure on Dearness Allowance in the case of Central Govt. employees beginning from 1987-88 is given below. The tentative estimate of expenditure on Dearness Allowance in 1995-96 is of the order of Rs.8154.08 crores.

<u>Year</u>	<u>Rs. Crores</u>
1987-88	602.31
1988-89	1186.00
1989-90	1806.14
1990-91	2300.75
1991-92	3242.14
1992-93	4761.78
1993-94	5908.24
1994-95 (Est.)	6834.70
1995-96 (Est.)	8154.08

*Comparative
position in
States, Public
Sector and
Countries
abroad.*

105.6 We observe that Dearness Allowance is paid to State Government employees as well as to Public Sector employees as a distinct component of the pay packet. The Dearness Allowance formula followed in the State Governments is designed after the Central Governments Dearness Allowance formula and is quite similar, except for the year and the index upto which pay scales have been neutralised. In the Public Sector, on the other hand, Dearness Allowance was linked originally only to the increase in the Consumer Price Index and not to pay, but this has been changed recently and DA in PSEs has now been made similar to the Central Government DA formula except for some minor differences (See Chapter on Comparisons with the Public Sector). The practice being followed by the Government and the public sector in India runs contrary to the international experience and the practice in the Private Sector, where Cost of Living Adjustment (COLA) has been done away with, either partially or completely. In the private sector, inflation neutralization, if paid, does not constitute a distinct component of the pay structure and is implicitly taken into account at the time of pay fixation. In countries abroad, on the other hand, this scheme has been totally abolished. France discontinued its quarterly adjustment of public salaries for inflation in the 80's. Greece has abandoned automatic indexation, while termination of Automatic indexation of police staff in UK is on the cards. In general, countries which have abolished automatic indexation have done this on the assumption that this tends to fuel inflation.

*Demands made
in*

105.7 We have received several demands on Dearness Allowance. These range from uniform neutralization at all levels, to an alternative Consumer Price

Index and the use of a monthly, 3-monthly or 6-monthly average instead of a 12-monthly average of the CPI. The merger of DA with basic pay when it comes to be 25% of the basic pay and the exemption of DA from tax are some other demands.

OUR RECOMMENDATIONS

*Uniform
neutralisation
@ 100% at all
levels*

105.8 It has been strongly urged that a uniform neutralization of DA @ 100% should be given to employees at all levels. We see merit in this demand. The erosion in the real value of salary at the highest level, has been the most severe, beginning from 1949 followed by other Group A officers down the line (see Annexe 105.2). In contrast, a comparison of the index of real earnings for the peon between 1949 and 1996 shows that the peon was more than fully neutralized for inflation and was in real terms paid 53% more than his salary in 1949. **The Secretary on the other hand was not even paid full neutralization for inflation and consequently his real salary has eroded to the extent of 72% as compared to the position in 1949.** The erosion was a consequence of a deliberate policy followed for the erosion in the real value of salary at the highest level. The erosion in the real value of salary at the highest level was an essential ingredient of a socialistic pattern of society. A distortion is also observed in the internal relativities because of this formula. While the Fourth CPC had made recommendations which had resulted in a pre-tax maximum minimum disparity ratio of 10.7 in 1986, this ratio had slipped to a level of 8.58 in 1995 and to 8.43 in 1996. This was primarily an account of the Dearness Allowance formula which prescribes differential rates of neutralization. It does not require extraordinary intelligence to perceive that minimum-maximum ratios fixed by a Pay Commission should have some sanctity and stability. Once an ideal ratio is arrived at, it cannot be allowed to become a plaything in the hands of an erratic CPI. With the lifting of the ceilings in the private sector and salaries in the public sector getting linked to productivity, the external relativities have got totally unbalanced. The government is unable to pay comparable salaries at the higher levels to its officers inspite of the enormity of their tasks and higher levels of responsibilities. **Inflation neutralization on a graduated scale in the present circumstances will be anachronistic and unduly unjust to the senior officers.** At this juncture, the Government's conscious intervention in removal of the unjust practice of differential neutralisation of DA is a must. **Accordingly we, recommend that inflation neutralization be made uniform @ 100% at all levels.**

*AICPI(IW) to
continue for
Dearness
Allowance
purposes.*

105.9 At present, the All-India Consumer Price Index for Industrial Workers [AICPI (IW)] with 1960 as the base is used for the purpose of calculating the Dearness Allowance. It has been represented that this index has lost its relevance as the true representative of the basket of goods and services for middle and higher income groups. We have examined this issue in detail. We observe that AICPI(IW) represents the consumption pattern of Industrial Workers who are defined as manual employees working under the Indian Factories Act, Mines Act etc. Thus, AICPI(IW) can at best be taken to be representative of some categories of Group B, C and D employees within Government and cannot definitely be taken to be representative of the consumption pattern of rest of the employees in general and Group A employees in particular. The Fourth CPC had recommended the formulation of a suitable index based on the consumption pattern of "Government Employees" as a solution. We however, feel that such a suggestion only amounts

to wishing away the problem, as it is an established fact that consumption pattern of individuals vary among other reasons because of differences in income. The consumption patterns of Group A, B, C and D employees within Government are thus bound to be different due to different income levels and hence a suitable index based on the consumption pattern for Government employees as recommended by the 4th CPC is likely to suffer from the same set of problems as the AICPI(IW) suffers from. The option of employing separate indices for each category of employee does exist but is devoid of merit because of the sheer impracticality of the task as well as the needless suspicion such an arrangement is likely to arouse between the various groups. **We therefore, recommend that AICPI(IW) may continue to be the Index that may be used for calculating Dearness Allowance for Government employees. The AICPI(IW) series with base 1982 may however be used henceforth for the purposes of calculating Dearness Allowance, as against the existing practice of using AICPI(IW) series with 1960 as the base. This is not likely to cause any difference to the calculations, as the 1960 series on being discontinued in 1988, is being generated from the 1982 series by using a conversion factor of 4.93.**

The 12 monthly average of AICPI(IW) to continue for Dearness Allowance purposes.

105.10 The other demand pertains to the change in the case of 12-monthly average to a 6-monthly average. It has been represented that though the neutralization envisaged upto the level of pay of Rs.3500 is 100%, in reality this is not the case. This is because at any point of neutralization, actual consumer price index is much higher than the level at which DA is sanctioned. We agree that while the index is increasing, the average will always be less than the actual at any point. This however, will be the case whether the average is a 12-monthly average or a 6-monthly average. In fact, we observe that the percentage DA payable on the basis of the 6-monthly average is not much different than that payable on the basis of a 12-monthly average. Further, as the minimum period required for moderating the effect of seasonal fluctuations is 12 months, **we propose that the existing practice of using the 12-monthly average of AICPI for calculating Dearness Allowance may continue.**

Automatic conversion of Dearness Allowance to Dearness pay when the index increases by 50%.

105.11 The JCM in their memorandum have urged that when the consumer price index exceeds by 25% the index at which the pay is fixed, that proportion of pay should be treated as Dearness Pay (DP) for all purposes and the decision for this should not be left at the discretion of the Government. We observe that the conversion of dearness allowance into pay, on attainment of certain critical limits, amounts to introducing automaticity in the revision of pay structure. While such a change will do away with the institutional mechanism in existence at present for pay fixation, it will also preempt the powers to negotiate from the Govt. and will commit them to a financial burden irrespective of the state of health of the economy. As such, we are not in favour of an automatic conversion of DA into DP. The decision to convert should be taken by Government, in consultation with the representatives of the employees. At the same time, we cannot help observing that the pay and salaries of the Central Govt. employees undergo revision only once in 10 to 13 years, during which period the pay structure tends to get seriously disaligned. The revision of salaries in the public sector is twice or thrice as frequent, with revision taking place every four to five years. It has been correctly pointed out by the Associations of Government employees that non-receipt of revised pay over 10-13 years results in considerable damage to the financial position of employees. Retiring employees have to bear the brunt of such a policy. This also results in widening the chasm between the pay packets of analogous

categories in the Govt. and the Public Sector. Further, from the past trend of CPI given in Annexe 118.1, it is observed that 50% increase in prices generally takes around 5 years to materialize. A mid-term quinquennial revision of salaries of Government employees is not, therefore, something that Government should grudge. In view of the above, **we recommend that DA should be converted into Dearness Pay each time the CPI increases by 50% over the base index used by the last Pay Commission. Such DA should be termed as Dearness Pay and be counted for all purposes, including retirement benefits.**

*Dearness
Allowance to be
net of tax*

105.12 **Regarding the exemption of Dearness Allowance from tax, we propose that in line with our general recommendation on giving all allowances net of income tax, Dearness Allowance (including Dearness Pay referred to in the last paragraph) should be paid net of tax.**

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DA instalments released between June 86 and January 96

Annexe - 105.1
(See para 105.4)

No	Date		Rates of DA		
			Upto Rs 3500	Rs 3501-6000	Rs 6001 & Above
1	1.7.86	4%		3% Min. of Rs 140	2% Min. of Rs 180
2	1.1.87	8%		6% Min. of Rs 280	5% Min. of Rs 360
3	1.7.87	13%		9% Min. of Rs 455	8% Min. of Rs 540
4	1.1.88	18%		13% Min. of Rs 630	11% Min. of Rs 780
5	1.7.88	23%		17% Min. of Rs 805	15% Min. of Rs 1020
6	1.1.89	29%		22% Min. of Rs 1015	19% Min. of Rs 1320
7	1.7.89	34%		25% Min. of Rs 1190	22% Min. of Rs 1500
8	1.1.90	38%		28% Min. of Rs 1330	25% Min. of Rs 1680
9	1.7.90	43%		32% Min. of Rs 1505	28% Min. of Rs 1920
10	1.1.91	51%		38% Min. of Rs 1785	33% Min. of Rs 2280
11	1.7.91	60%		45% Min. of Rs 2100	39% Min. of Rs 2700
12	1.1.92	71%		53% Min. of Rs 2485	46% Min. of Rs 3180
13	1.7.92	83%		62% Min. of Rs 2905	54% Min. of Rs 3720
14	1.1.93	92%		69% Min. of Rs 3220	59% Min. of Rs 4140
15	1.7.93	97%		73% Min. of Rs 3395	63% Min. of Rs 4380
16	1.1.94	104%		78% Min. of Rs 3640	67% Min. of Rs 4680
17	1.7.94	114%		85% Min. of Rs 3990	74% Min. of Rs 5100
18	1.1.95	125%		94% Min. of Rs 4375	81% Min. of Rs 5640
19	1.7.95	136%		102% Min. of Rs 4760	88% Min. of Rs 6120
20	1.1.96	148%		111% Min. of Rs 5180	96% Min. of Rs 6660

Year	(Emoluments in Rupees per month)											
	As on 1st January											
	1949	1957	1960	1969	1973	1986	1988	1990	1992	1994	1995	1996
	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.	13.
Peon												
(a) Emoluments @	65	72.5	80	141	196	750	885	1035	1283	1530	1688	1800
(b) Index of Emoluments	100	112	123	217	302	1154	1362	1592	1973	2354	2596	2662
(c) Index of Real Earnings	100	100	99	103	120	153	152	153	150	152	152	153
Lower Division Clerk												
(a) Emoluments	100	112.5	120	208	260	950	1121	1311	1625	1938	2138	2356
(b) Index of Emoluments	100	112.5	120	208	260	950	1121	1311	1625	1938	2138	2356
(c) Index of Real Earnings	100	101	97	99	103	126	125	126	124	125	125	126
Assistant												
(a) Emoluments	215	222.5	230	356	425	1640	1935	2263	2804	3346	3690	4067
(b) Index of Emoluments	100	103	107	166	198	763	900	1053	1304	1556	1716	1892
(c) Index of Real Earnings	100	93	86	78	79	101	101	101	99	101	101	101
Class I (Jr. scale)												
(a) Emoluments	390	390	400	560	700	2200	2596	3036	3762	4488	4950	5456
(b) Index of Emoluments	100	100	103	144	179	564	666	778	965	1151	1269	1399
(c) Index of Real Earnings	100	90	83	68	71	75	74	75	74	74	74	75
Under Secretary												
(a) Emoluments	685	685	700	800	1200	3000	3540	4140	5130	6120	6750	7440
(b) Index of Emoluments	100	100	102	120	175	438	517	604	749	893	985	1086
(c) Index of Real Earnings	100	90	82	57	70	58	58	58	57	58	58	58
Secretary												
(a) Emoluments	3000	3000	3000	3000	3500	6000	8880	10000	11680	13360	14480	15680
(b) Index of Emoluments	100	100	100	100	117	267	296	333	389	445	483	523
(c) Index of Real Earnings	100	90	81	47	46	35	33	32	30	29	28	28
Index of AICPI **												
Base 1949=100	100	111	124	211	252	754	895	1039	1311	1546	1704	1874
Minimum/Maximum Ratio	1:46.2	1:41.4	1:37.5	1:21.3	1:17.9	1:10.7	1:10.0	1: 9.66	1: 9.11	1: 8.73	1: 8.56	1: 8.43

Note: Cols. 2 to 6 from earlier Pay Commission reports and cols. 7 to 11 from Brochure on Pay and Allowances of Central Govt. Employees. Ministry of Finance.

@ Emoluments include Pay+DA only but excludes other allowances.

** Figures on AICPI pertains to the 12 monthly average for the calendar year in cols. 2 to 5 and financial year for cols. 6 to 13.

Compensatory Allowances

Introduction 106.1 In this Chapter, we shall deal with different kinds of Compensatory Allowances in the following order:-

- a) City Compensatory Allowance
- b) Special Compensatory Allowance
- c) Project Allowance
- d) Training Allowance
- e) Risk Allowance
- f) Night Duty Allowance
- g) Telephone Attendant Allowance
- h) Entertainment Allowance
- i) Special Allowances and facilities for N.E. states & Sikkim.

CITY COMPENSATORY ALLOWANCE

Definition 106.2 City Compensatory Allowance (CCA) is granted to Central Government employees to enable them to meet the high cost of living in certain specially costly cities.

Previous Pay Commissions' Observations. 106.3 The First CPC had prescribed uniform rates of CCA and restricted the payment only to the "non gazetted" staff serving in costly cities like Bombay and Calcutta. They had also suggested a review of the conditions prevailing in other costly cities. Consequently, certain other cities as well as gazetted officers came to draw this allowance. The cities were also classified as A or B on the basis of population. The Second CPC abolished the distinction between Gazetted and Non-Gazetted employees altogether and adopted the level of salary and the class of city as the criteria for determining the quantum of CCA. In 1963, the 'B' class cities were divided into categories B-1 and B-2. The allowance was a percentage of basic and dearness pay and varied between 10% for 'A' class cities and 5% in B-2 cities. The Third CPC revised the rates of CCA which continued to be a percentage of basic pay varying between 6.5% and 3%.

Present position 106.4 The Fourth CPC recommended that CCA be paid to Central

Government employees in the various pay ranges at fixed rates as given below :-

Pay Range (Basic Pay) (Rs)	Amount of CCA in Class of cities (Rs. per month)		
	A	B-1	B-2
750-950	30	25	20
950-1500	45	35	20
1500-2000	75	50	20
2000 and above	100	75	20

Cities for this purpose were classified as follows:-

- Class A city : Population above 16 lakhs
Class B-1 city : Population above 8 lakhs but not exceeding 16 lakhs.
Class B-2 city : Population above 4 lakhs but not exceeding 8 lakhs.

The classification of cities for the grant of this allowance is done on the basis of population contained within the "Urban Agglomeration" as defined by the Registrar General of India.

*Our
recommendations*

106.5 It has been argued before us that there is no justification for the payment of CCA in the presence of Dearness Allowance, HRA etc. and hence this allowance should be discontinued. We do not agree with this view. We observe that while the Consumer Price Index (CPI) varies from one place to the other, there is one uniform formula on the basis of which Dearness Allowance gets determined. Dearness Allowance thus does not seek to provide compensation for the relative costliness of cities. Secondly, the All India Consumer Price Index (Industrial Workers) [AICPI (IW)] in use for the payment of Dearness Allowance does not include services like education, medical services, health etc., though housing, fuel and electricity are included. While there do exist separate allowances to reimburse these services, none of these is fully reimbursed. CCA is meant to partly compensate for the increased cost of these services as well as to neutralize the relative differentials in the cost of these services in different cities. **Thus CCA is paid as a correction factor for compensating the employees for the relative costliness of cities.** We also observe that currently more than 50% of the Government population draws this allowance and has continued to do so for over forty years. Withdrawing this allowance at this juncture may not, therefore, be justified. **We recommend the continuance of CCA.**

*Population
criterion to
continue for the
purpose of
classification of
cities*

106.6 Views have been expressed that as CCA is granted to meet the high cost of living in certain specially costly cities, classification of cities for this purpose should be based on their relative costliness. It has been observed that the existing classification of cities on the population criterion is defective in as much as it does not actually reflect the exact costliness of a city. It has also been argued that it would be more appropriate to link the payment of CCA to the difference between all India and regional price indices. However, this does not appear to be feasible as cost of living indices are not available for all places and towns. Moreover, the All India Consumer Price Index and regional price indices are not

strictly comparable since they use different weighting diagrams. In fact, these indices are designed to measure only the changes in price levels over time at a given place and cannot be used to compare the cost of living in different places. The size of population though not the most appropriate measure of expensiveness does build up the level of aggregate demand and under certain situations could be taken to be a crude measure of relative expensiveness. Therefore, **we recommend that in the absence of a suitable alternative, population criterion should continue for the purpose of classification of cities.**

The revised population limits for classification of cities

106.7 The staff side of JCM in their representation have made a demand for the creation of yet another category of A-1 cities. They have also pleaded that CCA be made a percentage of the basic pay. We observe that the population limits used to define the cities have remained unchanged for the last 30 years. Even the rationale underlying the existing limits could not be ascertained. This classification may have been relevant 30 years ago. Meanwhile, many cities have, due to natural population growth and immigration, grown in size and graduated to the next higher status. This has consequently disturbed the original relativities between cities. We also observe that the classification of cities and towns adopted by the National Commission on Urbanisation is as follows -

<u>Class</u>	<u>Range of Population</u>
C-1	1 Lakh to 5 Lakh
C-2	5 Lakh to 10 lakh
C-3	10 lakh to 20 Lakh
C-4	20 lakh to 50 lakh
C-5	50 lakh to 100 lakh
C-6	100 lakh and above

Taking into account all the above factors we propose to create an additional category of A1 cities and revise the population limits for classification of cities as follows:-

A-1 Class city	:	Population above 50 lakhs
A Class city	:	Population above 20 lakhs but less than or equal to 50 lakhs
B-1 Class city	:	Population above 10 lakhs but less than or equal to 20 lakhs
B-2 Class city	:	Population above 5 lakhs but less than or equal to 10 lakhs.

Payment of CCA to be decided on case to case basis in the case of hill stations, tourist and pilgrimage centres

106.8 We observe that the true size of population at hill stations, tourist and pilgrimage centres is not captured by the census data as there is a large floating population at these places. These places, even though expensive, do not qualify for CCA. There are also some rural areas which due to inaccessibility of the region witness a high cost of living. This category also does not get covered by the population criterion. A general recommendation giving, say, B-2 classification to all hill stations, pilgrimage centres and rural areas is likely to make a large segment eligible for this allowance which may not be affordable. **We therefore, recommend that the Government may decide on the admissibility of this**

allowance for such areas on a case to case basis.

CCA at State
Government rates
not recommended

106.9 It has been represented that CCA should be paid at the rates sanctioned by the respective State Government for their own employees. We are of the view that CCA in different regions should not be regulated in accordance with the rules and practices of the State Governments for several reasons. One, there may be differences in the CCA formulae and the pay scales available in different states. In such a situation, CCA available to the Government employee will vary not because of the relative expensiveness of the city but for extraneous reasons. Secondly, CCA in the states is obviously in relation to the average cost of living with in the state itself, while CCA to Central Government employees is paid because of the relative expensiveness of cities across the country. Lastly, there are Central Government employees posted in certain administrative zones or regions which span two or more states.

Payment of CCA
as a lumpsum
recommended

106.10 We also do not support the demand for making CCA a percentage of the basic pay because this amounts to admitting a firm and causal relationship between CCA and income. CCA is essentially an allowance given to off set the imperfections in Dearness Allowance as a measure of relative expensiveness of cities. We, therefore, recommend that CCA be made payable as a lumpsum in the following manner:-

Basic pay (Rs.) (Pre - revised)	(Amount in Rs.)			
	A-1	A	B-1	B-2
750-1000	90	65	45	25
1001-1500	125	95	65	35
1501-2000	200	150	100	65
2001 and above	300	240	180	120

SPECIAL COMPENSATORY ALLOWANCE

Definition

106.11 Special Compensatory Allowances are granted to Central Government employees for the exceptionally difficult local conditions in various places. The nomenclature of Special Compensatory Allowance was specifically given by the Fourth CPC which preferred to club local allowances earlier given in the form of Border Area Allowance, Remote Locality Allowance, Difficult Area Allowance and Disturbed Area Allowance under this head. Prior to the Fourth CPC's recommendations, compensation for difficult local conditions was given under different names.

Previous Pay
Commissions'
Observations

106.12 The First CPC had recommended the payment of a local allowance to compensate for the hardship faced by non-gazetted staff in certain difficult or remote areas declared as non-family stations. The rates ranged between Rs.5 and Rs.40 and did not exceed 30% of the basic pay. The Second CPC did not recommend any change in the amount for this allowance. The Third CPC continued to give remote locality allowance, difficult terrain allowance, disturbed

area allowance and also followed the State Governments' classification of areas for grant of this allowance.

Fourth CPC's recommendations

106.13 The Fourth CPC subsumed Border Area Allowance, Remote Locality Allowance, Difficult Area Allowance and Disturbed Area Allowance under the head Special Compensatory Allowance. These allowances are now payable as SCA (Remote Area Allowance), SCA (Disturbed Area Allowance) etc as the case may be at the following flat rates:-

Sl. Areas	Rates of Special Compensatory Allowance per month (Rs.) for Pay+DA+NPA+SI				
	Basic pay below Rs.950	Basic pay Rs.950 -1499	Basic pay Rs.1500 -1999	Basic pay Rs.2000 -2999	Basic pay Rs.3000 & above
1. Part A (Sec Annexure)	150	250	350	500	650
2. Part B (Sec Annexure)	125	200	275	400	525
3. Part C (Sec Annexure)	75	150	225	300	375
4. Part D (Sec Annexure)	20	40	60	80	100

The Fourth CPC also recommended that the grouping of these allowances as well as the need for their continuance should be periodically reviewed.

Demands before the Commission

106.14 We have received several demands regarding SCA. Some of these are as follows:

- i) Suitable criteria for measuring hardship/ difficulty should be evolved. The present system of following the State Governments' classification for eligibility for the purpose of SCA should be done away with, as it is not fair.
- ii) The Composite Hill Compensatory Allowance, Bad Climate Allowance and Tribal Area Allowance should also be subsumed under SCA as the purpose of these allowances is also to compensate hardship.

106.15 We observe that the present practice of following the State Governments, classification for Remote Area, Difficult Area etc., has led to several disputes in the JCM. Some States have either merged these allowances with pay or changed the nomenclature. In such cases the allowance has been stopped for the Central government officers, which does not appear very fair. There appears to be a need for a more clear-cut definition by the Centre of difficult conditions/conditions of hardship and the terms remoteness, disturbed area, bad climate etc., which all contribute to this difficulty or hardship need to be defined more rigorously. Ideally what is warranted is a composite index of difficulty/hardship on the lines of a composite index of backwardness used for allocation of funds among states. The composite index of difficulty/hardship should differentiate between the degree of difficulty/hardship faced by an individual and the amount payable should bear a relation to it. Unfortunately we have the constraint of time and are compelled to **suggest that the Government should go into this, by appointing a Committee of officers to prepare a detailed scheme for the evolution of a Composite Index of Difficulty/Hardness of an area.** There also appears to be no logical explanation for not subsuming Hill Compensatory Allowance, Bad Climate Allowance as well as the Tribal Area Allowance under SCA, as these allowances are also paid to compensate for the hardship or difficulty experienced by an individual. Pending the decision of the Government regarding the formulation of a composite index of difficulty/hardship, **we recommend the following:-**

- a) **The Composite Hill Compensatory Allowance, Bad Climate Allowance as well as Tribal Area Allowance be also subsumed under the head of Special Compensatory Allowance.**
- b) **The following rates of Special Compensatory Allowance are recommended:-**

Areas listed (See annexe)	<u>Rate per month in Rupees for PAY+NPA+SI</u>				
	750- 1000	1001- 1500	1501- 2000	2001- 3000	3000 &above
PART A	300	500	700	1000	1300
PART B	250	400	550	800	1050
PART C	150	300	450	600	750
PART D	40	80	120	160	200

- c) **Special Compensatory Allowance (Remote Locality/ Border Area/ Difficult Area/Disturbed Area) would be payable at the rates indicated in the table depending on the classification of an area in part A/Part B/Part C/Part D categories.**
- d) **Special Compensatory Allowance (Hill Areas) would be payable as under:-**

Places at an altitude of above 1000 metres and below 1500 metres would be compensated at the rate admissible for Part D in the table.

Places situated at an altitude of above 1500 metres but below 2000 metres would be compensated at the rate admissible for Part C in the table.

Places situated at an altitude of above 2000 metres but below 2500 metres would be compensated at the rate admissible for Part B in the table.

Places situated at an altitude of above 2500 metres would be compensated at the rate admissible for Part A in the table.

- c) **Special compensatory Allowance (Tribal Area/Scheduled Area/ Agency Area) would be payable at the rate admissible for Part D in the table.**
- f) **Special Compensatory Allowance (Bad Climate) would be payable at the rate admissible for Part D in the table.**
- g) If more than one of the above allowances become admissible at a place, then the Central Government employee will have the option to choose the allowance which benefits him the most. Also City Compensatory Allowance will not be admissible to persons drawing SCA.

PROJECT ALLOWANCE

Definition

106.16 Project Allowance is a special kind of allowance. It is granted to Central Government employees working on major Projects either funded by Central Government or Autonomous Bodies/ Corporations in undeveloped/under-developed areas to compensate them for lack of basic civic amenities such as housing, school, hospital, transport etc. The allowance is withdrawn in a phased manner as and when these amenities become available at or near the project site.

The present position

106.17 The Fourth CPC did not recommend any change in the existing guidelines regulating grant of project allowance and revised the rates as under:-

Pay Range	Rates of Project Allowance (p.m.) (in Rs.)
Basic Pay below Rs.950	75
Basic Pay of Rs.950 - Rs.1499	150
Basic Pay of Rs.1500 - Rs.1999	225
Basic Pay of Rs.2000 - Rs.2999	300
Basic Pay of Rs.3000 and above	375

*Our
recommendations*

106.18

We recommend the following rates of Project Allowance -

Basic Pay Range (revised)	Rates of Project Allowance per month in (Rs.)
Below Rs.3000	150
Rs.3000 - Rs.4499	300
Rs.4500 - Rs.5999	450
Rs.6000 - Rs.8999	600
Rs.9000 and above	750

TRAINING ALLOWANCE

Definition

106.19

To give an impetus to quality of training imparted to its employees, the Government of India instituted a Training Allowance in 1986. Training Allowance was given to all non-permanent faculty members, joining training institutions on deputation at the rate of 30% of their total emoluments. Guidelines were issued simultaneously for extending other facilities like preference in promotion and posting, LTC twice a year to children, housing etc. Initially the scheme was introduced in the training institutions meant for Group 'A' officers and later extended to other training institutes for Central Government employees as well.

Present Position

106.20

Consequent upon the revision of the pay scales on the recommendations of the Fourth CPC, the scheme was reviewed and this allowance was reduced from 30% of the total emoluments to 30% of the basic pay. In the context of resource crunch in 1991-92, the training allowance was again reviewed and its utility in attracting the talented people was discussed. While it was agreed that incentive in the form of Training Allowance was necessary, the rate was reduced from 30% to 15% of basic pay w.e.f. 9.7.92.

Our

recommendations

106.21

We observe that the arguments for improving training are as relevant today as they were earlier. Training institutions should be manned by capable persons drawn from, both government as well as educational institutions. To encourage such a trend and to ensure that the probationers are imparted the best possible training, we recommend the following:-

- i) **Training Allowance should continue to be paid @ 15% of the basic pay. This allowance should henceforth be made admissible to all faculty members in all the training institutes including trainers on deputation from Universities and other academic institutions as well as trainers permanently employed in the training institutes. This allowance should be paid in addition to all the other allowances like the deputation duty allowance etc. which will continue to be drawn by the trainers taken on deputation**
- ii) As far as possible, training institutions for Central Government

employees should be manned by people drawn from the relevant disciplines within government and educational institutions on deputation. Most of the posts in the various training institutes which have been encadred in a particular service should therefore be de-cadred and selection made from a wider pool of eligible incumbents.

- iii) **The concept of a visiting faculty should be encouraged to tap the services of those eminent people who are otherwise unable to stay for long periods in the institutes.**

RISK ALLOWANCE

Definition 106.22 Risk allowance is granted at different rates to certain categories of Central government employees whose normal duties involve special risks.

Views expressed by the previous Commissions 106.23 The Second CPC recommended that certain unskilled staff employed in the Ministry of Defence and Railways, whose work was exceptionally heavy or whose normal duties involved special risk such as those of chemical process workers or those who handled explosives should be given a special pay of Rs.3 p.m. This allowance was also extended to sweepers working in underground sewers and in infectious hospitals. The Third CPC recommended grant of special pay at the rate of Rs.10 p.m. to all categories of staff in receipt of Risk Allowance. A special pay of Rs.10 was given to certain semi-skilled operatives working in the boiler house or in cold storage plants under the Delhi Milk Scheme. It was also felt that except in the case of unskilled categories, for whom special pay had already been recommended, it was not necessary to grant hazardous allowance to most of the other categories of staff. These categories were recruited primarily for the jobs which they manned and in such cases the proper course would be to take into account the element of hazard while fixing their scales of pay. The Third CPC recommended the appointment of a Committee to examine the feasibility of rationalising grant of such an allowance to various categories engaged in the work of a hazardous nature. In pursuance of the recommendation of the Third CPC, Government appointed a Committee to examine this issue. The Committee recommended the classification of the beneficiaries of Risk Allowance into four categories, namely, Semi-skilled workers, Skilled workers, Supervisors and certain Gazetted and non-gazetted officers in the Ordnance factories. The rates ranged from Rs.15 to Rs.100 per month. The Fourth CPC recommended that the need and adequacy for the grant of risk allowance to different categories of employees should be examined by a Committee appointed by the Government. In the meantime, the Commission recommended a 100% increase in the existing rates.

The present position 106.24 At present risk allowance is paid to all those engaged in duties involving greater hazards or whose health is liable to be adversely affected progressively over a long period of time because of the particular avocation. Sweepers/Safaiwalas engaged in cleaning of underground drains, sewer lines, those working in trenching grounds and infectious diseases hospitals are also paid risk

allowance. Risk Allowance is payable at the following rates for each category of employees -

a)	Unskilled workers	Rs. 20 p.m
b)	Semi-skilled workers	Rs. 30 p.m
c)	Skilled workers	Rs. 40 p.m.
d)	Supervisors	Rs. 50 p.m.
e)	Gazetted Officers engaged in Nitro Glycerine.	Rs. 150 p.m.
f)	Non-Gazetted officers engaged in Nitro Glycerine.	Rs. 90 p.m.
g)	Danger Building Officers	Rs. 200 p.m.

*Categories
demanding risk
allowance*

106.25 We have received a large number of demands pertaining to risk allowance. Most of these demands pertain to the extension of this allowance to the categories in question. Over 35 categories of employees working in different Ministries/Departments/Organisations have requested for inclusion. These are the non-medical scientists (Group 'B' Gazetted) serving in Food Research and Standardisation Laboratory; Veterinarians; Jr Engineers working in the factories manufacturing telecom equipment; Inspecting Officers of Director General Mines Safety; Executive cadre and employees of Intelligence Bureau; Paramedical staff of Ordnance Factory; Lady Health visitors/Auxiliary Nurses/Midwives working with TB patients; Jr. Engineers and Assistant Engineers of PWD, Pondicherry; Railway Cashiers, Dressers in Railways; Surveyor Officers working in DMC, MEC, Computer etc. of Survey of India; Pharmacists, Medical Officers and Junior Works Manager of Indian Ordnance Factory; Electricians, Wiremen, Laboratory Technicians in Ordnance Factories; Gang Staff, Yard Shunting Staff and Break Down Special Staff of the Railways; Physio Therapists; all employees of National Zoo; Biological Assistants under Ministry of Environment and Forests; Personnel of the Fire Branch of Railway Protection force; Cameramen in Doordarshan; Chowkidars; officers of the Central Industrial Force; Jail Wardens in Pondicherry; DRDO employees dealing with Nuclear Machines, RDX development etc.; All India Radio employees working on High Voltages; Employees of National Sample Survey Organisation; Civilian Assistant Security officers of Army Headquarters; Press Staff comprising Compositors, Lino Operators and Metal Operators.

*Our
recommendations*

106.26 The subject of risk allowance has been closely examined by us. We have come to the conclusion that risks facing employees in the Government service may be of two types; contingent risks and continuous risks. Contingent risks relate to one-time events where the event is uncertain. **Continuous risks on the other hand cover those situations where the risk is inherent and continuous in the occupation itself with adverse effects on health. We recommend the payment of Risk Allowance only in the latter case. Government may consider insurance cover or ex-gratia payment for the former case.**

*Denotification of
certain categories*

106.27 The above decision would require us to denotify certain categories, presently in receipt of this allowance. **We have identified a few of these categories as listed below:-**

- a) **Danger Building Officers in the Ministry of Defence;**

- b) **Deputy Directors and Assistant Directors in the Hotline Training Centre, Department of Power, Bangalore,**
- c) **And about 14,000 employees in the Ministry of Railways** comprising of Trolleyman, Pointsmen/Shuntmen, Mosquitomen, Porters, Skid Porters, Skidmen, Staff engaged in Train Lighting shop in Battery Section, Basic Electro-plater, Basic Diesel Fitter, Khalasis and other Group D categories, Blacksmith, Shunting Porter, Bariwala, PM II/PM A/ PM B/TPM B, Token Porter, TSMs, TP, BTI and KH, etc.

As this list is only indicative and by no means complete, we recommend that each concerned Ministry should set up a Committee to review the categories of employees in receipt of risk allowance in line with our revised guidelines.

Notification of certain categories for risk allowance

106.28 **We find merit in the demands raised by Safaiwalas/Sweepers of the Ordnance Factories engaged in the cleaning of underground drains, septic tanks etc. and Press Staff comprising of Compositors, Lino Operators and Metal Operators and therefore, we recommend payment of Risk Allowance to them. We also recommend that the Government should set up a Committee to study whether Spray Painters and Fire Fighting personnel should be extended Risk Allowance.**

106.29 **We do not favour the granting of risk allowance for any other category.** Veterinarians who upto now enjoyed a Group 'B' status have now been given complete parity with general duty medical officers and dental surgeons who had a Group A status earlier. This would entitle them to all the benefits including Non Practising Allowance @ 25% of basic pay and time bound promotion upto NFSG. These benefits should adequately compensate them for the risk of contracting zoonotic diseases which is inherent in the job for which they have been recruited. Therefore, no risk allowance for them is proposed.

Rules of Risk Allowance

106.30 **We recommend the following rate for the payment of risk allowance:-**

Category	Pay Scale	Amount per month (Rs.)
Unskilled workers	Rs. 750-940	40
Semiskilled workers	Rs. 800-1150	60
Skilled workers	Rs. 950- 500 Rs. 1200 1800 Rs. 1320 2040	80
Non-Gazetted officers in Nitroglycerine preparation		180
Certain Gazetted officers engaged in Nitroglycerine preparation		300

NIGHT DUTY ALLOWANCE

Definition

106.31 Presently Night duty Allowance is being paid to all employees drawing a basic pay upto Rs.2200 p.m. and performing duty between 22.00 hours and 6 hours. Wherever the working hours have been arrived at after taking into account the night weightage factor, no further compensation is admissible. A uniform weightage of 10 minutes is given for every hour of night duty performed. Night Duty Allowance is computed as per the following formula:-

- | | |
|---|---|
| i) For continuous and intensive duty | Rates are calculated on the basis of current rates of pay including DA & CCA divided by the number of working hours in a month. |
| ii) For intermittent and excluded Class-III | 2/3rd of the rate worked out (i) above. |

Our recommendations

106.32 We observe that the ceiling of Rs.2200 for the payment of NDA is not observed in Railways. It has been argued that in the interests of justice this ceiling be done away with for all the employees. We observe that Railways have had to lift this ceiling because of certain requirements specific to the organisation. Night Duty Allowance is at present available to all Group C & D staff in Railways. The need for the removal of the ceiling of Rs.2200 was felt in Railways as employees in scale of Rs.2375-3500 are also Group C and are eligible for Night Duty Allowance. Also in Railways we observe that promotion norms have been fixed on percentage basis and not on the worth of charge. In view of the above, we recommend that the relaxation of the ceiling for Night Duty Allowance be restricted to only those categories presently availing themselves of this benefit. It may not be extended to any further categories. On all other aspects of Night Duty Allowance we recommend status quo. The rates of NDA would improve substantially with the revision of pay.

TELEPHONE ATTENDANT ALLOWANCE

Our recommendations

106.33 Frequently executives have to perform office related work at their residences which, in the absence of any residential official aide, places an unreasonable burden on their time and finances. While residential official aides in various forms are presently available in a few services, by and large, this facility is not available to most of the executives. Accordingly, we recommend that all executives of and above the rank of Deputy Secretary and equivalent may be provided with a residential Telephone Attendant. The tenure of the Attendant would be co-terminus with that of the officer. The Attendant will not have the status of a government employee and will be recruited directly by the entitled officer, with only the salary of such Attendants at a fixed rate of Rs.1500/- per month being borne by the government. We clarify that this facility will not be additionally available to those officers who are currently entitled to use of one or more personal attendants, by whatever name they may be called.

ENTERTAINMENT ALLOWANCE

*Our
recommendations*

106.34 In the Armed Forces, entertainment allowance is presently admissible to officers in specified posts who by virtue of their charge, rank and status are required to entertain high ranking guests or have to reciprocate such gestures. Most Group 'A' Civil Services Associations have put forth the demand for the grant of this allowance for a set of their officers holding analogous posts on the civil side. We feel that while this allowance is necessary for civilian officers as well, however, like the Armed Forces, the same has to be need-based rather than rank or hierarchy-based. We have tried to identify a few key positions where such allowance needs to be extended. Accordingly, we recommend the grant of entertainment allowance to the Union Cabinet Secretary; Secretaries to the Government of India; Heads of Central Government Organisations; one top-most cadre post for each organised Group 'A' Central Civil Service; Heads of All India in-Service Training Institutes for organised Group 'A' Services and regional heads of all organised Group 'A' Civil Services looking after a whole state or a number of states. It should also be extended to important posts under the State Governments and UTs, namely, the Chief Secretary, DGP incharge of Civil Police, Principal Chief Conservator of Forests, Divisional Commissioners, DIGs (Range), Conservators of Forests (Territorial), Collectors-cum-District Magistrates, District SPs and Deputy C.F. (Territorial). The above mentioned executives may be given monthly Entertainment Allowance of Rs.1000/- for the posts in the pay scale of Rs.8000/- and above, Rs.800/- for the posts in the pay scale of Rs.7300-7600 and Rs.600/- in case of others.

SPECIAL ALLOWANCES AND OTHER FACILITIES FOR THE AIS AND CENTRAL GOVERNMENT EMPLOYEES POSTED IN NORTH-EASTERN REGION AND SIKKIM

Demands

106.35 The Central Government employees and officers of AIS posted to States in the North-Eastern region have been granted certain special allowances and other facilities in view of the security environment and the difficult working and living conditions prevailing in the region. During our visit to the States of North-Eastern region and Sikkim, we held discussions with the Chief Ministers, Chief Secretaries and other senior Government functionaries to take stock of the situation. We also received memoranda from various employees and service associations and held discussions with them. Our views on the major issues that emerged are indicated in the succeeding paragraphs.

AIS OFFICERS AND CENTRAL GOVERNMENT EMPLOYEES POSTED IN SIKKIM.

*Our
recommendations*

106.36 The Government of Sikkim has requested us to consider the extension of the Special Allowances and facilities as applicable to the AIS officers of N.E.Cadres to the AIS officers of Sikkim Cadre. This demand of State

Government is based on specific problems being faced by the AIS officers of Sikkim Cadre as by their counterparts in the N.E. States. During our visit to Sikkim, the Chief Minister of Sikkim had strongly supported this demand. The representatives of the Central Government Officers, Sikkim Unit had also asked for inclusion of Sikkim for the purposes of grant of similar allowances on the pattern of N.E. State. We consider these demands as justified and **recommend the extension of all Special Allowances and other facilities as admissible for the officers of AIS and Central Government posted in N.E. States for the AIS officers of Sikkim Cadre and Central Government employees posted in Sikkim on mutatis-mutandis basis.**

SPECIAL (DUTY) ALLOWANCE

*Demands and
Our
recommendations*

106.37 Presently, Special (Duty) Allowance is granted to AIS officers and Central Government employees having all India transfer liability and posted in the States of North-Eastern region @12.5% of the basic pay subject to a maximum of Rs.1000/ p.m. It is subject to the further condition that the total of SDA, Special Pay/Deputation (Duty) Allowance does not exceed Rs.1000/- p.m. It has been demanded that the grant of SDA be extended to officers for AIS and Central Government posted in Sikkim and be paid at a higher rate of 25% of the basic pay. In view of the revisions recommended by us in the pay scales, we are unable to agree to the demand for enhancement of this rate to 25% and **recommend that the SDA be paid at the existing rate of 12.5% of the revised basic pay duly extending its grant to officers of AIS and Central Government posted in Sikkim.** Our recommendations on replacement scales will result in enhancement of the quantum of SDA, which would take care of the demand. We also recommend that ceilings on grant of SDA may be removed.

TENURE OF POSTING

*Demands and
Our
recommendations*

106.38 The tenure of posting of Central Government officers to the N.E. regions is 3 years at a time for officers with service of 10 years or less and of 2 years at a time for officers with more than 10 years of service. On expiry of their tenure, the Central Government officers are entitled to a posting at a place of their choice. The AIS officers are similarly required to "cool off" for a period of two years in their respective N.E. cadres before being considered for subsequent Central deputation. It has been argued before us by the representatives of both the Central Government officers and AIS officers of N.E. States and Sikkim that they have to wait for inordinately long periods after completion of their prescribed periods of tenure or cooling off before they get a posting outside the region. We have considered the matter and **recommend that the concerned cadre controlling authorities and the Central Services Board (CSB) should take a special view in these cases and ensure that such Central Government and AIS officers get their posting outside the N.E. region and Sikkim within three months of completion of their prescribed tenure or "cooling off" period.**

RETENTION OF ACCOMMODATION

*Our
recommendations*

106.39 Central Government employees and AIS officers when posted to the N.E. region and Sikkim from a place outside the region are allowed to retain their accommodation at the previous place of posting for certain specified periods subject to payment of prescribed licence fees to the Government. It has been reported that the licence fee charged is higher than the normal rate in such cases. It has been demanded that normal rates of licence fee should be levied by the Government in all such cases of retention of accommodation. We have considered the demand and **recommend that normal rate of licence fee only should be levied in such cases. Our recommendations on retention of such accommodation in para 112.60 with levy of normal rate of licence fee shall also apply to the AIS officers of the North-Eastern cadres and Sikkim.**

CHILDREN EDUCATION ALLOWANCE

*Our
recommendations*

106.40 It has been demanded that in view of the lack of adequate education facilities in the North-Eastern region the actual expenditure incurred on education in the best schools and colleges should be reimbursed to all Central Government employees including AIS officers posted there. Presently, the Children Education Allowance and hostel subsidy are granted at the rates of Rs.50/- and Rs.150/- respectively on this account. **We recommend that for officers posted to the N.E. region and Sikkim, the rates may be doubled.**

MEDICAL FACILITIES

*Our
recommendations*

106.41 It has been stated that the AIS officers allocated to N.E. regions who leave behind their families at the previous place of posting on their reversion to the respective N.E. cadres are presently not entitled to CGHS facilities. It has been demanded that their families may be allowed to be covered under the CGHS Scheme. We see no reason for denying this facility to them and **recommend that families and dependents of such officials should continue to avail themselves of the CGHS facilities during their period of posting to the N.E. States and Sikkim.**

TELEPHONE FACILITIES

*Our
recommendations*

106.42 Central Government employees and AIS officers who are eligible to have residential telephones at their last place of posting are required to pay rental and other charges on retention of this facility while they are posted to N.E. States. It has been widely demanded that in such cases the rental and other charges should be borne by the Government. After careful consideration of this issue, we **recommend the retention of telephone at their residence may be allowed at Government expense with a ceiling of 750 calls per billing cycle.**

EMERGENCY PASSAGE

*Our
recommendations*

106.43 The Service Associations have demanded annual home town LTC facilities for the officers of AIS and Central Government posted to the N.E. States and Sikkim. They are presently governed by the normal LTC provisions. In view of the financial implications involved, we do not favour a large scale relaxation in the existing LTC provisions. However, keeping in view the remoteness and inaccessibility of the regions in general, and the difficulties faced by these officers, we recommend for them two emergency passages to their home town with family by the entitled class in their entire service career. This will be in addition to the facility available to them under the normal LTC rules.

Travelling Allowance

INTRODUCTION

Travelling Allowance

107.1 Travelling Allowance (TA) is a compensatory allowance granted to a government employee to cover expenses incurred by him while travelling in public interest. The present policy is that TA should not become a source of income or profit to government servants.

TRAVEL ENTITLEMENTS

Travelling entitlement while on tour and transfer in public interest

107.2 At present government employees drawing basic pay plus NPA plus Stagnation Increment of Rs. 5100 and above are allowed travel by first class AC; those drawing between Rs. 2800-5099 are allowed AC II tier/first class; those drawing between Rs. 1400-2799 are allowed travel by first class/AC chair car, or by AC II tier when first class/AC chair car is not available in direct trains, and those drawing pay below Rs. 1400 are allowed to travel by second class. Officers in receipt of pay of Rs. 5100 and above may, at their discretion, travel by air on tour/transfer. Apart from this, non-entitled officers are also allowed to travel by air under certain specified provisions. No official below the level of Secretary to Government of India is presently entitled to travel first class by air either within or outside the country while on tour.

107.3 We are of the opinion that since government officials have to undertake tours specifically in public interest it is necessary that they are allowed appropriate entitlement to travel by rail/air. We, accordingly recommend that the entitlement for journeys by rail/air on tour and transfer in public interest should be revised as under:-

Top Executives	=	Air first (J) class/ AC I class train
Senior Executives and Executives in pay scales of Rs.3700-5000 and above.	=	Air economy (Y) class in case of domestic flights and business/ club class in case of foreign flights/AC I class train
Executives in pay below Rs.3700-5000	=	Air economy class/AC II Tier train
Supervisory Staff	=	AC II Tier train
Supporting Staff	=	First class train/ AC III Tier train
Auxiliary Staff	=	Sleeper Class Train

In case of road travel between places connected by rail, travel by any means may be allowed provided the total fare does not exceed the train fare by the entitled class. In case of places not connected by rail, all Executives should be allowed travel by AC bus/AC taxi. Supervisory/Supporting Staff should be allowed travel by deluxe/express buses and Auxiliary Staff by ordinary bus. We have lowered the eligibility for air travel deliberately so as to curtail loss of official time incurred during train/road travel while on tour. This will also reduce the amount of DA which is paid for the entire duration of the tour. **While no changes are necessary in entitlements for travel by sea, to convert the existing entitlements which are based on monthly emoluments to a rank-based system, we recommend that in case of journeys by sea or river steamer, officers of the status of Executives and above should be allowed travel by highest class. Supervisory and Supporting Staff should be allowed travel by lower class if there are more than two classes. Auxiliary Staff should be allowed to travel by the lowest class.**

Daily Allowance 107.4 Daily Allowance is a uniform allowance for each day of absence from headquarters on duty to a place beyond a radius of 8 kilometres, which is intended to cover the ordinary daily expenses incurred by a government servant away from his headquarters while on tour. Present rates of daily allowance on tour have not been revised since January, 1992. Due to inflation, these rates have now become unrealistic and are not adequate to meet the incidental expenditure incurred by government servants on tour. Thus there is a case for upward revision of these rates. As we have dealt with rationalisation of accommodation entitlement of government officials on tour separately, only ordinary rates of daily allowance are being considered here. Increase in the same proportion as the rise in the All India Consumer Price Index may not prove to be sufficient as the government employee has to incur expenditure on transportation within the city being toured, out of the daily allowance received by him. It is also a fact that in a new place with attendant language problems, unfamiliarity with routes of public transport etc., an employee has to perforce use scooter/taxi which proves to be quite expensive. Further, with improved hotel entitlement being recommended elsewhere, the expenditure on food would also go up which may not be compensated by merely neutralising the effect of inflation on the existing rates. Presently, the TA/DA rates are fixed on the basis of pay plus Non Practising Allowance plus Stagnation Increments. We observe that

granting TA/DA on the basis of pay frequently leads to anomalous situations where senior officers have to travel by a lower class and receive TA at lesser rates vis-a-vis their subordinates whose salaries may be higher on account of longer years of service. We have separately recommended grouping of employees into five levels in the hierarchy based on their functional responsibilities. This grouping could be conveniently adopted for determining entitlements to Travelling Allowance as a measure of rationalisation. Accordingly, we recommend that the categories and rates for travelling allowance and daily allowance may be revised as under:-

Sl. No.	Category	Daily Allowance			
		A-1 class cities	A class cities & specially Expensive Localities	B-1 Class cities	Others
		Hotel/ Non-Hotel Rates/	Hotel/ Non-Hotel Rates	Hotel/ Non-Hotel Rates	Hotel/ Non-Hotel Rates
1.	Top Executives & Sr. Executives	Rs.400/200	Rs. 320/160	Rs.240/120	Rs.160/80
2.	Executives	Rs.350/150	Rs.280/120	Rs.210/90	Rs.140/60
3.	Supervisory Staff	Rs.225/125	Rs.180/100	Rs.135/75	Rs.90/50
4.	Supporting Staff	Rs.190/100	Rs.150/80	Rs.115/60	Rs.75/40
5.	Auxiliary Staff	Rs.150/75	Rs.120/60	Rs.90/45	Rs.60/30

It is clarified that hotel rates will be admissible only in case a government servant stays in a properly licensed hotel, charging a regular tariff. In all other cases, including stay in government/public sector/private guest houses, etc. the Non-Hotel Rates will apply. In order to prevent any erosion in these rates on account of inflationary pressures we further recommend that government should review these rates of TA/DA whenever the all India Consumer Price Index increases to the extent of fifty per cent.

Accommodation entitlement while on tour

107.5 We have received many demands requesting rationalisation of present entitlements of daily allowance for stay in hotels. We note that these entitlements are quite low and need to be revised. Normally it should be the endeavour of the government to provide guest houses for the touring officials in all major cities and steps to construct such guest houses should be undertaken. This,

however, will depend on the availability of funds and can only be suggested as a long-term measure. In the meantime, considerable difficulties are being faced by officials in securing decent accommodation while on official tour and they have often to rely on hospitality of colleagues and relatives. There is adequate justification for permitting stay in approved hotels which charge a regular tariff. Accordingly we recommend that different categories of government employees on tour may be provided with accommodation as under:-

<u>CATEGORY</u>	<u>ACCOMMODATION</u>			
Top Executives & Sr. Executives	Reimbursement of actual expenditure incurred towards normal single room rent in a hotel of a category not above 5 star.			
Executives	Normal single room in a hotel of a category not above 3 star.			
	A-1 class cities	A class cities & specially expensive localities	B-1 class cities & specially expensive localities	Others
Supervisory Staff	Any hotel room up to Rs.200 per day	Any hotel room up to Rs.160 per day	Any hotel room up to Rs.120 per day	Any hotel room up to Rs.80 per day
Supporting Staff	Any hotel room up to Rs.150 per day	Any hotel room up to Rs.120 per day	Any hotel room up to Rs.90 per day	Any hotel room up to Rs.60 per day
Auxiliary Staff	Any hotel room up to Rs.100 per day	Any hotel room up to Rs.80 per day	Any hotel room up to Rs.60 per day	Any hotel room up to Rs.40 per day

These enhancements would provide adequate facilities befitting their status to those government officials who have necessarily to undertake such tours in public interest. We are of the view that with this upgradation officials would not be forced to avail themselves of hospitality extended by private parties while on official tour, which will also help in reducing the existing malpractices in the government to some extent. In order to minimise expenditure on hotel stay, government may consider reserving a few rooms in Public Sector hotels on negotiated lower rents, and touring officials could be asked to stay in such rooms on payment of a nominal rent which could be deducted as a percentage of their daily allowances.

*Provision
regarding travel
in staff car with
family members
while on official
tour*

107.6 Presently, an officer proceeding on tour in a staff car can, in exceptional cases and with prior approval of an officer of the level of senior executive, take his family members along with him but for this facility he has to pay a prescribed amount. We are of the view that no justification exists for charging any amount from government officials for this facility and accordingly recommend that while the condition prescribing prior approval by a senior officer should continue, no charges may be levied on an official for taking his family members along with him.

TRANSFER ALLOWANCE

*Transfer Grant
and Packing
Allowance*

107.7 The rates of lump sum transfer grant and packing allowance were last revised on 1-11-1986. Since then, the inflation has gone up by more than 150 percent. Accordingly, there is a case for upward revision of these grants. We have received numerous demands seeking daily allowance for a government employee transferred in public interest at the new place of posting for a specific period or till such time he is allotted a government accommodation. We feel that this demand is justified, especially as landlords frequently have been known to demand substantial amounts as advance rent. Keeping all these facts in mind we recommend that Packing Allowance and Lumpsum transfer grant should be merged and called 'Composite Transfer Grant'. The quantum of this grant should be increased and made equal to one month's basic salary. Presently, Packing Allowance and Lumpsum Transfer Grant are only available in case of transfer between two stations located at a minimum distance of 20 kilometres from each other. We recommend that 'Composite Transfer Grant' @ one month's basic pay should invariably be paid in case of all transfers involving a change in station, irrespective of the distance between the new and old station. However, in cases of transfer within the same city wherein a change of residence is necessitated solely on account of the transfer, Composite Transfer Grant equal to 1/3rd of the monthly basic salary of the transferred employee may be paid.

*Transport of
Personal effects
on Transfer*

107.8 Presently, personal effects transported by road between places connected by rail are only reimbursed to the extent of actual expenditure or 1 1/4 times of the amount admissible for transport by goods train for the maximum admissible quantity, whichever is less. Frequently rail wagons are not available or there are some genuine practical difficulties due to which a government official on transfer is forced to transport his personal effects by road. As transportation by road is costlier, the employee on transfer has to incur additional expenditure from his pocket, which is not fair. Accordingly, we recommend that the government employees on transfer should be allowed full reimbursement of actual expenditure in case of transport of personal effects by road.

PROVISIONS FOR RETIRING EMPLOYEES

Transportation of conveyance for retired government employees

107.9 Currently, in case of retired employees settling down in a station other than the last station of duty, entitlements similar to those on transfer are given with the exception that transportation of conveyance at government expense is allowed only if it is certified that the possession of the conveyance by the employee while in service at the last place of duty was in public interest. **We recommend that requirement of certificate for transportation of conveyance in such cases may be done away with, as no rationale exists for the same.**

Composite transfer grant for retired government employees

107.10 Our recommendation for Composite Transfer Grant would be equally applicable in case of retired government employees. We note that no lumpsum transfer grant for packing allowance is currently available to government servants settling down in the last station of duty but with change of address. In line with our recommendations for payment of such allowance at the time of transfer we recommend that Composite Transfer Grant at the rate of one third of the last basic pay drawn should also be given in case of retired government employees settling down in the last station of duty but with change of address.

TRANSPORT ALLOWANCE

Transport Allowance

107.11 We have observed that on account of various factors like unprecedented growth of city limits, increase in volume of traffic and nonavailability of residential accommodation at reasonable rents near offices which are usually located in the heart of the city, there has been an unprecedented increase in the commutation time between residences and place of work. This affects the work environment in offices adversely as employees spend much of their energy in commuting and are, therefore, not able to concentrate properly on official work. While government has allowed journeys between residence and place of work by official car to executives of the rank of Joint Secretary and above on payment of an monthly amount, the same needs to be further expanded and liberalised, especially in the context of the public sector and private sector practice of either providing a company car or a liberal petrol allowance to its executives. Details of such allowances are indicated at Annexe 107.1.

107.12 At the time when facility of using office car for travel between office and residence was initiated for the senior officials, the JCM demanded a monthly allowance for defraying partially the cost of travel between residence and office in case of lower government functionaries as well. Consequent to a disagreement being recorded on this issue in the JCM National Council, the issue was referred to the Board of Arbitration which awarded an allowance of Rs.35 per month to all central government employees w.e.f. 1.4.89. The government did not accept this award and initiated motions in both the Houses of Parliament seeking its rejection. However, till date, no final decision has been taken on these motions. Obviously, government has itself been reluctant to press these motions.

107.13 Accordingly we recommend that Executives, Supervisors and the category of Supporting and Auxiliary staff may be given transport allowance at the monthly rates of Rs.800, Rs.400 and Rs.100 respectively in places classified as A1 and A cities. In all other places transport allowance at the rate of Rs.400 for Executives, Rs.200 for Supervisors and Rs.75 for Support and Auxiliary staff may be granted.

107.14 Along with the decision to grant transport allowance, Government should also try to phase out the staff cars in the following manner:-

- (i) Staff cars attached to individual officers should be permitted only to Top Executives in the Government and field functionaries who need such attached staff cars due to the nature of their work.
- (ii) For all other officers, there should be a common pool of private vehicles which should be taken on daily hire on the basis of annual rate contracts. These should be the minimum necessary for transaction of official work.
- (iii) The cadre of staff car drivers should be frozen, so that departments are finally left with only as many drivers as are required to ply the attached staff cars. All other posts should be gradually abolished, as and when a vacancy arises in the normal course. Surplus drivers should also be encouraged to take voluntary retirement with golden handshake.
- (iv) In the interim period, such drivers may be redeployed on other duties by retraining. Surplus vehicles should also be disposed of.

*Transfer
Allowance to
Physically
Handicapped
Employees*

107.15 Certain specified categories of physically handicapped central government employees borne on regular establishment are presently given conveyance allowance. The rate of conveyance allowance to handicapped central government employees has remained unchanged since 1987. A case therefore exists for increasing this allowance. Further, we have separately recommended transport allowance for all central government employees. Accordingly, we recommend that conveyance allowance to specified categories of physically handicapped employees may be abolished and instead all such employees may now be paid transport allowance at double the normal rates.

RANGE OF CONVEYANCE ALLOWANCE

NAME OF THE PSU/BANK	EXECUTIVES	SUPERVISORY	WORKMEN	OTHERS
Gujrat State Fertiliser Company Ltd.	Rs.2180-1280	Rs.725-530	Rs.705-505	Rs.215
NTPC Ltd.	Rs.1460-240	Rs.235-180	Rs.225-150	--
Coal India Ltd.	Rs.1200	Rs.950	Rs.330	Rs.190
Tehri Hydro Development Corpn. Ltd.	Rs.1100-375	Rs.280	Rs.175	Rs.120
Project and Equipment Corpn. of India Limited/State Trading Corpn. of India.	Rs.1060-1000 (Car) Rs.370 (Scooter) Rs.175 (Other Mode)	--	Rs.340 (Two Wheeler) Rs.150 (Other Mode)	--
Indian Railway Construction Co.	Rs.900-800	Rs.350-300	Rs.300-250	Rs.250-200
Cement Corpn. of India Ltd.	Rs.850	Rs.220-125	Rs.150-125	Rs.100

Mica Trading Corpn. of India Ltd.	Rs.800 (car) Rs.275(Scooter) Rs.115(if no vehicle)	Rs.255-110	Rs.255-110	Rs.255-110
Madras Fertilizers Ltd.	Rs.750	Rs.300	Rs.300	Rs.150
Bharat Yantra Nigam	Rs.650-600(Car) Rs.225-135(Two Wheeler)	Rs.100-50	Rs.65-50	Rs.65-50
Indian Telephones Industries Ltd.	Rs.650-225	--	--	--
EPI Ltd.	Rs.650-450	Rs.250-175	--	--
Bharat Electronics Ltd.	Rs.650(in case of Car) Rs.225(in case of Scooter)	Rs.225-120	Rs.125-85	Rs.50
North Eastern Handicrafts/Handlooms Development Corpn. Ltd.	Rs.650-Rs.600	Rs.200-175	Rs.175-150	Rs.140-115
Hindustan Fertilizer Corpom Ltd.	Rs.525	Rs.175	Rs.100	Rs.45
Paradeep Phosphates Ltd.	Rs.500-350	Rs.175	Rs.120	Rs.45
Engineers India Ltd.	Rs.450-400	Rs.175-150	Rs.150-100	Rs.40

Bongaigaon Refinery and Petrochemicals Ltd.	Rs.450-400	Rs.175-150	Rs.150-125	Rs.125-100
National Textiles Corp./ Rail India Technical and Economic services Ltd.	Rs.450-400	Rs.175-150	Rs.150-100	Rs.40
Hindustan Petroleum Corp. Ltd	Rs.450-300	Rs.190-140	--	--
Bharat Aluminium Ltd.	Rs.400 (car) Rs.175-100 (two wheeler)	Rs.150-100	--	--
Hindustan Salts Ltd./ Rural Electrification Corpn. Ltd.	Rs.450-400	Rs.175-150	Rs.150-100	Rs.40
Indian Overseas Bank	Rs.350-175 (Rs.300-100 in case no vehicle is kept)	--	--	--
State Bank Of Hyderabad	Rs.350-125 (Rs.200-100 in case no vehicle is kept)	Rs.175-125	--	--

Leave Travel Concession

INTRODUCTION

108.1 The Leave Travel Concession (LTC) admissible to the civilian employees of the Central Government other than railway employees envisages reimbursement of expenditure on travel to the declared home town once in a block of two years, with the provision that visit to any place in India would be allowed in a block of four years in lieu of one of the two journeys to the home town.

DEMANDS

108.2 The main demands made by civilian employees, either individually or through their service associations, are as under:-

- (i) Encashment of LTC should be allowed
- (ii) An allowance should be paid to cover incidental expenses.
- (iii) Journeys on LTC should be allowed as per entitlement for official tours.
- (iv) Foreign travel should be allowed on LTC.
- (v) Frequency of LTC should be increased.
- (vi) Rules prescribing travel by shortest route should be liberalised.
- (vii) Employees posted in remote localities should be allowed air travel on LTC.
- (viii) Facility of Leave Travel Concession should be extended to retired government employees.

(ix) Definition of dependents should be liberalised

*Reasoning behind
the demands*

108.3 In support of the above demands, it has been argued that frequently government employees are not able to avail themselves of LTC on account of exigencies of work or other personal reasons and they need to be compensated for their devotion to duty. Often, they are not able to go on LTC, as they cannot afford the incidental expenses on boarding, lodging and local travel. Government should, therefore, sanction an additional amount for meeting such incidentals. Increase in the frequency of LTC has been demanded on the ground that government employees posted in regions far away from their home town are not able to fulfil their family obligations as they cannot afford the high cost of travel. Restriction on travel by the shortest route is sought to be relaxed as journey by the shortest route is not sometimes possible on account of factors such as convenience of travel, availability of connecting trains, etc. It has also been contended that journeys on LTC should be allowed at par with entitlement for journeys on tour as per the practice in PSUs, nationalised banks, etc.

OUR RECOMMENDATIONS

*Encashment of
LTC*

108.4 The LTC facility was introduced with the specific objective of enabling Central Government employees to discharge their social obligations at the home town or to visit any place in India to acquaint themselves with the rich cultural heritage of the country. The facility was never intended to be a supplement to pay. The financial implications of allowing such encashment would be enormous. Repercussions on State Governments would also be there as, no State Government, other than Gujarat, presently permits encashment of LTC. **Keeping in mind the basic philosophy behind the LTC scheme and the daunting financial implications, we do not recommend encashment of LTC or payment of a lumpsum grant in lieu thereof.**

*Allowance for
incidental
expenses*

108.5 As regards payment of an allowance to cover incidental expenses incurred on travel, we have elsewhere allowed encashment of earned leave upto 10 days along with LTC to the extent of a total of 60 days in a career span. This measure, in our opinion, should be adequate to meet the incidental expenses during travel on LTC.

*Travel entitlement
during LTC*

108.6 Presently travel on LTC in a class higher than AC-II tier in railways is not permitted. Air travel is also not allowed. The facility of LTC exists in all the PSUs, nationalised banks, state governments, etc. Most of the public sector undertakings and nationalised banks allow their senior officials to travel by air on LTC. A similar facility has also been provided by the state governments of Tamil Nadu, Himachal Pradesh, Meghalaya, Tripura and Gujarat. We note that the relative remuneration of government employees, especially at the senior levels, already compares unfavourably with that of comparable posts in the public or private sectors. This gap is further accentuated by the curtailment of other facilities like travel on LTC by the entitled class. A perquisite of this nature to compensate the senior functionaries in government, to a certain extent, for the lower remuneration admissible to them is not unjustified. **Accordingly, we recommend that all senior executives (Joint Secretaries and above) should be permitted to travel by air or AC First Class at their option, on LTC and all other**

Redefining dependent family members for LTC 108.11 For purposes of LTC, a dependent family member is defined as one whose income from all sources does not exceed Rs.500 per month. In view of the present inflation, the limit of Rs.500 per month appears to be inadequate. Accordingly, we recommend that this limit should be increased to Rs.1,500 per month.

Extension of LTC to pensioners 108.12 We do not propose extension of the facility of Leave Travel Concession to the retired employees of the Central Government on account of the enormous financial implications involved.

LTC to Railway employees 108.13 Railway employees are not eligible for Leave Travel Concession available to the other civilian employees of the Central Government as they are in receipt of free passes for travel anywhere in India. This scheme is already quite liberal. We, therefore, do not propose any change in the existing scheme of free railway passes for railway employees.

Special Pay

Introduction 109.1 The system of granting special pay as an addition to the scales of pay or specified posts or to the pay of a group of employees or an individual employee has been in vogue for a long time. As defined in F.R.9(25), this is granted in consideration of (a) the specially arduous nature of duties; or (b) a specific addition to work or responsibilities. The quantum of special pay varies from post to post, but is presently restricted to an overall ceiling of Rs.500 per month.

109.2 Scrutiny of the data collected by us reveals that as many as 1.89 lakh employees are presently in receipt of special pay of varying amounts. Their Group-wise distribution is as follows:

Group	Number of employees in receipt of Special Pay and its Quantum			
	Below Rs.100	Rs.101-200	Rs.201-400	Above Rs.400
'A'	42	260	4,692	5,423
'B'	378	13,561	256	274
'C'	1,05,202	50,110	2,225	1,266
'D'	5,072	62	Nil	7

Revision of rates of Special Pay 109.3 We have received a large number of representations urging enhancement of the quantum of special pay, its payment as a percentage of the basic pay, removal of the ceiling on its quantum, etc. As has been observed by our predecessor Commissions as well, we recognize that there is a need to provide some compensation for clearly identifiable additions to duties and responsibilities or arduousness of duties as is recognizable. Special pay is, no doubt, a satisfactory device for the purpose. It has nevertheless to be recognized that its extension should be restricted and be the exception rather than the rule. We, however, find that the number of posts to which special pay was attached had increased from about 70,000 in the early Seventies to over 2 lakhs in the mid-Eighties. Though the Fourth CPC had expressed the view that it was necessary to restrict the number of posts entitled to special pay, we are concerned to note that there has been no perceptible improvement in the position since then, inasmuch as about 1.89 lakh

lieu of the special increment, payment of incentive at a uniform rate regardless of the status of the beneficiary or the pay drawn by him, and payment of a higher incentive to those adopting the small family norms after only one child

Enhancement of incentive 109.10 After careful consideration of these suggestions, we are not in favour of a uniform incentive to all categories of employees or relating its quantum to the number of surviving children. There is also no justification for any enhancement of the special increment, which is presently available to the beneficiaries as a distinct addition to their pay till they superannuate.

Exercise of option 109.11 We are however, inclined to agree with the suggestion that the beneficiary should have an option to receive the incentive either in the form of a monthly addition to pay as at present or as a lump sum payment. This may be particularly more acceptable to the lower categories of employees, who could be encouraged by this measure to adopt the small family norms in larger numbers. We, therefore, recommend that such an option should be provided. The lump sum amount in lieu of monthly payments could be determined in the same manner as the commuted value of pension in the case of retiring employees. Employees opting to receive a lump sum amount will not, however, be entitled separately to any rebate in the interest on house building advances. The option could also be extended to those who are already in receipt of a personal pay, the lump sum amount being computed in their cases with reference to their age next birthday on the date of application.

Revision of increments as per new scales 109.12 A suggestion has been made that the personal pay presently being drawn by employees for promoting small family norms should be revised in the same proportion in which the scales of pay of the posts held by them are proposed to be revised by the Commission. The manner in which the special pay should be regulated with reference to the revised scales of pay recommended by it was considered by the Fourth CPC which had suggested that this may be revised so as to be equal to the lowest rate of increment in the revised scale of pay applicable to the post in which an employee had earned the personal pay for promoting small family norms. This was accepted by Government. The methodology evolved for the purpose by the Fourth CPC is considered to be appropriate and adequate and we recommend that the same should be continued.

Disincentives 109.13 It has also been suggested that, as a disincentive, certain restrictions should be imposed on the privileges and facilities available to employees having more than two children. A beginning in this regard has already been made by Government. Women employees having more than two surviving children are not entitled to maternity leave. Following the recommendation of the Fourth CPC, assistance for education of children is also restricted to only two children after December, 1987. We are of the view that various incentives and disincentives should be continued as part of an overall strategy to persuade employees to supplement government's efforts in the sphere of family planning. Apart from the restrictions already in force, the incentives may be extended in future only to those with not more than two surviving children. The facility of leave travel concession may also be restricted only to two children of an employee. We would like to emphasize that Government should examine the feasibility of introducing other disincentives and widening their scope.

*Incentives for
adopting other
family planning
methods*

109.14 A fairly widespread demand is that the incentives for promoting small family norms should be extended to those employees who consciously restrict the size of their families by adopting family planning methods (including hysterectomy) other than sterilization by vasectomy or tubectomy. Hysterectomy is strictly a surgical intervention not related to or accepted as a method of family planning. While there is, no doubt, some merit in the suggestion that other methods of family planning should also be given due recognition for the purpose of incentives, there would be practical difficulties in actual implementation. **Considering, however, the fact that the chances of conception by women over 45 years of age are normally remote, once a woman employee or the wife of a male employee attains the age of 45 years, incentives on the same scale could be extended to them, provided the concerned employees do not have more than two surviving children. We recommend accordingly.**

*Treating Personal
Pay as Pay*

109.15 It has been urged that the personal pay presently admissible for promoting small family norms should be reckoned as pay for all purposes as was the position prior to January 1, 1986, when the recommendations of the Fourth CPC were given effect to, and that this amount should also be exempted from Income Tax. Elements of the remuneration package of Central Government employees which are to be reckoned as pay for the purpose of various allowances have been clearly defined in FR 9(21). The definition under FR 9(21) having been consciously amended by the Fourth CPC, we are not in favour of further widening its scope to include in pay various allowances and other incentives extended for specified purposes. We are, therefore, unable to concede this demand. **In order to avoid any confusion because of the description of the family planning incentive as "Personal Pay", the nomenclature may be changed to "Family Planning Allowance". As far as exemption of the Allowance from income tax is concerned, this will be treated like other allowances. (Refer Chapter 167).**

*Fixation of
revised salaries*

109.16 Acceptance of the demand that existing beneficiaries of the family planning incentives should be provided an option to have the personal pay merged in their pay to facilitate fixation in the revised scales to be recommended by this Commission would be contrary to the decision to treat all allowances, incentives, etc. as distinct and separate elements and not as part of the pay of the recipients. **We, therefore, do not recommend acceptance of the suggestion.**

*Grant of
retrospective
effect*

109.17 Various incentives or benefits for employees having financial implications are normally extended only prospectively, appropriate cut-off dates being specified for the purpose. The validity of the concept of cut-off dates has also been upheld by the Supreme Court. **We, therefore, find no merit in the demand that the incentives for promoting small family norms should be extended to those employees who had adopted these norms prior to September 1, 1979.**

*Payment of
incentives to
pensioners*

109.18 Another demand that the special increment should continue to be paid to the beneficiaries as an addition to their monthly pension even after their superannuation is also entirely devoid of merit and we do not recommend acceptance of this suggestion.

Deputy Secretary or Director because of the loss, in the process, of certain privileges and perquisites that they enjoy in their parent departments. **In our view, it would suffice if the aggregate of the grade pay and the Central (Deputation on Tenure) Allowance is restricted to (a) the maximum of the scale of pay of the deputation post in the case of appointments as Under Secretary, and (b) an amount less than the minimum of the scale of pay of the post of Joint Secretary by Rs.50 in the case of appointments to posts of Deputy Secretary and Director.**

*Extension to
Personnel not
presently covered*

110.7 At present, officers of the All India Services and Group 'A' Central Services are not entitled to any additional remuneration when they are appointed to posts of Joint Secretary and above under the Central Staffing Scheme. On the contrary, some of the officers appointed as Joint Secretaries and already in receipt of pay in a higher pay scale in their parent organisations are eligible to draw pay only in the scale of pay of the deputation post, which results in a substantial reduction in their emoluments. Considering the fact that the appointments to posts of Joint Secretary and above are in public interest, that these officers, in the process, perform functions outside their normal sphere of responsibilities and that they are also subjected to dislocation, we do not find adequate justification to deny them the Central (Deputation on Tenure) Allowance. **We, therefore, recommend that instead of restricting the allowance only to those appointed to posts of Director and below, this may also be extended to those Officers appointed to posts of Joint Secretary and above.** On the analogy of our earlier recommendation in respect of officers of the level of Director and below, this will also be subject to the condition that the aggregate of the grade pay of the officers and the Central (Deputation on Tenure) Allowance shall be restricted to a sum lower than the minimum of the next higher scale of pay by Rs.50.

110.8 Further, such of those officers appointed as Joint Secretary and above, who are in receipt of pay in a higher pay scale in their parent organisation may be permitted to exercise the option that they may either be allowed to draw their grade pay in parent organisation, without any restriction, or the grade pay of the deputation post along with the Central (Deputation on Tenure) Allowance in the manner mentioned above.

INTRODUCTION

Historical background

111.1 From the very beginning of the Industrial Revolution, when workers saw that their employers were making huge profits, they started demanding a share in the profits. A number of attempts were made to achieve the goal of profit-sharing not only by workers but also by Social Democrats in various countries. The attempts were essentially in three directions: (i) simple profit sharing, (ii) shareholding with co-partnership, and (iii) shareholding without co-partnership. Many profit sharing schemes were started during the periods of prosperity and given up during the periods of depression and recession.

ILO Definition

111.2 The International Congress on Profit Sharing held in Paris in 1889 defined profit sharing as payment made in accordance with a freely agreed scheme of sharing, determined in advance and not variable year to year at the discretion of the employer, of the profits of an undertaking with a substantial proportion of its ordinary workers. The definition does not include schemes like production bonus, individual or group piece-rates or other methods of payment based on output.

Concept in India

111.3 In our country, the concept of Bonus has undergone considerable changes over the years. Originally the term 'bonus' was used the way the term 'Dearness Allowance' is used now, as compensation for rising food prices.

Bombay High Court's Judgement

111.4 In a famous judgement in 1942, the Bombay High Court in a dispute between the General Motors Workers Union Vs. General Motors India Ltd., observed that "It is an almost universally accepted principle now that the profits are made possible by the contribution both capital and labour make in any particular industry and I think it is also considered that labour has a right to a share in the increased profits that are made in any particular period. But the distribution of increased profits among the workers is better achieved by giving annual bonus than by a further rise in wages. Wages must be fixed on the basis of normal conditions."

Committee on Profit Sharing 1948

111.5 The Committee on Profit Sharing (1948) observed that the fundamental objective of profit sharing is that the worker should have a direct

- (iv) Create suitable machinery for quick decisions on disputes regarding allocable surplus.
- (v) Government to initiate talks with trade unions and managements to explore possibility of replacing bonus by long-term benefits like retirement pensions, temporary unemployment relief, etc.
- (vi) Scheme for creating a generalised pension fund.
- (vii) Divert part of allocable surplus in high- profit industries towards financing of rural employment scheme.

These recommendations were examined by the Ministry of Finance but no final decision could be taken.

*Productivity
Linked Bonus
Scheme*

111.16 In 1979, the employees of the industries run departmentally like Railways and Posts & Telegraphs not covered by the Bonus Act were paid bonus linking the same to production or productivity.

AD HOC BONUS SCHEME

*PLB schemes
reviewed*

111.17 The functioning of the PLB Scheme was reviewed in 1982-83 by a Group of Officers under the Chairmanship of Shri Bazle Karim, the then Secretary (Coordination) in the Cabinet Secretariat. The Group of Officers also considered the demands for grant of bonus to those Central Government employees who were not covered by the PLB Scheme. The Group was of the view that the Government departments constitute a single infrastructure for the economy as a whole and felt that there should not be any sense of discrimination resulting in demoralisation among them as a group when the service conditions were uniform all along. They suggested the evolution of Productivity Linked Bonus Scheme for Central Government employees as a whole. Based on the recommendations of the Group and pending evolution of a single scheme of bonus for all employees, the remaining employees who were not covered by the PLB were allowed ex gratia payment equal to 15 days salary in 1982-83. The recommendation of the Group was examined in detail by the Government and it was found that keeping in view the very nature of the work and the limitations of any attempt at measuring productivity of the employees in sectors other than production oriented or commercial, evolution of such a formula was not feasible. Keeping in view the practical difficulties involved in laying down parameters of productivity of employees who were being granted ad hoc bonus, it was decided by the Government that there was no need for devising a formula for the purpose and that such employees may continue to be granted ad-hoc bonus on year to year basis taking into account all the relevant factors and the recommendations of the Fourth CPC. Accordingly, the number of days for which ad hoc bonus is to be paid is determined by the Department of Expenditure and announced every year. The Fourth CPC, in Para 22.7 of its report, had observed that there was nothing to prevent the Government from making ex gratia payment (ad-hoc bonus) if it so desired but clarified that it was in the nature of a concession arising out of goodwill and cannot be claimed as a matter of right. It also held that ex gratia or ad-hoc bonus cannot be said to form part of a regular scheme of emoluments of employees to whom it is granted.

*Ad hoc bonus
paid*

111.18 The number of days for which ad hoc bonus has been paid to Central Government employees not covered by PLB Scheme, since 1982-83 is indicated in the following Table:-

AD HOC BONUS TO CENTRAL GOVERNMENT EMPLOYEES

Year	No. of days
1982-83	15 days
1983-84	18 days
1984-85	23 days
1985-86	23 days
1986-87	25 days
1987-88	27 days
1988-89	27 days
1989-90	27 days
1990-91	29 days
1991-92	29 days
1992-93	29 days
1993-94	29 days
1994-95	30 days
1995-96	30 days

PRODUCTIVITY LINKED BONUS SCHEMES
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*PLB Scheme in
Railways*

111.19 The PLB Scheme in the Railways was evolved in consultation with the two recognised Labour Federations of the Railways, the All India Railwaymen's Federation (AIRF) and the National Federation of Indian Railwaymen (NFIR). The principles contained in the payment of Bonus Act were kept in view for the purpose of determining the eligibility ceiling, calculation ceiling, definition of salary or wage etc. The PLB Scheme for the Railway employees came into force from the year 1979 and is reviewed every three years. The scheme envisaged measurement of productivity of the Railways by the net tonne kilometers for goods revenue traffic. To this was added passenger kilometers (for non-suburban traffic only) by converting this by a factor of 0.071 to reach the total equated net tonne kilometers (ENTKMs) as the output. The performance for 1977-78 was taken as the base year. The increase of every additional 3250 million ENTKMs was to result in gain of a day's PLB and the decrease of 2250 million ENTKMs in a day's drop of PLB. No PLB was to be paid if the performance in a particular year fell below 90% of the performance of the base year. The wage ceiling for eligibility was fixed at Rs.1600 p.m. and for calculation of bonus at Rs. 750 p.m. In 1983-84, a slight modification in the scheme was effected in as much as a new base year representing the ENTKMs for preceding three years, i.e. 1980-81, 1981-82 and 1982-83 was introduced. It was further provided that a day's additional PLB was to be paid for every increase of 3575 million ENTKMs or part thereof and a day's PLB was to be deducted with every fall of 2475 million ENTKMs or part thereof over the base year. Eligibility and calculation ceilings were raised from Rs.1,600 p.m. and Rs. 750 p.m. to Rs.2,500 p.m. and Rs.1,600

every fall of 3 points, bonus was to be reduced by one day. No bonus is payable if the PI falls below 85 points in any year. Ceilings on emoluments for eligibility and calculation are fixed by the Ministry of Finance. The ceiling for eligibility and calculation were fixed at Rs.3,500 p.m. and Rs.2,500 p.m. respectively. However, for the accounting year 1995-96, the eligibility ceiling was removed and all Group 'C' and 'D' employees were paid bonus on the calculation ceiling of Rs.2500 p.m. The existing bonus scheme is under review by the Department of Telecom. The information relating to number of days for which bonus has been paid to employees in Department of Telecom and the expenditure incurred since 1986-87 is contained in the following Table:-

Year	No. of days for which bonus paid	Expenditure in crores of Rs.
1986-87	42	41.51
1987-88	44	53.83
1988-89	46	57.07
1989-90	47	59.79
1990-91	48	63.85
1991-92	51	64.02
1992-93	53	81.62
1993-94	55	104.09
1994-95	55	N.A.
1995-96	55	N.A.

Method of calculation

111.24 The details relating to method of calculation of bonus by the Department of Telecom. are contained in Annexe 111.2.

PLB in Department of Posts

111.25 The bonus scheme in the Department of Posts is based on the elements relating to postal services which have been culled out from the common formula devised for the erstwhile P&T Department. 1985-86 was the first year for which PLB was calculated separately for the employees of the Department of Posts and PLB equal to 27 days' wages was paid. The PLB scheme was reviewed by a departmental committee in 1985 and on its recommendations, a few additional items of work relating to Postal Life Insurance, foreign post and pension payment were included in the PLB formula. However, no change has been made in the base year for measuring productivity which continues to be 1976-77. For the accounting year 1995-96, PLB equal to 40 days' wages has been paid to all Group 'C' and 'D' employees of the Department of Posts, without any ceiling on wages for eligibility. A review of the existing formula is envisaged by the Department. The information relating to number of days for which bonus has been paid to employees in Department of Posts and the expenditure incurred since 1985-86 is contained in the following Table:-

Year	No. of days for which bonus paid	Expenditure in crores of Rs.
1985-86	27	N.A.
1986-87	34	N.A.
1987-88	35	47.82
1988-89	33	57.06
1989-90	34	48.00
1990-91	31	51.51
1991-92	31	50.00
1992-93	35	62.00
1993-94	36	87.25
1994-95	40	85.38
1995-96	40	92.44

*PLB in
Production Units
under Ministry of
Defence*

111.26 PLB was extended to Defence Civilian employees of Army Ordnance Corps (AOC), Corps of Electrical and Mechanical Engineers (EME) in the Army Head Quarters, Indian Air Force and Indian Navy in August 1980. The scheme for payment of PLB to civilian employees of Naval Dockyards/Repair Organisations and Allied/ Supporting units envisages payment of 25 days' wages as PLB whenever their performance reaches the Productivity Index of 100. The performance index for 1979-80 has been adopted as the base year. For every rise of 1.05 points in the index above 100, one day's extra wage over and above 25 days' wages is payable as bonus. Similarly, for every fall of 0.7 below 100, one day's wage is deductible. When the productivity index is 90, 18 days' wages are payable as bonus. In the event of productivity index falling below 90, no bonus is payable. The maximum limit of 40 days' wages has been prescribed for payment of bonus. PLB scheme for civilian employees of Air Force Depots/Repair installations provides for payment of 25 days' wages as bonus for achieving productivity equal to the base year 1979-80 which has been assumed to be 100. For every rise of the index level by 2.1 above 100, one day's extra wage is payable as bonus. Similarly, for every fall of 1.4 below 100, the employees lose one day's wage on account of bonus. The minimum bonus payable is for 18 days' wages for a productivity index of 90. No bonus is payable if the index level falls below 90. The maximum bonus payable is equal to 40 days' wages.

*PLB for AOC,
EME, Navy and
Air Force*

111.27 The Table showing the number of days of PLB given to industrial employees in Army Ordnance Corps (AOC), Electrical and Mechanical Engineers (EME), Indian Navy and Air Force since 1980-81 is as under:-

Year	AOC	EME	NAVY	AIRFORCE
1980-81	25	20	25	19
1981-82	29	19	Nil	28
1982-83	33	18	23	22
1983-84	33	28	22	22
1984-85	34	31	23	23
1985-86	36	31	26	27
1986-87	40	30	25	25

Year	AOC	EME	NAVY	AIRFORCE
1987-88	40	34	34	28
1988-89	40	40	33	27
1989-90	40	36	34	40
1990-91	40	30	40	40
1991-92	40	32	37	40
1992-93	40	36	40	40
1993-94	40	31	34	40
1994-95	40	31	34	40

COVERAGE AND FINANCIAL IMPLICATIONS

111.28 The Fourth CPC had estimated that the productivity-linked and ad hoc bonus schemes had benefited 98% of the Central Government employees, involving an expenditure of over Rs. 300 crores (approximately) for the year 1984-85. According to the Ministry of Finance, 85% of the employees were covered under the two schemes in 1994-95 and the total expenditure of Government was Rs.1,022.90 crores (PLB: Rs. 855.28 crores; ad hoc bonus: Rs.167.62 crores). As per information furnished by the Ministry of Railways, 90% of their employees were covered under the PLB Scheme in 1994-95, involving an expenditure of Rs.550 crores (approximately). In the Department of Telecom, the coverage of employees by the PLB scheme in 1991-92 and 1992-93 was 64% and 70% respectively and the expenditure incurred was Rs.64.02 crores and Rs.81.62 crores respectively.

POSITION IN STATE GOVERNMENTS

111.29 While a number of State Governments like Jammu & Kashmir, Himachal Pradesh, Mizoram, Sikkim, Arunachal Pradesh and Orissa do not pay any bonus/ad-hoc bonus/ex gratia to their employees, some other State Governments such as Goa, Rajasthan, MP, West Bengal, Tamil Nadu, Assam, etc. follow the Central Government pattern in the matter of payment of ad hoc bonus. In the State of Tamil Nadu, ex gratia is also paid to officers not covered under the Bonus Scheme. In Assam, the eligibility limit for payment of ad hoc bonus is Rs.4,500 per month.

POSITION IN PSUs

Legal position

111.30 Section 20 of the Bonus Act stipulates that if in any accounting year, an establishment in public sector sells any goods produced or manufactured by it or renders any services, and the income from such sale or service or both is not less than 20% of the gross income of the establishment in public sector for that year, then the provisions of this Act shall apply in relation to such establishment in public sector as they apply in relation to a like establishment in private sector. The enterprises or their units which do not meet the provisions of Section 20,

above, and are monopolist may pay ex gratia in lieu of bonus to their employees, as per the parameters of Bonus Act. The question whether the concerned enterprise is competitive or not is to be determined every year by the Management/Administrative Ministry based on the sales revenue derived by it in competition with the private sector.

*Production
incentive bonus
scheme*

111.31 In addition to the statutory bonus or ex gratia, as the case may be, some enterprises have also introduced production incentive bonus scheme. In contrast to profit bonus, production bonus is linked to the quantity of production or rate of production and sometimes even to quality. It is a payment of further emoluments, in addition to regular wages or salaries depending upon production, as an incentive to the employees to put in more than the standard performance. Thus, extra payment depends not on profits but on extra production. Increase in production/productivity is determined on the basis of yardsticks evolved by individual enterprises. Functional Directors on the Boards of public enterprises are, however, not entitled to any PLB or ex gratia.

REFERENCE MADE BY GOVERNMENT

*Amendment in the
Terms of
Reference*

111.32 In its meeting held on 29.10.1996 the Union Cabinet decided that all Group 'C' and 'D' employees should be paid PLB and ad hoc bonus, as the case may be, for the accounting year 1995-96. For the future, the entire matter relating to bonus to Government employees was referred to the Fifth CPC to recommend a clear policy on the subject, including the formulae for determination of the amount to be paid to different categories of employees in various Ministries and Departments. Our Terms of Reference were modified vide Resolution dated 19.11.1996 by addition of para 2(h) to our Terms of Reference as under:

2(h) "To examine the various methodology employed for determination and payment of Productivity Linked Bonus (PLB) in the Ministries and Departments of the Central Government and recommend the general principles and conditions which should govern payment of bonus and also to recommend the specific parameters for evolving bonus formulae for each Ministry and Department where PLB schemes are in force at present.

The Commission may also examine the 'ad hoc' bonus scheme in force in those Departments where PLB schemes are not in operation with a view to recommending the desirability and feasibility of introducing productivity linked incentive scheme and may recommend a specific formulae for determining the productivity index and other related parameters."

EFFORTS MADE

111.33 Taking a cue from the Fourth CPC's report that the shortcomings of the existing PLB schemes had been highlighted by the Bazle Karim Committee, we tried our best to obtain a copy of the report of the Bazle Karim Committee from all possible sources, including the Ministry of Finance and Ministry of Labour, but without any success. We were, however, supplied an extract from the Report of the Bazle Karim Committee by the Confederation of Central Government Employees

and Workers, along with their memorandum on the issue of bonus.

Options available 111.34 Having failed in our efforts to procure background material on payment of bonus, we tried to approach the issue from all possible angles, including analysis of the existing PLB and ad hoc bonus schemes and entrusting a study to the specialised agencies for evolving formulae for determination of amount to be paid to different categories of employees under each Ministry/Department. This Commission had entrusted a number of studies to various specialised institutions on different subjects which were covered by our Terms of Reference, so as to equip ourselves with the latest position on the subject and the independent views of expert bodies. Going by our experience with these specialised agencies in regard to time taken for submission of the study reports, we had to drop the idea of entrusting a study on bonus to any such institutions, because the Commission could not afford to sit for another one year or more to receive the report and formulate its views thereafter. The other alternative left to the Commission was to take upon itself the gigantic task of acquainting itself with the functioning of each Ministry/Department including its production units and formulating the bonus schemes relevant to each individual Ministry. Recourse to such a methodology would have delayed the final report of the Commission because our Terms of Reference were modified at such a point of time when we were in the process of finalising our report. Moreover, the procedure of work followed by this Commission such as issue of notification in the press, inviting memoranda from the individuals, unions of employees, interested persons, non-officials, processing of memoranda, calling for comments of the concerned Ministries/Departments, granting oral evidence to the memorandists/unions etc. would have taken considerable time.

REPRESENTATIONS BY ASSOCIATIONS

*Railway
Federations*

111.35 Meanwhile, we received representations from All India Railwaymen's Federation (AIRF) and the National Federation of Indian Railwaymen (NFIR) suggesting that the working of various departments and undertakings under the Government of India were not similar and differed from department to department. Indian Railways were an industry and the Railway employees were industrial workers. The working and working hours of Railwaymen differed from the rest of the Central Government employees. Therefore, the Productivity Linked Bonus should be a matter of bilaterally negotiated settlement.

*Postal Officers'
Associations*

111.36 The Postal Officers' Association urged the Commission to make a recommendation for extension of Productivity Linked Bonus to all employees, irrespective of categories, on the ground that everyone in an organisation had to exert and contribute to productivity of the department. The distinction of class/category in extending the benefit of PLB is a new concept introduced this year, because in the original Government orders the ceiling on pay and allowances of an individual employee was the criterion for entitlement to such benefits.

*All India Postal
Officers
(Accounts)
Association*

111.37 The All India Postal Officers' (Accounts) Association represented that the PLB Scheme in the Department of Posts was introduced as a package deal and not under the Bonus Act. Bonus was calculated by dividing the productivity by the total number of employees including the officers. Therefore, excluding the

officers at the time of actual payment of bonus was irrational. Since the officers constitute about 3% of the total staff as against 97% of Groups 'C' and 'D' employees, the financial implications would be meagre. Officers in the public sector undertakings were getting bonus in the shape of ex gratia payment, which was not less than the amount granted to the workmen. Bonus should therefore, be paid to all employees without any ceiling.

*GSI Scientific
Officers'
Association*

111.38 GSI Scientific Officers' Association submitted that bonus should be paid to each and every employee. Distinction among Groups 'A', 'B', 'C' and 'D' for this purpose was discriminatory and should be done away with, for the sake of social and economic justice and to bridge the gap between the wages paid and living wages.

*Confederation of
Central
Government
Employees and
Workers*

111.39 The Confederation of Central Government Employees and Workers demanded that (i) the minimum Productivity Linked Bonus should be not less than 10% of the average annual emoluments, (ii) the existing ceiling of Rs.2500 for determining quantum of PLB should be removed because Payment of Bonus Act was not applicable in respect of PLB scheme, (iii) each department should evolve a formula through discussion in the respective departmental councils, (iv) in respect of Central Secretariat and allied offices, the recommendation made by the Bazle Karim Committee may be adopted because of difficulties in measuring productivity, (v) the PLB to daily wagers with temporary status should be computed on the total emoluments and not on the fixed amount of Rs.750, and (vi) some scheme should be evolved in respect of part time extra departmental/reserve trained pool workers in P&T.

111.40 The other main demands received by us relating to payment of bonus are that (i) employees belonging to Central Board of Direct Taxes and Central Board of Excise and Customs should be paid Revenue Linked Bonus on the analogy of Productivity Linked Bonus, (ii) employees in Mints and Bank Note Presses should be covered by PLB Scheme rather than ad hoc Bonus Scheme, and (iii) there should be no eligibility and calculation ceilings.

*Federation of
Central
Secretariat and
Allied Offices'
Employees*

111.41 The Federation of Central Secretariat and Allied Offices Employees have represented that by abolishing monetary ceiling on bonus and linking it to class/status of the employee, a serious anomaly has arisen where officials in the higher pay scales of Rs.2000-3200 and Rs.2375-3500 have been paid bonus whereas Assistants/Stenographers Grade 'C' etc. who are in the pay scale of Rs.1640-2900 have been denied bonus on the ground that they are non-gazetted Group 'B' employees. Moreover, other employees in the same pay scale of Rs.1640-2900 but classified as Group 'C' have been paid bonus. It has also been brought to our notice that Assistants and Stenographers Grade 'C' in the Railway Board who are also classified as Group 'B' non-gazetted have been paid bonus. They have, therefore, sought removal of this anomaly by making a specific recommendation for payment of bonus to Assistants and Stenographers Grade 'C' for the accounting year 1995-96.

*Views of certain
departments*

111.42 We have considered the issues and as a matter of policy would like to make recommendations which will have prospective effect. Past anomalies may be looked into by the Government themselves.

11.43 Ministry of Railways, Department of Telecom, Department of

Posts and Ministry of Defence have suggested payment of bonus to all employees irrespective of pay drawn by them.

OBSERVATIONS OF COURTS

Observations of Supreme Court

111.44 In the case of the Associated Cement Companies Limited Vs. its Workmen, the Supreme Court laid down the guidelines as to when the claim for bonus can be justified by observing "Since labour and capital both contribute to the earnings of the industrial concern, it is fair that labour should derive some benefit if there is a surplus after meeting the four prior or necessary charges specified in the formula". In dealing with the concept of bonus, the Supreme Court ruled that bonus was neither a gratuitous payment made by the employer to his workmen nor could it be regarded as a deferred wage. According to this decision, where wages fell short of the living standard and the industry made profit, part of which was due to the contribution of labour, a claim for bonus could be legitimately made. (1959 SCR 925: AIR 1959 SC 967: (1959) 1 LLJ 644: (1959-60) 16 FJR 262: (1955) 1 SCR 991: AIR 1955 SC 160: (1956) 1 LLJ 235, relied on).

Nature of bonus

111.45 Some of the observations made by various authorities on the concept and content of bonus are as under:-

- (a) **Bonus is not a bounty graciously made by the employer.** It is a cash payment made in addition to wages. It generally represents the cash incentive conditionally made on certain standards of attendance and efficiency being attained, when the wages fall short of living wages and when the industry makes profits which are partly a result of contributions made by the workers.
- (b) **Bonus is not an ex-gratia payment. It is a claim of the workers for a share in the profits for which they are partly responsible.** Thus even if the wages paid are living wages, workers are entitled to bonus under certain circumstances.
- (c) **Bonus is not a deferred wage,** so it cannot have a precedence over dividends. Although the bonus paid on the basis of any agreement or contract between the parties can be regarded as a deferred wage.
- (d) **Bonus is a cash payment made in addition to wages as a stimulus to extra work and efficiency by the workers.**
- (e) **Bonus is not an honorarium.** It is paid on the basis of amount of profits made and contribution of the workers generally to such profits, whereas honorarium is paid for extraordinarily good services provided by an individual worker.

OUR APPROACH

Concept of Bonus

111.46 It can be said broadly that the Payment of bonus Act (hereinafter referred to as The Act) treats the concept of bonus mainly as a

profit-sharing device in an organisation In other words, the bonus payable under the Act is profit bonus. It is perhaps because of this concept that Central Government employees have been left out of the purview of the Act. The framers of the Act, however, seem to have been conscious of the fact that bonus was not only a profit-sharing device but also a motivational factor for increasing production or productivity. The Act, therefore, provided for organisations reaching an agreement with their employees for grant of bonus based on production or productivity.

Our approach 111.47 Keeping in view the time constraints and reluctance of some of the major Associations to depose before the Commission, **we feel the best way is to deal with the general parameters that should govern the grant of bonus to Central Government employees.**

Our observations 111.48 An analysis of the existing bonus schemes reveals that these are production or output linked rather than productivity linked schemes because the four major components of land, labour, capital and entrepreneurship, which are essential for achieving production have not been assigned due weightages. Over-emphasis has been laid on the labour component. The number of days for which PLB is payable has been increasing year after year in the case of Railways, Posts and Telecommunications employees because of non-inclusion of certain important criteria in measuring productivity such as induction of improved technology, change in the work practices, replacement of old equipment, modernisation etc. We have also noticed that in the case of Department of Posts and Defence Production Units the formulae for computation of productivity are based on the performance of a particular year, rather than on the average of two highest performance years. Capital which is one of the most important components and which goes into production of a commodity or service has not been included as one of the inputs in any of the existing PLB schemes. Other important factors such as effectiveness or quality of service, punctuality in running of trains, delivery of letters, money orders etc., time taken to repair faults, accident-free running of trains, customer satisfaction etc. have not been included as inputs for measuring productivity. Provisions for disqualification also do not exist in the existing bonus schemes. There is a variation in the number of days for which bonus is paid for the same productivity index. While Department of Telecom pays bonus equal to 40 days for Productivity Index of 100, the Department of Posts pays bonus for 25 days for the same Productivity Index of 100.

Our recommendations 111.49 **After considering the matter in all its aspects, we make the following recommendations:**

- (1) **The ad hoc Bonus Scheme should be replaced by a Productivity Linked Bonus Scheme to be evolved by each department in consultation with experts in the field and the departmental council of the JCM, within a period of 9 months from the date of notification of such a decision by the Government.**
- (2) **The bonus scheme in the Department of Revenue in respect of employees in Central Board of Direct Taxes and Central Board of Excise and Customs should be based on seizures of contraband, evasion of customs/excise duty, detection of under/over-invoicing of import/exports, infringement of import/export licensing laws, number**

of searches and seizures made to unearth black money, amount realised as penalty from defaulters, number of refunds made and time taken for issue of refund vouchers etc.

- (3) **The payment of bonus should be linked to productivity and not to production as at present because in highly mechanised and modernised industries such as Telecom, there is not much scope for employees to increase or decrease the production as most of the jobs are done automatically in a mechanical and routine way. With the installation of highly sophisticated electronic/digital exchanges with increased installed capacity, the number of telephones would automatically increase without any substantial contribution of the employees. Likewise, in the Department of Posts, with the introduction of automatic sorting machines, transmission of money orders through satellite and computerisation of most of the postal functions at the counters, the output is bound to increase without any significant contribution of the individual employees. Such changes in the methods of work or induction of advanced technology warrant evolution of new work norms.**
- (4) **The formula to be evolved for measuring productivity should be based on an input-output ratio by assigning due weightages to land, labour, capital and entrepreneurship which are the major inputs needed for achieving output. In case of increase or decrease in any of these components, the weightages should be adjusted.**
- (5) **Other important factors such as quality of service, customer satisfaction, punctuality in running of trains, observance of schedule for delivery of letters and money orders, rectification of telephone faults, transportation of goods and their delivery etc. should be accorded due weightages while measuring productivity.**
- (6) **The base for measuring productivity should be the average performance of the two best years during the last five years.**
- (7) **The payment of bonus should be restricted to those employees who are categorised as Auxiliary and Supporting Staff and are in receipt of emoluments not exceeding Rs.4500 per month in the revised scales of pay. In other words, the eligibility ceiling shall be Rs.4500 per month.**
- (8) **The existing calculation ceiling of Rs.2,500 should be retained.**
- (9) **There should be no minimum bonus either in the ad hoc or Productivity Linked Bonus schemes.**
- (10) **There should be a ceiling of 30 days' wages under the current ad hoc Bonus Scheme and 55 days under the Productivity Linked Bonus Scheme.**
- (11) **The practice of treating the productivity index of the base year as hundred and the ratio of 1:0.7 for calculating payment for achievements above and below the base year's index should continue.**

In other words, additional bonus of one day shall be payable for every increase of one point in the Productivity Index of the base year. Similarly, for every fall of 0.7 point in Productivity Index of the base year, bonus shall be reduced by one day.

- (12) **In the event of productivity falling below the productivity index of 90, no bonus should be payable, as at present.**
- (13) **For a productivity index of 100 of the base year, one should be uniformly entitled to bonus for 15 days, and not 25 or 40 days as is the position at present in the case of Department of Posts, Defence Production Units and Department of Telecom.**
- (14) **The concept of disqualification for bonus should be introduced. Employees who are involved in departmental proceedings as for a major penalty or who are placed under suspension or those who are charged with criminal offences involving moral turpitude or employees whose increment is withheld under the scheme of performance related increments should be disentitled for bonus.**
- (15) **In order to measure accurately the productivity of service-oriented departments like Department of Posts, the goods produced and services offered by such departments should be priced according to the cost. Subsidy, if any, for these goods/services should be in visible terms and not a hidden one.**

111.50 It is hoped that the broad parameters suggested above would suffice. **We advise Government to leave the modalities of operationalising the detailed, PLB schemes to individual departments** which have the time and resources for such a massive exercise.

PRODUCTIVITY LINKED BONUS FOR RAILWAYS FOR THE YEAR 1994-95

Existing formula for
calculation of PLB :-

$$PLB = \frac{PI}{BI} \times B$$

Where

PI = Productivity Index = $\frac{\text{Equated NTKMs}}{\text{Open line staff strength}}$ for current year

BI = $\frac{\text{Average equated NTKMs}}{\text{Average Open line staff strength}}$ for the preceding three years.

B = Average of PLB days in the preceding three years

Base Index (BI) :-

Equated NTKMs 1991-92	=	268071 Million
1992-93	=	269404 Million
1993-94	=	268969 Million
Average for the 3 years :		268815 Million (i)

No. of staff (Open line)

1991-92	=	1556971
1992-93	=	1551473
1993-94	=	1527953
Average for the 3 years :		1545467 (ii)

(i)		268815 Million
Base Index =	$\frac{(i)}{(ii)}$	$\frac{268815}{1545467}$
	(ii)	173938 (iii)

No. of PLB days paid (B):-

1991-92	=	49
1992-93	=	49
1993-94	=	49

Average for the 3 years	:	49 (iv)
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Productivity Index (PI) for 1994-95

Goods NTKMs	=	249564 Million
PKMs (Non-suburban)	=	251378 Million
Equated NTKMs	=	249564 Million +
	=	(1.071 x 251378 million)
	=	267412 million (v)
No. of staff	=	1507901 (vi)

$$\begin{aligned}
 & \text{Productivity for 1994-95} = \frac{(v)}{(vi)} = \frac{267412 \text{ million}}{1507901} \\
 & = 177340 \quad (vii) \\
 & \text{PLB payable for 1994-95} = \frac{(vii)}{(iii)} \times (iv) = \frac{177340}{173938} \times 49 \\
 & = 49.96 \\
 & = 50 \text{ days}
 \end{aligned}$$

PRODUCTIVITY LINKED BONUS SCHEME FOR THE EMPLOYEES OF DEPARTMENT OF TELECOMMUNICATIONS

Productivity index
for year n

$$K_n = \frac{40 \times A_n}{A_o} + \frac{7 \times B_n}{B_o} + \frac{20 \times C_n}{C_o} + \frac{10 \times D_n}{D_o} + \frac{15 \times E_n}{E_o} + \frac{8 \times F_n}{F_o}$$

Where-
 K_n = Productivity for year n
 A_n, B_n etc. are A, B etc. factors for year n
 K_o = Productivity index for year 1985-86
 (= 100)

$$A = \frac{\text{No. of Telephones} + 2 \times \text{No. of Telex connections}}{W_p}$$

$$B = \frac{\text{No. of Telegrams booked}}{W_t}$$

$$C = \frac{\text{No. of metered call units}}{\text{Average No. of Direct Exchange lines}}$$

$$D = \frac{\text{No. of manual effective trunk calls}}{W_p}$$

$$E = \frac{\text{No. of telephone connections} + \text{No. of telex connections}}{\text{No. of faults during the year}}$$

$$F = \frac{\text{No. of telegrams delivered within 12 hours}}{\text{No. of telegrams booked}}$$

$$W_p = \text{No. of regular employees other than telegraph traffic} + \text{corresponding equivalent of OTA} + 0.5\% \text{ casual labour}$$

$$W_t = \text{No. of telegraph traffic regular employees} + \text{corresponding equivalent of OTA} + 0.5\% \text{ casual labour}$$

Housing Facilities and House Rent Allowance

HOUSING : A CONDITION OF SERVICE

National Housing Policy

112.1 Housing is a basic human need and a valuable tool to promote sociological, biological and economic well being in society. The **National Housing Policy** formulated by the Government of India in 1992 declares that :-

"Shelter and Development are mutually supportive. Housing forms an important part of the strategy of the Government for the alleviation of poverty and employment generation, and is to be viewed as an integral part of overall improvement of human settlements and economic development".

This solemn policy declaration envisages assistance to all people, creation of an enabling environment for housing activity, expansion of infrastructural facilities in rural and urban areas, improvement in housing situation of the poorest sections and vulnerable groups by direct initiative and financial support of the state within the overall context of policies for poverty alleviation and employment, mobilisation of resources and facilitation of investment in housing, promotion of more equal distribution of land and houses in urban and rural areas, etc. The objectives of National Housing Policy have a larger socio-economic perspective.

Investment in housing

112.2 The share of investment in the housing sector as compared to gross investments has declined from 34% in the First Plan to 9% in the Seventh Plan despite this being a priority sector for development planners

Investment in Housing during different Plan Periods

Five-Yr. Plan	Investment in Housing as % age of total investment	(Rs. in crores)
I	34	1150
II	19	1300
III	15	1550
IV	12	2800
V	10	4680
VI	7.5	12991
VII	9.0	31458

Housing satisfaction levels

112.3 The acute shortage of government residential accommodation has to be examined in this context of scarce resources. The acute resource constraint has inhibited improvement in the housing satisfaction level for Central Government Employees. With the sole exception of Indian Railways, the housing satisfaction level for Central Government civilian employees has been very poor, as indicated below :-

HOUSING FACILITIES TO CENTRAL GOVERNMENT EMPLOYEES : AN OVERVIEW

Department	No. of Staff	Quarters	Satisfaction level (% age)	Hostel Accommodation	Housing Welfare Orgn	Rent Free Accommodation	Lease Accommodation	Basic Amenities in Quarters	Separate Pool
Railways	16,02,051	6,22,982	38.89	Yes	Yes	Yes	Yes	Some without basic amenities	No
Telecom	3,85,648	27,540	7.14	NA	NA	NA	NA	NA	NA
Posts	2,87,016	20,880	7.27	No	No	Yes	No	Yes	No
Defence	6,72,216	NA	15 to 29	Yes (in some Orgns)	No	No	Yes	Yes	No
Civilians (partly covered by General Pool)						(some exceptions)	only D.G. Estates	Defence (except for DRDO, Air Force)	(except for DRDO, Air Force)
General Pool (estimated)	11,00,000	92,071	8.37	Yes	Yes	Yes	No	Yes	Yes
	3,25,169 (Projected Demand based on limited applications)								
	Average Satisfaction level : 16.73								NA: Not Available

Note: Data received during 1995-96

Planned Satisfaction levels

112.4 The resource position is not likely to improve. The target outlay of Rs.97,500 crores for housing sector in the Eighth Plan is too ambitious. This is further underlined by the meagre allocation of Rs.140 crores against requirement of funds for general pool houses to the extent of Rs.1000 crores during the 8th Plan period. Indian Railways have shown some improvement in this respect - average annual expenditure on construction of staff quarters increased from Rs.112.10 crores during 6th Plan period to Rs.126.26 crores during 7th Plan period. In addition, staff quarters in Railways are constructed along with various Railway projects viz., new production units, new lines, gauge conversion and doubling, etc. However, the Department of Telecom are aiming to achieve a satisfaction level of only 14% during 8th Plan period and the acute shortage of residential accommodation in the Department of Posts and for Defence civilians is likely to continue. The position is not very comfortable in Railways either - almost one-fourth of the houses, allotted to essential category Group 'C' and Group 'D' staff are sub-standard houses, i.e., without basic amenities such as kitchen, bathroom, verandah and latrine

Satisfaction levels in other countries and PSUs

112.5 The available data indicates following housing satisfaction level in different countries and Indian PSUs :-

Country	Housing Satisfaction Level
China	100%
Sri Lanka	Very few on functional requirements
Thailand	30%
Japan	38.2%
Canada	Only for operational requirements 30,000 residential
units Indonesia	Only to high level positions
Singapore	100%

PSUs :

BHEL	41%
MTNL	2.5% to 25.5% for different types of quarters
HAL	12.4% to 100% in different units
Rashtriya Ispat Nigam	55%
National Fertilizers	65%
EIL	Negligible
ITI	3% to 84% in different units
FCI	7%
Bharat Aluminium Co.	Workmen - 78% Executives - 100%

Our recommendations

112.6 Previous CPCs maintained that though there need not be an insistence on 'Housing' to government employees being a matter of right or condition of service, yet there was a need for Government to provide residential accommodation to its employees not merely as a welfare measure but also for improvement in their efficiency. **We are inclined to agree with this general proposition.** A study conducted in South Korea some time back revealed that labour productivity increased by about 27-30% as a result of housing programmes. While the Central Government is committed to providing residential accommodation to the maximum extent possible to its employees as a welfare measure, the desired satisfaction level needs to be assessed carefully, particularly in the context of the renewed emphasis on downsizing government machinery and the changing role of the government in the newly emerging economic policy regime. A perspective plan for construction of General Pool accommodation undertaken by the Ministry of Urban Affairs and Employment projected a housing satisfaction level of 70% in Delhi and 50% in other stations. This can be taken as a benchmark guideline for planning of residential accommodation to Central Government Employees (CGEs). **We accordingly recommend that the Government make efforts to achieve the housing satisfaction level of 70% in Delhi and 50% in other cities and towns, within a period of 20 years.**

IMPROVEMENT IN HOUSING SATISFACTION : HIRE- PURCHASE, LEASE, COOPERATIVE HOUSING, HOUSING FUND

Tight resource position of Government

112.7 The resource position of the government is not likely to improve to the extent that requisite allocations are made for housing all Central Government employees. Even the scaled down target of housing 70% of the employees in Delhi and 50% of the employees in other stations is difficult to achieve with government resources alone - this would require construction of 8000 quarters annually for the

next 20 years for general pool accommodation, which caters only to approximately 10% of the central government civilian employees. The government could not accept the Third and Fourth CPCs' recommendation on taking houses on long lease for employees due to the additional financial liability that this would have entailed.

Hire purchase

112.8 The suggestion of the Third CPC that government should enter into hire-purchase agreements with House Building Societies, Local Development Authorities, Housing Boards, Improvement Trusts, etc., and make houses built by those authorities available to the non-transferable employees already in occupation of government accommodation was also probably not found to be feasible or practicable. There might even be problems of financial liability on account of local taxes, etc. on hire-purchase transactions. Moreover, the resources of the House Building Societies/local bodies are too meagre to make any significant impact on this problem.

Satisfaction unlikely to improve

112.9 The problem of housing is intricately interwoven with a complex of issues relating to population, land, finance, transport, taxation, building industry and laws relating thereto. The non-availability of developed land at reasonable prices, poor infrastructural facilities in respect of water supply, sanitation, etc., expensive housing finance and ever increasing prices of building materials are some very serious impediments to improvement of the housing situation. For Central Government employees the conventional measures like housing loan, PF withdrawal schemes and encouragement to build houses on a cooperative basis, etc., have not made any significant impact on the problem of housing. The Fourth CPC was quite realistic in observing that it was unlikely that the satisfaction level for government residential accommodation would improve appreciably in the near future. The Commission, therefore, advised that the employees should be encouraged to acquire their own houses.

Need for higher investments in housing

112.10 Let us now examine government's role in providing and facilitating availability of critical inputs to encourage government employees to acquire their own houses. The role of govt. in this regard has to be essentially considered in the context of the process of economic reforms in the country. A recent study by the Economic and Scientific Research Foundation, New Delhi, has concluded that the future course of economic reforms in India needs to be related to the socially responsible market economy. The study emphasizes that the second phase of the reforms must drastically change the pattern of public expenditure by Central and State Governments in favour of expenditure in the social sector. The study predicts that this would help India replicate the successes of South East Asian countries and combine high growth with more equitable distribution. This renewed emphasis on investment in social sector - education, health, housing, etc. - in the changed economic context is gradually catching the attention of planners and decision makers in government. In fact, the investment on housing is also very good economics - it promotes biological and sociological well-being and thus improves the propensity to save. This in turn can promote economic development at a faster rate than investment in other sectors of the economy. The government's decision to increase investment in this area can induce economic forces to bring about revolutionary changes in the real estate sector.

Availability of land

112.11 **Land** is a very crucial input in housing - high land prices in metropolitan cities and towns take housing beyond the reach of even the highest

paid government servants. Speculators and land mafia, actively aided and protected by powerful vested interests manipulate land prices. A serious consequence of high land prices is high density of population, greater pressure on civic services and proliferation of slums. The Urban Land Ceiling and Regulation Act (ULCRA) was enacted in 1976 to bring about equitable distribution of land, in excess of the ceiling limit between 400 and 1500 sq. meters. Subsequently, 2.5 lakh hectares of land were declared surplus but only 38,000 hectares was acquired. Even this acquired land was said to have been utilised either for building government offices or parks. It is alleged that large tracts of land in urban areas like Bombay are held by industrialists, trusts and rich people under fictitious names. A proper implementation of ULCRA can release precious land for housing. The government must give serious thought to this proposition and gather political will to make developed land available to people including CGEs at reasonable prices.

*EARC
recommendations*

112.12 Observations of the Economic and Administration Reforms Commission (EARC) headed by Dr. L.K. Jha in its Report No.11 on 'Rent Control' in this respect are quite relevant :-

"The basic conception underlying the Act was that those holding land in excess of the prescribed ceiling should part with it at low prices to the State Government, who would then have at their disposal sites on which construction could be started. In practice, the State Governments - for a variety of reasons including the lack of resources - have been unable to undertake a house-building programme of their own on these surplus lands. The owners of the land in excess of the ceiling are also not given permission to build on it. In fact, they often face difficulties even in selling or building on land which is within the ceiling merely because they have or are suspected to have land in excess of the ceiling. As most of the land declared surplus can neither be sold nor gets built upon, the price of urban land has been shooting up, attracting not only genuine buyers but also speculators and black money. Building prices and rents have recorded a substantial increase.

We believe it was not the intention of either the Government or Parliament that the ULCRA should lead to the kind of results that it has..... Urban housing seems to have got into a vicious circle. Non-availability of building sites comes in the way of investment by those who have the funds, and lack of finance limits construction by the Government which does have a lot of land at its disposal.....

It is, in our judgement, possible to evolve arrangements under which such surplus land as has come to the Government under ULCRA and private capital seeking investment in housing can be brought together in a socially beneficial manner."

112.13 The EARC made following specific recommendations in this regard :-

- i) A time-bound programme be adopted to finalise arrangements for the start of construction on the surplus land at the Government's disposal, whether by governmental agencies or by private ones. Within three months the plots of land on which construction by Governmental agencies can start within a year should be identified. The rest should be promptly allotted to others in accordance with a scheme of priorities.

- ii) The first preference in priorities of allotment should be to corporate bodies in the public sector as well as in the private sector who are looking for land to construct housing for their own employees.
- iii) Since the allotment of land to private parties will place additional funds at the disposal of Government, these could be utilised for expanding public housing programmes.

In fact, the government surplus land could be allotted on priority to organisations like Central Government Employees Welfare Housing Organisation (CGEWHO) and Indian Railway Welfare Organisation (IRWO).

Housing finance

112.14 Non-availability of finance at affordable cost is yet another constraint in growth of housing for CGEs. The government resources would always be limited. There are, however, signs of welcome change on this front ever since the **National Housing Bank (NHB)** came into being in 1988. The housing finance sector is growing at a very fast pace. The NHB which has been conceived as an apex agency to link housing finance system with financial sector as a whole and facilitate the promotion and regulation of housing finance institutions in the public and private sector, has since recognised some 21 housing finance companies (HFCs). A large number of housing finance companies have been promoted in the joint sector during 1987-89 - Canfina Home, Central Bank Home Finance, BOB Home Finance, LIC Housing Finance, GIC Housing Finance, etc. It is now said that there is a virtual boom in this sector with more than 600 companies in the fray including DCM group, Escorts, Apple Finance, Videocon, ITC, Essar Gujarat, Lloyds Finance and Kotak Mahindra. A welcome outcome of this fierce competition could be availability of cheap funds to people at large including CGEs. With the economic reforms on the country's agenda and impending globalisation of the Indian economy, new ideas which are emerging may facilitate and hasten this process. Some of the ideas are :-

- i) Floating of Joint Sector Housing Companies with public and private agencies sharing 25% and 24% equity holding and remaining 51% being public equity.
- ii) Legislative changes in the property laws which curtail the market.
- iii) Implementation of standardised credit appraisal, loan structure and interest payment procedures by regulatory authorities, particularly NHB.
- iv) Housing re-finance for individual loans - securitisation of loans wherein pools of individual loans or receivables are packaged, underwritten and distributed to investors in the form of securities.
- v) Changes in the laws to enable sale of property in case of default by the borrower, uniform procedures in underwriting methods and loan origination procedures, introduction of mortgage insurance, etc.

- vi) NHB to raise funds in the global market at low interest rates of 5-6% and pass on to HFC's.
- vii) Clubbing of housing finance with real estate development projects.
- viii) Integration of housing finance companies with the commercial banks.

Housing finance companies

112.15 With the mind boggling changes in the financial sector on the horizon, the government need not be unduly concerned about the availability of funds. It can, however, underwrite and help in obtaining loans for the CGEs in a tripartite arrangement. The government should contract housing loans from Housing Finance Companies and provide House Building Advance (HBA) to employees on usual terms till cheaper housing finance becomes a reality. This has already been tried out by State Governments like Himachal Pradesh, Jammu and Kashmir, etc., and has been very successful.

Housing Fund

112.16 One more option to augment financial resource base for housing with minimal burden on the Government is to create a **Central Government Employees Contributory Housing Fund** as earlier recommended by the **Fourth CPC**. Salient features of this Fund Scheme recommended by the Fourth CPC were:

- i) Variable rates of contribution according to category :

Category	Monthly Contribution (Rs.)
A	200
B	150
C	100
D	50

Maximum period of contribution (optional) = 120, 180, 300 or 360 months.

- ii) Rate of interest = 13% i.e., one percent more than interest on PF. Additional one percent at the time of maturity by Government as a welfare measure.
- iii) Tax exemption on contributions to the fund.
- iv) Fund to be managed in the same manner as CGEGIS
- v) No advance from the Fund.

The monthly contribution with 10% and 13% compounding rates of interest would yield following amounts :-

Monthly Contribution	Accumulated Amount			
	20 yrs		30 yrs	
Rs.	at 10%	at 13%	at 10%	at 13%
	Rs.	Rs.	Rs.	Rs.
100	68,730	97,136	1,97,393	3,58,012
200	1,37,460	1,94,272	3,94,786	7,03,678

300	2,06,190	2,91,409	5,92,178	10,55,517
500	3,43,650	4,85,681	9,86,964	17,59,195

Multi-pronged strategy necessary

112.17 The Housing Loan Scheme (HLS) from HFCs and Housing Fund Scheme (HFS) are proposed to be introduced together to make a multipronged attack on the problem of housing for CGEs. In the event of cheap housing funds being available in future, the Government might consider phasing out the proposed Housing Loan Scheme (HLS).

Support to cooperative societies

112.18 The Central Government can also lend positive support to cooperative group housing of CGEs by making surplus land available to them at cheaper rates. There is merit in the demand that the government should make cement and steel available to housing cooperatives of the employees at subsidised rates. The government should also increase allocation of funds to cooperative housing in the same proportion as for housing sector in the Eighth Plan.

112.19 The National Cooperative Housing Federation (NCHF) has recently conducted a very interesting study which reveals that not a single life was lost in the cooperative houses of strife-torn Punjab, Jammu and Kashmir, Assam and Delhi even at the peak of rioting. It is quite rightly maintained that cooperative housing can promote national integration as people from all parts of the country become an extended family. Sharing of resources in a cooperative group housing ensures economy. The government should take measures to ensure that the interest of cooperative group housing sector are protected in the globalised market economy. It is understood that a draft model law to overcome the legal hurdles faced by the cooperative housing sector is being prepared. This should be expedited.

Leased Accommodation

112.20 On the Railways, leased accommodation is provided to the employees at places where necessity for hiring houses arises suddenly on account of setting up of a new construction organisation or due to organisational changes in the set-up, such as, divisionalisation or setting up of a new zone. The need for having to seek hired residential accommodation also arises if the Zonal Railways do not keep up their quarter building activity in line with strength of the officers.

Ceiling limits in Railways

112.21 Powers for hiring accommodation for gazetted officers vest only in the Railway Board. In respect of non-gazetted staff, the General Managers of the Zonal Railways have powers to hire private buildings for use as residence. Rent ceiling limits applicable since March 1996 for various grades of officers in different classes of cities are as follows :-

Grade	A-Class Cities (Rs.)	B-I (Rs.)	B-II (Rs.)	C (Rs.)
SAG & above	5,500	4,500	4,000	3,000
JAG & SG	4,500	4,000	3,500	2,500
STS/ITS Group 'B' Officers	4,000	3,000	2,750	2,000

Provision of leased accommodation

112.22 Leased accommodation is also used by the CAG and the Ministry of Defence on an extensive scale. Leased accommodation in field organisations should be provided to ease the problem of housing as done in these organisations. Each department can work out the ceiling limits - number of quarters and rents - for this purpose on the pattern of these organisations.

The Government should provide/facilitate :-

- i) **Availability of cheap developed land** with or without private sector participation. The Government must conduct a survey to identify surplus land available with Railways, other Central Government departments and in Defence cantonments. The Government may also consider suitable liberalisation of the provisions of the Urban Land Ceiling Act with a view to removing the inhibiting factors in the utilisation of urban land to ease the housing situation in the country. The existing land use pattern of Government buildings should also be changed so as to provide for multi-storeyed flats instead of independent bungalows.
- ii) **Priority allotment of land** to Central Government Employees Cooperative Housing Societies and to organisations like Central Government Employees Welfare Housing Organisation (CGEWHO) and Indian Railway Welfare Organisation (IRWO);
- iii) **Massive infusion of cheap housing finance** through National Housing Bank, Housing Finance Companies and by encouraging private/joint sector housing finance companies;
- iv) **Adequate repayment capacity** of Central Government employees;
- v) **Leased Accommodation** : Government must take residential accommodation on lease and provide it to employees. The dwelling units constructed by Government employees with or without the assistance of Government should also be taken by the Government for this purpose. The Government must, however, ensure the following in such cases :-
 - Adequate Rent
 - Periodic Revision of Rent
 - Vacation after termination of lease-contract

Government may also allow "self-lease" of residential accommodation.

The permissible lease amount may be fixed by the Government keeping in view the costliness of the location and entitlement of residential accommodation. In case of self-lease, the lease amount (after adjustment of recovery in lieu of licence fee) should be equal to house rent allowance admissible to the employee.

- vi) **To further augment Government residential housing stock** following may be done :-

The residential properties taken over by the Government

under the provisions of Income tax Act and Smugglers and Foreign Exchange Manipulators' Fugitive of Property Act should be allotted to Government employees instead of auctioning such properties.

The Government may work out a suitable **hire-purchase scheme** with a view to providing a dwelling unit to each Central Government employee at the time of or before his retirement. For this purpose the surplus government land and extra budgetary resources for housing finance discussed above can be utilised. The Government may also take suitable legislative measures to provide exemption to such hire-purchase transactions from local taxation.

- vii) The proposed contributory **Housing Fund Scheme** may have the following **salient features** :-

Compulsory for all Central Government Employees (except those who already own a house). The house-owning employees may be given an option to join the scheme and if they opt out, they should be made ineligible for loans under Housing Loan Scheme (as per HBA terms and conditions) or any other concession which may be granted to employees/group of employees in this regard.

Variable rates of contribution according to category :-

Category	Monthly Contribution (Rs.)
Auxilliary	100
Support Staff	200
Supervisory	300
Excecutive	500

Maximum period of contribution (depending upon the length of service before superannuation) :

120, 180, 300 or 360 months.

Rate of Interest : One per cent more than the interest on Provident Fund. Additional one per cent (Bonus interest) at the time of maturity by Government as a welfare measure.

Income Tax exemption on contributions to the fund.

No advance permissible from the Fund.

The **Housing Fund** be kept outside the Government and managed by a Trust comprising trustees representing contributors and sponsor. The detailed modalities in this regard may be worked out by the Government on similar lines as for **Pension Fund** recommended by us.

HOUSE BUILDING ADVANCE

Present scenario 112.24 The optimistic future scenario of plenty in cheap housing finance and the Government providing developed land at concessional prices to CGEs should not make one oblivious of the harsh realities of the real estate sector at present

The data and statistics compiled/collected by us reveal the following :-

- i) Maximum admissible House Building Advance is only 1/3rd to 1/6th of the cost of construction -

S No	Pay range of Employees Rs	Type of G.P accommodation	Area in Sq Mt	Rate per Sq Mt Rs	Cost of construction per Unit (exclusive of cost of land) (Rs.)	Amount of HBA at the rate of the pay range Rs	Percentage of HBA to cost of construction	Uncovered Difference between cost of construction and HBA (Rs.)
1	2	3	4	5	6	7	8	9
1	750-940	I	46.75	6359	2,97,283	17,810	5.99%	2,79,473
2	950-1492	II	57.75	6243	3,60,533	25,000	6.93%	3,35,533
3	1500-2792	III	70.20	6204	4,35,520	1,40,000	32.14%	2,95,520
4	2800-3599	IV	98.20	6183	6,07,170	2,25,000	37.05%	3,82,170
5	3600-4499	V/A	189.56	5895	11,17,356	2,50,000	22.37%	8,67,356
6	4500-5899	V/B						

*Note: The sanctioned amount of HBA is always less than admissible amount due to limitation imposed by repayment capacity. Data received in 1995 (Source: Ministry of Urban Affairs and Employment)

- ii) Cost of construction in and around Delhi in 1990 was 3 to 6 times more than admissible HBA (Source: Indian Railway Welfare Organisation) (Annexe 112.1).
- iii) Residential building cost index increased by 3.5 times for Delhi during 1984-1994.

Residential Building Cost Index Number for Delhi (Base 1950 = 100)

Year	Building Material	Building Labour (Weight: 73.00)	Building Cost (Weight: 27.00)	(Weight: 100)
(1)	(2)	(3)	(4)	
1984	994.74	804.06	943.26	
1985	1127.42	909.10	1069.47	
1986	1164.09	1023.11	1126.03	
1987	1193.04	1279.71	1216.44	
1988	1327.66	1376.69	1340.90	
1989	1576.75	1593.43	1581.25	
1990	1843.65	1800.25	1831.93	
1991	2658.90	1974.68	2474.16	
1992	3064.17	2253.65	2845.33	
1993	3288.20	2514.85	3079.40	
1994	3454.88	2902.86	3305.83	

(Source : National Buildings Organisation)

- iv) Urban Land Prices in metropolitan cities of the country during 1984-85 to 1992-93 have increased many times. (Source : Town and Country Planning Organisation)
- v) Percentage increase in prices for apartments in Delhi during 1994-95 ranged between 88% to 114%.

Delhi Price Trends - Apartments			
Market Price for 2000 square feet Apartment			
Locality	September 1994	September 1995	% increase
	(Rs. in lakhs)		
Greater Kailash	36.00	70.00	95
Prithviraj Road	80.00	150.00	88
Saket (DDA)	14.00	30.00	114
New Rajendra Nagar	32.00	65.00	103
Karol Bagh (WEA)	50.00	95.00	90
Janak Puri	25.00	50.00	100
Saket	30.00	60.00	100
Mayur Vihar	8.00	15.00	88
Preet Vihar	30.00	57.00	90
Noida (independent bungalows)	40.00	75.00	88

(Source : The Observer of Business and Politics, New Delhi dated October 13, 1995)

- vi) Cost of Land in Gurgaon Sector along National Highway 8 in secondary market is as follows:

	Cost per Square Yard (Rs.)
I) Premium paid by the buyer	3,000.00
ii) Registration money reimbursed by the buyer to the seller 10% of HUDA rate per square yard	134.20
iii) Further payment of 15% registration to be made by the purchaser within 30 days of allotment	201.30
iv) Balance payment in 9 equated half-yearly instalments with 18% interest	1,489.50
v) Total cost	4,825.00
vi) Add interest cost on initial payment of Rs.3335.50 at 18% for 5 years	4,300.00

(Source : The Observer of Business and Politics, New Delhi dated October 13, 1995)

- vii) Number of years a household would take to save for a Rs. 10 lakh house in Delhi/Bombay.
93% of the households will take 16 to 50 years to save for a house of Rs. 10 lakhs. (World Bank Data)

Percentage of Household	Cost of house in terms of years of annual income
56%	50 years
25%	25 years
12%	16.5 years
4%	11.5 years
3%	No estimate

(Source: The Observer of Business and Politics, New Delhi, November 10, 1995)

HBA inadequate 112.26 HBA scheme being a soft loan has been very helpful for CGEs. However, this has proved to be very inadequate due to high cost of constructing a dwelling unit and limited repaying capacity of the employees. The cost of a second loan and monthly repayment instalment is beyond the means of any single earning government employee. A comparative review of some important Housing Finance Schemes may be seen at Annex 112.2.

Employees' contribution 125.27 The housing schemes promulgated by the government envisage that an individual would contribute 40% of the cost of the dwelling unit from his own resources. However, it is almost impossible for any government employee to save such an amount out of his meagre emoluments.

112.28 The HBA scheme quite obviously needs to be retained and reviewed, pending the realisation of the future scenario of cheap housing finance.

Sensitivity analysis 112.29 We made a sensitivity analysis on admissible House Building Advance and repaying capacity vis-a-vis cost of construction (excluding cost of land) advised by the Ministry of UA&E for different types of dwelling units as per entitlement on different pay ranges. The results of this analysis are as follows :-

HBA : COST OF CONSTRUCTION : REPAYING CAPACITY : RATION

Maximum Admissibility	HBA Cost of Construction (excluding land)			Repaying Capacity: Principal HBA + Interest		
	Assumed Pay Increase					
	Pay Range*	3 times	3.5 times	4 times	10%	15%
		Rs	Rs	Rs	Rs	Rs
50 times basic pay	1	48	56	64	96	122
	2	62	73	83	96	122
	3	96	112	129	96	122

	4	89	101	119	96	107	122
	5	90	70	81	96	107	122
45 times basic pay	1	43	50	57	107	119	136
	2	56	66	75	107	119	136
	3	87	101	116	107	119	136
	4	80	93	107	107	119	136
	5	54	63	72	107	119	136
40 times basic pay	1	38	45	51	120	134	153
	2	50	58	67	120	134	153
	3	77	90	103	120	134	153
	4	71	83	95	120	134	153
	5	48	56	64	120	134	153

* As in para 112.24

(Note: Cost of Construction Source: Ministry of Urban Affairs & Employment)

Repaying Capacity @ 35% of Basic Pay for 20 years (existing formula)

We find that --

- HBA amounts and repaying capacity are most favourable for middle level pay ranges.

- The repaying capacity is adequate in respect of all pay ranges even if the existing maximum admissibility limits and rates of interest are retained with 3 times assumed pay range.

- HBA amount for lowest assumed pay range of 3 times with existing admissible limits is inadequate, i.e. 48% of the cost of construction (excluding cost of land). This is further curtailed by the repaying capacity which is only 96% in this case. The amount of HBA would be very moderate due to exclusion of the cost of land in the cost of construction advised by MOUA&E.

- The repaying capacity improves with reduction in rates of interest to 7.5% & 5%.

- Reduction in maximum admissibility limit would adversely affect lower and higher pay ranges in respect of HBA amount vis-a-vis cost of construction.

*Our
recommendations*

112.30 The cost of construction advised by MOUA&E does not include cost of land. Land is very expensive in cities and towns. The prices would continue to increase due to inflation. An annual price rise of say 15% in an A-1 city would result in a massive increase in the market price of a Rs. 10 lakh dwelling unit

05 years hence Rs.20.11 lakhs

10 years hence Rs.40.45 lakhs

15 years hence Rs.93.58 lakhs

The vicious circle of poor pay, no savings and unaffordable cost of a dwelling unit would thus continue unless some substantial relief is given to CGEs by way of increased pay, higher amount of HBA, lower rates of interest and periodic revision of HBA structure with commensurate repaying capacity.

112.31 The following provisions in respect of HBA are recommended :-

Existing (Rs.)

Proposed (Rs.)

HBA		
Maximum admissible amount	2 Lakhs	7.5 Lakhs (i.e. 3 times of the present amount)
Quantum	No change proposed i.e., 50 times the monthly basic pay or the actual cost of construction/acquisition or repayment capacity or Rs 7.5 lakhs whichever ever is the least	
For Rural Areas	No change i.e. 80% of the cost of construction or maintenance whichever is lower	
For enlargement of existing house	50 months pay or Rs 60,000 whichever is less	50 months pay or Rs 1.8 Lakhs whichever is less
Rate of Interest	Amount of Loan Sanctioned	From 26.7.90 onwards
	Rs	Upto 1.5 Lakhs
	Upto 25,000	7.5%
	25,001 to 50,000	7.5%
	50,000 to 75,000	9.0%
	75,001 to 1,00,000	9.0%
	1,00,000 to 1,50,000	10.0%
	1,50,001 to 2,00,000	11.0%
	2,00,001 to 2,25,000	11.5%
	2,25,001 to 2,50,000	12.0%
Recovery	No change proposed	
Cost Ceiling	Minimum 2.5 lakhs	7.5 lakhs
	Maximum 6 lakhs	18 lakhs

Proposed Housing Fund Scheme (HFS) and HBA

112.32 It is common knowledge that the prices of building materials (which according to an estimate by National Buildings Organisation constitute 65% of the cost of a house) increase more than the general increase in price index. The substitution of conventional building materials like cement and timber by other natural and synthetic materials has not been achieved on any significant scale to make an impression on this problem. Similarly, land prices particularly in metropolitan cities and towns increase manifold in a short span of time. In view of this the accumulations under proposed Housing Fund or the amount of proposed new HBA scheme may not catch up with ever increasing prices. **In any case, the proposed housing fund scheme, would take considerable time to yield benefits to the employees. The HBA scheme, therefore, is proposed to be continued with Housing Fund Scheme.**

Housing Loan Scheme (HLS)

Subsidy on interest

112.33 A large number of Public Sector companies grant interest subsidy on housing loans. The interest rates in some PSUs are also much lower than rates of interest on government HBA. The cost of housing finance in the market is very high for a government employee. His capacity to repay is also very limited. It is impossible for any govt. servant today to repay two loans - HBA and market loan - together. The government may therefore consider raising loans from Housing Finance Companies for House Building Advance funds in addition to existing resources as proposed earlier. Since the proposed HFS is not likely to yield desired benefits in the near future, the HLS is proposed to be introduced together with HFS. The entire package of HBA/HLS and HFS can be reviewed periodically.

Loans from World Bank, ADB

112.34 The Central government could consider borrowing funds from the World Bank and the Asian Development Bank at low rates of interest (approx. 4%) involving repayment over 20-30 years with a payment moratorium of 7-10 years. This would be justified considering housing of

employees/workers as part of infrastructural development in any plan involving massive relocation of trade and industry as in the case of New Bombay and National Capital Region. If such a loan could be secured, the benefit can be passed on to the employees in the form of cheaper housing finance or government can take up housing projects for employees on its own.

Social Security net for HBA

112.35 In the event of death of an employee, the outstanding loan balance is recovered from final settlement benefits. This creates hardships for the family. Some of the State Governments have introduced a scheme to write-off outstanding HBA balance including interest liability in case of an employee's death. The loan is insured by the State Governments. This is a very good welfare measure. We recommend that the Central Government likewise insure housing loan (including loan raised from the market under HLS) without contribution from the employees and write-off the outstanding balance including interest in the event of the death of the employee. However, in case any member of a deceased employee's family is given compassionate employment, the entire liability of loan repayment should be passed on to this member.

HOUSE RENT ALLOWANCE

112.36 The inadequacy of House Rent Allowance for CGEs is a chronic problem. The rates of HRA are totally unrealistic when compared to market rates of rent. The situation is particularly distressful for CGEs in metropolitan centres and industrial towns where rents rise rapidly. A comparison of HRA rates for an 'A' class city with approximate rent charged by landlords in Delhi indicates that HRA rates are merely 10 to 13% of the market rents.

HRA and Market Rent

S.No	Pay Range	House Rent Allowance admissible in 'A' Class city	Type of Accommodation entitled	Market Rent charged by Dte of Estates for the type of accommodation (Rs.)	Approximate rent charged by Pvt Landlords in Delhi	HRA as a % age of rent charged by private landlords in Delhi
1.	2	3.	4	5	6	7
1.	750-949	150	A	1800	1500	10%
2	950-1499	250	B	2850	2500	10%
3	1500-2799	450	C	3900	3500	12.86%
4	2800-3599	600	D	4725	5000	12%
5.	3600-4499	800	E-II	5400	6000	13.33%
6	4500 and above	1000	E-I	6100	7500	13.33%

Source: Ministry of Urban Affairs and Employment. Data received in 1995

Rent Control

112.37 The recent enactment of Delhi Rent Control Act (DRCA) 1995 would further enhance the market rents. This Act would set the pattern for amendment of rent control laws in other States and UTs. Although the objectives of DRCA are to rationalise the present rent control law by bringing about a balance between the interests of landlords and tenants, to give a boost to house building activity, maintain the existing housing stock in a reasonable state of repair, to reduce litigation between landlords and tenants and to ensure expeditious disposal

of disputes between them etc., the following would adversely affect the tenants/prospective tenants:-

- i) Exemption of all new apartments from the ambit of the law would make all such houses virtually out of reach of those who cannot afford high rents.
- ii) The 10% rise in the standard rent based on constructional cost and the market price of the land at the time of construction would hit the middle and lower class hard. With real estate prices sky-rocketing every year even a modest flat would cost nothing less than Rs.4 to 5 lakhs - rent would be Rs.2500 to Rs.4500.
- iii) The yearly revision of standard rent to compensate for inflation and ensuring a fair return for investment on housing also does not take into account the tenants' ability to pay. In metropolitan cities people spend upto 45% of their incomes on rent.

*Urban scenario
in India*

112.38 Let us scan the Indian urban scenario in this context. The urban problems in the country are growing by leaps and bounds :-

- i) The urban population which was 50 million (approx. 14% of the national population) in 1947 reached 217 million (25.7% of country's population) in 1991 - during this period the country's population only doubled from 350 million to 628 million. The urban population is projected to reach 350 million by the turn of the century.
- ii) Seven of the 13 cities in the world with population of more than 10 million are in Asia, of which two - Mumbai and Calcutta - are in India. Delhi would soon be joining the list.
- iii) Nearly 50% of the urbanites live in the 91 towns that have a population of 3 lakhs or more. The metropolitan cities of Mumbai, Calcutta, Delhi, Bangalore, Chennai and Hyderabad that accommodate nearly 25% of urbanites recorded increases in population ranging between 30% to 50% in the eighties.
- iv) Delhi and Mumbai annually receive 5-7 lakh people. The cities are, therefore, hardpressed not only to cater to the growing needs of their permanent population but perforce have to meet the shelter needs of the migrants who are on the look-out for rented premises both for business and residential purposes.

Increase in rents

112.39 The Following statistics on increase in monthly rents for prime office space and three bed room apartments, in Mumbai, Delhi and Bangalore over the past four years, is indicative of ever zooming rents in cities :-

City	1992	1993	1994	1995	* increase since 1992 (Average Annual)
	(Rs. in thousands)				

Bombay					
Res. 3 Bed	35	60	100	25	73
Commercial	85	125	150	75	100
Delhi					
Res. 3 Bed	15	25	50	60	55
Commercial	45	65	80	140	15
Bangalore					
Res. 3 Bed	08	10	25	10	80
Commercial	15	30	40	25	74

The security deposit rates are highest in Bombay - 1 year to 2 years. In Delhi only MNCs and Indian corporates are usually welcome as tenants.
(Source :- The Observer of Business and Politics, New Delhi dated November 17, 1995)

Classification of cities

112.40 In view of the constant influx of people to cities/towns, their classification on the basis of population figures of decennial census is not very realistic. The census figures are very old when available for use. The rates of HRA, which are already very low compared to market rents are thus further removed from reality in respect of factors of costliness of a city/town. Some employees' associations have suggested the following simplified classification :-

- i) Industrial/Urban township including metropolis;
- ii) Cities and Towns; and
- iii) Rural areas.

However, we consider that the existing population - criterion is the only practical basis for classification of cities and towns at present. Accordingly, we recommend following classification of cities and towns based on population criterion :-

Population	Classification
50 lakhs and above	A-1
20-50 lakhs	A
10-20 lakhs	B-1
05-10 lakhs	B-2
50,000 to 5 lakhs	C
Below 50,000	Unclassified

112.41 The government has already classified cities and towns on the basis of 1991 census data. The existing concept of special orders with regard to classification of certain cities and towns due to their peculiar features in addition to population criterion should also continue.

Total payment on housing

112.42 The present fixed slab rate system of HRA is not responsive to the market situation and is totally out of tune with reality. The Fourth CPC's recommendation regarding 3 yearly review of compensatory allowances (including HRA) was not accepted by the Government. There is, however, an element of expenditure on housing in the dearness allowance paid to CGEs. The weightage of different components in Consumer Price Index (on the basis of which D.A. is paid) is as follows :-

Item	Weightage	
	Industrial Workers (CPI 1981)	Urban Non-manual employees (CPI 1981)
Food	57.00	57.13
Path, Beedi & Intoxicants	3.15	..

Fuel	6.28	8.48
Housing	8.67	16.41
Clothing	8.54	7.63
Misc.	16.36	23.95

Taking into account the housing component of DA, total payment on housing (HRA plus housing component of DA)works out as follows :-

Pay Range (Rs.)	Total Payment on Housing (Rs.)		Ratio of Total Payment on Housing to Market Rent	
	JW	UNME	JW	UNME
750-949	302	438	20.13	29.02
950-1499	491	705	19.63	28.02
1500-2799	899	1300	25.68	37.14
2800-3599	1021	1397	20.42	27.91
3600-4499	1221	1597	20.35	26.62
4500 & above	1421	1797	18.95	23.96

Total payment on housing is still very low when compared to market rent due to the following reasons :-

- The changes in House Rent Indices are not quickly reflected in the consumer price index;
- The house rent data are collected from the same set of rented dwellings at six monthly intervals. The rent increase in the market is not, therefore, realistically reflected in House Rent Indices.
- Payment of DA meets only partial increase in the costs.

House rent indices

112.43 The House Rent Indices collected from Labour Bureau and Department of Statistics are indicated below :-

House rent Indices

	Jan '73	Jan '86	Jan '95	% increase since 1986
Urban Non-Manual Employee	155	389	723.73	86.05
	1970	1986	1991	
Industrial Worker (Annual Average)	132	360	652	81.35
Delhi	155	406	675	66.3
Bombay	111	196	636.12	224.55

Sources 1) Labour Bureau, Ministry of Labour
2) Deptt. of Statistics, Ministry of Planning & Programme Implementation

House Rent indices, therefore, may not be very reliable if periodic re view of HRA is contemplated. A better alternative would be to review HRA on the basis of market rent charged by the Directorate of Estates.

Proposals of the Ministry

112.44 The Ministry of Urban Affairs and Employment has suggested that HRA should be made attractive enough to act as an incentive for a Government servant who owns a house to go back to his house or his ancestral house. This would ease pressure on government housing. The Ministry has estimated average cost of a house at Rs.3 lakhs excluding the cost of land (since the requirement of houses in Types I to III are more, the average cost of the govt. houses would be in the range of Rs.3 lakhs even when the higher type of houses are going to cost more but would be much less in number). The Ministry has contended that the average reasonable return on an investment of Rs.3 lakhs could be expected at 15% considering that the house would also require expenditure on maintenance - thus a sum of Rs.45,000 per house would be expected in return for investment made in the govt. houses. The Ministry has thus logically concluded

that the House Rent Allowance which is payable when a government servant does not stay in govt accommodation should be in the range of Rs.45,000 per annum. This average House Rent Allowance is proposed by the Ministry to be graded into various types depending upon the salary drawn by a government employee.

Sensitivity analysis

112.45 This takes us to the issue of quantum of HRA and whether it should be a slab rate scheme or a certain percentage of basic pay. A sensitivity analysis has been done to arrive at a reasonable amount of HRA. A summarised position is indicated below -

HRA - MARKET RENT - BASIC PAY FOR ALL CATEGORIES					
Assumed Pay No. of times of existing Basic Pay	Assumed rates of HRA		Ratio		
	No. of times of existing rates	HRA - MARKET RENT		HRA - Basic Pay	
		MIN	MAX	MIN	MAX
3	3	30	40	16	18
	3.5	35	47	18	21
	4	40	53	21	24
	~	70	93	37	41
3.5	3	30	40	14	15
	3.5	35	47	16	18
	4	40	53	18	20
	~	70	93	32	34
4	3	30	40	12	13
	3.5	35	47	14	16
	4	40	53	16	18
	~	70	93	28	31

It may be seen from the above that :-

- Even 3 to 4 times increase in existing slab rates of HRA would leave a large uncovered gap between HRA and market rent.
- Seven times increase in existing HRA would cover 70% to 93% of the market rent. The average HRA in this case would also be approximately Rs.45,000/- p.a. (this amount has been recommended by the Ministry of Urban Affairs and Employment).
- Three to four times increase in both basic pay and HRA rates would give a HRA range of 12% to 24% of basic pay. However, this ratio would improve to 28% - 41% with 7 times increase.

Average estimated expenditure on HRA during 1989-90 to 1992-93* = Rs. 633 crores.

* Source : Brochure on Pay & Allowances : Pay Research Unit, Department of Expenditure, Ministry of Finance).

Recommendation of 3rd CPC

112.46 An alternative is to reiterate the recommendation of the 3rd CPC which suggested fixing of notional rents after studying conditions of cities/towns and reimbursement of actual rent paid or notional rent minus 10% of the basic pay whichever is less. The concept of notional rent would approximate to reimbursement of market rent.

Our recommendations

112.47 Considering the importance of 'Housing' in improving efficiency and productivity and the difficult situation obtaining in cities/towns in this respect, 'Housing' for CGEs should be given high priority by the Government. In a public interest litigation case regarding out of turn allotment of government houses to

employees, the Hon'ble Supreme Court of India has observed that the government should pay market rent to those who are denied accommodation despite their entitlement

112.48 **We recommend following rates of House Rent Allowance:-**

Revised Proposed Classification of Cities and Towns on Population Criterion	Classification	Proposed Rates of HRA
50 lakhs and above	A-1	30% of the maximum of the pay scale.
20-50 lakhs	A-2	15% of the maximum of the pay scale.
10-20 lakhs	B-1	
05-10 lakhs	B-2	
50,000 to 5 lakhs	C	7.5% of the maximum of the pay scale.
Below 50,000	Unclassified	5% of the maximum of the pay scale.

112.49 **We also recommend that all those employees who reside in contiguous agglomerations around cities/towns where government offices are located be granted House Rent Allowance at the rates of cities and Towns where their work-place is located.** This provision already exists in respect of specified towns and is particularly essential in respect of employees who work in big metropolitan cities but are forced to reside in far-off places due to non-availability of government accommodation or rented accommodation at affordable rents in the cities.

HRA to Husband-wife allottees

112.50 We have received representations demanding that where husband and wife are both government servants and occupy government accommodation, HRA be paid to one of them - whoever is entitled for less HRA. The allottees of government accommodation are in a highly advantageous position vis-a-vis non-allottees. **There is no justification for granting HRA to a 'non-allottee spouse'. Moreover, a non-allottee spouse when sharing govt. accommodation does not incur any expenditure towards rent.**

OUT OF TURN ALLOTMENTS - SEPARATE POOLS - RETENTION AFTER RETIREMENT/TRANSFER ETC.

112.51 The benefits of housing or lack of it for CGEs are not uniform. The position can be summarised as follows:-

Employees who are allotted residential quarters :-

Spend less than 10% of their emoluments as licence fee, which is usually many times less than the market rent for such accommodation.

Some construct houses with govt. loan, continue to stay in govt. quarters and earn additional income by renting out their own house

Employees who are not allotted residential quarters :-

Spend 30% to 50% of emoluments on residential accommodation which is much less than their entitlement or stay at far off places to save on rent.

Some construct houses with HBA and second loan but pay heavily on repayment of loans. HRA being meagre and subject to income-tax does not provide any relief.

Construction cost being very high, building a house and staying in it becomes a liability.

Misuse of out-of-turn quota

112.52 There is unrest and frustration amongst employees due to the difficult housing situation. The provision for separate pools of accommodation for certain categories and out-of-turn allotments, particularly when these are misused, further aggravate this problem. Of late there has been tremendous misuse, particularly of 'out-of-turn' allotment provisions. So much so that the Hon'ble Supreme Court had to intervene and take suo motu action to stop all out-of-turn allotments and in a public interest litigation [Writ Petition (Civil) 585 of 1994] directed eviction of 2000 out-of-turn allottees of residential quarters from General Pool. The problem is further compounded by unauthorised occupation.

Trends of out-of-turn allotment

112.53 The issues in respect of out-of-turn allotments and separate pools are by and large confined to general pool accommodation and most of the problems are localised in big metropolitan cities particularly New Delhi where a large number of government houses continue to be in unauthorised occupation of former ministers, MPs, retired bureaucrats and families of VVIPs. The trends on out of turn allotments in Delhi are indicated below :-

Year	Type	Norm	Allotments	Excess
1991	II	438	825	387
	III	297	262	--
	V	59	74	15
	VI	33	19	--
1992	II	417	1078	661
	III	341	471	130
	V	54	101	47
	VI	22	26	04
1993	II	374	1002	628
	III	232	417	185
	V	40	101	61
	VI	20	35	15
1994	II	312	1166	854
	III	350	866	516
	V	41	118	77
	VI	14	48	34

(Source: Ministry of Urban Affairs and Employment)

Honourable Justices Kuldip Singh and B.L. Hansaria in their judgement delivered on December 23, 1996 in the writ petition referred above observed:-

"The administrative law has of late seen vast increase in discretionary powers. But then, the discretion conferred has to be exercised to advance the purpose to subserve which the power exists. Even the Minister, if he/she be the repository of discretionary power, cannot claim that either there is no discretion in the matter or unfettered discretion."

The Hon'ble judges have also quoted from a case law in United States (United States V. Wunderlich 342 US 98) to emphasise this point:

"Law has reached its finest moments, when it has freed man from unlimited discretion of some ruler, some official, some bureaucrat ... Absolute discretion is a ruthless master. It is more destructive of freedom than any of man's other invention "

*Our
recommendations*

112.54 The discretionary administrative powers on out-of-turn allotments need to be withdrawn forthwith. Out of turn allotment norms also need to be revised - the maximum permissible limits should be drastically reduced to take care of genuine cases only. **We recommend that :-**

- i) **out-of-turn quota of residential govt. allotments be reduced to 5% of the total allotments in a year as against the existing 20% as per the Supreme Court judgment referred above. This limit should not be exceeded under any circumstances.**
- ii) **the allotments under out of turn quota should be finally decided by a Committee of officials constituted for the purpose. This Committee should be fully empowered to make such allotments according to the laid down criteria. There should be no need to recommend the matter to the Minister, who should not exercise any discretion in the matter.**

Separate Pools

112.55 Separate pools of accommodation for Govt. employees are need-based and should continue. Several Central Government Officers' Associations and IFS Officers' Association have demanded extension of 'Tenure Pool' facility to officers of their services who are posted on central deputation. There is merit in this suggestion. The officers of Central Services with all India transfer liability and IFS officers when posted in Delhi on tenure basis have similar problems in the matter of residential accommodation as officers of All India Services. **We, therefore, recommend that a separate Tenure Pool be created for Central Services Officers and IFS officers. The Government must also review the allotment criteria and allot only one type below the entitlement of the officer. This will ensure that the share of accommodation of junior officers is not reduced due to allotments to senior officers. Further, officers of other services who are posted to Delhi do not get any residential accommodation for 20 to 25 years of their career. This is primarily due to acute shortage and reservation of a large number of houses under different pools. While the Tenure Pool is essential it is proposed that the allotment policy with respect to separate pools be suitably modified in order to provide relief to officers not covered by these 'pools'. The policy should be modified with a view to sharing shortages in an equitable and fair manner as also to cater for peculiar needs of all officers joining the Central Government under the Central Staffing Scheme.**

*Persons other
than Government
employees*

112.56 The Government must not allot residential accommodation meant for its employees to outsiders. If the Government considers this essential, separate accommodation should be built or leased for such persons.

Sub-letting

112.57 Provisions already exist for disciplinary action against defaulting

govt. employees. Government must take exemplary penal action against employees guilty of sub-letting. Following further steps be taken by the Government :-

CCA rules in this regard be made very specific to ensure strict punitive action. A major penalty should invariably be imposed.

Market rent be recovered from the employee guilty of sub-letting the accommodation for the entire period of sub-letting.

*House-owning
officials*

112.58 The government is committed to encouraging its employees to construct their own houses. However, as noted earlier due to the high cost of construction, limited repayment capacity of employees and very meagre HRA, it may not be advisable to make employees owning houses at the station of posting or in the adjoining municipal area, ineligible for govt. residential accommodation. The existing rates of enhanced licence fee may also not deter the employees from seeking allotment of government accommodation. However, with the improvement in conditions - like grant of loans under proposed HLS, higher rates of HRA, priority allotment of govt. land at concessional rates to employees cooperatives, self-lease etc. - making house-owning officials ineligible for government residential accommodation and compelling them to stay in their own houses on self-lease basis can be considered in future for providing relief to those who do not own houses and wait for long for allotment of govt. residential accommodation.

*Retention on
transfer etc.*

112.59 The existing provisions for retention on transfer/superannuation etc. and on transfer to N.East do take care of genuine exigencies of working conditions. It would be harsh to dispense with these provisions. These provisions, therefore, may continue. These provisions can also be invoked to deal with cases of adhoc allotments to the staff of Ministers/VIPs etc. after the expiry of the term of the Minister/VIP in office.

112.60 The existing provisions for retention of residential accommodation at the previous place of posting for the All India Services Officers belonging to North-Eastern Cadres on Central deputation should be liberalised from the existing period of 2 years to 3 years so that they can retain their families at that place. In case the period of posting in the NE cadre is longer in a particular case, then the officers should be allowed to retain the accommodation for a further period upto a date which is within three months of the date of their release from the respective N.E. cadre for central deputation.

LICENCE FEE

112.61 It has been suggested that licence fee should not be charged from the allottees of Govt. accommodation. We feel that the allottees of government accommodation are in an advantageous position vis-a-vis non-allottees. The exemption of allottees from payment of licence fee, which is very nominal, would thus be totally unjustified. Moreover, provision of residential

accommodation has not been accepted by the government as a condition of service. This is provided to employees as an essential/desirable welfare measure

*Our
recommendations*

112.62 The Third CPC made an attempt to find out the amount of rent actually paid by government employees in an 'A' Class city like Delhi. The random sample of government employees taken by the 3rd CPC for this purpose reveals that the employees on an average were paying more rent in Delhi than 25% of pay which the Third CPC considered a government servant stationed at Delhi was expected to spend on housing (10% from his own pocket plus 15% House Rent Allowance). It is perhaps with this in view that the maximum limit of licence fee for those allotted accommodation is fixed at 10% of pay. Revenue from licence fee is supposed to partly meet the expenditure incurred by Govt. on the maintenance of the residential accommodation. It would be unfortunate if the employee were not to meet even a part of the maintenance expenditure on his official residence. Another way of looking at licence fee is that it represents 10% of his basic pay which he would have spent in any case if he were to hire a private residence. In actual fact, a non-allottee has to spend much more than 10% of pay, in addition to the HRA he gets, on the rent of a private house. **The demand for exemption from payment of licence fee is thus unreasonable.**

*System of
charging licence
fees*

112.63 **The system of charging licence fees has recently been revised and rationalised. The present system of charging licence fees based on living area of the quarter and its 3 yearly review to cover the cost of additions and price escalation, is quite reasonable. No change is, therefore, proposed in respect of the quantum of licence fee charged at present.**

RENT FREE ACCOMODATION

112.64 Rent Free Accommodation is at present available to Post Masters/Sub-Post Masters in the Department of Posts, to some Group 'D' workshop employees in Railways appointed upto June 1959, to members of Central Police Organisations and to specific group of employees deployed at different locations.

112.65 **We do not propose any change in the existing scheme of Rent Free Accommodation (RFA) to certain specified categories of staff in Civilian Departments. The compensation in lieu of RFA, as at present is also proposed to be retained for such staff.**

112.66 The grant of rent free accommodation facility is to be decided by the administrative ministry in consultation with the Ministry of Finance on merits in each case. However, there is a demand for taking houses on lease instead of compensation in lieu of RFA in remote, inaccessible places where it is difficult to find residential accommodation. We consider this demand to be reasonable. We have already recommended provision of leased accommodation as provided in Railways and some other departments. The Government may consider

extending this facility to employees in remote places.

CILQ in CPOs

112.67 In case of personnel of Central Police Organisations, however, there is need for a review. Although all the members of CPOs are entitled to rent free accommodation, the compensation in lieu of quarter (CILQ) is restricted to the authorised strength as decided by the Ministry of Home Affairs. CILQ is further restricted due to imposition of condition that only those personnel whose family is residing at the duty station would be eligible for CILQ. In Border Security Force, for instance, only 5.35% of the personnel are availing of CILQ against authorised percentages varying between 35% to 100% for different ranks. In the absence of adequate married accommodation which is only 39.18% of the authorised norm (overall satisfaction level 7.29%) CILQ provides some relief. The armed forces personnel are eligible for CILQ irrespective of the family residing at the duty station or elsewhere. Due to very difficult conditions created by the phenomenon of terrorist violence in several parts of the country, there is a case for extending a similar facility to the members of CPOs

*Our
recommendations*

112.68 **We accordingly make following recommendations :-**

The authorised percentage of eligible employees be granted CILQ (except those who have been provided with married accommodation) irrespective of the family residing at the duty station or elsewhere.

The rates of CILQ be revised according to revised rates of HRA and Licence Fee.

*HRA to Gangmen,
etc. in Railways*

112.69 In Railways, the gang huts provided to Gangmen, Gatemen, Keymen and Mates etc. are not provided with any essential basic amenity like water, electricity, kitchen, toilet etc. The gang huts have been termed as "night shelters" rather than residential accommodation by the Ministry of Railways. Gangmen, Gatemen etc. are compelled to keep their families at locations where civic amenities are available.

*Our
recommendations*

112.70 The All India Railwaymen's Federation has demanded that the railway staff like Gangmen who are compelled to stay in substandard accommodation without basic amenities in administrative interest be granted House Rent Allowance.

112.71 **We have considered the matter and recommend as under:-**

- i) **No licence-fee be charged from staff who are made to live in gang huts which are without basic amenities.**
- ii) **The Railway administration must work out a plan to provide basic amenities and accommodation of entitled type to the Gangmen, Gatemen, Keymen and Mates etc. who are at present forced to live in gang huts.**
- iii) **The preparation of this housing plan and other demands should be discussed, with the representatives of the**

employees and course of action finalised within six months. It should then be executed expeditiously in a time-bound manner.

HOUSE BUILDING ADVANCE AND COST OF CONSTRUCTION

S.No.	Basic Pay	Entitlement of H.B.A. #	Cost Ceiling 150 times of Basic Pay	Cost of Construction with plinth area including cost of land as on 1990*					
	Rs.	Rs.	Rs.	Plinth area Sq.Ft.	DDA rates Kondli Ghroli area	Cost in Lakhs Ansal Builders Gurgaon rates	Ghaziabad Dev. Autho- rity	Ansal Builders Ghaziabad	IRWO Voids
1.	2.	3.	4.	5.					
1.	750	37,500	1,12,500	400	2.10	2.40	2.20	2.40	1.80
2.	1600	80,000	2,40,000	630	3.00	3.75	3.50	3.75	2.85
3.	2000	1,00,000	3,00,000	870	4.15	5.40	5.00	5.40	3.90
4.	3000	1,50,000	4,50,000	1050	5.15	5.80	6.60	6.50	4.75
5.	5000	2,50,000	7,50,000 Limit: 6.00 lakhs.	1350	6.75	7.60	8.50	8.30	6.10
6.	7000	3,50,000	10,50,000 Limited to 2.5 lakhs	Limit: 6.00 lakhs					

Source : Indian Railway Welfare Organisation Brochure.

COMPARATIVE REVIEW OF HOUSING FINANCE SCHEME

SCHEME	LOAN Rs./lakh	RATE of Int.	TERM in yrs	INSTMT. payment	% of total	FEEs charges
CITY HOMES						
Ind. Borr. Ins. Sch.	2.10 - 20.00	17%	5-15	post dated cheques	70% cost or 60% cons.	1.5% - 7 1.8% - 12 2.0% - 15
* Note 1 *						
Professional Scheme	-do-	17%	5-15	-do-	-do-	1.5% of loan appli. amount
Dr. Engrs. Arch, CAs *CAs consult Note 2*						
Property power (OD limit sch.)	5.0-50.00	18.54%	1 yr at on dally a time	at borr. option	Res.40% Coml.35% mkt value	Rs.5000 to 10L 100000 10-20L 20000 +20L
Note 3						
CANFIN HOMES						
Ind.Sch.	0.25-20.00	12.5-17%	7-15	Qtrly	75% of cost	1% of loan
LIC HOUSING FINANCE LTD.						
Own Your Home Scheme	5	12-14%	5-20	Monthly value or 90%	50% agrent appl. amt. policy value	0.5% of loan -do-
Non Policy Holders Scheme	20	16.5%			80% of agrmt value	

DELHI CO-OP HOUSING FINANCE CORP.

Individual	3	14.2-15.2%	5-20	EMI	70% of dwelling unit cost

*Note 5 *					
Infr. Stru. loan society for elects & lifts	No ceiling	16.5%	5	Qtrly	100% of facility cost

Bridge Loan	-do-	16.5%	1	Qtrly	65% of cost

Notes:

1. 60 per cent of cost excl. external dvpt and preferential location charges.
2. The professional's capability to repay/three years I-T returns.
3. Borrowers current income and capability to repay.
4. Specifically designed to suit individual investor. *Step up *Step down *Balloon *Repayment Holiday Plan. Company arranges an insurance cover.
5. Lower of 48 months individual income or Rs.3 lakh.
- Also arrange social security cover at 0.5 per cent of sanctioned loan amount through LIC
- Borrower deposits 8.5 per cent of loan amount on which he received 10 per cent annually compounded interest.

LOAN REPAYMENT LIABILITY ON DCHFC LOAN

Loan Amount		100,000		2000,000		300,000	
Loan Term (months)	EMI Rs.	Payment Post PP Rebate		EMI Rs. Payment Post PP Rebate		EMI Rs. Payment Post PP Rebate	
60	2337.21	138815.78	4726.55	280749.66	7168.51	425830.79	
120	1564.71	184675.12	3190.05	376588.67	4876.86	575840.59	
180	1345.21	237132.14	2758.19	486390.63	4239.93	747951.45	
240	1258.07	294827.00	2589.36	607110.37	3994.77	937076.24	
Applicable Rate of interest After AV. PPR.		13.7%		14.2%		14.7%	

DCM HOUSING FINANCE LTD

Ind. Inv. Scheme	25	.25L-12%	5-20	More a	85% of cost	0.8% of
		1L-15%		specificly		loan
		1.5L-15.5%				appln. amt.
*Note 4 *		+ 5L-16%				
NRI Inv. Sch.	25	1L-15%	3-7	EQ	75% of tot.	3.0% of
*Note 4 *	+5-16%	Inst.	(EMI)	cost	appln. amt.	loan
Corporate Loan	25	17-18%	5-15	EMI	75% of Pro	1% of
Sch. Credit				cost	sanctn.	loan amt
Line						

HOUSING DEV. FINANCE CORP.

Individual	0.25-10	12-15.5%	5-20	Qtrly	85% of dwelling unit cost	0.8% of appln. amt
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Scheme for Educational Assistance

Introduction 113.1 The Scheme of Children Educational Assistance comprises three components : (i) Children Education Allowance (ii) Reimbursement of Tuition Fee and (iii) Hostel Subsidy. The Children Education Allowance was initially applicable to only Non-Gazetted Government servants drawing a salary upto a specified limit, which was increased from time to time. However, on the recommendations of Fourth CPC, the scheme was made applicable to all employees without any pay limit. Similarly, in case of 'Reimbursement of Tuition Fee' and 'Hostel Subsidy' also, the pay ceilings for admissibility have been removed. The rates of reimbursements under the scheme have also been revised from time to time.

Demands 113.2 Demands have been made for substantial improvement in the scheme of Children Educational Assistance by way of increasing the quantum of benefit and relaxation of conditions of eligibility. Nearly a decade has elapsed since the rates of all the three components of the scheme were last revised on the recommendations of Fourth CPC.

Revision of rates 113.3 Taking into account the general increase in the cost of living and the impact of inflation in the interim period, we **recommend that the rates of assistance/reimbursement available under the three components of the scheme be revised in the following manner:-**

Component	Present rates	Revised rates recommended
I) Children Education Allowance	Rs.50 p.m. per child	Rs.100 p.m. per child
ii) Reimbursement of Tuition Fee	a) Rs.20 p.m. per child b) Rs.25 p.m. per child plus Rs.5 p.m. as Science Fee per child	Rs.40 p.m. per child for Class I to X Rs.50 p.m. per child for Class IX and XII

c) Science Fee of Rs.5 per month for Classes IX to XII, if charged separately	Science fee of Rs.10 per month for classes IX to XII, if charged separately.
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d) Rs.50 p.m. Rs.100 p.m.per
per child child for
physically
handicapped and
mentally retarded
children for
classes I to XII

iii) Hostel Subsidy Rs.150 p.m. Rs.300 p.m.per
per child child

Periodic review of rates 113.4 While we do not find any justification in the demand for a linkage between the assistance and the consumer price index, **we recommend a triennial review of the Educational Assistance Scheme so that the rates could be updated to neutralise inflationary factors.**

Condition of admissibility 113.5 Children Education Allowance is presently admissible only in cases where a Government servant is compelled to send his children to a school away from the station where he is posted and/or residing, because of the absence of schools of the requisite standard at that station. Further, if a Government servant is transferred from a station where there is no school and if he was in receipt of the allowance at the former station in respect of any child, he shall remain eligible for such allowance till the close of the academic year of that school. A similar restriction has not, however, been imposed in respect of payment of hostel subsidy. We however, feel that there may be various factors, such as the desire to avoid dislocation, ensure continuity of education etc., necessitating the retention of a child in the same school at the former station. It is not appropriate to discontinue the payment of the allowance in such cases. The allowance may, therefore, be continued to be paid so long as the child continues to study in the same school.

113.6 In case of physically handicapped/mentally retarded children, reimbursement of tuition fee is permitted only if the school in which they are admitted is a recognized one. Considering the fact that number of schools recognised for such children are not many, **we recommend that reimbursement should be permitted even if the school in which they are admitted is not recognized.**

Extension of MEA Scheme to others 113.7 The Ministry of External Affairs have a separate scheme of Children Education Allowance which enables the children of India-based officials posted in Missions abroad to receive proper education in schools abroad as well as in India. A demand has been made by officers of the Indian Audit and Accounts Service that the MEA scheme should be extended to them during their postings in Indian Missions/Embassies abroad. We do not find any justification for the denial of the facilities extended by the Ministry of External Affairs to other officers posted abroad and, **therefore, recommend that the scheme prepared by MEA**

for its staff posted abroad should be extended to other Central Government employees posted abroad.

C e n t r a l 113.8 Difficulties are being experienced by employees in getting their
schools children admitted to Central Schools in mid-session in case of their transfer. Although as a matter of policy, preference is given in admission to children of employees who are actually transferred, the problem of those who are transferred in mid-session is worth considering. **We, therefore, recommend that as a matter of policy, such children need to be admitted even if vacancies are not available in a particular class. We also recommend that Government should expand the network of Central Schools with a view to ensuring adequate educational facilities to children of Central Government employees.**

Medical Facilities for Employees

GENERAL INTRODUCTION

Infrastructure for health care

114.1 One of the many welfare measures undertaken by Central Government is the provision of Health care benefits to its employees in the form of outpatient, domiciliary, specialist, referral and in patient treatment. Central Government employees in certain organisations are covered by captive medical facilities provided by the concerned administrative Ministries like the Railways, Armed Forces, Central Police Organisations, and the Ordnance Factories. These organisations have comprehensive arrangements for outpatient, inpatient as well as specialist/referral treatment. Certain organisations like the Departments of Space, Atomic Energy, Posts, Telecommunication, Botanical Survey of India, etc. have limited facilities, covering outpatient treatment and limited hospitalisation. For specialist treatment and medical intervention for serious ailments, these organisations fall back on the facilities of the Central Government. The general coverage of Central Government employees is under the Central Government Health Scheme (CGHS), and the Central Service (Medical Attendance) Rules, 1944 - commonly known as the Medical Reimbursement Scheme. **Annexe 114.1** indicates the distribution of Central Government employees under different health and medical care arrangements.

EMERGING SCENARIO

Areas of focus

114.2 Central Government employees are spread throughout the country. The Government has hitherto looked upon medical facilities as a welfare measure. Traditionally, these medical facilities have been provided in the form of curative health care. Employees' participation in the scheme started after the recommendations of the Second CPC, in the form of a contributory CGHS, and the development of the scheme as a pilot project towards a National Health Service. Over the last four decades, the organisation of medical facilities for Central Government employees has undergone a visible change. There have been impressive advances in the science, technology and pharmacy of medicine and health care, coupled with the emergence of a well-equipped private sector for health

care and rise in the costs of health care

Global trends 114.3 Governments across the globe have been concerned with rising health care costs, coupled with the need to have flexibility in employer-provided health benefits. Sweden and the United States have made some attempts at regulating the provision of health benefits, relying to a great extent on market forces. The National Health Scheme of the United Kingdom has itself undergone gradual changes over the years, to meet the rapidly increasing demands on the health delivery system. In Sri Lanka, Republic of Korea, and Argentina the health benefits arising out of Government employment, are contributory in nature.

NEED FOR RE-ORGANISATION

Recommendations made in the past 114.4 The last decade has thrown up the need for assimilating the experiences of the past to meet health needs of the future. At the time of the First CPC the rules generally entitled a Government servant for free treatment in a Government hospital. Provincial hospitals maintained by local authorities were also recognised for purposes of treatment of Central Government employees, on reimbursement of expenditure. The Second CPC observed that ill-health was one of the common causes of unpunctuality and absenteeism. It recommended that Central Government should have its own arrangements for medical care for its employees. It recognised 'family' as the basic unit of medical care, and enlarged the definition to include dependent parents, minor brothers and sisters. The Commission recommended a major change in the form of contributory system of medical aid, as was then available only in Delhi, for all Central Government employees. The Third CPC stressed the need to improve facilities provided under the Central Government Health Scheme, in the face of shortages of medical staff, equipment, drugs, etc. and general congestion in Hospitals. It recommended the Scheme to be vigorously extended to uncovered cities and towns on priority basis. It introduced the system of purchase of medicines only from Fair Price Shops and Co-operative stores run by Central or State Governments or Local Bodies to prevent abuse of the system of reimbursement. It also toyed with the idea of introducing a fixed medical allowance and group medical insurance but did not consider it feasible. A recommendation on compulsory regular medical checkups for Central Government employees covered by the CGHS, was probably the first organised step towards preventive health care. The Fourth CPC raised the rates of contribution under CGHS and suggested that the feasibility and modalities of an insurance scheme for Government employees in lieu of the Medical Reimbursement Scheme may be considered by Government. It also suggested a fixed monthly medical allowance or lumpsum grant for OPD purposes. The Standing Committee of Parliament for the Ministry of Human Resource Development examined the working of CGHS, and submitted its report in August, 1995. It made a number of valuable suggestions to ameliorate the conditions of the beneficiaries of the scheme and make its functioning more effective and efficient. Suggestions for improving the health delivery system were also received by us from IIPA through a consultancy study on the "Restructuring of Medical Services".

Demands in Memoranda 114.5 Demands received in the Commission are wide-ranging extending from disbanding CGHS and permitting free choice of private medical treatment, on full reimbursement basis, to expanding CGHS and solving the endemic

problems of logistics, overcrowding, timings and availability of medicines, equipment and staff. Demands have also been made for removing the difficulties in the system of medical reimbursements like recognition of private medical practitioners and hospitals, types of health benefits to be covered, the system of advances, payments and recoveries, medical insurance, medical allowance for outpatient treatment, domiciliary medical attention, specialist treatment and hospitalisation.

Landmark Court Judgements

114.6 Two other developments have also taken place since the last CPC's report, necessitating a fresh look at medical facilities available to Central Government employees. The enjoyment of the highest attainable standard of health is recognised as a fundamental right of all workers in terms of Article 21, read with Articles 39(c), 41, 43, 48A and all related articles, as pronounced by the Supreme Court in *Consumer Education and Research Centre and others vs. Union of India* (AIR 1995 Supreme Court 922). The Supreme Court has held that 'the right to health to a worker is an integral facet of meaningful right to life to have not only a meaningful existence but also robust health and vigour ... therefore, right to health, medical aid to protect the health and vigour of a worker while in service or post retirement is a fundamental right ... to make the life of the workman meaningful and purposeful with dignity of person'. In another landmark judgement, the Supreme Court has made providers of medical facilities also subject to the Consumer Protection Act, in *Indian Medical Association vs. V.P. Shantha and others* (1995(6) SCC 651).

WORKSHOP ON MEDICAL FACILITIES

Participation at the Workshop

114.7 Keeping in view the emerging scenario described above, the landmark judicial pronouncements, and the demands made in memoranda, a workshop on medical facilities for Central Government employees and pensioners, entitled "Total Health Care", was organised on 12th January, 1996, in the Commission's office. Participants at the workshop included representatives of the Ministries of Health & Family Welfare, Railways, Posts, Telecom as also the Armed Forces, Insurance Division of the Ministry of Finance, Postal Life Insurance, Employees' State Insurance Corporation and chief executives of major national insurance Companies. Representatives of Doctors' associations, JCM and pensioners, as also legal, consultant and administrative experts on the subject assisted in providing a sharp focus on the issues raised. The composition was consciously kept wide enough to obtain views and suggestions from all possible sections. Secretary (Health) and the Director General Health services were particularly invited to respond to the discussions.

Issues raised and discussed

114.8 The workshop deliberated on the inadequacies in the existing system of health care as also various demands made in memoranda on the subject. A special session was devoted to the concept of medical insurance as an alternative to medical reimbursement particularly for specialist treatment of serious illnesses and hospitalisation. During this session the Insurance Companies jointly, and the Postal Life Insurance, on behalf of the Department of Posts, presented papers on their potential schemes of Medical Insurance cover for Central Government employees.

114.9 Strong views were expressed for the continuance, extension, expansion and strengthening of CGHS. Suggestions were also made for financial health of medical aid schemes, particularly employers' contributions, as for the Employees' State Insurance Corporation. Representatives of Pensioners pointed out the extreme hardships faced by those residing in areas so far totally uncovered by any health care schemes, stressing greater requirements of medical facilities for this category. A consensus also emerged at the workshop on the need for further examination of the scheme presented by the **Postal Life Insurance** and the Insurance Companies. We have kept in mind the suggestions made at the workshop, while formulating our recommendations on the subject.

RECOMMENDATIONS FOR STRATEGIC CHANGE

Rationale

114.10 Our recommendations on the subject of Medical facilities have particularly concentrated on the CGHS and the scheme for medical reimbursement under the CS (MA) Rules. Wherever demands on the content of particular schemes of the organised sector have been raised, these have specifically been addressed. Recommendations relating to the issues on medical facilities for pensioners have been made separately in the relevant chapter.

*Total Health
Care*

114.11 The object of the existing schemes is largely curative in nature. Recognising the need for effecting savings in wasteful expenditure on this account, as also providing universal and equitable medical facilities, we feel that the focus must shift to **Total Health Care** within the existing constraints and financial resources at the disposal of the Government.

CENTRAL GOVERNMENT HEALTH SCHEME

*Continuance of
CGHS*

114.12 The CGHS provides out-patient and domiciliary health care in the form of diagnosis, tests and treatment. The scheme also covers treatment under Indian Systems of Medicine and Homoeopathy, wherein only Ayurvedic treatment caters to outpatient, domiciliary as well as hospital care. For hospitalisation and specialist treatment, a referral system has been devised to refer patients to Government hospitals and recognised private hospitals. The demands for its disbanding, or alternatively permitting Government servants to opt out of the scheme in favour of a greater freedom of choice, emanate from a feeling of dissatisfaction with the existing arrangements, as they are unable to live up to the expectations of beneficiaries. The problems faced by the CGHS beneficiaries are those of timing, overcrowding, non-availability of medicines, diagnostic and testing facilities, and cleanliness. We observe that CGHS was conceived to provide comprehensive medical facilities to Central Government employees and pensioners to replace the cumbersome and expensive system of reimbursement. Over the years the scheme has expanded both in coverage and scope. These problems may appear to be endemic, but are not insurmountable. Demands have also been made for expansion of CGHS to hitherto uncovered cities, as also extension to some excluded categories. The administrative Ministry has stated that every day a number of requests are received for extending the coverage of CGHS. We recommend that the CGHS facility should not only continue but be expanded.

*Expansion of
CGHS*

114.13

The CGHS presently exists in 21 cities covering about 8.94 lakhs employees and their dependents, i.e. about 17% of the total number of employees. In addition, an allopathic dispensary each in Bhubaneswar and Ranchi is functioning exclusively for the Accountant General's employees. Proposals for opening of CGHS dispensaries at Trivandrum and Guwahati have recently been approved. The Ministry also has under consideration upgrading the dispensaries at Bhubaneswar and Ranchi. Norms require that any city employing 7,500 or more Central Government employees is eligible for the opening of a CGHS dispensary, subject to availability of funds. The main impediments to rapid expansion are lack of concentration of employees and pensioners, and shortage of manpower, equipment, accommodation and funds. **The Ministry of Health & Family Welfare should prepare a perspective plan for the next 10 years and based on that provide funds for strengthening CGHS and its expansion to new cities. The Ministry of Finance should place adequate funds at the disposal of Ministry of Health and Family Welfare for the purpose.** As regards problems of manpower, equipment and funds, **Government may consider pooling all Authorised Medical Attendants (AMAs) of Central Government Departments at a station into a single CGHS Health Agency** for providing CGHS facilities for limited hours in a day, till regular dispensaries can be opened. This would not involve additional expenditure at new locations, as the same retainership mechanism would work as exists for the AMAs. Since AMAs are appointed by different Departments, the Central Standing Welfare Co-ordination Committees could play an effective role in making the pooling arrangements and providing accommodation for the purpose. Such Health Agency stations can be identified as priority locations in the 10-year perspective plan for opening new full-fledged dispensaries as constraints, financial and otherwise, are overcome.

*Extension of
CGHS to
excluded
categories*

114.14

While employees and pensioners of the Railways, armed forces and industrial employees covered by the ESI are specifically excluded, on account exclusive arrangements for them, we find that civilian Defence employees in Mumbai are neither covered by the CGHS nor the Armed Forces' medical facilities, and they have to fall back on the CS (MA) Rules for medical cover. Employees of Delhi Administration have also demanded coverage under the CGHS. **We recommend that civilian Defence employees in Mumbai, may be covered by the CGHS.** The Ministry of Health and Family Welfare have pointed out that CGHS in Delhi is already overstretched in terms of number of beneficiaries. There are also serious complaints of overcrowding. The Delhi Administration, with its 1.29 lakh employees has a well organised system of clinics, dispensaries and leading private referral institutions. We, therefore, do not consider it necessary to cover employees of Delhi Administration under the CGHS.

*Limit of
dependence*

147.15

CGHS also covers family members and certain dependants in its scheme, provided they are ordinarily residing with the card-holder and having a monthly income of Rs.500 or less. Demands have been made that the limit should be raised, as the present limits have become meaningless when compared to rise in health care costs. The Fourth CPC had raised the limits from Rs.350 per month to the present figure. The Ministry of Finance has advised that the DA sanctioned after December, 1985, takes care of price rise, and hence further revision of the monetary ceiling is not justified. Considering the phenomenal rise in health care costs, and our recommendations on pay-scales and pensions, we **recommend that**

the limit for defining dependency may be raised from the existing Rs.500 per month to Rs.1500 per month.

CGHS
Contributions

114.16 No Central Government employee paid from civil estimates and having HQ in cities covered by the Scheme can opt out of the scheme. Permission to opt out of the scheme has been demanded by some on account of dissatisfaction. CHS Doctors, in particular, have demanded exemption from paying contributions on the grounds that many organisations offer their "products" as free fringe benefits to their employees. Employees in general have demanded exemption and have argued that the CGHS is the only contributory scheme whereas other schemes are not contributory. A section of the demands also seeks exemption of medical contributions from taxable income on the analogy of contributions to medical insurance. We do not find any justification for exempting any category of employees from making contributions. We also observe that expenditure on health care for CGHS beneficiaries has been rising, but contributions have not kept pace with it. Health care schemes are not being strengthened or expanded for want of funds. The Second CPC had recommended that medical care schemes should be contributory for all Central Government employees, and the Third CPC also indicated a strong case for raising contributions. The Fourth CPC raised the contributions keeping in mind the differences between per capita per annum contribution and expenditure under CGHS. The rates of contribution worked out as a percentage of basic pay at the lowest and highest end of slabs is at Annexe 114.2. The present rates of contribution add up to about Rs.3.27 crores annually. **We recommend that ALL medical facilities be made contributory in nature, including those which are presently non-contributory.** However, where such facilities are not available and the employees have to take recourse to the provisions of CS (MA) Rules, no contribution should be charged from them. Just as medical insurance premia are exempt from income tax, **we recommend that contributions paid towards medical facilities by Central Government employees, may be treated as deductible from total income for purposes of Income Tax.** We also feel that CGHS contributions need to be raised in order to bridge the rising gap in health care expenditure and contributions, to some extent. A summary of the trend of expenditure and contributions since the Last CPC may be seen at Annexe 114.3. Accordingly, **we recommend the following rates of contributions against the pay slabs given in the table below.** Ministry of Health may also consider extending the scheme of one life-time contribution, available to pensioners, to service employees as well.

<u>PAY RANGE (Rs PER MONTH)</u>	<u>CONTRIBUTION (Rs PER MONTH)</u>
Upto Rs.3000	Rs. 15/-
Rs.3001-6000	Rs. 40/-
Rs.6001-10000	Rs. 70/-
Rs.10000-15000	Rs.100/-
Rs.15001 and above	Rs.150/-

All the Ministries may also contribute an amount equal to the employees' contribution to the provider Ministry and the revenue collected be held as corpus of funds for expanding medical facilities.

114.17 We have already mentioned that the problems facing the CGHS are not insurmountable. The Parliamentary Standing Committee of the Ministry of Human Resource Development, observed the poor state of maintenance and lack of supervision, and suggested that the Dispensaries should be strengthened and expanded. The Consultancy study by IIPA has also advised that though the CGHS suffers from inefficiency, negligence and mismanagement, the system's logic does not actually bear these defects. Instead of replacing the whole system, it makes a lot more sense to rectify and restructure it so that it may run efficiently. A similar view has been expressed by a 1993 study of the National Council for Applied Economic Research. According to the report the priorities of improving the situation are expansion of health facilities, acquiring more diagnostic equipment and facilities, increasing medicine supply, and removing congestion. The Workshop also discussed the issues of cleanliness and inconvenience of timings and a desire to revert to the earlier two-shift system. The issues require a multi-pronged attack. Shortages of manpower are difficult to overcome as no new posts are created. Resort has, therefore, to be made to upgrading equipment and making all available equipment functional increasing space in available accommodation and dispersing excessively loaded dispensaries. Besides, obtaining support services like testing, injections, etc. on contract from open market wherever necessary, and promoting preventive measures to counter the pressure on curative arrangements also need to be tried out.

114.18 To begin with, **maintenance and cleanliness in dispensaries should be awarded to private contractors** and in-house appointment of Safai Karmacharies and other related staff should be gradually discontinued. Officials supervising cleanliness can also be dispensed with and Chief Medical Officers in dispensaries can be delegated powers to keep a watch and organise such contracts.

114.19 Government employees have to absent themselves from office or attend office late because of the need to consult a doctor in CGHS dispensaries. The timings have to be such as to allow such consultations mainly outside office hours, both in the morning and evening. **We, therefore, recommend split duty timings in the dispensaries.** Dispensaries should run in the mornings as well as evenings, as they used to in the past. The total duty hours of personnel should, however, remain fixed as six hours per day as at present. A split duty allowance may be given to the employees deployed on such split duties at the following rates:-

Executives	Rs.1000/- per month
Supervisory	Rs.500/- per month
Supporting Staff	Rs.300/- per month
Auxiliary Staff	Rs.200/- per month

As an alternative, Government may consider the introduction of double shift duty during the day in Dispensaries without making any addition to the existing staff. Dispensaries should run in the morning as well as in evening and the night duty may be discontinued. Facilities for emergency services during the night may be availed from the Government hospitals or such facilities may be developed in the poly-clinics. Government Dispensaries/Poly-Clinics as extensions of the Central Government hospitals. There should be constant rotation of the duties of the General Duty Medical Officers between hospitals and dispensaries for exposure to in-patient systems and processes.

*Equipment for
diagnosis and
testing*

114.20 For diagnostic and testing equipment, the Ministry should make an assessment of resources required for procurement and maintenance of equipment by carrying out a factual survey of available equipment, the extent of non-functionality and the estimated shortages, and arrive at a percentage which may be used for earmarking funds out of the budgeted expenditure for procurement and maintenance of equipment. **Resort can be made to private diagnostic facilities on authorization from CMOs of dispensaries, wherever necessary, to meet existing shortages.**

*Supply of
medicine*

114.21 Demands have been received for permission to purchase medicines from private suppliers, whenever medicines are not available in dispensaries, particularly those prescribed by specialists. The administrative Ministry has suggested permitting private purchase of medicines on reimbursement by the respective Ministries/Departments, based on a short-list of medicines and drugs to be supplied under the CGHS. We do not, however, agree with this suggestion for reasons of its openness to abuse, the existence of a large Medical Stores Organisation under the Ministry, and avoidable burden on other Ministries. Bulk purchase of medicines should be through Medical Stores Organisation, shortcomings in the quantity of medicine in the dispensaries should be looked into well in advance and the method of indenting should be streamlined. **Ministry should examine the bottlenecks in adequate and timely supply of medicines, and the possibility of distribution of medicine through private parties to improve the supply of medicine. Supply of medicine to patients suffering from chronic diseases should be at least for three months at a time. The method of keeping medicines in the dispensaries should be made more scientific by indexing and classifying the medicines.**

*Regular
Inspections*

114.22 The CGHS has a mechanism for regularly inspecting dispensaries, combined with a system of complaints and suggestions, and appointing Area Welfare Officers in consultation with the Ministry of Home Affairs. This system has, however, not been successful in throwing up the inadequacies or remedying complaints. A proper and effective reporting and reviewing system is an integral part of total health care for timely identification and rectification of inadequacies and infusing flexibility in the system of suggesting corrective measures ahead of break-downs. **Shortages of staff can be effectively met by Computer applications. The staff of DGHS can be reviewed and effectively brought to use for inspections, by taking the following steps:-**

- a) Inspection Teams can be formed comprising an officer of the DGHS, the CMO in-charge and the Area Welfare Officer, who will carry out full inspections at regular intervals;
- b) A pre-drafted questionnaire indicating all the areas requiring probe, including complaints and suggestions, should be permanently retained by the team as well as dispensaries for focussing on such areas;
- c) The team can carry out surprise visits to dispensaries with high complaint rate or problems, and be sufficiently empowered to take maximum possible remedial measures on the spot;

- d) The team will be responsible for upkeep of statistical and financial information on beneficiaries, medicines, equipments, facilities, staff and cleanliness, in the dispensaries allotted to it; and
- e) A cell of DGHS should monitor the regular conduct of inspections and compilation of statistical and financial information for policy decisions

MEDICAL REIMBURSEMENT SCHEME

Recognition of private RMPs

114.23 Since the time of the Second CPC Central Government employees covered by the Central Service (Medical Attendance)(CSMA) Rules have desired a greater freedom of choice of the health delivery outlets both for outpatient and domiciliary treatment as well as hospitalisation. This demand has been made again. The rules in question require only Authorised Medical Attendants (AMAs), appointed by heads of Departments, as the first point of medical contact. AMAs are appointed from among medical officers of the Central or State Governments and Union Territories. Private RMPs are appointed where adequate number of Government doctors are not available, particularly in remote areas. The existing arrangement is adequate.

Medical Allowance

114.24 We are in favour of a greater freedom of choice in obtaining medical aid and advice, where Central Government is unable to organise its own facilities for employees. Such a freedom, while aiming at development of employees within their own responsibilities, will reduce much of clerical work involved in medical reimbursement claims for day-to-day to need. For serious ailments and hospitalisations, however, we still do not see any justification for removal of restrictions. Accordingly, **we recommend that in areas presently covered by medical reimbursement scheme for outpatient purposes a medical allowance of Rs.100 per month per employee may be granted only for outpatient facilities, not provided by either CGHS or any departmental medical facilities.**

Hospitalisation under Medical Reimbursements

114.25 In the matter of hospitalisation under the CS (MA) Rules, demands have once again been made for greater freedom of choice by recognising more and more private hospitals, as also those recognised by State Governments and Public Sector Units, with adequate treatment facilities, particularly for serious illnesses. Some of the memoranda have sought the setting up of captive CGHS hospitals for employees as the existing hospitals are overcrowded and ill-equipped. The CGHS already has a system of polyclinics having facilities for testing, X-Ray, Specialists, etc. Government may consider establishing more such polyclinics. Serious ailments and hospitalisation being a costly affair, employees have demanded freedom from the burden of arranging the initial deposits to be made for obtaining treatment, as large sums of money are involved. Suggestions have been made for making reimbursements to hospitals and doctors directly through book adjustment, liberalising medical advances, full reimbursements subject to maximum ceiling limits and organising a system of Health Credit Cards

Recognising

114.26

The steps taken so far cover only CGHS areas. **The Ministry**

referral institutions may consider extending recognition to more and more referral institutions to remove regional imbalances. Wherever, CGHS Dispensaries or Health Agencies are opened, at least one referral hospital may be recognised. While recognising hospitals for referral purposes, one consideration should be that it is recognised by the State Government or by Central/State Public Sector Undertakings for medical facilities for its employees. Keeping in mind the inadequacies in the health delivery system for the public at large, as also the existence of CGHS wings in Government hospitals, we do not recommend separate hospitals for CGHS beneficiaries.

Ceilings on reimbursible expenditure 114.27 As regards ceilings on reimbursements, in cases of Government hospitals, there should not be any restrictions in reimbursement. In cases where reimbursement is for private referral hospitals then there may be restrictions regarding room entitlement but not for testing, treatment and medicines. In particular, the present ceilings imposed on reimbursement of expenditure on expensive treatment like open heart surgery, kidney transplant etc., should be removed forthwith in favour of full reimbursement of actual expenses incurred. Private hospital rates should be negotiated every year as is already being done by public sector undertakings and full reimbursement upto the approved rates should be allowed.

Medical advances 114.28 The demands for liberalising the system of medical advances are justified. Lengthy procedure for sanctioning medical advance should be cut short by liberalising medical advance rules. We recommend that instead of the existing 80% advance admissible under the rules 100% advance may be made mandatory within a short time limit to remove the hardship of the patient in meeting expenditure towards medical treatment particularly hospitalisation specialised treatment and prolonged illness. The payment of 90% advance may be made straight-away on receipt of the estimate. The remaining advance should also be paid within a period of one week after checking the bill/estimate. Instead of Head of the Department, Head of Office may be empowered to sanction such advance. The system should be evolved in such a way as to have a direct settlement of bills on pilot basis.

Health Credit Cards 114.29 The Maharashtra Government is considering a proposal of introduction of a system of "Health Credit Cards", for serious ailments, that the private recognised hospitals will honour at the time of admitting Government employees for treatment. The negotiations with the private hospitals are stated to be at an advanced stage. We recommend that a system of Health Credit Cards be introduced on a pilot basis with some selected private recognised hospitals, on the lines of the proposal in the Maharashtra Government, and if found successful may be extended to other areas and hospitals.

TOWARDS TOTAL HEALTH CARE

Preventive and Promotive measures 114.30 A look at the prohibitive present day health care costs points to areas that can check the rising phenomenon, administrative exigencies and dissatisfaction levels, considerably. Preventive and promotive aspects are effective low-cost "better-than-cure" measures. Immunisation, sanitation and health consciousness are necessary to effectively meet the pressures on the existing health delivery system. We recommend that the Ministry of Health & Family

Welfare, as well as the nodal organisations for medical facilities should take concrete steps in that direction in Central Government Ministries, Departments and their attached and subordinate offices, as long-term and on-going regular interaction. The following steps are suggested:-

- a) Basic health education;
- b) Encouragement of voluntary and regular medical check-ups;
- c) Preventive enforcement like safe drinking water, prohibition of smoking and more vigorous anti-AIDS campaigns, consciousness at all levels on health hazards, and
- d) Health fitness and longevity programmes.

*Compulsory
medical checkups*

114.31 Among the Central Government employees it would be reasonable to presume that greater health care and precautions are required beyond the age of 40 years, with lesser incidence from date of entry to Government service up to that age. Preventive health care also has a role to play here. It may put enormous pressure on health outlets to prescribe compulsory and regular medical checkups for all employees. **We recommend compulsory medical examination for all Central Government employees beyond the age of 40 years of age, once in 3 years at Government cost, with a requirement that such medical reports be placed alongside the year's Annual Confidential Reports. The compulsory checkup may also be prescribed for those employees of age below 40 years, if their absence on grounds of ill health exceeds 30 days on more than one occasion in a year. Also, employees contracting serious or chronic ailments like TB, Leprosy, Cancer, mental diseases, heart ailments, kidney ailments, etc. may be referred for compulsory annual medical checkup irrespective of age.**

*Health
Management
Information
System*

114.32 To further the objectives of total health care, it is necessary to develop a regular and effective reporting and reviewing system for a two-fold thrust - decision-making, flexibility in deciding health-benefit packages, timely identification of inadequacies in the delivery system, and overall financial and administrative reporting on its various aspects on the one hand and on the other to evolve an effective system of grievance redressal at the micro-level. In the proposals on CGHS, we have recommended an elaborate system of inspections towards this end. **We also recommend maintenance of a regular data-base for all medical facilities, beneficiaries, rules and regulations as a networked Management Information System.** The network will be of immense use in reporting bottlenecks and shortages, and information dissemination on various aspects of health care, including availability of facilities like accommodation, medicines, pathological, bacteriological and radiological tests, etc..

*Medical
Accountability*

114.33 Some memoranda to the Commission have demanded that all Central Government medical schemes should be brought under the Consumer Protection Act to check negligence on the part of Government doctors. The Consultancy study has also suggested the introduction of a system of medical accountability by creating a cadre of medical jurists in all the health services. The Supreme Court judgement cited in para 127.6 has already brought the medical profession within the ambit of the Act. Creating a separate and additional cadre or unit for medical accountability may not be feasible. Our recommendations on revitalising the information, complaints and suggestions and inspection system should suffice for the purpose.

MEDICAL INSURANCE

General background

114.34 Medical Insurance has been suggested by a number of associations and individuals in memoranda to the Commission for consideration as a viable alternative to the medical reimbursement mechanism in Central Government, particularly on the lines of the "Medi-care" scheme of the national Insurance companies. The Third CPC engaged the LIC for preparing a scheme but did not consider the proposal feasible because of the prohibitive costs. The Fourth CPC also considered the subject, but left it to Government to examine the feasibility and modalities of the scheme. We observe that there are over 4 lakh employees and an unspecified number of pensioners located in areas that are inadequately covered by any medical facilities. The CS (MA) Rules themselves leave it to various Ministries and Departments to administer the medical cover under rules framed by the Ministry of Health & Family Welfare. This mechanism itself generates work that need not be done in Government, when alternative means are available. The workshop generated a consensus that insurance could be considered as a supplement to the existing arrangements. Papers presented by the different Insurers preferred coverage only for hospitalisation leaving out-patient treatment outside its scope. At the workshop and during official discussions, Secretary (Health) expressed the view that in the changing economic situation, medical insurance should be given a chance as a new concept in Central Government medical care.

Recommendations on medical insurance

114.35 The papers on the subject of medical insurance presented at the Workshop on "Total Health Care" proposed tentative premia structures and a limited table of benefits. The proposal presented by **Postal Life Insurance (PLI)** at the Workshop was found to be considerably less expensive than the option presented by the Insurance Companies. This gives the PLI an edge. **We recommend that the Ministry of Health may formulate a suitable Medical Insurance Scheme in consultation with the Postal Life Insurance and other Insurance Companies for adoption as a viable alternative to hospital reimbursements.** Care may be taken that the proposed insurance scheme should not provide lesser benefits than those that are provided by the CS (MA) Rules in the matter of hospitalisation and specialist treatment. It should provide for full coverage of essential medical expenditure on in-patient treatment. Dental treatment should also be fully covered, but cosmetic treatments should be excluded. **The scheme may be initially extended to all Central Government employees and their families who presently fall within the purview of CS (MA) Rules.** The scheme of medical insurance will specifically exclude organisations having captive facilities for hospitalisation and in-patient treatment. In the long run such organisations may consider switching over to the medical insurance in replacement of their own facilities.

Review of the scheme

114.36 In comparison to reimbursement, insurance is expected to relieve Government establishment of the work of processing claims, revising norms, and keeping watch on expenditure, besides providing independence in the watch over misuse of the facilities and flexibility in augmenting health care delivery for employees. In case, at some later stage, Government finds that medical insurance is either more expensive compared to the present mechanism or provides less effective health and medical cover to employees and pensioners, the scheme may

be reviewed for any modifications that are desired.

Conclusion

114.37 Health is one of the important ingredients of the service conditions' structure that affects the effectiveness and efficiency of employees. It is essential that health care moves towards a system of universal, equitable and total availability. Besides being an important and necessary welfare measure, it is of mutual interest that employees enjoy a robust health, not only for efficiency and effectiveness in Government, but also for preventing costly and avoidable loss of man-days. We are convinced that the recommendations made in this chapter will not only help to move in the direction of total health care, but also that the extra costs incurred, if any, during the initial years, will be more than offset by the advantages it brings in the long run, with a favourable social cost-benefit balance.

**MEDICAL FACILITIES FOR CENTRAL GOVERNMENT EMPLOYEES
AS ON 31.3.94**

S.No.	Rules/Schemes of Medical Cover	No.of Employees	% of total
1.	All India Services (Medical Attendance) Rules, 1954		
	Indian Admn. Service -	5,336	
	Indian Police Service -	3,519	
	Indian Forest Service -	2,721	11,576 0.23
2.	Ordnance Factories	1,88,000	3.68
3.	Indian Railways	16,26,040	31.79
4.	P&T Dispensaries	3,47,987	6.80
5.	Central Police Organisations		
	National Security Guard -	7,485	
	Border Security Force -	1,71,735	
	CRPF -	1,58,693	
	ITBP -	29,504	
	CISF -	87,337	
	Assam Rifles -	52,504	5,07,258 9.92
6.	Armed Forces	11,69,152	22.86
7.	Central Government Health Scheme	8,94,455	17.09
8.	Central Service Medical Attendance Rules	3,90,575	7.63
TOTAL		51,14,588	100

CONTRIBUTIONS TO CENTRAL GOVERNMENT HEALTH SCHEME
(Figures in Rupees)

S.NO	GRADE OF PAY/ PENSION	RANGE#	RATE	% AT MIN.*	%ATMAX*
1.	Upto Rs.1200	825	5	0.67	0.42
2.	1201-1500	300	10	0.83	0.67
3.	1501-1800	300	15	1.00	0.83
4.	1801-2500	700	20	1.11	0.80
5.	2501-3200	700	25	1.00	0.78
6.	3201-4000	800	30	0.94	0.75
7.	4001-5000	1000	40	1.00	0.80
8.	5001 and above	4000	50	1.00	0.63

NOTES : # = Min-Max * = Rate - Grade of Pay/Pension

DETAILS OF BENEFICIARIES, EXPENDITURE OF THE CGHS

Year	No. of Cards	No. of B e n e - ficiaries	Average per card (3/2)	Annual Expendi- ture (Rs. in crores)	Average p e r benefi- ciary Expendi- ture (5/3)
1986-87	750599	3287260	4.4	37.16	Rs.113.04
1987-88	769818	3510018	4.6	43.42	Rs.123.71
1988-89	819494	3619290	4.4	55.20	Rs.152.52
1989-90	852876	3833397	4.5	57.29	Rs.149.45
1990-91	898035	3957730	4.4	70.47	Rs.178.06
1991-92	935381	4122763	4.4	80.59	Rs.195.48
1992-93	872272	3992854	4.6	88.58	Rs.221.83
1993-94	894455	4000528	4.5	118.87	Rs.297.14

Source: Base paper of Ministry of Health & Family Welfare

General Provident Fund

Objectives

115.1 The General Provident Fund Scheme for Central Government employees was launched in the year 1960 to serve the twin objectives of inculcating the habit of thrift among employees and providing some means to them in times of need. All government servants who have completed a year's service and all re-employed pensioners, other than those eligible for admission to a contributory provident fund scheme, are required to participate in and contribute to the Fund compulsorily. Temporary government servants also have an option to subscribe to the Fund even before they complete a year's service. Provisions governing the rates of subscription to the Fund, enhancement of subscription, refundable advances and non-refundable withdrawals from the Fund for the specified purposes, final payment of accumulations and other related matters are contained in the General Provident Fund (Central Services) Rules, 1960 and orders issued by Government thereunder. These provisions have been liberalised from time to time.

Participation in the Fund and Rates of subscription

115.2 There has been a widespread demand that participation in the Fund should be made optional. It has been argued in this context that (a) savings instruments and various other attractive schemes which yield substantially higher returns are now increasingly available; (b) there is a growing tendency among employees to resort to frequent withdrawals from the Fund; and (c) the accretions to the Fund are, in any case, not very significant. On the other hand certain sections of employees have urged that the minimum monthly subscription to the Fund should be enhanced from 6 per cent of the emoluments to 10 per cent and that the present restriction on the maximum subscription not exceeding the total monthly emoluments of an employee should be removed.

115.3 On consideration of a similar demand, the Fourth CPC was not in favour of either discontinuing the scheme or making it optional because the Fund provided relief to employees in time of genuine need while in service by permitting withdrawals not available to the same extent from the Public Provident Fund maintained by post offices and nationalised banks. It had also noted that, frequent withdrawals by employees notwithstanding, there had been net accretions ranging from Rs 24 crores in 1979-80 to Rs 150 crores in 1983-84. The observations of the Fourth CPC on this question are valid even today. The net accretions to the

Fund have also increased substantially since 1983-84 and ranged between Rs.590 crores in 1990-91 and Rs.954 crores in 1993-94 improving thereby government's ways and means position. Besides, the Fund serves a useful purpose and ensures availability of a substantial amount to the employees on superannuation, which might otherwise be frittered away. Should participation in the scheme be made optional, the State Governments would also be compelled to follow suit though they can ill afford to do so, given the severe constraints of resources. **Having regard to all the relevant factors, we are of the considered view that it would be desirable to maintain the status quo.**

Minimum subscription

115.4 The rate of minimum subscription to the Fund having remained constant during the last two decades, a review would perhaps be justified. However, the monthly subscription even at the present rate of 6 per cent of emoluments (which include pay, leave salary and any other remuneration in the nature of pay but exclude dearness allowance) would increase significantly following the introduction of the revised scales of pay recommended by us and the merger of the dearness allowance therein. Our other recommendations on the establishment of Pension and Housing Funds would also require monthly contributions from the employees involving a recurring additional commitment. **In the circumstances, we would not recommend any change in the minimum subscription.**

Removal of restriction on subscription

115.5 We, however, recognize that there may be occasions when employees may desire to subscribe larger amounts to the Fund in order either to reduce their tax liability or to increase their savings. Though they do have an option to contribute more than the minimum to the Fund and to vary the rate of subscription, the present restriction on the maximum monthly subscription often proves to be an inhibiting factor. There may consequently be some justification to give greater freedom to the employees to contribute larger sums to their provident fund provided the liability on this account is met entirely from their salaries. **We, therefore, recommend that for the purpose of determining the maximum monthly subscription, dearness allowance may also be included in the definition of emoluments and the maximum subscription be restricted to the pay, leave salary and any other remuneration which is in the nature of pay plus dearness allowance.**

Rate of Interest

115.6 Employees' subscription to the Fund earns interest at rates declared by government annually. The present rate, in force since 1986-87, is 12 per cent per annum. Large sections of employees have demanded upward revision of the rate of interest on subscriptions so as to place it at par with the interest paid on their long-term deposit schemes by the Unit Trust of India, mutual funds, and so on. Some have suggested that this should be between 15 and 20 per cent. We have been informed by the Finance Ministry that the prevailing rates of interest on savings bank accounts, bank deposits, etc. are kept in view in determining the rates of interest. According to them, the present rate is quite reasonable having regard to the other benefits, such as rebate in income tax on subscriptions, exemption of interest from tax, admissibility of interest-free advances from the Fund, protection against court attachments, free insurance cover, etc. that are available to subscribers. In our view, it may not be appropriate to draw comparisons with the returns on investments in Units, mutual funds, etc. Considering, however, the fact that the rate of interest has remained static since 1986-87 and that banks and financial institutions have now been given flexibility in determining the rates of

interest which are not necessarily uniform, there would appear to be a case for increasing this to at least 13 per cent. We recommend accordingly

*Advances and
withdrawals*

115.7 It has been urged that the conditions governing advances and withdrawals from the Fund as well as recovery of advances should be further liberalised. We find that there is a general tendency particularly among employees in Groups 'C' and 'D' to frequently apply for advances from their provident fund accounts. Often, these are treated as savings bank accounts, defeating the very purpose of what is essentially a social security measure. Besides, Government themselves have periodically liberalised the relevant provisions and even as recently as December, 1995 the rules have been amended to enable withdrawals for the purchase of consumer durables. The minimum period of service that one is required to complete so as to be eligible to make non-refundable withdrawals from the Fund has also been reduced from 20 to 15 years. The existing provisions relating to recovery of advances are also considered to be adequate. **Any further liberalisation may not be necessary in the circumstances. In fact, in order to reduce the administrative and accounting work involved in processing a large number of frequent requests for refundable advances, we would recommend that advances from the Fund should not be permitted on more than two occasions in a financial year.**

115.8 We, however, find that the rules presently permit non-refundable withdrawals to meet expenses on the higher education of subscribers' children in specified technical and professional courses only on a single occasion, though the courses last for more than one academic year, involving substantial expenditure on annual fees. **Considering the high cost of professional education, we recommend that this restriction be removed and non-refundable withdrawals on this account permitted annually so long as the concerned child continues to pursue the technical or professional course.**

*Revival of
Incentive Scheme*

115.9 With a view to motivating employees to maintain the accumulations in their provident fund accounts intact till superannuation, a scheme for payment, as an incentive, of an additional interest of one per cent to those employees who did not withdraw any sums from their accounts during the preceding three years was introduced in April, 1975. This was, however, discontinued from the financial year 1986-87 following the upward revision of the rate of interest from 10.5 to 12 per cent per annum. We have been informed by the Department of Pension and Pensioners' Welfare that a proposal for reintroduction of the scheme was considered recently, but was not agreed to because of differing views expressed on the subject in inter-ministerial discussions. We do not find any preponderant reasons which would militate against revival of the incentive scheme. On the contrary, this could conceivably curb the tendency of employees to make frequent withdrawals from the Fund, besides improving government's ways and means position. **In view of the definite advantages which would accrue to the government as well as the employees, we are inclined to accept the demand for revival of the incentive scheme.**

*Top-up-linked
Insurance Scheme*

115.10 Government have also introduced an insurance scheme for employees linked to the deposits in their provident fund accounts. Under the scheme, on the death of a subscriber who has rendered not less than five years' service, the person entitled to receive the accumulations in the provident fund account of the deceased is eligible to receive an additional amount equal to the

average balance in the account during the three-year period immediately preceding the subscriber's death, subject to an overall ceiling of Rs.30,000. This is, however, subject to the condition that the balance at the credit of the subscriber shall not have fallen during this period below the amounts prescribed in this regard, which range from Rs.3,000 to Rs.12,000 depending upon the employee's scale of pay during the greater part of the three-year period. It has been suggested that, instead of restricting the additional amount payable to the nominee(s) of a deceased subscriber under the Deposit-linked Insurance Scheme to the average balance in the account during the preceding three years, a sum of Rs.50,000 or Rs. 1 lakh should be paid uniformly to all subscribers irrespective of their status or scale of pay.

115.11 The maximum amount payable under the scheme was raised from Rs.10,000 to Rs.30,000 only with effect from January, 1989. It is also logical, in our view, to maintain a nexus between the sum assured under the scheme and the balance in the accounts of subscribers and uniformity in regard to the amount to be paid would not be justified. Having, however, due regard to the social security implications of this measure and to the revised pay structure recommended by us, **the maximum amount payable under the scheme may be enhanced from Rs.30,000 to Rs.1,00,000**, subject the condition that the balance at the credit of the subscriber shall not have fallen during the preceding three years below the following revised limits:-

- (a) **Rs.40,000 for a subscriber who had held a post in a scale of pay the maximum of which was Rs.12,000 or more during the greater part of the three-year period;**
- (b) **Rs.25,000 in the case of a subscriber who had held a post in a scale of pay the maximum of which was Rs.9,000 or more but less than Rs.12,000 for the greater part of the three-year period;**
- (c) **Rs.15,000 in the case of a subscriber who had held a post in a scale of pay the maximum of which was Rs.3,500 or more but less than Rs.9,000 for the greater part of the three-year period;**
- (d) **Rs.10,000 in the case of a subscriber who had held a post in a scale of pay the maximum of which was less than Rs.3,500 for the greater part of the three-year period.**

*Retention of
Accumulations
after
superannuation*

115.12 Yet another demand submitted to us is that employees should be permitted to retain their accumulations in the Fund with government for a period of two years even after their superannuation and paid normal interest on the amounts so retained. We are in agreement with the views expressed by the nodal ministry that acceptance of this demand would result in the final settlement of employees' provident fund dues remaining pending for a long period after retirement, leading to administrative problems. We are also of the view that no special advantage is likely to accrue to the employees in the context of the pronounced policy of government to settle expeditiously the terminal dues of superannuating employees as well as of the availability of other attractive investment options outside government. **We do not, therefore, recommend any change in the existing provision in the rules which permits retention of**

accumulations in the Fund for a period of up to six months, which we consider to be adequate

*Issue of Pass
Books*

115.13 The Third CPC had recommended the issue of Passbooks indicating the up-to-date status of the provident fund accounts of employees. Its implementation not having been satisfactory, the recommendation was also reiterated by the Fourth CPC, which was of the view that this measure would provide greater satisfaction to the subscribers. We, however, regret to observe that the issue of pass-books to subscribers has been confined only to personnel in Groups 'A' and 'D' and that too only in some of the ministries and departments even after the lapse of more than two decades. **We would, therefore, impress upon Government to ensure that the process of issue of pass-books to all Central Government employees is completed within a period of six months.**

Central Government Employees Group Insurance Scheme

Introduction

116.1 Based on the recommendations of the Third CPC, a compulsory group insurance scheme for Central Government employees was introduced in July, 1977. This was replaced by a new scheme w.e.f. January 1, 1982 with the objective of providing, at a low cost and on wholly contributory and self-financing basis, the twin benefits of insurance cover to the families in the event of the employees' death while in service and a lump sum payment on cessation of employment. The rates of subscription to the scheme vary, depending on the Group to which the employee belongs and have been revised periodically along with the benefits available under the scheme. The present rates are Rs.15, Rs.30, Rs.60 and Rs.120 per month for employees in Groups 'D', 'C', 'B' and 'A' respectively, and the corresponding insurance cover is Rs.15,000, Rs.30,000, Rs.60,000 and Rs.1.20 lakhs respectively. Subscriptions from employees are apportioned between two Funds - the Insurance Fund and the Savings Fund - in the ratio of 30:70 based on an average mortality rate of 3.60 per thousand.

Enhancement of subscription and Insurance Cover

116.2 A number of suggestions have been received by us that the rates of subscription and the insurance cover should be enhanced by varying amounts. Some have also urged that the insurance cover should be Rs.5 lakhs uniformly for all categories of employees, while a few others are of the view that the minimum cover for Group 'D' employees should be Rs.40,000. Other suggestions are that the rates of subscription should be based on the pay of employees and not on classification of posts as in the case of house rent allowance, travelling allowance, leave travel concession, etc., and that employees should have an option to subscribe to the scheme at rates higher than that prescribed, so as to be eligible for greater benefits.

116.3 We have been informed by the Department of Expenditure that the rates of subscription and insurance cover are based on average mortality rates, which range from 5 per thousand in the case of Group 'D' employees to 2 to 2.5 per thousand in respect of those in Group 'A' and 'B', and that an element of cross-

subsidisation is, therefore, one of the inherent features of the scheme. It has also been pointed out that if the subscriptions are based on the pay of the employees regardless of the posts held by them, the scheme would not be viable financially. Besides, acceptance of the suggestion to link the subscriptions with pay would be contrary to the basic concept and principles of a group insurance scheme. The paying capacity of different categories of employees will also have to be duly taken into account in determining the rates of subscription. **In the circumstances, we are of the view that the existing arrangements, which are logical and rational, may continue.**

Revised rates of subscription and insurance cover

116.4 The rates of subscription and insurance cover were last revised in January 1990 based on the recommendations of the Fourth CPC. Erosion, since then, in the real value of the rupee has been considerable. Improvements in the compensation package recommended by us would also enable employees to increase their subscription and receive higher benefits. There is, therefore, a case for a revision. In view, however, of the close relationship between the rates of subscription and the insurance cover, we do not find any merit in the suggestion that the cover should be uniform for all categories of employees. **Having regard to all the relevant factors, we recommend that employees classified as Auxiliary Staff, Supporting Staff, Supervisory Staff and Executives may be required to subscribe Rs.30, Rs.60, Rs.120 and Rs.240 per month respectively. As a result, the insurance cover may also be correspondingly enhanced to Rs.30,000, Rs.60,000, Rs.1.20 lakhs and Rs.2.40 lakhs.**

Option to subscribe at higher rates

116.5 The basic concept of a group insurance scheme is that employees contribute a fixed amount and receive a fixed sum as benefit. If employees are given an option to subscribe varying amounts of their choice, individual accounts would need to be maintained, involving additional expenditure on administration of the scheme, which would result in a reduction in the benefits. Practical and administrative difficulties are also likely to arise in the process. **We are, therefore, not in favour of providing an option to the employees to subscribe at higher rates.**

Apportionment between Savings and Insurance Funds

116.6 A large number of individual employees and associations representing them have urged that the accretions under the scheme in the form of subscriptions should be apportioned between the Savings and Insurance Funds in the revised ratio of 90:10. We have been informed by the Department of Expenditure that the present ratio of apportionment (70:30) between the two Funds was adopted with effect from January 1, 1988 following a decline in the mortality rate from 3.75 to 3.60 per thousand during 1982-84 and that this is being reviewed in consultation with the Insurance Division of the Ministry of Finance so as to relate it to more recent data on mortality rates.

116.7 Unfortunately, reliable and up-to-date data on mortality rates during the period subsequent to 1982-84 are not readily available. Various studies nevertheless reveal that life expectancy in the country, both at birth and at higher ages, has been generally on the increase. For instance, according to the statistics compiled by the Registrar General of India, whereas persons in the age group of 50-55 years were expected to live for a further average period of 20.4 years during the period 1970-75, this had increased to 22.7 years during the period 1986-90. Similar trends are also discernible in respect of persons in other age groups.

Improved medical and health facilities and the positive effects of health care have also led to a perceptible decline in mortality in most age groups. For instance, the mortality of persons in the age group of 45-49 years had declined from 9.5 per thousand in 1971 to 7.5 per thousand in 1992. Incidence of sickness per unit of population has also been more pronounced only in persons above the age of 60 years. Further, based on data relating to the period 1976-80, the World Bank had estimated an increase of two years per decade in life expectancy at birth. It had also estimated the life expectancy for men and women as 72 years and 74 years respectively. Based on the available statistics of life expectancy and mortality and improvements in health delivery systems, it would not be unreasonable for us to assume that life expectancy would rise further during the eighties and early nineties, with a corresponding decline in mortality rates.

*Our
recommendations*

116.8 In our opinion, there is a case for a detailed review of the current mortality rates with a view to revising the apportionment between the Savings and Insurance Funds. We realise that this would necessarily take some time. **In order to ensure the flow of increased benefits to the serving employees during the interim period - which should not be denied to them merely because of the non-availability of data on mortality rates - we would recommend that the ratio of apportionment between the Savings and Insurance Funds may be provisionally revised to 75:25. We would also like to emphasize that Government should devise an appropriate machinery for a periodical review of the mortality rates and adjustment of the apportionment ratio.**

*Parity with Army
Group Insurance
Scheme*

116.9 There is a separate group insurance scheme for Armed Forces personnel which is administered and managed by a registered society formed for the purpose and offers comparatively better benefits. For a monthly subscription of Rs.275 and Rs.100 respectively by Officers and Personnel Below Officer Rank, the insurance cover available, in addition to the maturity benefit at the time of discharge or retirement is Rs.3.85 lakhs and Rs.1.65 lakhs respectively. Besides, a disability benefit is also paid, based on the extent of disability, in cases of release on medical grounds. On payment of the prescribed lump sum amount (Rs.6,900 by Officers and Rs.3,500 by Personnel Below Officer Rank) and a monthly premium (Rs.6.05 for Officers and Rs.3.58 for Personnel Below Officer Rank), the scheme also enables eligible personnel to become members of an extended insurance scheme which provides life insurance cover for a period of up to 20 years after retirement or 70 years of age, whichever is earlier. The scheme being considerably more attractive, it has been urged that the present Central Government Employees' Group Insurance Scheme should be replaced by a scheme similar to that applicable to Armed Forces personnel. Extension under the scheme of the disability benefit to those civilian employees who are boarded out of service with a disability of 20 per cent or more due to reasons which may or may not be attributable to their service has also been demanded.

116.10 On a detailed examination of these demands, we find that the benefits under the Army Group Insurance Scheme are better because of the higher yields and returns obtained by investment of the accretions to the Fund outside government account, which are passed on to the beneficiaries. On the other hand, accretions to the civilian scheme are retained in the Public Account and utilized towards improving the ways and means position of Government. The Department of Expenditure is, however, averse to the idea of entrusting the administration of the scheme to an outside agency on the ground that (a) the expenditure incurred on

administration of the scheme would reduce overall benefits; (b) some contribution will have to be made by the government if the benefits accruing from the scheme are to be maintained at current levels without any increase in the rates of subscription and the scheme will consequently cease to be a self-financing one; and (c) accretions under the scheme are presently utilized for house building advances and extension of loans to the Housing and Urban Development Corporation for construction of low-cost dwelling units for Central Government employees and their transfer to an external agency would affect adversely the resources available for the purpose, which would instead be utilized by the external agency for investment for profit.

116.11 The Department's apprehension that the expenditure incurred on administration of the scheme by an external agency would reduce the overall benefits would not appear to be well-founded because the registered society responsible for administering the Army Group Insurance Fund is able to do so and distribute substantially higher death and survival benefits even after meeting all costs on its own without any financial support from government or any other organisation. As regards the likely adverse impact on the availability of resources for housing, in the chapter on "Housing Facilities", we have suggested certain measures for substantially augmenting the resources for housing loans. Other innovative methods of financing could also be considered in the liberalised economic environment.

*Our
recommendations*

116.12 The problems are, therefore, not entirely insurmountable. Considering the fact that the insurance scheme is financed entirely by employees' contributions, **we are of the firm view that it should be operated outside the Public Account and its administration and management entrusted to a trust or similar autonomous body, which could ensure better returns to the employees by judicious investment of the accretions. We recommend accordingly.** Such a course of action would also be appropriate in the present climate of economic liberalisation and in conformity with our objective of redefining government's role in certain specified spheres. **In any event, even if such a course of action is not considered feasible for valid and inescapable reasons, which should be clearly spelt out, Government should ensure that the beneficiaries of the scheme are extended the same benefits, including the disability benefit, as are admissible to those covered under the Army Group Insurance Scheme.**

Leave Entitlement

INTRODUCTION

*Rules governing
leave entitlements*

117.1 Different sets of rules govern the leave entitlement of different sections of government employees. Central Civil Services (Leave) Rules, 1972, govern all matters of leave of Central Government employees other than those employed in industrial establishments. Members of the All India Services are covered by the All India Services (Leave) Rules, 1955. Provisions relating to leave are similar for personnel of All India Services as well as non-industrial Central Government employees and our recommendations in this chapter shall be equally applicable to both these categories. We have separately dealt with leave entitlements of the industrial employees of the Central Government.

EARNED LEAVE

*Quantum of
annual earned
leave*

117.2 Government employees are entitled to 30 days of earned leave every year. A demand has been made to increase the quantum of earned leave admissible annually. After taking into account weekends and other closed holidays, only 242 working days are at present effectively available in a year. For working 242 days in a year, a Government servant is entitled to 30 days of Earned Leave, 20 days of Half Pay Leave and 12 days Casual Leave, which represent more than 25% of the total working days. We also note that leave entitlements in the central government already compare quite favourably with those in some of the most developed countries in the world. **In view of the above, we do not favour any further increase in the quantum of earned leave.**

*Limit on
accumulation of
earned leave and
encashment
thereof*

117.3 The limit of accumulation of earned leave was increased from 180 days to 240 days, as per the recommendation of the Fourth CPC. The same limit applies for encashment of earned leave at the time of retirement. No encashment of earned leave while in service is allowed at present.

<i>Demand by JCM</i>	117.4	JCM has consistently been demanding further increase in the limit of accumulation of earned leave as well as allowing in-service encashment of earned leave. Most of the state governments have already allowed the facility of in-service encashment of earned leave to their serving employees. Even in the Central Government, the Board of arbitration in its Award dated 31-3-89 in CA reference No.3 of 1986 allowed encashment of earned leave while in service. However, the government did not accept this award because of its adverse impact on the national economy.
<i>Views of previous Pay Commissions</i>	117.5	The demand for in-service encashment of earned leave had been considered by earlier Pay Commissions also. The Second CPC rejected it on the ground that the entitlement to leave was not even remotely intended to serve as a means of supplementing an employee's earnings. The Third CPC considered the demand in detail after taking into account factors such as the extension of this benefit by various State Governments, the impact of such encashment combined with leave on efficiency, etc.. The Commission did not, however, recommend, like its predecessor, acceptance of the demand because it was not convinced of the rationale therefor. There was no mention of this demand in the report of the Fourth CPC.
<i>Our recommendations</i>	117.6	<p>The financial implications of allowing in-service encashment of earned leave would be rather high and the government may not be able to afford a recurring annual expenditure of such a large magnitude. It may not, therefore, be desirable to agree to the demand for annual encashment of earned leave. There may, however, be some justification for enhancement of the ceiling on accumulation of earned leave during one's career. There have also been persistent demands that employees should be paid a cash allowance to meet incidental expenses during travel on Leave Travel Concession. Considering all these demands together, we are of the view that encashment of leave during one's career should be linked to Leave Travel Concession, so that additional funds are available to the employees. Accordingly, we propose that:</p> <ol style="list-style-type: none"> (i) all employees may be permitted to encash 10 days earned leave at the time of availing of Leave Travel Concession, subject to the conditions that (a) the total leave so encashed during the entire service career does not exceed 60 days in the aggregate; (b) earned leave of at least an equivalent duration is also availed of simultaneously by the employee; (c) a balance of at least 30 days of earned leave is still available to the credit of the employee after taking into account the periods of encashment as well as leave; and (d) the period of leave encashed shall be deducted from the quantum of leave that can be normally encashed by him at the time of superannuation. (ii) simultaneously, the ceiling on the total earned leave that can be accumulated during one's career may be enhanced from the present 240 days to 300 days.
<i>Allowing travelling time to employees posted</i>	117.7	Presently, Central Government employees travelling outside their area of posting on earned leave are not allowed any travelling time, except in the case of employees serving in a few specified remote areas of Lakshadweep, A&N

in remote areas Islands, Sikkim and North Eastern region. Central Government employees have demanded grant of travel time as admissible to non-commissioned personnel of defence forces. We note that this facility has been extended strictly to specified categories of defence personnel having regard to their conditions of service, which require a majority to serve in non-family field areas, while their families live separately. On the other hand, a majority of the civilian employees, barring a few posted in remote areas of the country, are not subject to such disabilities. The demand, therefore, lacks adequate justification and can not be accepted as far as the generality of the Central Government employees are concerned.

Our recommendations 117.8 As far as government servants serving in specified remote areas of A&N Islands, Lakshadweep and Arunachal Pradesh are concerned, they are allowed travel time while spending their leave outside these UTs/State. In the case of government servants proceeding on leave from places of posting in North Eastern region, the period of travel in excess of two days from the station of posting to outside that region is treated as travel time. The same concession is admissible at the time of return from leave as well. There are, however, certain other remote areas to which this concession has not been extended, though civilian employees posted in these areas are subjected to similar hardships while proceeding on leave and spend considerable time on travel, resulting in a curtailment of the period actually spent on leave. Accordingly, we recommend to the government to initiate necessary steps for ensuring extension of this concession to all employees serving in such areas as are not easy of access, based on certain clearly-defined criteria.

Restricting number of EL which can be availed in one spell 117.9 Presently, the maximum amount of earned leave which can be availed of by government servants at one time is 180 days. We feel that such a long spell of earned leave is not needed ordinarily and is frequently misused for defying authority in case of transfer. We, therefore, propose to reduce the maximum number of days of earned leave that can be availed of at one time to 60 days.

Prescribing limit on time available for retrospective conversion of leave 117.10 As per the existing provisions, at the request of a government servant, the authority which granted his leave may convert it retrospectively into leave of a different kind which was due and admissible to him at the time the leave was granted, but the government servant cannot claim such conversion as a matter of right. The conversion of one kind of leave into another is subject to adjustment of the leave salary already paid on the basis of leave finally granted to the government servant. However, this conversion of leave cannot be done after the employee ceases to be in service. It has generally been observed that the provision in the rules permitting conversion retrospectively is open to a lot of abuse in actual application, especially at the time of retirement. It would, therefore, be desirable to prescribe an appropriate time limit within which one kind of leave can be converted into another, instead of leaving it open-ended as at present. We recommend that any conversion may be permitted only if it is applied for within a period of 30 days from the expiry of the spell of leave actually availed of by an employee. No discretion should be allowed to the leave sanctioning authorities in this regard.

Earned leave in vacation departments 117.11 Central Government employees serving in vacation departments are entitled to ten days' earned leave annually. Personnel working in these departments have demanded parity with other Central Government employees in

leave matters. We are unable to concede this demand as these employees already enjoy the advantages of vacation departments. However, the scheme of in-service encashment of earned leave along with LTC as recommended for other Central Government employees should be extended to them.

HALF PAY LEAVE

*Rules governing
half pay leave*

117.12 Central Government employees are entitled to half pay leave of 10 days in respect of each completed half-year of service. There is no upper ceiling on accumulation of HPL. The commuted leave and leave not due granted to a government servant are debited against the half-pay leave. Female government servants can also avail themselves of this leave in continuation of maternity leave in order to look after their child for an adequate period. Many associations have demanded merger of this leave with earned leave. However, we are of the view that half-pay leave serves a definite purpose and its abolition or merger with earned leave would create hardships in genuine cases of medical disorders, to mothers of new born babies, etc. **Hence we propose no change in the present structure of half-pay leave.**

*Encashment of
half pay leave*

117.13 At present encashment of HPL is allowed to government servants on superannuation, subject to the condition that the amount of pension and pension equivalent of gratuity is deducted from the amount payable as cash equivalent. We observe that no real financial benefit occurs to the retiring government servant on account of this encashment because of the deductions effected therefrom. **Accordingly, we propose to abolish the present encashment formula of half pay leave and, instead, permit Central Government employees to encash their accumulated half-pay leave at the time of their retirement to the extent of the shortfall, if any, in the maximum earned leave that can be encashed by them.** This will ensure that an employee is compensated to a certain extent in respect of the half-pay leave earned and accumulated by him.

Commuted leave

117.14 Presently, commuted leave not exceeding half the amount of half-pay leave due can be granted to a government employee on production of a medical certificate. Medical certificate is not necessary for commuted leave in continuity of maternity leave and female government servants are also allowed this leave up to a period of 60 days without medical certificate in cases of adoption of a child. It has been observed that medical leave is often used by many employees to absent themselves without due cause to escape a strict officer, thereby subverting the prescribed procedure of getting their leave sanctioned. This undesirable tendency can be curbed only by making the procedures for availing of commuted leave more stringent. **Accordingly, we propose that medical leave for all categories of government employees should be sanctioned only on the production of medical/fitness certificate from either a doctor in a CGHS dispensary or an Authorised Medical Attendant in places where CGHS dispensaries are not available.**

MATERNITY LEAVE

*Enhancing the
quantum of*

117.15 Presently maternity leave of 90 days twice in the entire career is available to women employees having less than 2 children. A demand has been

maternity leave

widely made to increase the period of maternity leave to six months on the pattern of some State Governments like Kerala and Haryana. At present, apart from the Central Government, maternity leave of 90 days is available to women employees working in PSUs, educational institutions and hospitals and leave of 80 days is allowed to those in the private sector. It may also be pertinent to note that in a study recently sponsored by the National Commission for Women on "Working Women and Their Family Perspectives", grant of six months' maternity leave twice in a career to working women has been recommended on the ground that this would facilitate working mothers to breast-feed their children for the first six months that are considered crucial for a child's growth. Certain other scientific studies have also shown that breast-feeding the child is preferable to artificial "baby food". While these findings can not be denied and the long-term aim should be to increase the maternity leave to 180 days twice in the entire career of women employees having less than 2 children, it may be difficult to implement this at once. Already there is a clear gender bias against female employees in the government hierarchy which is dominated by male officers. This bias is likely to be accentuated further if the quantum of maternity leave is doubled at one go. **Accordingly, we recommend that the quantum of maternity leave may be enhanced from the present to a total of 135 days, to be availed of twice in the entire career by those having less than 2 children.**

Paternity leave

117.16 We have also received demands seeking paternity leave of 15 days for male employees. No such leave exists at present. However, in the past, paternity leave was not necessary because the joint family norm was being followed in most of the families where the presence of the husband at the time of child-birth was not critical. With the onset of urbanisation, the nuclear family norm has become dominant and couples have to depend on each other much more for their needs. Today the presence of a husband near his wife at the time of child-birth has become crucial. While the male government employee can theoretically avail of earned leave to be with his wife at the time of child-birth, such leave may, at times, be refused on grounds of exigency of work. **We, therefore, recommend that paternity leave of 15 days may be given to the male employees during the confinement of their wives provided the government servant has less than 2 children. This paternity leave being linked to confinement should normally not be refused under any circumstances.**

*Limiting
maternity leave
available for
miscarriage,
abortion etc.*

117.17 Under the rules, maternity leave not exceeding 45 days may be granted to a female government servant in case of miscarriage, including abortion, on production of a medical certificate from a registered medical practitioner or authorised medical attendant, as the case may be. Although there is no restriction on the number of occasions on which such leave may be granted, we have received demands for removing the overall ceiling prescribed. We note that this facility is open to misuse. Also, as per the provisions of the MTP Act, abortion is not a method of contraception but a health measure. Therefore, there is a need to place a restriction on the total availability of leave for this purpose. This is also in the interest of the health of the female government servant as she would go in for preventive measures rather than resorting to abortion. **In the light of all these considerations, we feel that the amount of such leave which a female government servant can take in her entire career should be restricted to an overall ceiling. This may continue to be 45 days as at present.**

OTHER KINDS OF LEAVE

*Extra ordinary
leave for
employment
outside the
government*

117.18 We have received numerous demands requesting grant of long spells of extraordinary leave for purposes of accepting employment outside the Government. At present, under rule 15 of the CCS(Conduct) Rules, except with the previous sanction of the Government, no Government servant is allowed to undertake any other employment. We are of the view that allowing extraordinary leave to executives and R&D professionals may prove beneficial because they would be able to gain better experience and knowledge by working in public and private sector enterprises for short durations. Long leave for employment abroad has already been permitted by the Government of Keraia. Accordingly, we propose that executives and R&D professionals should be allowed extraordinary leave to enable them to accept employment outside the Government both within the country and abroad. The period of such leave should, however, be restricted to only two years and granted on the explicit understanding that the employee concerned would decide during this period whether he wishes to revert to his Government job or to continue in his outside employment. In case he exercises the latter option or does not exercise any option at all, his lien on the Government post would stand terminated after two years.

*Limiting the
quantum of extra
ordinary leave*

117.19 At present, there is no limit on the quantum of 'Extraordinary Leave' which may be availed of by a permanent or quasi-permanent Government servant, but he cannot ordinarily be granted leave of any kind for a continuous period exceeding 5 years. It is noteworthy that no ceiling on the total leave that a Government employee can avail himself of in his entire career has been prescribed. There is a tendency on the part of some officials to proceed on long leave. While there can be some justification for going on long leave in exceptional cases, a limit has to be placed on the period of such leave. Accordingly, we propose that no Government servant should be granted leave of any kind for a continuous period exceeding 3 years. Ordinarily, the total quantum of extraordinary leave in the entire service career of a Government employee should not exceed 5 years, which may be extended to 7 years in exceptional cases.

Study leave

117.20 Presently, the maximum amount of study leave which can be granted to a Government servant is 12 months at any one time and 24 months during the entire service. Study leave can be combined with other kinds of leave but in no case can the total period of such a combination of leave excluding the extraordinary leave exceed 28 months generally and 36 months for courses leading to a Ph.D. degree. Provisions relating to study leave are, by and large, adequate. However, in the case of executives and R & D professionals, the study leave that can be granted at one time may be increased to 24 months, and the maximum amount of study leave admissible during their entire service may be increased from 24 months to 36 months.

Sabbatical

117.21 Sabbatical is presently available to scientists working in academic institutions. We have considered the desirability of extending sabbatical leave to R&D professionals in the Central Government and feel that these personnel require sabbatical for skill upgradation which is essential for their professional growth. Accordingly, we recommend that a sabbatical should be permitted to all R&D professionals in Central Government on the lines already available in

universities. The total period of sabbatical in the entire career should not exceed two years and the period of sabbatical on any one occasion should not exceed one year. During the period of sabbatical, the person may draw a stipend for local expenses but he should not be allowed to take up a job. In view of the liberal provisions of leave already existing, we are not in favour of extending the sabbatical to any other category of Government employees.

Hours of Work, Holidays and Overtime Allowance

HOURS OF WORK

Introduction

118.1 Hours of work observed by Central Government employees have been evolved over the years according to functional requirements and the nature of work. Workshop staff are generally governed by the provisions of the Factories Act, in terms of which they can be legitimately required to work up to 48 hours per week. Consequently, working hours in the industrial establishments of government and its non-administrative offices are not uniform and generally range from 42 to 48 hours per week, including lunch break. These are, however, uniform in the administrative offices of the Central Government and have progressively increased from 33 1/2 hours per week in the 'Forties to 40 hours per week at present spread over five working days.

Revival of Six-day Week

118.2 In its judgement (September 1992) in OA No. 157/90 filed by the All India MES Civil Engineers Cadre Association, the Jaipur Bench of the Central Administrative Tribunal had held that 40 hours of work in a week could not be considered to be excessive under any circumstances. While we do not wish to introduce any changes in the total weekly working hours in the administrative offices, it may, however, be desirable to review the necessity for the continuance of the five-day week concept in these offices. We find that the introduction of this system in government offices in replacement of the six-day week earlier in force was based on the premise that this would provide a little more time to the employees for rest and recreation and enable them to fulfil their domestic and social obligations. This, in turn, was expected to contribute to their physical and mental well-being and improve productivity and efficiency. Savings in energy consumption and decreased pressure on the public transport system were the other benefits that were envisaged.

118.3 Two evaluation studies of the five-day week system undertaken by the Department of Administrative Reforms and Public Grievances in February 1987 and November 1988 reveal that the benefits accruing from its introduction

have not been very significant; in fact, the work output in the selected ministries and departments had suffered a decline in certain areas of activity, though there was, no doubt, some improvement in certain other areas. It is also generally the public perception that work and efficiency in government offices have suffered on this account and their response to the measure has been largely adverse. Though the loss of a working day was compensated by a corresponding increase in the daily working hours, this would not appear to have been really effective because the stipulated working hours are generally not observed by a majority of the employees and punctuality has been a casualty. The five day week also tended to get converted into a four day week, as the employees tried to go out on extended weekends, leaving early on Friday and returning late on Monday. If there were one or two holidays in the middle of the week, the entire week could be written off, as far as serious work was concerned.

118.4 We find that only the administrative offices presently observe a five-day week, while the workshop staff and those in the industrial and non-administrative establishments of government are, in any case, required to work six days in a week. The six-day week is also widely prevalent in the States of Assam, Himachal Pradesh, Madhya Pradesh, Meghalaya, Orissa, Rajasthan and Sikkim. Based on the results of a survey on "Work Week, Efficiency and Impressions" conducted in Karnataka on its behalf by the Indian Institute of Management, Bangalore, the State Government, which had also introduced a five-day week, has reverted to the six-day week system.

118.5 In the circumstances, we find no preponderant reasons for the continuance of the five-day week in the administrative offices of the Central Government alone. Our accent being on improving productivity and efficiency in Government, we recommend that all Central Government offices should revert to the six-day week with the second Saturday of the month being a closed holiday as was the position prior to the introduction of the five-day week. The total working hours in a week may, however, continue to be forty, excluding the lunch break, as at present.

Flexitime

118.6 We have also received many representations urging the introduction of flexible working hours ("Flexitime") in government offices. This is a concept in vogue in some of the developed countries, in terms of which the working hours in a day are split and distinguished as core hours and flexible hours, the duration of which varies from establishment to establishment. While all employees are required to be necessarily present in their offices during the designated core hours, they have the freedom to choose their own hours of work for the remaining duration so long as they ensure that the requirements of the prescribed working hours in a day are fully met.

118.7 No doubt, this concept is an attractive one and could conceivably result in increased employee output and efficiency. However, given the prevailing work culture in our government offices, and the deficiencies generally observed in enforcing employee accountability--which we have discussed elsewhere in this report--we apprehend that this is liable to be abused. Administrative problems are also likely to arise in monitoring and ensuring that all employees adhere scrupulously to the working hour requirements. We are, therefore, of the considered view that the introduction of flexible working hours in our government offices, howsoever attractive it may seem, may be too drastic a

reform to be introduced at this stage. We are, therefore, hesitant to recommend this measure, though this could be a reform to be considered by Government in future, may be initially on an experimental basis.

Split Hours of Duty 118.8 While the introduction of flexible working hours in government offices may be somewhat premature at this stage, we are of the view that it would be essential to introduce staggered or split hours of duty in those offices and establishments which deal with the public so as to improve the services provided by them. For instance, an office responsible for collection of electricity charges could function for two distinct periods in a day, in the morning as well as in the evening, by deploying the existing staff in two shifts instead of one. Similarly, dispensaries and hospitals, banks, shopping centres, etc. could observe split timings, say from 7 to 11 a.m. and 5 to 8 p.m. This would ensure that employees do not utilise their normal working hours to attend to their personal work, and can thereby lead to a more efficient functioning of government establishments. Such of those employees as are required to perform split duties could be paid a split duty allowance.

Punctuality in Government Offices 118.9 Any discussion of hours of work would obviously be incomplete without considering measures to improve punctuality in government offices, which is unfortunately honoured more in the breach than in observance. It is needless to emphasize that punctuality in government offices would need to be enforced scrupulously. While it is expected that the introduction of split timings in certain establishments recommended by us in the preceding paragraph would enable employees to observe the prescribed hours of duty, we would also commend the introduction of the Microprocessor-based Card Attendance System in all government offices, to be followed, without exception, by all, including the Cabinet Secretary, as in other countries. In Malaysia, all the Ministers including the Prime Minister, have also voluntarily accepted this position.

OVERTIME ALLOWANCE

Introduction 118.10 Presently, non-gazetted employees in receipt of a monthly basic pay not exceeding Rs.2,200 are entitled to overtime allowance for performing duties beyond the designated working hours, subject to the monetary ceilings and other conditions prescribed in this regard. Payment of overtime allowance to the industrial employees in government is regulated in terms of the provisions of the Factories Act, 1948, or the Minimum Wages Rules, 1950.

Review of System 118.11 The Third and Fourth CPCs had held the view that the system of payment of overtime allowance in government offices was not satisfactory and conducive to efficiency in administration and had recommended its discontinuance. This has, however, not been done. Though certain instructions were issued by the Ministry of Finance in April 1991 aimed at restricting expenditure on this account, there has unfortunately been no perceptible improvement in the situation. We are concerned to note that expenditure on overtime allowance has, in fact, been consistently increasing by 6 to 10 per cent annually. One of the main reasons cited in support of the necessity to continue the practice is that there has been a considerable increase in workload because of economic and other developmental

activities without a corresponding increase in manpower resources. It has also been argued that the deployment of the existing staff on overtime is a more economical proposition than the creation of additional posts to cater to the increased workload.

Our Recommendations

118.12 These arguments are, however, not very convincing. The general perception is that government departments are already overstaffed, their productivity is low and accountability is virtually non-existent. Besides, economic liberalisation and the attendant reforms in government's functioning should logically result in a reduction in manpower requirements. The actual implementation of developmental schemes is also largely the responsibility of State Governments and the Central Government has only a limited role. Many of the State Governments like Assam, Gujarat, Himachal Pradesh, Karnataka, Manipur, Mizoram and Rajasthan do not pay any overtime allowance to their employees. The allowance is also confined only to the employees governed by the Factories Act in Jammu and Kashmir, Madhya Pradesh, Meghalaya and Tripura. Elsewhere in this report, we have also recommended measures for rightsizing the government machinery.

118.13 In the circumstances, we are of the view that there is no justification for the continued payment of overtime allowance in the Central Government offices and we recommend its discontinuance. In lieu of cash compensation in the form of overtime allowance, staff deployed on weekly off days may be entitled only to compensatory leave. Staff car drivers, operational staff and industrial employees may, however, continue to be governed by the existing rules and instructions on the subject.

118.14 Presently, honorarium is paid to employees as compensation for overstaying during periods of unusual activity or attributable to unforeseen circumstances. This should instead be paid only when the employees are entrusted with duties of a purely occasional nature. Under no circumstances should any honorarium be paid for performing any functions that are legitimately part of one's defined duties and responsibilities.

HOLIDAY

Reduction in Closed Holidays

118.15 Presently, administrative offices of the Government of India observe seventeen closed holidays annually, including the three national holidays on January 26, August 15 and October 2. In addition, Central Government employees are also entitled to avail themselves of two restricted holidays of their choice out of a list notified for the purpose. We have received numerous memoranda from enlightened intellectuals decrying the frequent closure of government offices. The widespread view that a surfeit of holidays has had an adverse impact on the productivity of government departments is gaining ground. It has therefore been suggested that the number of holidays be drastically reduced.

118.16 We find that the observance of a five-day week, combined with a large number of closed and restricted holidays, has resulted in government offices being functional only for about 242 days in a year. Besides, the leave entitlements of Central Government employees in the form of casual, earned and half pay leave, extraordinary leave, study leave, etc. are also substantial, which further restrict the effective working days of individual employees.

118.17 Holidays other than the three national holidays are largely based on religious considerations and serve merely to satisfy the sentiments of different constituencies. Mere political expediency also dictates the closure of government offices on certain occasions. We have been informed that though government had considered a reduction in the number of holidays, the relevant proposals could not be given effect to in the absence of a consensus on the question of apportionment of the reduced number of holidays among different religious communities and groups.

118.18 We are of the considered view that efficiency and productivity would be considerably enhanced by curtailing holidays that are declared on various pretexts. In order to promote a sense of true secularism, religious festivals should rightly be treated as personal to individual employees and it should not be necessary to close government offices on such occasions. Apart from the revival of the six-day week recommended by us, which will result in an addition of 52 working days, it should suffice if Central Government offices are closed only on the three national holidays (Republic Day, Independence Day and Mahatma Gandhi's Birthday). Simultaneously, individual employees could be permitted to avail of a larger number (say, about 16) of restricted holidays annually to enable the celebration of festivals and other occasions of specific significance and interest to them, the list of restricted holidays being suitably enlarged for the purpose. This will ensure that government offices remain open for business for a larger number of days than at present and have a salutary effect on their functioning, notwithstanding the absence of a few individual employees on certain occasions. Special steps will have to be taken to ensure the skeleton functioning of government offices in terms of their key functions, by not mindlessly sanctioning the applications of all those who put in a request for availing themselves of a restricted holiday. Certain prior planning for this may be necessary.

*Declaration of
Holidays on
Demise of Leaders*

118.19 Religious festivals and secular considerations apart, there is also an increasing tendency to declare holidays on the demise of political personages and leaders, past and present, the appropriateness of which has been a subject of intense debate in the recent past. We realise that this is a sensitive issue, which is often influenced by extraneous pressures and exigencies. It has nevertheless to be recognized that the closure not only of government offices, but of banks, commercial establishments, educational institutions, etc. on such occasions severely hinders productive activities, disrupts trade and commerce, and causes untold suffering to those whose very existence depends on their daily earnings.

118.20 In other countries of the world, homage to deceased dignitaries is paid not by closure of establishments and suspension of work but merely by flying the national flags at half mast, observing silence in memory of the departed and state mourning for a specified period. Even the instructions of the Ministry of Home Affairs on the observance of state mourning envisage only the flying of the national flag at half mast and cessation of all official functions and entertainment during the mourning period. Having regard to the adverse implications of closure of offices due to the demise of leaders and political personages, the imperative need to develop a more committed work ethos and culture and to the fact that there are other respectful and dignified methods of paying homage, we are of the firm view that except in the case of death of the

President or Prime Minister in harness, no holidays should be declared on the demise of any other leader or dignitary.

*National Holiday
Allowance*

118.21 Operational and Running staff in the Railways in Groups 'C' and 'D' who are in receipt of basic pay not exceeding Rs 3,200 per month and are required, by virtue of the nature of their duties, to function on national holidays are entitled to a National Holiday Allowance, subject to the orders in force from time to time. In addition, they are also eligible for overtime allowance when their hours of work exceed the statutory working hours. Similarly, operational staff of the Department of Posts and Railway Mail Service are entitled to overtime allowance at twice the normal rates as compensation for working on national holidays. Following the proposed reduction of the number of closed holidays to only three, the continued payment of the National Holiday Allowance or overtime allowance at twice the normal rates would no longer be justified. **We accordingly recommend that employees who are required to work on closed holidays may be paid only overtime allowance at the rates applicable on holidays.**

Welfare Measures

General rules governing welfare activities

119.1 The Central government, in the role of a model employer, has constantly endeavoured to provide a number of facilities for the welfare of its employees. Government encourages formation of Staff Clubs which have as their object social functions, sports, dramatics, library and such other activities. Government gives grants-in-aid to these clubs @ Rs. 10 per head per annum for the total strength of regular employees (including gazetted officers) but excluding those categories of staff (like industrial employees) who are eligible for similar concessions under some other rules/ statutory provisions. An additional grant-in-aid upto Rs.5 per head per annum to match the subscriptions collected during the previous financial year by the existing staff clubs is also given. Additionally, an initial ad-hoc grant-in-aid of Rs.10,000 can be sanctioned by the concerned Ministry/Department. Railways has a 'Railways Staff Benefit Fund' for establishing such facilities for its employees. Most of the government departments run some kinds of rest houses and holiday homes for the benefit of their employees. Expenditure on these rest houses etc. is met out of the total general grant received. The Railways run holiday homes and rest houses for the use of non-gazetted and gazetted staff respectively. Nominal charges are levied from the staff using the facility.

Bodies promoting participation of employees in sports

119.2 Government also encourages participation of its employees in sports and athletics. The 'Central Civil Services Sports and Cultural Board' is the apex agency for promotion of sports and cultural activities amongst the civil servants in the country. The Board is a registered society having 18 regional sports boards as its affiliates. The Central Board provides grants-in-aid to regional boards of amounts varying between Rs.15,000 and Rs.1,25,000 per annum. The Board organises All India Service Tournaments where civilian employees of the State Governments as well as the Central Government participate. The Ministry of Railways maintains institutes and recreation clubs for inducing its employees to participate in sports and physical fitness activities.

Provision of recreational facilities in offices

119.3 We observe that the quantum of grants presently available for staff clubs is not sufficient. Creation of recreation clubs and other facilities for employees is a basic duty of the government. If it is performed well, it will go a long way in maintaining a healthy, agile, alert and efficient workforce. At present, only personnel belonging to uniformed services are able to enjoy adequate sports

facilities and these are not available to other categories of government employees. This lacuna needs to be rectified and facilities of gymnasias, sports complexes, swimming pools etc. have to be made available to non-uniformed personnel and their families. Towards realising this objective, government should take steps to set up facilities of library/swimming pool/gymnasium in different government colonies. Such facilities on a lower scale should also be made available in the offices so as to provide adequate recreational facilities during the lunch hour/free time. We recommend that the government should endeavour to create such facilities in the best possible manner given the overall fiscal constraints.

Holiday homes

119.4 It has been suggested that government should provide the facility of holiday homes at subsidised rates for its employees. This suggestion deserves consideration as a staff welfare measure. Accordingly, we recommend that maximum funds may be provided by the government for this purpose. We are aware that the state of government resources may not allow immediate construction of new holiday homes for use of Central Government employees. It is, therefore, recommended in addition that (a) individual government departments be encouraged to set up such establishments out of the overall budget already allocated to them by curbing other non-essential expenditure; (b) holiday homes and similar facilities of individual departments should be asked to accommodate Central Government employees of other departments when not in use by personnel of that department; and (c) the departments may be encouraged to hire accommodation from private organisations and let it to their employees at concessional rates.

Benevolent Fund

119.5 Presently Govt. employees can join the Benevolent Funds of their respective departments. The object of these funds is to relieve financial distress amongst, and to provide financial assistance to the employees through grants of amounts determined by the local management committees of the fund. The Government's contribution to this Fund is Re.1 per sanctioned staff per annum. All the members of the Benevolent Fund have to contribute a sum which is not less than the per head contribution received from the Government as grant-in-aid. In view of the present inflationary trends, the rates of grant-in-aid as well as minimum subscription are very low. In order to make this fund more meaningful, the quantum of subscription and Government's contribution as well as that of loan grant has to be increased. Accordingly, we recommend that employees contribution to this fund may be uniformly revised to Rs.100 per annum; government's contribution to Rs.5 per sanctioned staff; amount of interest-free loan in case of sickness in the family to Rs.5,000 and amount of grant to Rs.5,000 in case of death of a member, Rs.1,000 in case of death of a family member and Rs.2,500 for medical treatment of a seriously ill member.

Residential telephone

119.6 Govt. instructions provide for residential telephones for officers of the level of Deputy Secretary or their equivalent and above. Residential telephones can also be granted to officers working on lower posts provided this is essential for performance of their duties. All officials, irrespective of their rank, are allowed 650 calls bimonthly over and above the free calls allowed by Telecom Department/MTNL, provided the same are for official purposes. We feel that in the present age of technological advancement where fast communication, apart from being essential, is also easily available, the existing policy of the government for providing residential telephones needs to be changed. Accordingly, we recommend that all the executives, senior executives and top executives

should be provided residential phones. The number of calls allowed excluding the free calls allowed by the telecom department/MTNL may be revised as indicated below:-

<u>Free calls allowed (Bimonthly)</u>		
<u>Post</u>	<u>Existing</u>	<u>Proposed</u>
Executives	300 calls	400 calls
Sr. Executives	300 calls	800 calls
Top Executives	300 calls	No limit

The condition of certifying that the calls were made for official purposes may also be abolished. Officers of the rank of Secretary/Spl. Secretary and equivalent as well as senior personnel of magistracy, the police and others who have operational duties requiring them to be always in contact may be provided with cellular telephones.

*Providing
Counsellors in
Government
offices*

119.7 The fast and demanding modern day life places a lot of stress on people and government employees are also not able to escape from it. Frequently the demands of office work and seniors place such a strain on officials which, unless rectified immediately by effective counselling, can lead to total demoralisation and negative behaviour by the affected employees. Most of the large private sector offices already have in-house Counsellors. Tests have shown that effective counselling has a positive effect on the workforce, leading to increased productivity. We feel there is a need for providing counsellors, especially in large Government offices handling vital and important work, and recommend that the Government may take necessary steps to create adequate posts of counsellor in such offices.

*Free ration for
civilian
employees*

119.8 We have received demands requesting for supply of free rations to civilian employees of the Central Government as is the case with the personnel of armed forces/central police organisations. However, the rationale behind provision of free rations to armed forces and central police organisations is that a well-fed force makes for a better fighting force. This logic is not applicable in the case of civilian employees. There is no justification for this demand and no free rations may, therefore, be provided by the Central Government for its civilian employees, other than those for whom we have made separate recommendations.

*Opening Defence
Canteens for
civilian
employees*

119.9 It has been suggested that civilian employees should be allowed the use of defence canteens. We are not in favour of accepting this demand as the number of Central Government civilian employees exceeds the number of armed forces personnel by four times and the capacity of defence canteens to handle such a large number of users may prove to be inadequate. Further, Defence canteens were opened for the use of the armed forces personnel who are either in field areas

where no other facility for purchase of daily use items exists and who, even in peace areas, for reasons of maintenance of discipline, are not free to leave the cantonment area without the express permission of their superiors. Government has promoted Kendriya Bhandars which are run by Consumer Cooperative Societies for making available items of daily need to its civilian employees at reasonable rates. The Societies obtain discount on bulk purchases and their prices are distinctively lower than those prevalent in the market. **We recommend that the existing Kendriya Bhandar network be strengthened and expanded. Efforts should be made to extend the existing scheme of Mother dairy milk/vegetable booths and other similar stores run by different cooperatives to all residential government colonies as prices in these cooperatives also are very competitive.**

Women Employees in Central Government

INTRODUCTION

General

120.1 Women constitute 7.51% (2.83 lakhs) of the total Central Government employment and 98% of the women employees are concentrated in Group 'C' and 'D' of the official hierarchy. A large concentration of women employees exists in the Ministries of Communication, Railways and Defence.

Need for additional facilities

120.2 Because women continue to bear the major responsibility in our society for caring for dependent children and elderly relatives and to shoulder other family duties, their increasing participation in work outside the home leads inexorably to increasing difficulties in balancing work and family responsibilities. In the dual-worker families with dependent children, the concerns can range from sheer logistic problems associated with providing proper child care to emotional challenges tied to not being there when one's children are growing up. Against this backdrop, the need for provision of special facilities for women employees becomes apparent.

Special Provisions Available

120.3 Some special provisions have been made by the Govt. for its women employees for facilitating their dual role as mother/wife and a full-time employee. These include:

- a) Age relaxation for widows and women separated from their husbands for appointment in Groups C and D posts.
- b) Exemption from requirement of educational qualifications in respect of widows of deceased Government servants appointed on compassionate grounds to post of peons.
- c) Guidelines for posting of husband and wife at same station.
- d) Maternity leave benefits and guidelines for provision of creche facilities etc.

120.4 In 1992 the National Commission for Women was set up as a national apex statutory body to review the constitutional and legal safeguards for women, recommend remedial legislative measures, facilitate redressal of grievances and advise Government on all policy matters affecting women. Among other measures taken by the Commission, was a study on working women and their family perspective. The study report has made recommendations with regard to provision of quality day care centres for children, provision of ladies special buses, priority in allotment of accommodation, provision of facilities of ladies' common rooms and toilets, extension of maternity leave, working hours for women, working days etc. Their suggestions are under examination in the concerned Ministries/ Departments.

120.5 While we have separately suggested enhancement of maternity leave under the relevant chapter and have also suggested introduction of paternity leave, in this chapter we have considered the other issues relating to women employees in Government.

ALTERNATIVE WORK SCHEDULES

*Flexitime and
Flexiplace*

120.6 One of the major problems of women employees is in the area of work schedules. We examined the alternative work schedules which could be considered to enable women to discharge their official duties and at the same time attend to other requirements. The options of 'flexitime' and 'flexiplace' were suggested as alternatives which have been tried out in other countries. After considering the pros and cons in the Indian context we feel that while 'flexitime' and compressed work hours for women may have to come about in a futuristic scenario, at the present moment total implementation of such a scheme on a wholesale basis in the Government sector may be difficult. We, therefore, suggest that the concept of flexi-time may be tried out on an experimental basis in some offices where jobs are measurable and further extension may be considered later. We similarly recommend that the concept of flexiplace could be tried out in some selected areas where work even if not done at work-place is strictly measurable.

*Part-time
Employment*

120.7 Another possibility considered by us related to part-time employment of women. We find that the National Commission for Women in reply to our questionnaire have suggested that condition of service for women employees be improved and working hours for them in Govt. Offices be reduced by allowing them to avail part-time service facility so that they are in a position to attend to their household and family affairs. We have gone into the mechanics of such a scheme and feel that part-time employment on a regular basis as a concept cannot be implemented exclusively for women employees as it impinges on constitutional provisions. However, in order to improve the conditions of service for women employees we recommend introduction of a voluntary system of option for serving women employees to work half-time for a maximum of six years in a career when the children are young and family commitments are at the maximum. This half-time working may be accompanied with half of the pay and allowances but may not detract from any other benefits like housing, LTC, pensionary entitlement etc. We suggest that Government may work out the scheme in detail.

CHILD CARE FACILITIES

Existing

120.8 One of the most pressing problems for employed women is in the area

Position

of child care facilities. There are general guidelines for creation of creche facilities in Govt. Offices and Ministries/Depts. are to locate suitable accommodation and provide minimum space. Once space has been located, Ministries/Deptt. may contact Grih Kalyan Kendra, a Staff Welfare Organization under the aegis of DOPT for other advice on provision of facilities. However, in actual practice, the implementation has not been satisfactory and child care has remained one of the prime concerns for women. The National Commission of Women has also suggested that quality day-care centre may be made available near the working place with adequate equipment and staff.

Our Recommendations

120.9 We feel that while there are some day-care centres and creches run by the Govt, the number is far below the requirement. We have considered the various alternatives and suggest that in order to increase participation of women in the work force, **Govt. should consider setting up day-care facilities on the lines of Govt. Schools** where land could be provided by the Govt. and buildings constructed by funding through Govt. Welfare Funds. Government servants would not be averse to the idea of sending children to such day-care centres on payment provided facilities are adequate and safety of children is ensured. Such facilities could also be made available to non-Govt. servants on payment at higher rates in order to make the running of such centres more viable. This should be done at Centres which have a larger concentration of women employees and especially in the Metros where servants' wages are prohibitive and safety of children is not always guaranteed. **Wherever possible creche facilities on the site or in major Govt. residential areas should be provided.**

RESERVATION OF JOBS FOR WOMEN

Existing Position

120.10 We have been informed that representation of women at the supervisory/decision-making/ managerial levels both in the Government and in PSUs is very limited. In 1988, women constituted 5.8% of the total number of officers in the All India Services and 4.9% of the Gazetted ranks in the regular Government Service. We have earlier in the Chapter indicated the small percentage of posts occupied by women in the Central Government. We are also apprised of the low rate of female literacy and high rate of school dropouts among women in the country. It has been suggested that reservation of jobs for women is one of the ways in which the problem can be addressed. Some of the State Governments have considered this issue and have decided to provide preference to women in Public Services to a certain extent. In Andhra Pradesh, posts/areas of work have been identified where women are better suited than men and where both men and women are equally suited. In the matter of direct recruitment to posts for which women are better suited than men, preference is given to women and for direct recruitment to posts for which both men and women are equally suited, other things being equal, preference is given to women and they are selected to an extent of 30% of the posts in each category (general, OBCs, SCs & STs). Similar schemes are in operation in Karnataka, Orissa and Tamil Nadu.

Proposal Under Consideration

120.11 We find that the National Commission for Women has recommended that provision for 30% sub-reservation for women in public employment should be made in each of the categories reserved for SCs/STs and OBCs etc. as well as general category. This recommendation is already under consideration of the Government.

Our

120.12 It is undeniable that better education and greater participation of

women in the workforce would lead to a more gender-equitous society and result in some social reorientation, as the prevailing social construction relegates women to marginal employment. While provisions for education, health etc. in itself are not enough to ensure empowerment of women it is felt that reservation of jobs for women is not the ultimate solution. **A better method to ensure greater participation would be to identify certain professions which could be better manned by women such as education, health, nursing care, secretarial duties, computer work etc. Such professions in our opinion should be exclusively manned by women. Govt. may identify these areas of work and recruitment with a preference for women may take place. For other areas, we feel that the normal selection process should apply. We also feel that women should not be debarred from any profession including the Armed Forces, CPOs etc. For better women's participation and bring them into the mainstream, schemes for education of women may also be strengthened and strategies worked out for achieving equal opportunity for women.**

EARLY RETIREMENT SCHEMES AND AGE OF RECRUITMENT

*Our
Recommendations*

120.13 Suggestions have been made with regard to early retirement schemes for women as also with regard to enhanced age of recruitment. We have gone into the issue and suggest that **age of recruitment for women employees may be enhanced to 35 years** as by that time in a majority of cases family commitments would be more manageable since the children would be fairly grown up. We, however do not recommend a special dispensation for women with regard to voluntary retirement but our proposed scheme of part time employment would take care of the difficulties during the crucial years when children are young.

ACCOMMODATION

Demand

120.14 It has been suggested that there is a need to construct more Working Women's Hostels for single women as also a need for assistance in providing housing to single women after retirement by granting preference in purchase of self financing flats. The National Commission for Women has also suggested that Working Women should be given 'Top-Priority' in allotment of accommodation on rental basis or under self-financing schemes.

*Our Recommen-
dations*

120.15 We have considered the issue of residential accommodation and feel that housing is an essential requirement for single women and priority must be given to this area. **We recommend that Govt. may earmark funds separately for construction of more single women's hostels. There should also be some scheme to assure housing for married women employees.**

NATURE OF POSTINGS

*Suggestions
Made*

120.16 It has been represented that there is need to choose postings for women carefully keeping in view the dual role to be performed and the difficulties in balancing work and family responsibilities. Employers need to understand the conflicting demands of the home and the work-place and to select nature of postings

accordingly.

*Views of
the Ministry*

120.17 The Ministry of Women and Child Welfare has stated that women need a stable posting during the period they have small children, particularly if the husband is not posted at the same station and, as far as possible the couple should be posted in the same station.

Our Recommendations

120.18 We find that Government Orders exist for posting of husband and wife at the same station, as far as possible, and, within the constraints of administrative feasibility where both are Government employees. These guidelines need to be reiterated and expanded to include the provision that **where posts at the appropriate level exist in the organization at the same station, the husband and wife may invariably be posted together in order to enable them to lead a normal family life and look after the welfare of the children especially till the children are 10 years of age.** Where only the wife is a Government Servant, some guidelines may be framed to facilitate posting in the station where the husband is employed.

LEAVE RESERVE

Our Recommendations

120.19 It has been suggested that a higher percentage of leave reserve should be exclusively sanctioned for women employees in view of the requirement of maternity leave and leave availed for pre and post natal care. **We suggest that the issue of higher leave reserve may be considered sympathetically by individual ministries where there is a higher concentration of women employees based on requirement of such reserve.**

TRANSPORT FACILITIES

*Our
Recommendations*

120.20 Lack of adequate transport facilities is one of the major problems of working women as it is important that commuting time in their case should be minimised so that they can attend to children and household chores. **Govt. may make efforts to arrange Chartered 'Ladies Special' buses on payment from areas where there is large concentration of Govt. employees (Govt. residential colonies) to Offices where there are a large number of women employees.** Such an arrangement should be definitely possible in bigger cities and would also ensure punctuality.

PUBLIC CONVENIENCES FOR WOMEN

Our Suggestions

120.21 It has been suggested that there is a need to increase the Public convenience facilities for women employees in the Govt. Offices. Such facilities created in Govt. buildings about 30-40 years ago need to be increased in view of significant increase in the number of female employees in the Government. **We recommend that the basic requirement of public convenience facilities for women employees may be completely met by setting aside funds for the purpose.**

<p>PROVISIONS WHERE BOTH HUSBAND AND WIFE ARE GOVERNMENT SERVANTS</p>
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*Leave sharing
Arrangement*

120.22 There is a proposal that there should be a leave sharing arrangement between husband and wife, who are both Government servants, by the creation of a leave bank of half-pay or sick leave of both these employees and of that part of earned leave which is liable to be forfeited if not availed of or not encashed, as an added incentive to working couples in Central Government.

*Our
Recommendations*

120.23 We have considered the proposal and **recommend that where husband and wife are both Govt. employees, the creation of an earned leave bank to be availed by either spouse may be considered only for the period needed for rearing of very young children (such period not to exceed six years in all), provided the woman employee has exhausted the earned leave at her credit, and there is earned leave to the credit of her husband.**

*Other
Suggestions*

120.24 We have also received some suggestions with regard to provisions of HRA, LTC, HBA, Transfer Travelling Allowance etc. in cases where both husband and wife are Government servants. We find that the existing provisions are adequate and do not recommend any change. **However, we would like to reiterate that house rent allowance should be granted to both husband and wife when not provided with Government accommodation.**

Canteen Facilities

- General* 121.1 Organising canteen facilities within the office premises to provide beverages, snacks and meals prepared in hygienic conditions to the employees during the working hours at economic prices is an important welfare activity undertaken by the government. The scheme for running refreshment canteens was started in 1962 following the recommendations of the 2nd Pay Commission. As on 1st December, 1993, 1,244 canteens and tiffin rooms were registered with the Director of Canteens in the Department of Personnel and Training.
- Types of Canteen* 121.2 There are two type of canteens in government establishments and offices i.e. (i) statutory canteens, and (ii) departmental canteens. Statutory canteens are provided by departments to industrial establishments governed by the Factories Act. In statutory canteens the entire expenditure, barring the cost of provisions, is met by the government. Departmental canteens are available in all offices with an establishment strength of 25 or above. Earlier, apart from certain other concessions, grants for the initial purchase of equipment, crockery, utensils, etc. and for their replacement were also made available by Government to these canteens. These grants were, however, discontinued w.e.f. 1-10-91 consequent upon the grant of status of government employees to the canteen staff.
- Grant-in-Aid for canteens* 121.3 We, however, feel that for proper running of the canteens, apart from other concessions, like free electricity and water, LPG and uniforms at subsidised rates, etc., the revival of the earlier scheme of grants-in-aid would be justified. Accordingly we recommend that grant-in-aid for initial purchases may be paid as indicated below :-

Estt. Strength/Type	Equipment	Crockery/ Utensils	Furniture	Total
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Tiffin Rooms

25 to 49 B	Rs.2000	Rs. 500	-	Rs.2500
50 to 99 A	To be merged and renamed only Tiffin Room			
	-	-	-	-

Canteens

100-249 D	Rs.12000	Rs.3000	Rs.5000	Rs.20000
250-499 C	Rs.15000	Rs.4000	Rs.6000	Rs.25000
500-699 B	Rs.20000	Rs.5000	Rs.10000	Rs.35000
700-1200 A	Rs.24000	Rs.6000	Rs.10000	Rs.40000

Replacement Grant 121.4 Grants for replacement of equipment, crockery/utensils and furniture may be paid triennially for replacement of crockery and utensils and quinquennially for equipment and furniture. The quantum of these grants may be kept equal to the amount of initial grants for these purposes. The scales should also be periodically revised to take care of the increase in the cost of living index.

Beverages at point of duty 121.5 One of the main reasons for absence of employees from their places of work is their desire to take tea, coffee or a cold drink once or twice a day. Many private sectors establishments find it more productive to have such beverages served free of cost to their employees at their point of duty, so as to ensure a zero break in the work schedule. While we may not introduce this in Government due to the financial implications, it would be highly conducive to efficiency if all such beverages and snacks could be served to Govt. employees at their points of duty. We recommend that arrangements to ensure this may be made.

Uniforms and Related Allowances

Introduction

122.1 Presently uniforms are being provided to certain identified categories of Group C & D employees. Generally uniforms are supplied to employees who come in contact with the public or whose official position must be distinctly known so that they may easily be identified by members of the public and by their own officers. Likewise, protective clothing and accessories are provided to those employees who have to face inclement weather and other special hazards.

Limiting the use of uniforms and attire allowance

122.2 Over a period of time it has been observed that most of the categories of central government employees which are supplied with free uniforms do not wear them while on duty. In fact the Fourth CPC in their report had recommended strong steps to ensure that the employees wore uniforms during duty hours. However, there has been no perceptible improvement in this regard. One of the causes of reluctance amongst employees is that these have been prescribed only for a few lower categories of Government employees who consequently are reluctant to be seen wearing uniforms in public while commuting to work. Even otherwise, Government resources being limited, large amounts for purchase of uniforms cannot be sanctioned, due to which the quality of the material for the uniforms is not the best. In her submission to the Commission, the then Minister of State of DAR&PG had stressed the need to reduce the tendency of providing uniforms to various categories of staff in government offices. We are inclined to agree with this view, especially as there already is a distinct reluctance amongst government employees to wear uniforms. While use of uniforms cannot be avoided in departments where wearing them is mandatory under the service conditions, in other offices uniforms for the specified categories can be dispensed with. Even in Railways uniforms to group 'D' ministerial staff can be abolished.

Our recommendations

122.3 Accordingly we recommend that apart from Security Staff, Police personnel, Nurses and Railway employees other than group 'D' ministerial categories, uniforms for all other categories of central government employees may be abolished and badges should instead be prescribed for them for easy identification. Additionally instructions asking these categories of employees to wear a broadly similar type of attire may be issued by the individual departments for which an attire allowance @ Rs.100 per month may also be sanctioned. While protective clothing and accessories presently being provided to government employees who have to work in inclement

weather and/or face other special hazards may be continued, the same should not include normal apparel.

*Procedure for
stitching of
uniforms*

122.4 Presently, in case of specified categories for whom uniforms have been prescribed and who are not in receipt of uniform allowance, the government provides necessary cloth for uniforms which can then be got stitched individually by the employees concerned at prescribed rates. In view of our recommendation in the preceding paragraph, only a few categories of employees need to be provided with uniforms. **We recommend that present policy of the government should continue in respect of such staff. The rates for stitching which were revised in 1995 may continue till such time the government reviews them.**

*Uniform
allowance*

122.5 We have received numerous demands from different service associations seeking enhancement in the rate of uniform allowance. At present uniform allowance is admissible to IPS Officers, officers of paramilitary forces/ central police organisations, officers of railway protection force, national cadet corps, border roads organisation & nursing staff. We are of the opinion that given the diverse nature of duties of these organisations, prescribing the same rates of uniform allowance for all of them may not be practical. **Accordingly, we have recommended different amounts for various categories of employees in the relevant chapters.**

*Washing
allowance*

122.6 Presently a monthly washing allowance of Rs.15 is being given to those employees who are in receipt of either uniforms or uniform allowance. We are of the view that while washing allowance should continue to be paid to all the categories of employees required to wear uniforms, the rates thereof have to be revised. **Accordingly, we recommend that the general category of Nurses may be paid washing allowance at the rate of Rs.75 per month. This allowance, in case of all other entitled categories, may be raised to Rs.30 per month.**

Advances

INTRODUCTION

*Admissible
advances*

123.1 Advances from public funds are admissible to Central employees for various specified purposes, subject to the financial limits and conditions prescribed in the relevant provisions of the General Financial Rules, 1963. The quantum of advance, eligibility and other conditions vary, depending upon the type of advance. Advances in connection with transfers, tours and journeys on leave travel concession, and advances in lieu of leave salary, on which no interest is levied, are regulated with reference to the anticipated expenditure on travel and on the pay and allowances drawn by an employee at the relevant time. Non-gazetted government servants whose movable or immovable property has been substantially affected or damaged by natural calamities are also entitled to interest-free advances. Other Interest-free advances include those sanctioned to meet expenses on legal proceedings and festivals, and to the families of government servants who die in harness. Interest-bearing advances are presently admissible for purchase or construction of residential accommodation, purchase of conveyances, including bicycles, personal computers, warm clothing and table fans. Apart from those specified in the General Financial Rules, advances are also admissible under special orders issued by Government or individual departments for learning Hindi through the correspondence course conducted by the Central Hindi Directorate, purchase of typewriters by Inspectors of Post Offices and Railway Mail Service, etc.

ADVANCES FOR CONVEYANCES

*Advances for
Purchase of
Conveyances*

123.2 There have been widespread demands that the quantum of advances for the purchase of conveyances should be enhanced so as to conform to the prevailing market prices and that the eligibility criteria may also be liberalised. The ceilings on the advances for the purchase of motor cars and motor cycles (including scooters) were last enhanced in May 1986 to Rs.80,000 and Rs.13,000 respectively. We note that these ceilings closely approximated the then prevailing prices of a Maruti 800 cc car and a Bajaj scooter. Since then, the prices of these vehicles have increased substantially. Though the 4th CPC had recommended that Government may review the position from time to time and make such changes as

may be necessary in the quantum of conveyance advances taking into account the actual cost of the vehicles, this was not done and there has been no revision for over a decade. We have also been informed that the quantum of conveyance advance admissible to employees in sectors other than government is up to 90 per cent of the price of the vehicle proposed to be purchased.

*Our
recommendations*

123.3 Given the substantial increase in prices of motor vehicles, the ceilings on advances prescribed in May 1986 are no longer realistic. We, therefore, recommend that the maximum amount of conveyance advance for the purchase of motor cars and motor cycles (including scooters) may be raised from Rs.80,000 and Rs.13,000 respectively to amounts not exceeding 90 per cent of the prevailing market prices in Delhi of the smallest and least priced motor car and motor cycle/scooter. Based on current prices, the maximum advance of Rs.1,80,000 would be admissible for purchase of motor cars, of Rs.30,000 for purchase of motor cycles and of Rs.20,000 for purchase of scooters. The quantum of advance that may be granted for the purpose on a second or subsequent occasion may, however, be restricted to 80 per cent of the price of the vehicle proposed to be purchased, reduced by the proceeds from the sale of the vehicle purchased by utilising the earlier advance. The maximum advance for purchase of bicycles may also be simultaneously be raised to Rs.1,500. Other conditions governing the grant of advances would remain unchanged. We further recommend that Government may review and revise the quantum of advance annually with reference to the prevailing market prices.

*Eligibility
Criteria*

123.4 As regards the revision of the eligibility criteria, we find that these are more favourable for Central Government employees in relation to the position prevailing in many of the State Governments and public enterprises. While any revision thereof may not consequently be justified, based, however, on the revised scales of pay recommended by us, advances for the purchase of motor cars, motor cycles and scooters, and bicycle may be granted respectively to personnel whose basic pay in the revised scales is Rs.8,000 per month or more, Rs.5,000 per month or more and less than Rs.5,000 per month.

COMPUTER ADVANCE

*Advance for
purchase of
Personal
Computers*

123.5 Presently, an advance not exceeding Rs.45,000 is admissible for the purchase of a personal computer to a government servant who is otherwise eligible for the grant of a motor car advance. This advance having been introduced only in the year 1989, we recommend that this may be raised to Rs.1,00,000.

OTHER ADVANCE

*Other Interest-
bearing Advances*

123.6 Having regard to the general rise in prices since 1986, the maximum advance for purchase of warm clothing and table fans may also be increased to Rs.1,500 and Rs.1,000 respectively.

123.7 Employees have also represented that advances should be sanctioned for meeting expenditure in fulfilment of social obligations and for the purchase of consumer durables and foodgrains. Advances from the General

Provident Fund Accounts of employees are already admissible for meeting expenses on social obligations and for the purchase of consumer durables in terms of the liberalised provisions of the Rules and it may not be necessary to incorporate, in addition, any special purpose in the General Financial Rules. Employees who have now been categorised by us as auxiliary and supporting staff may, however, be allowed a non-interest bearing advance equal to half a month's basic pay plus the dearness allowance thereon once a year, recoverable in not more than ten instalments, without linking it to any specified purpose so as to enable them to meet unforeseen commitments. Simultaneously, the Festival Advance that is presently admissible may be withdrawn.

OTHER DEMANDS

Rates of Interest

123.8 Two other demands from large sections of employees relate to reduction in the prevailing rates of interest on various advances and liberalisation of provisions governing their recovery. We find that the rates of interest presently applicable are not unfavourable in relation to those levied by many of the public enterprises and nationalised banks on advances sanctioned to their employees. The rates should also logically bear some relationship with the interest paid by government on its borrowing. Besides, given the present financial constraints and the consequential inability of government to cater to all requests for advances from a large number of employees, any reduction in the rates of interest would only further accentuate the disparity between employees successful in securing advances and the unsuccessful ones. We do not, in the circumstances, find adequate justification for accepting the demand.

Recovery of Advances

123.9 Recoveries of advances are presently spread over several monthly instalments, ranging from ten in the case of those for the purchase of table fans to as many as two hundred in respect of those for purchase of motor cars. We consider the present provisions to be reasonable, having regard to the quantum involved and the repaying capacity of employees and do not, therefore, wish to liberalise these further.

Waiving of recovery in certain cases

123.10 It has also been urged that recovery of advances outstanding against employees who die in harness results in considerable hardship to the families of the deceased and that the recoveries should, therefore, be waived in such cases. Certain State Governments also presently waive recoveries of outstanding advances from their employees who die in harness. We have considered this demand carefully and are of the view that this may not be justified in cases where dependants of deceased employees are offered compassionate appointments to posts in the Central Government in terms of the provisions already available in this regard, which itself is a special concession. Therefore, the liability for settling any outstanding not fully recovered from the terminal benefits of deceased employees should rightly be assumed by them. Considering the hardships involved, some special dispensation may, however, be justified, as a welfare measure, in the case of those employees whose dependants are not offered compassionate appointments. We accordingly recommend that recovery of outstanding advances from the legal heirs of employees dying in harness and whose dependants are not offered compassionate appointments may be waived subject to the following

monetary limits:

Auxiliary Personal	:	Rs.50,000
Supporting and Supervisory Personnel	:	Rs.1 lakh
Executive Personnel	:	Rs.2 lakhs

Service Matters

INTRODUCTION

124.1 In this Chapter, we shall deal with various service matters under the following heads:-

- a) Central Civil Services (Conduct) Rules.
- b) Central Civil Services (Classification, Control & Appeal) Rules.
- c) Compassionate appointments
- d) Confirmation
- e) Establishment Rules
- f) Service conditions of handicapped employees.

CONDUCT RULES

Application of Rules

124.2 With a view to regulating the conduct and activities of the employees and ensuring adherence to government policies, all persons appointed to civil services and posts in connection with the affairs of the Union are governed by the Central Civil Services (Conduct) Rules 1964. These Rules do not apply to Railway servants who are governed by the Railway Services (Conduct) Rules, to members of All India Services and certain other categories of persons mentioned in the rules.

Revision of ceilings for reporting transactions in movable property

124.3 Suggestions have been made for enhancement of the existing ceilings for reporting transactions in movable property from Rs.10,000 to Rs.one lakh in the case of Group 'A' and 'B' officers and from Rs.5,000 to Rs.50,000 in respect of Group 'C' and 'D' officers.

Our recommendations

124.4 We have been informed by the official side that a proposal to enhance the ceiling in respect of movable property from Rs.10,000 to Rs.15,000 is under consideration of the Government. We have taken note of the fact that the existing limits of Rs.10,000 and Rs.5,000 were revised on 19.4.1988 and have ceased to be relevant given the prices of electric/electronic gadgets which are acquired by a majority of the Government servants. **We are convinced of the**

need for upward revision of the above limits from time to time so as to be in tune with market prices and salary structure of the Government servants. For the present, the existing ceilings may be revised to Rs.30,000 for Groups 'A' and 'B' officers and Rs.15,000 for Groups 'C' and 'D' officers.

Revision of ceilings for acceptance of gifts

124.5 A suitable increase has been sought in the amount of gifts which can be accepted by a Government servant without Government's sanction from near relatives and personal friends having no official dealings, keeping in view the customs prevalent in the country.

Present position

124.6 On occasions other than weddings, anniversaries, funerals or religious functions, Groups 'A' and 'B' officers can accept gifts valued up to Rs.150 and Groups 'C' and 'D' officers up to Rs.50. Gifts the value of which exceed the above limits can be accepted with the sanction of the Government. On occasions like weddings, anniversaries, funerals or religious functions, the limits fixed for acceptance of gifts from near relatives are Rs.1000 for Groups 'A' and 'B', Rs.500 for Group 'C' and Rs.200 for Group 'D' and Rs.400, Rs.200 and Rs.100 from personal friends having no official dealings. A report is required to be made to the Government if the value exceeds the above limits fixed for different levels. A proposal to revise the above limits is stated to be under Government's consideration.

Our Recommendations

124.7 With a view to ensuring that the limits fixed are realistic and reducing paper work, we feel that the limits may be revised to three times the existing amounts. The position should be reviewed by the Government from time to time.

Acceptance of part-time jobs while in service

124.8 Suggestions have been made to permit Government servants to undertake part-time jobs or tuitions after office hours or on Saturdays, Sundays/holidays as also private employment during spells of extra-ordinary leave which would enable the employees to supplement their income.

Our Recommendations

124.9 We have considered the suggestions and feel that if Government servants are allowed to undertake part-time jobs, they will not only be unable to give undivided attention to their office work but will also not get sufficient time for rest and recreation, resulting in deterioration in their efficiency and health. They would further deprive some unemployed youth of the opportunities which they would have otherwise availed themselves of. **We, therefore, do not support the idea of allowing the Government servants to undertake part-time employment beyond office hours or accepting private employment during spells of extra-ordinary leave.**

CENTRAL CIVIL SERVICES (CLASSIFICATION, CONTROL AND APPEAL) RULES

Introduction

124.10 The Government is mainly guided by the provisions of the Constitution of India in matters relating to action taken against its own employees. It has to dispense justice, ensure fair play and avoid discrimination. With a view to ensuring that disciplinary proceedings or findings of the Government are not set aside in a court of law, the procedure to be followed in disciplinary cases against Government servants has been laid down in detail in the Central Civil Services

(Classification, Control and Appeal) Rules, hereinafter called the "CCS (CC&A) Rules". These Rules have been framed in conformity with the provisions of Article 311 of the Constitution.

<i>Application of Rules</i>	124.11	The CCS(CC&A) Rules apply to every Government servant, including every civilian in the Defence Services, but do not apply to Railway servants, members of All India Services, persons in casual employment, persons subject to discharge from service on less than one month's notice and persons for whom special provision is made with the previous approval of the President.
<i>Delegation of powers to suspend</i>	124.12	Suggestions have been made that all superior officers should be empowered to suspend their subordinates.
<i>Our recommendations</i>	124.13	Rule 10 of the CCS(CCA) Rules empowers the appointing authority, any authority to which the appointing authority is subordinate, disciplinary authority and any other authority empowered by the President by a general or special order to place an employee under suspension. In respect of offices located away from the headquarters, supervisory officers in such offices have been specially empowered to suspend a subordinate officer in cases involving gross dereliction of duties. In order, however, to prevent abuse of this power, the suspending authority is required to report the facts of each case immediately to the next higher authority and all such orders of suspension become void ab initio unless confirmed by the reviewing authority within a period of one month from the date of order. Having regard to the fact that one or more of the above authorities are present at the headquarters and adequate provision exists in respect of field offices located outside the headquarters, we are of the view that it would not be appropriate to delegate the power of suspension to all supervisory officers.
<i>Summary procedure in certain cases</i>	124.14	Suggestions have been made that if a Government servant is involved in an offence or conduct involving moral turpitude, corruption, embezzlement or misappropriation of Government money, possession of disproportionate assets, or misuse of official power for personal gains, he should be summarily tried without following the lengthy procedure of formal disciplinary proceedings.
<i>Position of Rules</i>	124.15	Rule 19 of the CCS(CC&A) Rules empowers the disciplinary authority to straightaway make an order imposing penalty without following the prescribed detailed procedure under Rules 14, 15 and 16 of the said rules on three grounds namely: (a) where a person is dismissed or removed or reduced in rank on the ground of conduct which had led to his conviction on a criminal charge; or (b) where the authority empowered to dismiss or remove a person or to reduce him in rank is satisfied that for some reasons, to be recorded by that authority in writing, it is not reasonably practicable to hold such enquiry; or (c) where the President or Governor, as the case may be, is satisfied that in the interest of security of the State, it is not expedient to hold such enquiry. Even under these three exceptional circumstances, the Constitution does not vest unbridled powers in the competent authority when it takes action in terms of any of the three clauses under the 2nd proviso to Article 311(2) of the Constitution or any Service Rule corresponding to it. In its judgement dated 11.7.1985 in the case of Tulsi Ram Patel and others (Civil Appeal No.242 of 1982) and in the subsequent judgement delivered on September

12, 1985 in the case of Satyavir Singh and others (Civil Appeal No.576 of 1982), the Supreme Court has laid down the principles to be kept in view by the competent authority while taking action under the 2nd proviso to Article 311(2) or the corresponding Service Rule. Since the procedure to be followed has been mainly designed to ensure compliance with a salutary principle of justice and public policy which has also been incorporated in Article 311 of the Constitution, namely, that no man should be condemned or punished without a reasonable opportunity to defend himself, it may not be desirable to punish a Government servant without complying with the constitutional safeguards. **The Commission is unable to accept the suggestion and does not suggest any change in the existing procedure to be followed before imposition of a penalty.**

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| <i>Right to appeal</i> | 124.16 | A suggestion has also been made that in cases where the disciplinary authority chooses to dispense with the enquiry proceedings, an employee should have the right to appeal against such a decision to authorities higher than the disciplinary authority. |
| <i>Our Recommendations</i> | 124.17 | The question whether an appeal lies or not against an order is to be decided with reference to the authority which made the order. No appeal lies against any order which is made by the President of India. In other cases, an appeal or review petition can be made to the competent authority. Since adequate safeguards have been provided in the CCS(CC&A) Rules, we do not recommend any change in the existing provisions. |
| <i>Defence assistance at appellate stage</i> | 124.18 | It has been suggested that the charged officer should be supplied with a copy of the comments of the disciplinary authority on appeals preferred before the appellate authority and that he should also be permitted to avail himself of the services of a Defence Assistant during appellate proceedings. |
| <i>Our Recommendations</i> | 124.19 | Since the comments of the disciplinary authority on appeals preferred by the charged officer do not constitute a record of the enquiry proceedings on the basis of which a decision is to be taken by the appellate authority, we are not convinced of the need to supply a copy of the comments of the disciplinary authority to the charged officer. Similarly, as no enquiry proceedings are held at the appellate stage but a decision is to be taken by the appellate authority on the basis of the record of the enquiry including grant of a personal hearing, wherever necessary, we are unable to accept the suggestion to allow the charged officer to avail himself of the services of a Defence Assistant at the appellate stage. This is only likely to delay the proceedings. |
| <i>Appointment of IO from outside the Department</i> | 124.20 | It has been urged before the Commission that the enquiry officers should be selected from outside the department to ensure impartiality. |
| <i>Our Recommendations</i> | 124.21 | Rule 14(5) of the CCS(CC&A) Rules provides that the disciplinary authority can itself inquire into the charges or can appoint an inquiry officer for the purpose. Wherever disciplinary proceedings are initiated on the advice of the Central Vigilance Commission (CVC) in a majority of the cases, inquiry is held by the Commissioners for Departmental Inquiries who are officers of the CVC. While in a majority of cases it may be possible that the disciplinary authority himself does not conduct the inquiry, it may still not be practicable in all |

cases to appoint an inquiry authority from outside the department. Such a course would be necessary in small offices where the disciplinary authority as well as the inquiry officer may have to be one and the same person. **We would, however, suggest that Government should always try to explore the possibility of appointment of independent and outside inquiry officers, wherever this is possible.**

*Review of
procedure for
imposition of
major penalties*

124.22 A review of the procedure for imposition of major penalties and categorisation of all penalties other than censure as major penalties has been sought.

Our Recommendations

124.23 The procedure prescribed in Rule 14 of the CCS(CC&A) Rules is applicable only in cases in which the charges are so serious as to call for one of the major punishments. **With a view to ensuring that the proceedings are not unduly protracted, we are of the view that the proceedings should be conducted on a day-to-day basis as far as possible. The feasibility of extending the scope of Rule 19 may also be considered.**

124.24 We do not find any merit in the suggestion that all penalties other than censure should be categorised as major penalties.

124.25 We would, however, recommend deletion of penalty of withholding of increments from Rule 11 of the CCS(CC&A) Rules because we have separately recommended a special procedure to be followed for release of annual increment which permits withholding of increment or granting of double increment based on performance of an employee during the last one year.

*Termination of
penalty one year
before retirement*

124.26 Termination of penalties imposed on a Government servant one year before the date of superannuation has been suggested.

Our Recommendations

124.27 We have considered the suggestion carefully and feel that since the penalties are imposed depending upon the nature and gravity of the charge, their termination before the expiry of the period indicated in the punishment order would render the penalty itself ineffective. Such a course of action, in our opinion, does not seem to be appropriate and we are unable to accept the suggestion.

*Training of
IO/PO*

124.28 It has been suggested that Presenting and Inquiry Officers should be provided adequate training so as to enable them to perform their duties efficiently.

Our Recommendations

124.29 **With a view to ensuring that the Presenting Officers present their case forcefully before the Inquiry Officers and the Inquiry Officers hold the inquiry impartially and afford all reasonable opportunity to the charged officer as provided for in the rules, we feel there is need for increasing the number of courses relating to "Administrative vigilance: Role of IO/PO" and (ii) "Administrative vigilance: Disciplinary Procedures" so as to ensure coverage of more officers.**

<i>Honorarium to IO/PO/DA</i>	124.30	It has been urged that the Presenting Officers, Inquiry Officers and Defence Assistants should be paid honorarium, which should be commensurate with the labour put in by these officers.
<i>Our Recommendations</i>	124.31	We have taken note of the instructions issued in 1988 and 1992 respectively providing for payment of honoraria to the Presenting and Inquiry Officers. We recommend revision of the rates suitably by the Government. We are, however, unable to accept the suggestion that Defence Assistants who assist the charged officer of their own volition should also be paid honoraria by the Government.
<i>Pensionary benefits on conviction</i>	124.32	It has been suggested that the families of convicted Government servants should not be deprived of pensionary benefits.
<i>Position under Rules</i>	124.33	Conviction of a government servant can be under any law, which provides for punishment for a criminal offence whether by fine or imprisonment. No distinction is made between crimes involving moral turpitude and other crimes. It is not necessary that one of the extreme penalties such as dismissal, removal and compulsory retirement is imposed in a case of conviction as a matter of course. The disciplinary authorities are supposed to give proper consideration to the offence actually committed by the government servant as a result of which he was convicted by the Court of law. It is only where the government servant has been convicted on the ground of moral turpitude that his retention in service is considered undesirable and one of the three penalties is imposed in such a case. It is only in cases where the penalty of dismissal or removal is imposed that the right to receive pension and gratuity is forfeited.
<i>Our Recommendations</i>	124.34	Having regard to the fact that the gravity of the offence committed by the convicted government servant is the determining factor for imposition of one of the penalties, which in turn decides the entitlement to pensionary benefits, as well as the fact that adequate provisions exist in the rules for grant of compassionate allowance in deserving cases, no change appears to be necessary in the existing rules. Making provision for pensionary benefits to the families of convicted government servant would amount to rendering the punishment infructuous. We are of the view that no change is called for in the existing rules.

COMPASSIONATE APPOINTMENTS

<i>The Scheme</i>	124.35	The scheme of compassionate appointments was conceived as far back as 1958. Since then a number of welfare measures have been introduced by the Government which have made a significant difference to the financial position of the families of Government servants dying in harness but the scheme still continues as a welfare measure in recognition of the need for immediate assistance to a family on the death of a Government servant in harness. Consequent on the observations/directions of the Supreme Court in its judgement dated 8.4.1993, the provision relating to appointment on compassionate grounds of a near relative has been deleted and the scheme is now applicable to widow, son or daughter in cases of death in harness, suicide and in exceptional cases of retirement of Government servant on medical ground before attaining the age of 55 years (57 years in case of
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Group 'D'). The percentage of vacancies which can be filled by compassionate appointment in a given year is 5% of the direct recruitment quota.

<i>Removal of ceiling on compassionate appointments</i>	124.36	A review of the desirability of continuance of the practice of compassionate appointments has been sought on the ground of its impact on efficiency. Removal of the existing ceiling on the percentage of posts which can be filled by compassionate appointments has also been sought.
<i>Our Recommendations</i>	124.37	We have considered the suggestions and taken note of the fact that the scheme of compassionate appointments envisages appointment of applicants only if they are eligible and suitable for a post in all respects under the provisions of the relevant recruitment rules, and such applicants are given relaxation only in recruitment procedure and age limit. The scheme itself takes adequate care that appointments made are consistent with the requirements of maintenance of efficiency of administration. We are, therefore, of the view that the existing practice of making appointments on compassionate grounds in deserving cases needs to be continued. As regards removal of ceiling on the percentage of posts which can be filled by compassionate appointments, we are of the view that removal of the ceiling would reduce the number of posts available to candidates coming through direct recruitment which is not desirable. The existing ceiling of 5% in respect of compassionate appointments, therefore, needs to be maintained and followed strictly.
<i>Enlargement/contraction of the scheme</i>	124.38	Extension of facility of compassionate appointments to dependents other than widow/son/daughter of the deceased Government Servant and restricting the compassionate appointments to widows alone have been suggested.
<i>Our Recommendations</i>	124.39	The scope of the scheme providing for appointment on compassionate grounds has already been narrowed by deleting near relatives from the scheme by the Government. In view of the fact that the existing provisions in the scheme are in conformity with the observations of the Supreme Court, inclusion of other relatives within the scope of the scheme or exclusion of son/daughter therefrom would not be appropriate.
<i>Lump sum payment in lieu of compassionate appointment</i>	124.40	It has been urged that the families of deceased Government servants who die in harness or those who are retired on medical grounds should be paid a lump sum amount in cases where compassionate appointments are not feasible on administrative grounds.
<i>Our Recommendations</i>	124.41	We have considered the suggestion carefully and do not support the idea of making lump sum payment in lieu of compassionate appointments because the facility of compassionate appointments is extended as an additional benefit to families in immediate need of assistance.
<i>Time limit for belated requests</i>	124.42	Suggestions have been made that the time lag in compassionate appointments should be reduced and the appointments made within a reasonable period of the demise of the Government servant and not postponed for unduly long periods on the ground that dependent children have not attained majority.
<i>Our Recommendations</i>	124.43	Since compassionate appointments can be made up to a maximum of 5% of the vacancies falling under direct recruitment quota in any Group 'C' or

'D' post, the applicants have sometimes to wait for a long time because of number of applicants exceed the ceiling of 5%. While in such a situation, delay in making compassionate appointments appears to be unavoidable, care should be taken that requests for compassionate appointments are received normally within a period of one year from the date of demise of the government servant and delay does not take place on any other ground. The scheme of compassionate appointments having largely been related to the need for immediate assistance to the family on the passing away of the Government servant in harness, we are of the view that compassionate appointments should be made within a reasonable period of time after the demise of the Government servant and not postponed for unduly longer periods. The very fact that the family has been able to manage somehow all these years should normally be adequate proof to show that the family had some dependable means of subsistence. We have also taken note of the present safeguard that belated requests can be considered at the level of Secretary alone, which we feel is salutary in nature. **We are of the view that appointments on compassionate grounds shall be made at the most within five years of the date of demise, and even such belated appointments should be made only in the case of minor children who could not have been appointed because of their age being less than the minimum age of recruitment to government service.**

Appointment of dependents of retiring employees

124.44 It has been urged that one of the dependants of superannuated employees should be given employment on compassionate grounds on the analogy of the position in the Railways.

Our Recommendations

124.45 There is no provision in the Railway Rules which provides for compassionate appointment of the dependant of a superannuated Railway employee. **In view of the constitutional invalidity of the demand, we are unable to accept the suggestion of providing employment to one of the dependants of superannuated employee on compassionate grounds.**

CONFIRMATION

Historical background

124.46 Prior to April, 1988, a periodic exercise used to be undertaken to identify the vacant permanent posts along with exact date from which those posts were available for confirming a Government employee. Confirmation was also not a one-time event in the career of a Government employee; he used to be successively confirmed in every post or grade to which he was promoted subject to the availability of a permanent post in each grade. With effect from April, 1988, confirmation is made only once in the service of an official, and this is in the entry grade. Confirmation has been delinked from availability of permanent vacancy in the grade which implies that an officer who has successfully completed his probation can be considered for confirmation.

Uniform period of probation

124.47 Suggestions have been made for prescribing a uniform period of probation in different services/posts and for deeming an employee to have satisfactorily completed the period of probation unless he is specifically informed to the contrary on expiry of the said period.

Our Recommendations

124.48 We have considered the suggestions and taken note of the fact that the periods of probation for different services and posts are laid down in the recruitment rules which are finalised in consultation with the Department of

Personnel and Training and the UPSC. The period of probation is determined with reference to the requirements of each job. We, therefore, feel that it would not be desirable to prescribe a uniform period of probation for all services and posts. We, accordingly recommend that the existing practice of prescribing periods of probation based on the job requirements of various posts and services may continue to be followed.

*Deemed
satisfactory
completion of
probation period*

124.49 As for the automatic completion of the probation period, the official side has informed us that confirmation is not automatic on completion of probation period but is to be followed by formal orders. As long as no specific orders of confirmation or satisfactory completion of probation are issued, a probationer is deemed to continue on probation. Instructions are reported to have been issued in August, 1994 to all the Ministries stressing the need to communicate to the probationer the decision to confirm him or to extend the period of his probation, within six to eight weeks of the completion of his period of probation. It has been brought to our notice that despite issue of instructions by the nodal Ministry, concerned departments do not initiate timely action with the result that employees continue on probation for years together. We have also observed that the instructions issued by the nodal Ministry are more in the nature of an exhortation to the Ministries/Departments than a rule or regulation that may have any legal validity.

Our Recommendations

124.50 We are, therefore, of the view that a specific provision be made in the Rules to the effect that in case no orders are issued within three months of the expiry of the period of probation either declaring successful completion of the probation period or its extension, the employee concerned should be deemed to have completed the probation period satisfactorily and confirmed automatically. Provision should also be made for holding the concerned officer responsible who is supposed to issue necessary orders.

*Confirmation of
casual labourers*

124.51 It has been urged that all casual employees should be made permanent on their rendering two to three years of service.

Our Recommendations

124.52 We have considered the issue and observed that since the casual labourers are not appointed/engaged against sanctioned regular Group 'D' posts, the question of their being declared as permanent employees does not appear to be feasible. We are, therefore, of the view that their cases should appropriately be dealt with in accordance with the provisions of Casual Labourers (Grant of Temporary Status and Regularisation) Scheme, which is already in force.

ESTABLISHMENT RULES

*Charge
Allowance while
holding
additional charge*

124.53 A suggestion has been made for the payment of charge allowance to an officer as and when he is asked to hold temporary additional charge of a higher post.

Our Recommendations

124.54 We have given our careful consideration to the suggestion and also perused orders on the subject of combination of appointments and entitlement to additional remuneration, which empower an administrative Ministry to grant additional remuneration as prescribed for a maximum period of three months. For payment of additional remuneration beyond three months, prior concurrence of the

Ministry of Finance is required to be obtained. We feel that the existing provisions are adequate and do not call for any change or further liberalisation because asking an officer to discharge the duties of more than one post for longer periods is not conducive to efficiency.

Amendment to FR 56(j)

124.55 At present Government has a right to retire a Government servant at any time in public interest if he has completed 30 years of qualifying service under rule 48(l)(b) of the CCS (Pension) Rules and after he has attained the age of 50 years if he is a Group 'A' or 'B' Officer and had entered Government service before attaining the age of 35 years and in all other cases after he has attained the age of 55 years by giving three months' notice under FR 56(j). For the purpose of maintaining efficiency in Government and achieving higher productivity, it is necessary to have enabling provisions in the Rules to review the performance of Government employees even before they attain the age of 50/55 years or complete 30 years of service. The security of tenure enjoyed by Government employees has, of late attracted a lot of criticism. To overcome the problem of inefficiency in Government and to get rid of unproductive employees, **we are of the view that the provisions of Rule 56(j) of the Fundamental Rules may be amended to provide for a performance appraisal quinquennially** by a committee to be constituted for the purpose, based on the Annual Confidential Reports and such other relevant information as may be considered necessary. Details of how this appraisal is to be carried out is contained in the relevant chapter. If the appraisal reveals that the performance of a government servant has been erratic, the employee should be given a warning to improve his performance. **If the performance is found to be consistently deficient for more than three reviews, he should be discharged from service under the provisions of Rule 56(j).** It is expected that with such a detailed and objective procedure, action under FR 56(j) will normally be sustained by the courts.

SERVICE CONDITIONS OF HANDICAPPED EMPLOYEES

Existing Provisions

124.56 Government of India have earmarked 3% of the employment opportunities in Groups 'C' and 'D' posts for the physically handicapped persons. The 3% reservation is shared equally by the blind, the deaf and the orthopaedically handicapped. Under the existing instructions, all physically handicapped persons are eligible for age relaxation upto 10 years for general category and 15 years for SC/ST for appointment to any Group 'C' or 'D' post. In case of appointment to Groups 'A' and 'B' posts, age relaxation is for a period of 5 years. They are also exempted from payment of examination fee/application fee. Instructions provide that physically handicapped persons who have already been examined by a Medical Board attached to the special Employment Exchange/Vocation Rehabilitation Centre need not be subjected to medical examination once again at the time of appointment.

Identification of jobs suitable for handicapped employees

124.57 An in-depth study of the various jobs done in government offices as well as public sector undertakings was undertaken by a sub-committee which identified 1,100 titles out of 3,000 titles listed in the National Classification of Occupations as suitable for handicapped persons. Another Standing Committee constituted by the Ministry of Welfare made an in-depth study of various jobs and identified 420 jobs in Groups 'A' and Group 'B' posts/services as suitable for the physically handicapped persons, along with the physical requirements and

functional classification of disabilities indicating what jobs can be held by each category of disabled persons and with what disability. Preference is given to the physically handicapped persons in the matter of recruitment to such identified posts.

Extension of reservation to Groups 'A' and 'B' posts

124.58 Suggestions have been made that the existing guidelines in respect of handicapped employees should be reviewed for bringing about improvements and extending the benefit of reservation to Groups 'A' and 'B' posts. Also that lower eligibility criteria should be prescribed for promotion of handicapped employees and extension of benefit of reservation in promotion.

Our Recommendations

124.59 We have noticed that instructions are issued by the Government from time to time emphasising the need for identification of jobs which can be held by handicapped persons and monitoring of implementation of reservation. Monitoring through half yearly returns is also being done by the Liaison Officer specially nominated for the purpose. **We would recommend that identification of jobs for handicapped persons and monitoring of implementation of reservation orders should be a continuous process aimed at improving the lot of handicapped persons. We are, however, unable to accept the suggestion that the benefit of reservation should be extended to Groups 'A' and 'B' services and posts because at these levels the need for efficiency and competence is greater than at Groups 'C' and 'D'. Because of these very reasons, we are also not in favour of prescribing either lower eligibility criteria for promotion or granting promotions on the basis of reservation alone without satisfying the conditions laid down in the recruitment rules for promotion posts.**

Increase in percentage of reservation for Groups 'C' and 'D' posts

124.60 It has been suggested that the existing provision of 3% reservation in Groups 'C' and 'D' posts is inadequate and should be increased.

Our Recommendations

124.61 Keeping in view the overall reduction we are recommending in the staff strength of Central Government employees, we do not find it feasible to recommend any increase in the reservation quota for handicapped persons. We would, however, like the Government to clear the present backlog of unfilled vacancies meant for handicapped persons in a time bound manner by initiating special recruitment drives and ensure observance of the existing instructions of carry forward of unfilled reserved vacancies for a period of up to three recruitment years.

Increase in rate of conveyance allowance and removal of ceiling

124.62 An increase has been sought in the quantum of conveyance allowance without any ceiling, on the ground that there has been a tremendous increase in the expenditure on transportation.

Our Recommendations

124.63 We have separately recommended that the transport allowance to be paid to handicapped employees should be double the amount now approved for non-handicapped government employees. The present conveyance allowance would, therefore, be discontinued.

<i>Automatic grant of Transport Allowance to handicapped employees</i>	124.64	Suggestions have also been made for automatic grant of the allowance to those recruited against vacancies reserved for the physically handicapped, without requiring them to appear before the medical authorities from time to time.
<i>Our Recommendations</i>	124.65	We would recommend that the percentage of disability determined at the time of initial recruitment should be treated as final and should be the basis for grant of conveyance (now transport) allowance, unless the employee himself/herself asks for a review.
<i>Assistance of a scribe</i>	124.66	It has been suggested that blind and handicapped employees who are required to pass a departmental examination for earning increment as a condition of service or for the purpose of promotion to the next higher grade may be permitted to take the assistance of a scribe from among one of the co-employees.
<i>Our Recommendations</i>	124.67	We have considered the suggestion and are of the view that assistance of a scribe may be provided. He may be a co-employee in the same department but should not be in the same line of work so that there is no possibility of any malpractice.
<i>Grant of interest-free loans</i>	124.68	It has been suggested that handicapped employees may be sanctioned interest-free loans for acquisition of residential accommodation and conveyance.
<i>Our Recommendations</i>	124.69	We have considered the suggestion carefully and do not support the idea of granting an interest-free loan to a handicapped employee for purchase of a vehicle or acquisition of a house. However, as a gesture of goodwill, we recommend that handicapped employees may be given a concession of half a per cent in the rate of interest applicable for House Building Advance and Advances for purchase of a conveyance.
<i>Reimbursement of expenditure on repairs to artificial limbs</i>	124.70	Reimbursement of expenditure incurred on repairs of artificial limbs has been sought.
<i>Our Recommendations</i>	124.71	We recommend that reimbursement of expenditure incurred on repairs to artificial limbs may be allowed.
<i>Reader's allowance</i>	124.72	It has been suggested that blind teachers may be granted reader's allowance at the rate of Rs.500 per month on the analogy of financial assistance given to Readers in Universities at the rate of Rs.3,000 per annum for purchase of braille books, reader's allowance etc.
<i>Our Recommendations</i>	124.73	We have given our careful consideration to the suggestion and feel that whereas UGC Teachers/Research Scholars have to scan through voluminous records such as reference books, research papers, etc. the duties and responsibilities of blind teachers do not require consultation of research material to the same extent as by research scholars. However, keeping in view the need of blind teachers and the amount they have to spend on purchase of reading material due to non-availability of books in braille in the libraries, we

recommend a Reader's Allowance of Rs.100 per month for the blind teachers.

<i>Upgradation of pay scale of chair caners</i>	124.74	Suggestions have been made for upgradation of the pay scale of Chair Caners on the ground that caning of chairs involves application of skill.
<i>Our Recommendations</i>	124.75	We have considered the suggestion and are convinced of the argument that caning of chairs does involve application of skill. We, therefore, recommend that chair caners may be placed in the pay scale of Rs.800-1150 and be considered for placement in the ACP pay scales of Rs.950-1500 and Rs.1200-1800.
<i>Recaning of chairs by blind persons alone</i>	124.76	It has been suggested that recaning of chairs through contractors should be discontinued because it deprives the blind persons of job opportunities. Wherever the work load justifies, a post of Chair Caner should be created and in other places, the recaning work should be got done through blind persons.
<i>Our Recommendations</i>	124.77	We have taken note of the existing instructions which enjoin upon the contractors to employ only blind persons for recaning of chairs and earmarking a post of Chair Caners out of existing vacancies in Group 'D' wherever workload justifies. We are satisfied with the adequacy of the existing instructions but would like the Government to ensure their observance scrupulously
<i>Placement in higher pay scale where junior is promoted</i>	124.78	Blind Postgraduate Teachers have sought their placement in the pay scale of Vice Principal and Principal on non-functional basis in the event of a junior PGT being promoted to the post of a Vice Principal/Principal.
<i>Our Recommendations</i>	124.79	We are of the view that a person should not be ignored for promotion to a higher post merely because he is blind. We are, however, not in favour of placing those considered unfit for promotion in the next pay scale on non-functional basis, simply because of their disability.

Industrial and Non-Industrial Employees

INTRODUCTION

Definition of Workman

125.1 Generally, Government employees covered by the definition of "Worker" as defined under Section 2 (l) of the Factories Act, 1948 and 'Workman' as defined under Section 2(s) of the Industrial Disputes Act, 1947, are classified as industrial staff and who do not fall within these definitions are classified as Non-Industrial Staff. Industrial employees are governed by labour laws. These give them substantial rights to form trade unions, and to raise industrial disputes. The non-industrial employees are governed by the rules applicable to Central Government servants in general.

Industrial Disputes Act, 1947

125.2 The Industrial Disputes Act, 1947, was amended with effect from August 21, 1984 empowering the Government to keep their industrial establishments outside the purview of the Act, which implies that the industrial workers will have recourse only to such of those rules as are applicable to other Government employees for settlement of their grievances. The notification issued initially for the establishment of the Central Administrative Tribunal had excluded the employees covered by the Industrial Disputes Act from the scope and jurisdiction of the Tribunal. However, by a subsequent amendment of the Administrative Tribunals Act, 1985 (No.13 of 1985) in 1986 the relevant clause was deleted, thereby bringing the employees governed by the Industrial Disputes Act also within the jurisdiction of the Administrative Tribunal.

DEMANDS FOR PARITY

125.3 Industrial employees of the Central Government have always been demanding parity in matters of leave entitlement, holidays, leave encashment and working hours with their counterparts classified as non-industrial employees. The

leave entitlements of industrial workers were also examined by the earlier Pay Commissions. While the first three did not favour any increase in the leave entitlement of industrial workers in Government, the Fourth CPC recommended parity in leave entitlement and its encashment between the industrial employees in the Railways and those in other sectors of the Central Government. While the entitlements of industrial employees in the Railways to leave and its encashment are on par with those of non-industrial workers in the Central Government, their hours of work are substantially more than those of other industrial workers. The recommendation of the Commission was not accepted by the Government. The matter was therefore, referred to the Board of Arbitration in 1989. In terms of the award of the Board (April, 1991), the prerequisite of 240 days service for grant of any leave with wages and the restriction on carry forward of leave only up to 30 days were removed. The maximum limit up to which leave could be accumulated was also increased to 120 days.

RECENT POSITION

125.4 There is now complete parity between the industrial and non-industrial employees in matters of entitlement to and accumulation of leave on half pay, extraordinary leave, casual leave, and certain special kinds of leave (maternity leave and hospital leave). However, the entitlement of industrial employees to earned leave/annual leave is determined with reference to their length of service and ranges between 17 and 27 days in a year, as against 30 days in a calendar year to which all non-industrial employees are entitled. Further, industrial employees can avail of earned leave only on six occasions in a year, whereas there is no such restriction in respect of non-industrial employees. On the other hand, unlike non-industrial employees, holidays intervening during spells of leave of industrial employees are not counted towards leave.

DIFFERENCES BETWEEN THE TWO CATEGORIES

125.5 The nature and scope of the duties and responsibilities of the two categories of employees are totally different, as are their wage structure and terms and conditions of service as well as the nature of services provided by them. These two categories are subjected to different types of stresses, strains and hazards in the performance of their duties. Industrial employees are entitled to certain other benefits like overtime allowance at twice the rates applicable to their counterparts in the non-industrial sectors, exclusion of Sundays and holidays intervening during spells of leave, a higher age of superannuation, etc. In the circumstances, it may not be appropriate to consider, in isolation, disparities in the matter of leave alone. The Board of Arbitration had refused in the past to concede absolute parity in holidays and leave entitlement between industrial and non-industrial employees of the Central Government. All the earlier CPCs barring the Fourth had also negated such demands. Besides, the changing economic climate of the country also has to be taken into account while evaluating this demand. With the onset of liberalisation, all Government sectors, including the industrial sector, has to compete with the private sector directly. Even at present, productivity and efficiency in the Government sector cannot be considered to be of the desired levels. In this milieu, any increase in the leave entitlement of industrial workers

may lead to loss in production, thus placing the industrial sector of the Government at a further disadvantage in relation to the private sector.

REDUCTION OF WORKING HOURS

*Position
elsewhere*

125.6 These considerations would also be equally relevant for a decision on the demand that the working hours of industrial employees should be reduced so as to be on par with non-industrial employees in the Central Government. While it is a fact that the hours of work prescribed for staff employed in industrial units are longer than those prescribed for staff in the administrative offices, these variations have been necessitated on account of the differences in the service conditions of these two categories of employees. Workshop staff are governed by the provisions of the Factories Act, which permits up to 48 hours of work in a week. The industrial staff working in the Central Government are not worse off than their counterparts either in the state-owned public enterprises or in the private sector. The public enterprises as well as industrial units in the private sector follow the provisions of the Factories Act in regard to their industrial employees. An analysis of the weekly hours of work in other countries would show that even in these countries the hours of work prescribed for different categories of workers are not uniform. Industrial workers in Thailand work for as many as 13 hours more per week than non-industrial staff. Similar differences are also discernible in other countries like Belgium, Canada, Israel, Japan, Malaysia, the Netherlands, Portugal, United States of America, etc.

*Views of earlier
CPCs*

125.7 The question of ensuring uniformity in the working hours in all Government establishments had been considered by the Second, Third and Fourth CPCs. They did not recommend any uniformity. The Fourth Pay Commission noted that the working hours in different organisations had been evolved over the years in accordance with their specific individual requirements and superimposition of central working hours or tampering with the existing set-up might necessitate structural modifications in the organisation which may not turn out to be very conducive at that stage of development. These observations still hold good, especially in the context of the present climate of economic liberalisation. When Government organisations have to compete with the private sector, any fall in productivity attributable to a reduction in working hours may not be desirable and may ultimately prove counterproductive. At the same time, it cannot be contested that some of the salutary provisions presently applicable only to industrial employees need to be extended to non-industrial employees, in order to improve their productivity.

OUR RECOMMENDATIONS

125.8 We are, therefore, of the view that our policy on this issue should be guided by the (i) Complete parity in leave entitlements and hours of work between industrial and non-industrial employees is not justified at the present juncture, (ii) certain changes in the entitlements both of industrial and non-industrial employees should be made so as to take the best features of both the leave system in order to achieve a long-term objective of reducing differences between them, (iii) all changes should be such as may reduce absenteeism and improve productivity. We accordingly recommend the following:

*Entitlement to
earned leave*

- (a) Their entitlement to earned leave based on length of service may be revised as indicated below:

Length of service	Present leave entitlement	Revised leave entitlement
One to ten years	17 days	20 days
Eleven to twenty years	22 days	25 days
More than twenty years	27 days	30 days

This would represent an increase of three days over the present entitlements. Simultaneously, Sundays and other holidays intervening during spells of leave should also be counted as leave availed of by the employee and debited to the leave account. These two measures would cancel each other out and not have any net impact on the whole leave entitlement.

*Accumulation of
earned leave*

- (b) **Industrial employees may be permitted to accumulate upto 300 days of earned leave** on par with non-industrial employees and to encash, out of the the leave so accumulated, leave of up to 60 days earned by them during their entire service, while availing of leave travel concession for travel anywhere in the country, as has been separately recommended by us in the chapter on "Leave Travel Concession".

*Leave that can be
taken on one
occasion*

- (c) **The maximum number of days of earned leave that can be availed of on any one occasion should be reduced in the case of non-industrial employees from 180 days to 60 days** because such a long spell of earned leave is not ordinarily required and this facility is also frequently misused to defy authority in the event of an unwelcome transfer. While this would still be higher than the ceiling of 30 days prescribed for industrial employees, it will bring the two categories of employees close to each other.

*Number of
occasions in a
year*

- (d) **Simultaneously, the maximum number of occasions on which earned leave can be availed of in a calendar year by non-industrial employees should also be reduced to only six** as in the case of industrial employees.

125.9 These steps, besides establishing some sort of broad parity, **would also enhance productivity of industrial employees** as the proposed increase in the quantum of earned leave that can be accumulated combined with the introduction of the facility of in-service encashment of leave in addition to encashment on superannuation is likely to reduce absenteeism and improve overall productivity.

Joint Consultative Machinery

Introduction

126.1 The Joint Consultative Machinery (JCM) and compulsory arbitration for central government employees has been in operation since 1966. It provides a forum for consultation between the Government of India in its capacity as employer and the general body of employees at three levels. At the apex level, there is a National Council, with departmental councils and office councils at the ministry/department and office levels respectively. The National Council deals with general matters affecting the central government employees such as pay of common categories, dearness allowance and matters relating to categories of staff common to two or more departments which are not grouped together in a single departmental council. Matters affecting staff of a single department are considered in the departmental council and local or regional questions at the level of office councils. Prior approval of the chairman is taken before a subject is included in the agenda for consideration of the National Council. The council's recommendations become operative after the approval of government is obtained. If there is final disagreement at the level of JCM on arbitrable issues, it is open to either side to refer the matter to the Board of Arbitration. The Board of Arbitration follows quasi-judicial procedures. Awards of the Board of Arbitration can be modified or rejected by the government with the approval of the Parliament only on grounds of "national economy" and "social justice".

Working of the JCM

126.2 Overall, the scheme of JCM has functioned well and been able to provide a viable platform for sorting out problems through consultation between employees and the government. This is evidenced by the fact that since 1968 no general strike of Central Government employees has taken place. Even in Railways, the last general strike had taken place as far back as in 1974. Thus, it appears that the scheme is functioning satisfactorily and should be strengthened further.

Prescribing a time limit for implementing the awards of Board Of Arbitration

126.3 In most of the cases, the government accepts the Awards of the Board of Arbitration. However, we note that frequently, inordinate time is taken by the government to accept the Award or, in the case of non-acceptance thereof, to place it before the Parliament. Accordingly we recommend that a specific time limit of one year or till the conclusion of the next two sessions of Parliament following immediately after the date of Award, whichever is later, be prescribed for implementation of such Awards.

Delimiting the work between permanent Pay Commission and Central Administrative Tribunals

126.4 We have separately recommended the setting up of a permanent pay commission with an appropriate status under the Constitution of India. Presently, Central Administrative Tribunal is authorised under law to pass judgements in all cases concerning service conditions of government employees. These powers were given to the Tribunal when no permanent Pay Commission was proposed to be created in the Central Government. **With the creation of a Permanent Pay Commission, as is being recommended by us, all matters of long-term significance concerning the basic structure of different services like creation of new services, cadre review, pay revision etc. should be dealt with by this permanent body. The Central Administrative Tribunal should, however, continue to deal with removal of grievances of Govt. servants relating to day to day activities like denial of promotions, adverse entries in the annual confidential reports, postings and transfers, etc.**

Extending judicial decisions in matters Of a general nature to all similarly placed employees

126.5 We have observed that frequently, in cases of service litigation involving many similarly placed employees, the benefit of judgement is only extended to those employees who had agitated the matter before the Tribunal/Court. This generates a lot of needless litigation. It also runs contrary to the judgement given by the Full Bench of Central Administrative Tribunal, Bangalore in the case of C.S. Elias Ahmed and Others Vs. UOI and Others (O.A.Nos. 451 and 541 of 1991), wherein it was held that the entire class of employees who are similarly situated are required to be given the benefit of the decision whether or not they were parties to the original writ. Incidentally, this principle has been upheld by the Supreme Court in this case as well as in numerous other judgements like G.C. Ghosh vs UOI, (1992) 19 ATC 94 (SC) dated 20.7.1988; K.I. Shepherd vs UOI (JT 1987 (3) SC 600); Abid Hussain vs UOI (JT 1987 (1) SC 147) etc. **Accordingly, we recommend that decisions taken in one specific case either by the judiciary or the Govt. should be applied to all other identical cases without forcing the other employees to approach the court of law for an identical remedy or relief. We clarify that this decision will apply only in cases where a principle or common issue of general nature applicable to a group or category of government employees is concerned and not to matters relating to a specific grievance or anomaly of an individual employee.**