

Part IX

Concluding Observations and Acknowledgments

*Nothing will ever be attempted, if all possible objections
must be first overcome*

Dr. Johnson

203417

2031B

Income Tax on Salaries and Pensions

INTRODUCTION

*Existing Law of
Income Tax*

167.1 The law of Income Tax being followed at present in India is enshrined in the Income Tax Act, 1961. As per Section 4 of this Act, all individuals having taxable income exceeding Rs.40,000 are liable to pay income tax. Taxable income comprises all incomes received by, or accruing or arising to, a tax payer during the previous year and includes income chargeable to income tax under the head 'salaries' as per Section 15 of the Income Tax Act, 1961. Salaries payable to its employees by the Central Government are chargeable to income tax under this Section. The total income tax collection from Central Government employees accounts for three per cent of the total tax revenue.

*Taxability of
Allowance*

167.2 Income tax is not only deducted on the basic salary but also on various allowances, including those which have been given to counter inflation. These provisions are equally applicable to employees of public sector undertakings and the private sector. In their case, however, there are two major differences. Firstly, the allowances are very liberal and already include an adequate cushion for payment of income tax thereon. Secondly, many companies pay the tax on their employees' salaries and allowances, or give them the equivalent amount in cash outside their legitimate account books. On the other hand, the allowances of Government employees compare poorly with those available in the other sectors and even these are subjected to income tax.

STUDY REPORT

*Observations
made by FRF*

167.3 In our sponsored study on 'feasibility of exempting the salaries of Government employees from income tax', the Fiscal Research Foundation (FRF) has favoured complete exemption of salaries paid by the Government to its employees from income tax. It has been pointed out that such provisions already exist in neighbouring countries like Sri Lanka. In case the entire salary is not

exempted from income tax, the FRF has strongly favoured exclusion of various allowances which are in the nature of a compensation payment to employees for erosion in the real value of their salaries resulting from price rise. Complete exemption of pensions received by Government employees from income tax has also been suggested

Exemption not a good option

167.4 We have considered these recommendations. Although there is considerable merit in the suggestions offered by FRF, it may be difficult for the Central Government to exempt only its own employees from income tax in respect of their salaries, allowances and pensions. Although it is legally possible to treat Central Government employees as a special category for purposes of income tax, it may not be equitable to do so without according the same treatment to other employees. **We would, therefore, not favour exemption of Central Government employees from tax as a good option.**

Salaries net of tax

167.5 However, it is a fact that it has not been possible for us to fully meet the aspirations of Central Government employees in respect of both salaries and allowances. As has been shown so vividly by the IIPA study on the emoluments received by senior employees, a salary level of Rs.36,000 is what we should have given to a Secretary if it was a taxable salary. Against this, we have recommended a salary of Rs.26,000 only. **It is, therefore, only reasonable that such a moderate salary should be net of tax.**

Hastening slowly

167.6 This is an area where we would like to tread with circumspection. Much though we would have liked to make the full emoluments of Government employees net of income tax, **we have decided to start with allowances and pensions only, as a first step.**

Allowances net of tax

167.7 The logic of giving allowances net of tax is irrefutable. Government decides a particular basic salary. Other allowances are added only to ensure that the real value of the basic salary is not eroded due to cost of living, or to provide partial reimbursement of expenses incurred on certain items of expenditure like house rent, children's education, entertainment and the like. **If such allowances are taxed, then either the basic salary gets eroded in its real value from year to year or the partial reimbursement of expenditure incurred on certain items becomes less and less with the passage of time.** In both the cases, the objective of giving allowances is partially nullified. As noted earlier, the private sector has both open and covert methods of solving this problem, but Government has so far left its employees totally vulnerable to this malaise.

Present position in MEA

167.8 There is just one exception. We have noticed that the Ministry of External Affairs pays 'net of tax' salaries to its employees on foreign postings. Provision for paying net of tax salary already exists under Section 195A of the Income Tax Act. Under this Section, the employees do not have to pay income tax on the salaries received by them and it is the liability of the employer to calculate the tax leviable on such salaries and pay the same to the income tax department.

Extension of 'net of tax' concept to all employees

167.9 **The solution to the problem of Central Government employees in general, therefore, lies in the application of this legal provision.** If the precedent of the Ministry of External Affairs is implemented in the rest of the Government, Government employees would not have to pay any income tax on the emoluments received by them from the Government and it would be the liability of

the concerned departments to calculate the tax leviable and, through book adjustment, credit the Tax Revenue Head. But, as stated earlier, we would like to tread this road with caution and make a beginning with allowances and pensions in the first place

OUR RECOMMENDATIONS

Allowances

167.10 Accordingly, we recommend that all the allowances of Central Government employees, including those of various union territories, may henceforth be paid net of taxes. These allowances will include Dearness Allowance too. There is just one snag here. One of our recommendations suggests that Dearness Allowance should be merged into pay for all purposes, whenever the cost of living index rises by 50%. Thus every 3-4 years, the D.A. component, which would be net of tax till then, would be converted into basic pay and therefore remain net of tax no longer. This will cause great hardship to Government employees. It will be logical to continue the tax relief on this D.A. component even after its merger with basic pay. In the case of Dearness Allowance, therefore, we may extend the tax concession to such part of D.A. as may be converted into Dearness Pay from time to time.

Pensions

167.11 The above concessions, however, will not bring much of a relief to pensioners, as in their case, apart from Dearness Relief, no other allowances are available. We note that in recent times the Government has shown genuine concern for senior citizens and various tax reliefs are already available to them beyond the age of 65 years under section 88B of the I.T. Act. We are of the opinion that retired Government employees in their old age deserve sympathy and accordingly recommend that pensions including dearness relief of all retired Central Government employees may be paid net of taxes.

Procedure for payment of tax

167.12 As regards the procedure for payment of income tax on allowances and pensions, we would like to make it as uncomplicated as possible. The simplest solution is for the Department of Personnel to make a lumpsum payment on account of tax on allowances on behalf of all Government employees to the Department of Revenue, and for the Department of Pensions to do the same with regard to pensions. Such lumpsum payments will ensure that there is no loss of revenue as far as income tax collections are concerned, and no unnecessary paperwork is generated for Government offices across the country.

Allotment of Scales not covered in the Report

- Introduction* 168.1 Revised scales of pay have been recommended by us for the entire gamut of Central Government employees including the Armed Forces Personnel. Detailed post-wise information provided to us by the concerned administrative Ministries, Departments and their subordinate and attached offices of the Central Government has been accordingly processed with utmost care and precision. It has been our endeavour to allot revised scales of pay to all the categories of Central Government employees including the isolated post holders.
- Our views* 168.2 However, despite our sincere efforts, there may be a few sporadic cases which might inadvertently have escaped our attention. We earnestly feel that getting the benefit of revised pay scales is a matter of right of all Government employees, irrespective of their post or category being mentioned in the Report or otherwise.
- Guiding principles* 168.3 In the event of any Central Government post being left out without allotment of revised pay scales in the Report, it should be given the commensurate revised scale of pay as applicable for posts with similar entry qualifications, duties and responsibilities, duly retaining the horizontal and vertical relativities in the organisation. It will also be eligible for the provisions of Assured Career Progressions (ACP). If such post was in receipt of any special pay in addition to the pre-revised pay, such special pay component should be doubled and converted into a special allowance.
- 168.4 **In any case, the replacement scale of the pre-revised scale is the minimum that such a category not covered by our recommendations should receive.**

Fixation of Pay in the Revised Scales

*Demands made
in various
Memoranda*

169.1 A wide - ranging set of demands has been received suggesting the manner in which the pay of the civilian employees should be fixed in the revised scales of pay. By and large the views expressed in the memoranda have favoured point-to-point fixation, so that the full benefit of fixation is given to the senior employees. It has been alleged that in Public Sector Undertakings and Banks, the pay has been revised on the basis of point-to-point fixation. The Staff Side of the National Council (JCM) have opined that the only way to provide equal benefits to all is to accept point-to-point fixation in the revised scales of pay. Government Employees National Confederation have also urged that in order to provide equitable justice to all and to avoid anomalies in pay fixation as well as to maintain the logical difference of pay rise between senior and junior employees, pro-rata fixation should be made on stage to stage and point to point basis, taking into consideration the total length of service rendered by an employee in the pre-revised pay scale. This means that the total number of increments drawn by the employee in the pre-revised scale of pay should be counted in order to fix the corresponding stage in the new pay scale. Some others have suggested that a percentage increase of 20 to 50% over the existing emoluments should be aimed at.

*Our
recommendation*

169.2 Having considered these suggestions and views and taking all relevant factors into account, we recommend that the pay of an employee may be fixed in the proposed scales of pay in the following manner :-

- (i) An amount representing 20% of the basic pay plus stagnation increment, wherever applicable, in the pre-revised scale may be added to his 'emoluments' as on 1.1.96 at the AICPI average of 1510. Pay may thereafter be fixed in the proposed scale at the stage next above the emoluments thus computed. The term 'emoluments' for this purpose will include the following :-
 - (a) basic pay in the pre-revised scale;

- (b) dearness allowance at the index average of 1510 as on 1.1.96; and
- (c) amount of first instalment of interim relief @ Rs.100/-
- (d) amount of second instalment of interim relief @ 10% of pre-revised basic pay, subject to a minimum of Rs.100.

If the minimum of the proposed scale is more than the amount so arrived at, the pay may be fixed at the minimum of the revised scale.

- (ii) In the case of an employee who is in receipt of special pay/allowance in addition to pay in pre-revised scale which has been recommended for replacement by a scale of pay without any special pay/allowance, pay may be fixed in the proposed scale in accordance with the provisions of sub-para(i) above, except that in such cases the term 'emoluments' will include the following :-
 - (a) basic pay in the pre-revised scale;
 - (b) existing amount of special pay or allowance;
 - (c) admissible dearness allowance at the index average of 1510 as on 1.1.96;
 - (d) amount of first instalment of interim relief @ Rs.100/-; and
 - (e) amount of second instalment of interim relief @ 10% of pre-revised basic pay, subject to a minimum of Rs.100/-.
- (iii) In case of an employee who is in receipt of special pay component with any other nomenclature in addition to pay in the pre-revised scale, such as personal pay for promoting small family norms, special pay to Parliament Assistants, Central (Deputation on Tenure) Allowance etc, and in whose case the same has been replaced in the revised scale of with corresponding allowance pay at the same rate or at a different rate, the pay in the revised scale may be fixed in accordance with the provision of sub-para(i) above. In such cases the allowance at the new rate as recommended may be drawn in addition to pay in the revised scale of pay.
- (iv) In the case of a medical officer who is in the receipt of Non-Practising Allowance (NPA), pay may be fixed in the proposed scale in accordance with the provision of sub-para(i) above, except that in such case the term 'emoluments' will not include NPA at existing rate and will comprise only the following:-

- (a) basic pay in the pre-revised scale of pay;
- (b) dearness allowance on the basic pay and NPA admissible at the index average of 1510 as on 1.1.96 under the relevant orders;
- (c) amount of first instalment of interim relief (a) Rs. 100/-; and
- (d) amount of second instalment of interim relief admissible on the basic pay and NPA under the relevant orders

In such cases, NPA at the new rates may be drawn in addition to pay in the revised scale of pay.

- (v) Wherein, as a result of fixation of pay as explained above, the pay of Govt. servants drawing pay at more than four consecutive stages in an existing scale gets bunched, that is to say, gets fixed in the revised scale at the same stage, the pay in the revised scale of such of those Govt. servants who are drawing pay beyond the first four consecutive stages in the existing scale shall be stepped up, by the grant of increment(s) in the revised scale in the following manner:-

- (a) for Govt. servants drawing pay from the ⁴3rd upto the 8th stage in the existing scale - by one increment
- (b) for Govt. servants drawing pay from the ⁷9th upto the ¹²12th stage in the existing scale, if there is bunching beyond the 8th stage - by two increments
- (c) for Govt. servants drawing pay from the ¹⁰13th upto the 16th stage in the existing scale, if there is bunching beyond the 12th stage - by three increments

Stepping up of pay

169.3 If by stepping up of the pay as above, the pay of a Govt. servant gets fixed up at a stage in the revised scale which is higher than the stage at which the pay of a Govt. servant who was drawing more pay in the pre-revised scale, the pay of the latter shall also be stepped up to the level at par with the former

Date of next increment

169.4 Except for cases covered in para 169.3 supra, the next increment in all cases may be given on the anniversary of the last increment. In cases of the types referred to in para 169.3 above, the next increment may be allowed after completion of one year from the date of fixation of the pay in the revised scale.

Special cases

169.5 If there are any special or hard cases which are not covered under the provisions explained above, they may be dealt with on merits by the Government.

Illustrations

169.6 A few illustrations of pay fixation in the revised scales are given in Annex 169.1.

ILLUSTRATIONS

Illustration No. 1 {see para 169.2(i)}

1.	Existing scale of pay	: Rs.750-12-870-14-940
2.	Proposed scale of pay	: Rs.2440-40-3200
3.	Existing basic pay	: Rs. 870
4.	D.A. at index average 1510	: Rs.1288
5.	First instalment of I.R.	: Rs. 100
6.	Second instalment of I.R.	: Rs. 100
7.	Existing emoluments	: Rs.2358
8.	Add 20% of existing basic pay	: Rs. 174
	Total	: Rs.2532

Pay to be fixed in the revised scale :Rs.2560

Illustration No. 2 {see para 169.2(ii)}

1.	Existing scale of pay	:Rs.2200-75-2800-EB-100-4000 with special allowance of Rs.100/-pm.
2.	Proposed scale of pay	: Rs.8000-275-13500 without any special allowance.
3.	Existing basic pay	: Rs.2500
4.	Existing amount of special pay or allowance	: Rs. 100
5.	D.A. at index average-1510	: Rs.3700
6.	First instalment of I.R.	: Rs. 100
7.	Second instalment of I.R.	: Rs. 250
8.	Existing emoluments	: Rs.6650
9.	Add 20% of existing basic pay	: Rs. 500

Total : Rs.7150

Pay to be fixed in the revised scale :Rs.8000 without any special pay or allowance.

Illustration No. 3 {see para 169.2(iii)}

1.	Existing scale of pay	: Rs.1640-60-2600-75-EB-2900 plus special pay of Rs.200.
2.	Proposed scale of pay	: Rs.5500-175- 9000 plus revised special allowance of Rs.400.
3.	Existing basic pay	: Rs.2600
4.	D.A. at index average 151	: Rs.3848
5.	First instalment of I.R.	: Rs. 100
6.	Second instalment of I.R.	: Rs. 260
7.	Existing emoluments	: Rs.6808
8.	Add 20% of existing basic pay	: Rs. 520
	Total	: Rs.7328

Pay to be fixed in the revised scale :Rs.7425 plus special allowance as revised.

Illustration No. 4 {see para 169.2(iv)}

1.	Existing scale of pay	: Rs.2200-75-2800-EB-100-4000 plus NPA as admissible
2.	Proposed scale of pay	: Rs.8000-275-13500 plus NPA as admissible.
3.	Existing basic pay	: Rs.2350
4.	Existing amount of NPA	: Rs. 600
5.	D.A. at index average 1510 on basis pay and NPA	: Rs.4366
6.	First instalment of I.R.	: Rs. 100
7.	Second instalment of I.R.	: Rs. 295

	on basic pay and N	-----
8.	Existing emoluments excluding NPA	: Rs. 7111
9.	Add 20% of existing basic pay	Rs. 470 -----
	Total	: Rs. 7581 -----

Pay to be fixed in the revised scale : Rs. 8000
plus revised amount of NPA.

Illustration No. 5 {see para 169.2(v)}

1.	Existing scale of pay	Rs. 4500-150-5700
2.	Proposed scale of pay	: Rs. 14300-400-18300
3.	Existing basic pay	: Rs. 5400
4.	D.A. at index average 1510	: Rs. 5994
5.	First instalment of I.R.	: Rs. 100
6.	Second instalment of I.R.	: Rs. 540 -----
7.	Existing emoluments	: Rs. 12034
8.	Add 20% of existing basic pay	: Rs. 1080 -----
	Total	: Rs. 13114 -----

Pay to be fixed in revised scale : Rs. 14700 **

** Since the officer was drawing pay at the seventh stage in the pre-revised scale and as the pay of those Govt. servants who are drawing pay from the 5th to 8th stage in the existing scale has to be stepped up by one increment, when it gets launched in the revised scale, his pay has been stepped up by one increment in accordance with para 196.2(v)(a).

Date of Effect and Financial Implications of Recommendations

DATE OF EFFECT

Demands

170.1 We have received varied demands from employees' associations, memorandists, respondents to questionnaires and those who tendered oral evidence, regarding the date from which our recommendations should take effect. Views expressed in this regard are based on all possible permutations and combination of events converging to dates like 16.9.93, 1.1.94, 9.4.94, 1.1.95 etc. 16th September, 1993 has been suggested as it was the date on which Govt. agreed to set up the 5th CPC and granted the 1st instalment of interim relief to its employees. The National Council (Staff Side), JCM has proposed 1.1.94 as the effective date since their proposals regarding pay scales and allowances were linked to the twelve monthly average of All India Consumer Price Index 1240 (Base year 1960=100), which was crossed in the month of December, 1993. 9th April, 1994 was the date on which the 5th CPC was notified.

Financial constraints

170.2 The demands and their rationale have been carefully considered by us in their totality. If the date of effect for implementation of the revised pay scales and Dearness Allowance is to be conceded from 16.9.93, the burden of arrear payments for forty three months on the Central Government's budget for the financial year 1997-98 would be of an alarming magnitude. Similarly if the date of effect is from 1.1.1994, arrears for 39 months will have to be paid. The net annual financial implications on account of implementation of the revised pay scales work out to Rs.3000.00 crores. Besides, expenditure arising from accrual of increased Dearness Allowance, Pensions and other Retirement benefits, from the date of implementation of the revised pay scales, would be an additionality. Arrear payments of such staggering magnitudes would be fatal for the economy at this crucial juncture, when the fiscal deficits are precariously high.

170.3 The 3rd and the 4th CPCs submitted their reports in March, 1973 and June, 1986, and their recommendations were given effect from 1.3.1973 and 1.1.1986 respectively. In our chapter on 'Continuing Machinery for Pay Revision' we have recommended revision of pay scales of Central Government Employees once every 10 years. Since the 4th CPC pay scales came into effect from 1.1.1986, our recommendations on revised pay scales and Dearness Allowance should logically be given effect from 1.1.1996, at the 12 monthly AICPI average of 1510. This will prepare the ground for a decennial pay revision for Central Government Employees in the years to come. Even though this effective date, recommended by us, will also cast a burden of 15 months' arrear payments on the Central Government's next budget, it is felt that this reasonable and legitimate claim of the Central Government employees cannot be wished away. Our recommendations on pensionary benefits shall also be given effect from 1.1.1996. However, our recommendations on introduction of new allowances, revision of rates of allowances etc. (including CCA) may be given effect to prospectively, because of the heavy financial liabilities involved and also due to the fact that many of the increases in the rates of existing allowances have made a qualitative difference to the allowances rather than being just a marginal increase. Many of the allowances being meant to reimburse expenditure incurred by the employee should not be raised significantly on a retrospective basis, as they would thereby become a source of unintended benefit to the employees.

FINANCIAL IMPLICATIONS OF OUR RECOMMENDATIONS

170.4 The additional financial implications of our recommendations pertaining to all Central Government employees, including the UTs and the Armed Forces personnel, would be Rs.8800 crores per annum, as detailed under the following broad heads :-

		(Rs. in Crores)
1)	Net financial implication on account of revision of pay scales	3000.00
2)	Pensionary benefits	1170.00
3)	House Rent Allowance	2000.00
4)	Medical Facilities & other allowances	2300.00
5)	Miscellaneous upgradation of posts and categories	200.00
6)	Income Tax liability on grant of allowances/pensions net of taxes	130.00
		8800.00

Arrear payments 170.5 With regard to the payment of arrears for 15 months between 1.1.96 and 31.3.97, the amounts mentioned at Sl. No. 1, 2 and 5 only would come into play. These yield an annual liability of Rs.4,370 crores and the liability for 15 months would, therefore, be Rs.5462.50 crores. The third instalment of Interim Relief which has been granted w.e.f. 1st April, 1996, is to be subsumed in the revised scales of pay and the net financial implication will thus be reduced to that extent. **The net liability of arrears, therefore, comes to Rs.3962.50 crores.**

50% of arrears in GPF 170.6 **In case Govt. has any difficulty in meeting this liability, 50% of the arrears may be deposited in the GPF accounts of the employees.**

Payments for 1997-98 170.7 With regard to the annual liability for the year 1997-98, we have also to consider the positive impact of the deferment of retirement benefit consequent upon the enhancement of the age of superannuation by two years. This is expected to yield a saving of Rs.1500 crores per year for the two financial years of 1997-98 and 1998-99. **Thus the net additional liability for the year 1997-98 will be reduced to Rs.7300 crores.**

170.8 Although the overall liability appears to be massive, it does not seem to be beyond the capacity of the Govt. to pay. The average amount received by a Govt. employee/pensioner comes to around Rs.10,547 per year or Rs.879 per month, which is not really too much.

Continuing Machinery for Pay Revision

INTRODUCTION

171.1 The need for the establishment of a Permanent Wage Body has been expressed by several memorandists, unions and associations. Realizing the importance and utility of such a body, the Third and Fourth CPCs had also recommended the setting up of a standing Body to review the pay scales and rates of allowances and other related matters in respect of the Central Government employees. The views of the Third CPC were as under:

*Views of Third
CPC*

"Our experience has convinced us that the system of periodically revising the pay structure and conditions of service of the Central Government employees on the recommendations of Pay Commission is not a very satisfactory one. We feel that even broad judgements in these matters should be based on analysis of the relevant data. This is not possible when a Pay Commission is required to make recommendations on the pay scales and conditions of service for such a large number of employees within a limited period. We would, therefore, suggest the creation of a standing Body on Pay and Cadre Management".

*Views of Fourth
CPC*

171.2

The recommendations of the Fourth CPC were as follows:

"If we may venture to say so, the work of a pay commission is laborious and takes time. Moreover pay commissions come at intervals of 10 years or so. A great many changes take place in the meantime both in regard to the system of pay determination and the promotion policies, etc. Such changes take place quite fast in the case of compensatory allowance and other similar payments. An allowance which is considered sufficient today may not be reasonable if changes take place quickly. It is therefore necessary that there should be a permanent machinery to undertake periodical review of the pay, allowances and conditions of service of the Central Government employees. That will also enable Government

to oversee the implementation of its pay policy in an effective, systematic and coordinated manner..... We suggest that Government may set up such a body which should be responsible for maintaining and updating the basic data on pay and allowances of Government employees and to review the pay scales and rates of allowances and other related matters."

DEFECTS IN PRESENT SYSTEM

*Decisions by
Government*

171.3 However these recommendations for the appointment of a Permanent Wage Review Body were not accepted by the Govt. and in September, 1993 the Government decided to set up the Fifth CPC to review the pay structure of Central Govt. employees, thus continuing the old tradition of setting up periodic Pay Commissions.

171.4 The present system of wage revision has the following inherent drawbacks:-

*Drawbacks
present syst*

- (a) There is no mandatory provision for the periodicity of pay revisions. During the intervening period, substantial erosion takes place both in the pay of serving employees and in the pension of retirees.
- (b) The arbitrary cut-off dates of the awards adversely affect personnel retiring during the interregnum between two Pay Commissions.
- (c) Pay relativities carefully established by the Pay Commission tend to get distorted due to adhoc decisions by the Govt., the Courts and the Tribunals.
- (d) In the absence of a Standing Body, there is no mechanism to establish a data bank, on a continuous basis with the facility for recall. This results in the Pay Body getting burdened with the task of collection and collation of information, which otherwise should have been available to it in a processed form right from its very inception.

PAY REVISIONS IN OTHER SECTORS

171.5 One of the abiding complaints made by Central Govt. employees relates to comparison of their fate with that of their colleagues in other sectors. There was a time when pay scales, allowances and retirement benefits in the Central Government were the best as compared to those prevalent in the State Governments, Public Sector Enterprises and even the private sector. Today, the roles have been reversed. Pay revisions in the private sector are made every year. The public sector does it after every four or five years. Even the State Governments keep on revising payscales off and on and have managed to get a better deal than Central Government employees. This can not be termed as a happy situation, especially as this is likely to result in the induction of the worst human material in the employment of the Central Government.

PAY REVISIONS IN OTHER COUNTRIES

171.6 Most countries other than India do not have the concept of Dearness Allowance or cost of living allowance. They have, therefore, necessarily to revise the salaries of their employees every year, either through collective bargaining or on the basis of reports submitted by Pay Committees. Many developed countries have Standing Pay Revision Bodies, which considered pay revisions and terms and conditions of service on a continuing basis. In the United Kingdom, Pay Review Bodies undertake review of pay of both civilian and defence officials. In Australia, the negotiations between the Government and the relevant Trade Unions are guided by national wage principles, which are established by the Australian Industrial Relations Commission. A Salary and Cadre Management Committee, which is a permanent body, examines the pay structure and anomalies in Sri Lanka. Revision of pay structure in Malaysia is done by a special Cabinet Committee.

DEMANDS IN MEMORANDA

171.7 Many Memorandists and Respondents to our Questionnaire have suggested the constitution of such a 'Continuing Machinery' for periodical review of pay, allowances, pension and other conditions of service of Govt. employees. In the Joint Memorandum of the Armed Forces, it has been suggested that a permanent Review Body should be set up to review pay, allowances, pensions and conditions of service of all Govt. employees. Such a body would also enable periodical review of the ceilings of House Rent Allowance, House Building Advance and various other Advances in accordance with the prevalent market rates.

OUR RECOMMENDATIONS

171.8 We have given earnest thought to this entire matter and feel that today we have to take some critical decisions that will have massive implications for the future of this great country. One of these is that we have to induct the best possible human material in the Central Government. This can not be ensured if we continue with the present adhoc, periodic, hit-and-run kind of pay revision machinery. It is suggested that Government may set up a Constitutional body, which should be responsible for maintaining and updating the basic data on pay and allowances of Government employees and to review the pay scales and rates of allowances and other related matters on a continuing basis. In addition, the Permanent Wage Body may also be vested with the following functions:-

- (a) Continuous assessment of staffing norms in the light of changing technologies and modified role of public administration;
- (b) the resultant changes in recruitment patterns and qualifications;
- (c) measurement of efficiency and mechanisms for ensuring accountability in public administration; and

- (d) job evaluation studies, which may also consequently lead to upgradation or downgradation of pay scales not connected with general annual revision of pay scales for all employees.
- (c) Creation of new services.
- (f) Cadre Review etc.

*Annual Pay
Revisions*

171.9 In fact, the mandate for such a Pay Body should be to suggest revision of payscales every year by merger of dearness allowance or with reference to the cost of living index. This is the procedure being followed in the rest of the world and there is no reason why India should not fall in line with the practice being followed by other countries. Such a procedure will make for a graduated rise in the basic pays of Central Govt. employees, with consequent impact on dearness allowance, house rent allowance, retirement benefits etc. While the employees would have no grievance that their wage levels are static for periods ranging from 10 to 13 years at a time, Govt. will also have the advantage of a gradual increase in expenditure on pay and allowances of its employees. It will also do away with the present tendency of tradesmen to hike up prices artificially merely because of the decennial revision of salaries of the Central Govt. employees.

*The financial
argument*

171.10 The only argument that Govt. can possibly have against the suggestion is that the Govt. will be required to spend more on pay and allowances than it does now, because of the lag between the need for pay revision and the actual revision itself. This is a false argument and fails to take into account the simmering discontent that such a palpably unjust mechanism engenders among its employees. Govt. is also forced often to take ad hoc decisions under pressure from the Unions without having the benefit of an overall view of the implications of such a decision from an expert body. If the Permanent Pay Body is also given the powers of suggesting administrative reforms leading to rightsizing of Govt., even the financial argument may fall by the wayside. In any case, the Govt. is likely to benefit immensely because of the impact that the constitution of such a body would have on the industrial relations in the Govt. with consequent benefit of no mandays being lost in strikes & lockouts.

171.11 It would be in the fitness of things if the Permanent Pay Body is given a constitutional status and authority, as is the case with the Finance Commission. The Chairman, Members and Member Secretary can be appointed for a term of three years, so that there is a change of guard every now and then. Recommendations of the Pay Body should not merely be advisory in nature as at present, but should be in the nature of an award which is binding on the Government as well as the Govt. employees.

*Decennial
Revision
to be time-bound*

171.12 In case for any reason Government finds itself unable to set up a permanent pay body, it should at least concede the right of Central Government employees to have a complete pay revision once in 10 years. This would mean that if the date of implementation of the Fifth Pay Commission is 1.1.96, the date of implementation of the Sixth Pay Commission should be pre-determined as 1.1.2006 irrespective of when the next Pay Commission is actually appointed. However, the Government should also take note of the fact that it generally takes a Pay Commission a period of about three years to complete its deliberations and therefore, the

next Pay Commission should be appointed latest by 1.1.2003, so that its report becomes available by 1.1.2006.

*Partial pay
revisions
every 5 years*

171.13 In the Chapter on Dearness Allowance, we have suggested that each time the CPI increases by 50% over the base index used by the last Pay Commission, D.A. should be converted into Dearness Pay. Such DP should be counted for all purposes, including retirement benefits. Assuming that an increase of 50% in the CPI Index would take place in about 5 years time, the above proposal would amount to a kind of pay revision every 5 years instead of 10 to 13 years as at present. This would be the second best scenario to the ideal of annual pay revisions painted above. This relief could be combined with the decennial exercise of pay revision through a Pay Commission and would partially meet the demand of Central Government employees for a more frequent revision of salaries on the analogy of public sector employees.

Acknowledgements

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172.2 We extend our thanks to all the eminent persons and heads of various organisations whom we met during our visits abroad and the Heads of Missions who collected information for us and facilitated our visit.

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(S. Ratnavel Pandian)
Chairman

Suresh Tendulkar
Member

(M.K. Kaw)
Member Secretary

We would like to place on record our deep appreciation and sincere thanks to our esteemed colleague, Shri M.K. Kaw, Member Secretary of the Commission. His comprehensive knowledge, wide-ranging administrative experience, unremitting perseverance and deep commitment helped us in understanding the complex issues and arriving at what we hope are objective and balanced decisions. But for his dynamic leadership, the finalisation of the Report within a record time would not have been possible.

(Suresh Tendulkar)
Member

(S. Ratnavel Pandian)
Chairman

Appendices

2054 A

2054B

Appendix - I

Summary of Recommendations

INTRODUCTION

Constitution of the Commission

1. The Fifth Central Pay Commission was set up by a Government notification dated 9th April, 1994. Justice S. Ratnavel Pandian, a former Judge of the Supreme Court of India headed the Commission while Prof. Suresh Tendulkar, a noted economist and Shri M.K. Kaw I.A.S. were Member and Member-Secretary respectively. (Chapter 1)

Work Procedure

2. The Commission called for memoranda from associations and individuals and received more than 18,000 of these. It issued a general questionnaire to 6000 important individuals and experts, out of whom 1200 responded. It collected information, heard 553 associations, interacted with Governors, Chief Ministers, Judges, bureaucrats, military officers and specialists in different fields and paid visits both inside the country and abroad. It set up 14 Inter-Departmental Committees and commissioned 20 studies from reputed institutions. (Chapter 1)

Time taken

3. The work of the Commission was done entirely on computers. It was thus able to complete its task with just 130 employees in a record time of 2 years and 9 months. This may be compared to the total time of 3 years and 11 months taken by the Fourth Pay Commission with a staff complement of 209 (Chapter 1)

PUBLIC SERVICES MANAGEMENT

Governance a futuristic scenario

4. The Commission started off by looking at the task of governance in the 21st century. Certainly there are many challenges ahead of us - economic, political and social. While diplomatic initiatives have to be launched so as to defuse tensions with our neighbours, population growth has to be held in check. The rate of economic growth has to be accelerated in an atmosphere of liberalisation and globalization, where the state reduces its role as a manufacturer of good and services. It has instead to ensure that there is a level playing field for both domestic and international players. At the same time, it would have to play a major part in promoting infrastructural and social services, as also in combating poverty and unemployment. (Chapter 3)

- The changed role of the public services* 5 Public services have to subscribe the new goals of the State. From mere controllers and regulators, they have to get converted into catalysts, promoters and facilitators. Their numbers need to be rightsized and an officer-orientation brought about. Government itself needs to be restructured by closing down departments or amalgamating them, by transferring subjects and institutions to the State Governments and Panchayati Raj bodies, by converting departmental undertakings into public sector undertakings, by encouraging cooperatives, autonomous bodies and non-governmental organisations to take over some of the functions of the State. (Chapter 5)
- Restructuring the Government Office* 6 Simultaneously, the Government office needs to be reinvented. There has to be delayering in order to reduce levels and level-jumping in order to reduce delays. Large, unwieldy Sections have to give way to small, business-like Desks, the vast army of ministerial staff may be gradually replaced by Executive Assistants, with the Group D personnel being trained as multi-skilled functionaries. Automation and computerisation should be brought in wholesale, so as to cut down on paper-work. Employees could be seated in large ergonomically designed halls in furniture of modular design in an aesthetically pleasing environment. Their productivity can be increased remarkably, by cutting down on holidays, keeping a check on punctuality by adopting the time-clock system and asking the canteens to serve tea right on their tables. (Chapter 9)
- Openness* 7 In this country, the work of the Government is shrouded in mystery and the Official Secrets Act gives the furtiveness a legal sanction. What is required is a Right to Information Act, under which citizens have a right to find out exactly what is going on, at least immediately after a decision is taken. Transparency also means that all decisions are reasoned ones and contain an innate justifying logic. (Chapter 13)
- Recruitment* 8 We need a new kind of public servant to fit this new role. For the present, there is no alternative to the competitive examinations held by the UPSC, the Staff Selection Commission, the Railway Recruitment Board etc. to get at the best talent. But these august bodies need not be bothered if recruitment to less than 15 jobs is involved. Employment on contract basis should be encouraged. Government employees should have the right to retain their lien for two years in case they wish to migrate to the private sector. (Chapter 17)
- Performance Appraisal* 9 Several steps have been suggested in order to make performance appraisal more effective. The Annual Confidential Report (ACR) has been restored for the Group D cadres. The ACR format should follow the rating system based on a 10-point scale as in the armed forces. Any performance below the benchmark laid down for promotion should be treated as adverse. The final grading should be communicated to the employee. (Chapter 21)
- Quinquennial review* 10 An important suggestion is that of a quinquennial appraisal of Group A officers, so that a full picture of the personality emerges after every five years. Remarks about integrity would be allowed in such periodical reviews by a knowledgeable group and could lead to compulsory premature retirement of the officer in a manner that would be upheld by the courts. (Chapter 21)
- Promotion policy* 11 Many solutions have been tried out in the past to remedy stagnation. The Commission has suggested an Assured Career Progression Scheme (ACP), under which two guaranteed financial upgradations would be given to Group B, C and D officials after 8 and 16, 10 and 20, and 12 and 24 years respectively. For Group A cadres, there would be three such upgradations after

completion of 4, 9 and 13 years of service. The benefit of higher pay scale, including pay fixation, would be available but not a functional promotion to the higher post. In some cases of isolated categories, it would be known as the dynamic ACP scheme for financial upgradation to higher posts which do not exist (Chapter 22)

*Flexible
Complementing
Scheme*

12. There is also a Flexible Complementing Scheme which had been initially designed for the Group A scientists involved in research. A number of functional promotions were made under this scheme in scientific departments notified as such by the Department of Science and Technology. The Commission has widened the scope of the scheme so as to cover all Research and Development Professionals, whether they are scientists, technologists or medical and computer professionals, at the same time taking out of the scheme certain non-entitled categories which had managed to get the benefit undeservedly (Chapter 51)

Transfer policy

13. In order to build the spinal chord of the bureaucracy, the Commission has advocated the constitution of a high-powered Civil Services Board both at the Centre and the States. Minimum tenures would have to be notified for each post. Appointments, even in the States, have been suggested through the mechanism of the Civil Services Board and Appointments Committee of the Cabinet. No premature transfer would be allowed except after a proper case, giving detailed reasons for such transfer, has been moved to the Civil Services Board. The findings of the Civil Services Board are to be accepted invariably and in case of disagreement, the entire proceedings have to be laid on the Table of the House. Government employees who bring extraneous pressures to bear for their postings and transfers would have to be proceeded against departmentally (Chapter 25)

*Size of
employment*

14. Coming to the employment under the Central Government, the Commission has first analyzed the rate of growth in the size of the Government-machinery. Contrary to popular belief, the annual compound rate of growth in number of civilian employees during 1984-94 has been 1%, while the armed forces personnel have increased by an annual rate of 1.4%. Among the civilians, the central police organisations have multiplied very fast, showing the growth rate of 5.6% (Chapter 26)

*Workforce size
Control*

15. The Commission has advocated a multi-pronged strategy to cut down numbers. First, there is a backlog of 3.5 lakh vacant posts. These could be abolished straightaway. Secondly, there could be a freeze on further employment of junior staff while a sharp cut-back in intake has been advocated for the executives. Thirdly, there is need for a perspective manpower plan under which there would be a downsizing of numbers by 30% in a ten-year period. This could be achieved by the usual wastage through deaths and retirements, assisted by a greater number of retirements under the Voluntary Retirement Scheme with the golden handshake and compulsory retirement of those who are found to be incompetent or corrupt. (Chapter 27)

*Strategies for
rightsizing*

16. Detailed strategies have been worked out for the optimisation of the All India and Central Services, scientific, engineering and medical services, and employment in the departments of railways, posts, telecommunications, central police organisations and the defence services. In each of these, a minimum cut of 30% in the next 10 years has been recommended. (Chapters 28-33)

GENERAL PRINCIPLES FOR PAY DETERMINATION

Principles of pay determination

17. Coming to the principles of pay determination, the Commission has examined the concepts of inclusiveness, comprehensibility and adequacy, and the parameters of job evaluation, fair comparison, equal pay for equal work and model employer. The concepts have been applied. Among the parameters, that of job evaluation cannot be applied in such a short period, it can possibly be relevant if a permanent pay body is set up. Comparisons with the public and private sector have many limitations, but these have to be necessarily made not with a view to granting parities but in order to establish some broad relativities. The Central Government can no longer pretend to be a model or even a good employer in the context of other sectors of the economy having forged ahead of it in the matter of compensation packages to employees. (Chapter 40)

The Commission's strategy on pay determination

18. What this Commission has done is to apply a number of parameters simultaneously. One of the principles is the intrinsic value of a job, as shown by the skill, the drudgery, the work environment, the qualification required, the power, the prestige, the perquisites -- all the quantifiable and non-quantifiable characteristics which make a job what it is. Then there is the delinking of pay from rank in the hierarchy, which has been introduced through the Assured Career Progression Scheme. A broad framework of qualification-based pay scales has also been hinted at, by trying to bring about a broad uniformity between jobs requiring a minimum qualification of middle, matric, 10+2, 10+2 with 2-year diploma, 10+2 with 3-year diploma, graduate in arts, agriculture, law, science, post-graduate degree in arts/science/commerce, degree in medicine, engineering, technology, etc. An attempt has been made to link small entities to larger ones; isolated posts have been placed in cadres and disjointed cadres combined into Services. Thus, for example, a Subordinate Economic Service has been suggested to combine all the posts of Junior and Senior Economic Investigators in different Ministries and so has the Commission mooted the idea of new All India Services in the field of medicine and engineering and Central Services for agriculture, veterinary science, informatics, libraries, archives, archaeology and the like (Chapter 40)

Minimum and maximum salaries

19. In order to arrive at the new pay scales, the Commission has first tried to fix the two cardinal points of minimum and maximum salary. For minimum salary, the Commission had requested the National Productivity Council for advice. Based on one of the criteria, which adds dearness allowance to pay and then gives a weightage based on the percentage increase in the per capita net national product between 1.1.86 and 1.1.96, the Commission has arrived at a figure of Rs 2,440 as the minimum salary. For the maximum salary, a study was entrusted to the Indian Institute of Public Administration. This was conducted as an opinion survey to ascertain what the present consumption level of senior functionaries (Joint Secretaries and above) in Government was and what additionality they expected in order to meet their legitimate expenses. Although the IIPA had suggested a pre-tax amount of Rs.36,000 for the Secretaries to Government of India, the Commission has been more modest and has suggested a figure of Rs.26,000. This incidentally keeps the minimum-maximum ratio stable at 1.107, which was the ratio determined by the Fourth Pay Commission. (Chapters 41 & 43)

Classification of employees

20. The Services are currently classified into Groups A, B, C and D. The Commission had engaged the Tata Consultancy Services for a study on the restructuring of the Government. One of the suggestions made in the study was to change the present status-based classification to a function-based one. Modifying the recommendations slightly, the Commission has suggested a classification into Top Executives (Secretaries, Special Secretaries, Additional Secretaries and equivalent), Senior Executives (Joint Secretaries, DIGs and equivalent), Executives (all others in Group A), Supervisory Personnel, Supporting Personnel and Auxiliary Personnel. The Commission has also recommended that the distinction between gazetted and non-gazetted officers in Government should be abolished. These two suggestions are intended to take the bureaucracy out of its feudal past into a modern present. (Chapter 44)

CIVILIAN EMPLOYEES : PAY SCALES

Number of pay scales

21. The Commission has suggested a merger of some pay scales, with the result that the total of 51 pay scales which exist today are likely to be reduced to 34. Reduction of the pay scales beyond this number was not found practicable. Annexure gives details of unrevised and proposed scales of pay. (Chapter 43)

Group D

22. Currently, Group D scales had been reduced to two. The Commission has given a four-grade structure to auxiliary staff under the new dispensation. The new scales have a wider span in terms of years, so that they run for longer periods. The pejorative appellations of "Khalasi" or "Unskilled worker" have been done away with and replaced by the more graceful designation of "Shramik". (Chapter 53)

Group C

23. In the Group C scales, a deliberate attempt has been made to give a better deal to the artisan category, by amalgamating the scales of pay of Highly Skilled I and II. Many of the categories have been upgraded, partly due to the higher educational qualifications prescribed as essential for them. (Chapter 43)

Group B

24. In Group B scales, three patterns have emerged. In some services like the Central Secretariat Service and its sister services in the Railways and Armed Forces Headquarters, an intermediate grade of Rs.2500-4000 has been introduced with the rank of Desk Officer and 25% posts of Section Officer upgraded to this rank. In the technical services of the railways, Rs.2500-4000 has emerged as the Group B pay scale, in replacement of Rs.2375-3750. Some Group B Services like the Delhi, Andaman & Nicobar Islands Civil Service have been upgraded to Rs.2200-4000, like State Civil Services elsewhere. (Chapter 49)

All India Services

25. Coming to All India Services (AIS), the Commission has suggested several steps to improve their all-India character. For direct recruits, the allotment of cadre has been recommended on the basis of merit-cum-option, while for promotees, it has been suggested that 50% of them should be allotted to contiguous States in the same region. The Commission has also recommended that each AIS Officer should mandatorily have to do at least one stint in the Government of India. (Chapter 47)

26. In order to stiffen the backbone of the AIS Officers, the Commission has made several suggestions. The State Governments should have only the power to recommend their suspension, giving full reasons, and the Central Government should decide the matter one way or the other within 5 days of the

reference. The Central Government should have the power to change the cadre of an AIS Officer if he is found to have developed too close a nexus with local elements. State Governments should also follow the procedure of posting officers on the recommendations of a Civil Services Board and through the Appointments Committee of the Cabinet. There should be prescribed minimum tenures for each post and no premature transfer should be allowed, except according to the prescribed procedure after a reference to the Civil Services Board. (Chapter 47)

27. With regard to the edge in pay scales that is currently enjoyed in respect of three scales of pay by the officers of the Indian Administrative Service and Indian Foreign Service, the Commission has not found any persuasive reason to disturb the same and as such the replacement pay scales have been suggested. In order to set the controversy of a single examination at rest, the restoration of the old system of examination which used to prevail before 1979 has been suggested. (Chapter 47)

IAS

28. For the IAS, it has been recommended that the Secretaries in charge of Home and Forests in the States should be placed in the scale of Rs. 7600-8000 (pre-revised) in order to improve their interaction with their Heads of Departments. It has also been suggested that no IAS Officer should be posted as a District Collector unless he has completed nine years of service. (Chapter 47)

IPS

29. In the IPS, the post of Commissioner, Civil Aviation Security, which is currently in the scale of Rs. 7300-7600 has been recommended for upgradation as Director General in the pre-revised scale of Rs. 8,000 (fixed). All posts of Directors General of Police in the States have been uniformly fixed in the pre-revised scale of Rs. 7600-8000. Currently, there is no cadre post of Additional DGP in the States. In fact, the Ministry of Home Affairs had made an abortive attempt to abolish these posts but had to retrace its steps in view of the strong reaction from the State Governments. The Commission has recommended that the rank of Additional DGP be recognised for creation of cadre posts in the pre-revised scale of Rs. 7300-7600. The demand of IPS Associations for abolition of the rank of DIG has not been accepted, as it is functionally required at the level of the Range and there was no desire to disturb the established relativities with the Armed Forces. However, the condition that an officer should ordinarily put in four years of service in the grade of DIG for promotion to the scale of IG has been removed. (Chapter 47)

IFS

30. There has been a long-standing demand that the Indian Forest Service should be at par with the IPS. This has been accepted. Accordingly, the pay scale of Principal CCF has been raised to Rs. 7600-8000, posts of Additional PCCF allowed in Rs. 7300-7600 and Conservators of Forests moved up to Rs. 5100-6150. The post of IG Forests in the Central Government has been redesignated as Director General, while Additional IGs have been upgraded to Additional DGs in the scale of Rs. 7600-8000. (Chapter 47)

Central Services

31. The Commission has taken special steps to ameliorate the conditions of all Group A Central Services. Uniform career prospects in all services being a distant objective, the best option is to go for a model cadre structure. The distribution of posts at different levels has been laid down as under:-

Scale	Percentage of Senior Duty Posts	Mandatory eligibility Period
Senior Time Scale	30	5th year
Junior Administrative Grade	30	9th year
Selection Grade	20	14th year
Sr. Administrative Grade	17	17th year
Higher Administrative Grade (Chapter 48)	3	25th year

Cadre review 32. Cadre reviews have now to be part of the Cadre Rules and they are mandatorily to be held every five years. The holding of a cadre review itself is being declared as a justiciable matter. (Chapter 48)

Optimisation 33. Optimisation of numbers has also been advocated, by reducing the numbers in each Service by 30%. The obvious solution is to target an overall cut of 30% in total numbers, but their distribution over the different pay scales has to be adjusted so as to bring it closer to the model cadre structure. (Chapter 48)

Cadre control 34. While the cadre control may continue to be vested in the present cadre controlling authorities, it has been suggested that an officer of the particular Central Service in the rank of JS/Director/Deputy Secretary should be posted in the office of the Cadre Controlling Authority, to keep an eye on the interests of the Service. (Chapter 48)

Posts at higher levels 35. The Commission has approved either the encadrement or the upgradation of at least one post in the rank of Special Secretary in the pre-revised scale of Rs. 8,000 (fixed) for every Central Service of reasonable size. A limited number of posts at senior levels have also been recommended for upgradation, pending a final cadre review. (Chapter 48)

ACP 36. The provisions of the Assured Career Progression Scheme for Group A Services would ensure that on the completion of the 5th, 9th and 13th year financial upgradation to STS, JAG and NFSG would take place almost automatically and everyone would reach the pre-revised scale of Rs. 4500-5700. One of the aims of the model cadre structure is to ensure that the functional promotion to these scales also takes place in the same periods of time. (Chapter 48)

Engineering Services 37. With regard to engineering services, it may be mentioned that they would benefit from all the general recommendations made for all Services. In particular, a few additional advantages have been suggested for them:

- a) Diploma-holders in engineering generally entered service in the pay scale of Rs. 1400-2300 or below. All of them have been brought up to the pre-revised scale of Rs. 1600-2660

- b) Degree -holders in engineering were being recruited in different pay scales. Most of them (if not all) have been upgraded to the pre-revised pay scale of Rs.2000-3500.
- c) For Junior Engineers in CPWD and similar organisations, the normal residency period for 1st ACP which is 10 years for all the other services, has been kept at 5 years.
- d) Flexible Complementing Scheme which used to be confined to scientists has been extended to R&D Professionals in the field of engineering also.
- e) Superintending Engineers who used to be promoted to Rs.3700-5000 initially and then move to an NFSG of Rs.4500-5700 have now been provided with the initial promotion itself to a functional scale of Rs.4500-5700.
(Chapter 50)

38. The Commission has also accepted a suggestion for registration of government engineers in order to promote a high degree of professionalism among them. A Design and Planning Allowance has been recommended for engineering officers posted at Headquarters. It has been suggested that engineering services should be included for the Foundational Course conducted for all Civil Services probationers. In order to upgrade the status of their training institutions, the posts of heads of all institutions imparting training to Group A engineering services have been upgraded. It has been suggested that the head of the Military Engineering Service should be a civilian, the idea being that the process of progressive civilianisation of the military engineering organisations should commence. (Chapter 50)

Scientific Services

39. With regard to scientific services, apart from their benefitting from all the recommendations meant for other Group A Services, there are certain special features for them in the Report:-
- a) Scientists have been divided into R&D Professionals and Scientist Administrators. While the former would retain the advantages of FCS, the latter would be covered by ACP.
 - b) Wherever the number of posts in a particular area is large, an organised scientific service has been suggested. For example, Central Agriculture Service, Central Geoscientific Service and Central Veterinary Service have been mooted.
 - c) Group A scientists can become members of one national and one international professional body at government expense.
 - d) Measures have been recommended to permit scientists to participate in a national conference every two years and an international conference every four years.
 - e) Sabbatical will be allowed to scientists for a maximum of two years in their career.
 - f) Institutional consultancy has been permitted for R&D Professionals on a fee-sharing basis.

- g) Standard designations have been suggested for the operative, advisory and programme management fields.
(Chapter 51)

Medical Services 40. For the medical services, the Commission has recommended an All India Health and Medical Service as a long-term objective. A high-powered panel should open a dialogue with States in order to form such a service within five years. Meanwhile, it has been suggested that existing Central health and medical posts be unified into a single Central Health Service with common seniority. Entry into the service should be at graduate, specialist and super-specialist levels, but seniority should be integrated at each level. In case superspecialists are not available on normal terms, they could be taken on contract on negotiated terms and conditions. Non-practising Allowance has been changed to 25% of basic pay, subject to pay plus NPA not exceeding Rs.29,500. Total parity has been suggested between GDMOs, Dental Surgeons and Physicians of the Indian Systems of Medicine and Homeopathy. (Chapter 52)

Workshop Staff 41. For the workshop staff, the Commission has recommended a minimum educational qualification of 8th standard in all Government departments. This is meant to achieve higher educational and skill levels among industrial workers. 'Unskilled' workers have been redesignated as 'Shramiks'. Highly skilled Grades II and I have been merged into the higher grade to improve their chances of promotion. The inter-grade ratio of defence industrial workers has been significantly improved on the lines of similar ratios for railway workshop staff. The initial pay scale of technical supervisors has also been improved in accordance with the general approach of improving remuneration of diploma engineers in Government. (Chapter 54)

PAYSCALES FOR OFFICERS AND EMPLOYEES OF SUPREME COURT OF INDIA AND HIGH COURT OF DELHI

42. On a thorough consideration of the constitutional position and the historical background, the Commission has taken a conscious view that no recommendations be made on this subject. The matter should be decided in accordance with the provisions made in the Constitution and the various judgements pronounced by the highest court in the land. (Chapter 103)

CIVILIAN EMPLOYEES: ALLOWANCES AND FACILITIES

Dearness Allowance

43. As far as allowances are concerned, the Commission has noted that the existing formula of differential rates of neutralisation of cost of living through the dearness allowance has operated unjustly against the middle and senior management in Government. While the peon's real wages increased by 53% between 1949 and 1996, the Secretary's real income was eroded to the extent of 72% during the same period. The Commission has, therefore, recommended that inflation neutralisation be made uniform @ 100% at all levels. While the AICPI(IW) may continue to be used for calculating Dearness Allowance, the series using 1982 as the base should now be used. It has been further suggested that every time the CPI increases by 50% over the base index used by the last Pay Commission, the DA should be converted into Dearness Pay and be counted as Pay for all purposes, including retirement benefits. (Chapter 105)

44. With regard to City Compensatory Allowance, the Commission has added one category of cities (called A-1 cities). The existing and proposed rates of CCA are as under:-

Existing CCA				Proposed CCA				
Pay Range (Basic Pay in Rs.)	Class of City			Pay Range (unrevised) (Basic Pay in Rs.)	Class of City			
	A	B-1	B-2		A-1	A	B-1	B2
750-940	30	25	20	750-1000	90	65	45	25
950-1500	45	35	20	1001-1500	125	95	65	35
1500-2000	75	50	20	1501-2000	200	150	100	65
2000&above	100	75	20	2001 &above	300	240	180	120

(Chapter 106)

*Special
Compensatory
Allowance*

45. Special Compensatory Allowances are granted to employees for exceptionally difficult local conditions in different places. The Commission has suggested that the Government should appoint a committee to prepare a detailed scheme for the evolution of a Composite Index of Difficulty/Hardness of an area. Meanwhile, the Composite Hill Compensatory Allowance, Bad Climate Allowance and Tribal Area Allowance should be subsumed under the head of Special Compensatory Allowance (Chapter 106)

Rates of SCA

46. The following rates of Special Compensatory Allowance have been recommended:-

Rate per month in Rs. for Pay + NPA+ Stagnation Increment					
Areas Listed in	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

(Chapter 106)

*Project
Allowance*

47. Project Allowance is granted when employees work on major projects in undeveloped/underdeveloped areas to compensate them for lack of basic amenities and facilities. The Commission has doubled their rates as under:-

Basic Pay Range (revised)	Rate of Project Allowance per month (Rs.)
Below Rs. 3000	180
Rs. 3000-4499	300
Rs. 4500-5999	450
Rs. 6000-8999	600
Rs. 9000 and above	750

(Chapter 106)

*Training
Allowance*

48. Training Allowance is currently given @ 15% of basic pay. The Commission has recommended that the percentage should remain unchanged, and

(the allowance be made admissible to all faculty members, including trainers on deputation from Universities and other academic institutions. (Chapter 106)

- Risk Allowance* 49. The Commission has concluded that employees are subjected to two kinds of risks: contingent risks and continuous risks. The former are one-time events which would be covered by the scheme of ex-gratia payment. Continuous risks cover situations where the risk is inherent and continuous in the occupation itself. Payment of Risk Allowance has been recommended only in the second type of case. The rates have been doubled and range between Rs.40 and Rs.300 p.m. (Chapter 106)
- Night Duty Allowance* 50. On Night Duty Allowance, status quo has been recommended. (Chapter 106)
- Telephone Attendant Allowance* 51. The Commission has suggested that all executives of and above the rank of Deputy Secretary and equivalent should be provided with a Telephone Attendant at their residences. The attendant would be recruited directly by the Officer and would not enjoy the status of a government employee, but the fixed salary of Rs.1500 p.m. for such attendants would be borne by the Government. This facility will not be additionally available to officers who are already entitled to personal attendants by whatever name they may be called. (Chapter 106)
- Entertainment Allowance* 52. In the Armed Forces, entertainment allowance is admissible to certain officers who are required to entertain high-ranking guests or reciprocate such gestures. The Commission has recommended that for certain specified officers on the civilian side, both in the Centre and the States, entertainment allowance ranging from Rs.600 to Rs.1000 p.m. be paid. (Chapter 106)
- Concessions to employees posted in North-East and Sikkim* 53. There are certain allowances and facilities already available to officers of AIS and Central Government posted in the North-East. These have been liberalized. The Special Duty Allowance has been retained at 12.5% of the new basic pay, with no upper ceiling. Officers can retain accommodation at the place where their family is staying on payment of normal licence fee and also retain a residential phone at Government expense. The amount of Children's Education Allowance has been doubled and the families made eligible for CGHS facilities. The Officers have also been allowed to come twice in their entire service on an emergency passage by entitled class to their home town. All the above facilities have also been extended to officers posted in Sikkim. (Chapter 106)
- TA/DA* 54. Travelling and daily allowance rates have been liberalised. Executives are now permitted to stay in private hotels of appropriate status. Air travel is also being permitted for all official journeys by executives. (Chapter 107)
- Transport Allowance* 55. A transport allowance ranging between Rs.75 and Rs.800 is being permitted to all employees to enable them to meet part of the expenditure on commutation between office and residence. However, staff cars are being restricted to Top Executives and field officers only, all others being served by a pool of hired taxis. (Chapter 107)
- Leave Travel Concession* 56. Leave Travel Concession is being allowed by air for some selected senior categories. Employees can opt for three Home Town LTCs instead of having one all India and one Home Town LTC in a block of four years. An extra period of 60 days is being allowed for accumulation of earned leave. This can be encashed either at the time of superannuation or in batches up to ten days each along with the LTC. (Chapter 108)

- Deputation Allowance* 57. Deputation Allowance has been retained at 5% and 10% of basic pay for same station and out-station deputationists, without any ceiling. This allowance would now also be available to officers of the rank of Joint Secretary and above coming on deputation to the Central Government. (Chapter 110)
- Bonus* 58. With regard to bonus, the Commission has shown its inability to devise individual departmental schemes within the short time at its disposal, especially in view of the reluctance of the major Federations to let the issue be decided by the Pay Commission. Broad parameters for working out bonus schemes have been enunciated. It has been stated that bonus should be linked to productivity and not to production. When changes in technology take place, norms should also undergo revision. An eligibility ceiling of Rs.4500 p.m. has been suggested and the calculation ceiling has been retained at Rs.2500 p.m. The maximum bonus has been suggested as 30 days in case of ad hoc bonus and 55 days in case of productivity-linked bonus. It has been suggested that ad hoc bonus schemes should be converted into PLB schemes within a period of nine months. (Chapter 111)
- Housing facilities* 59. The Commission has taken up housing as an important priority issue. A multi-pronged strategy has been suggested as under:-
- a) Government housing to have a target of 70% housing satisfaction in Delhi and 50% satisfaction in other cities within a period of 20 years.
 - b) Government to augment its resources by taking housing loans from ADB, World Bank and housing finance companies. Employees to contribute to a compulsory housing fund.
 - c) Provision of leased accommodation and allowing self-lease of accommodation.
 - d) Govt. to evolve a suitable hire-purchase scheme to provide one dwelling unit to each employee at the time of his retirement.
 - e) House Building Advance raised from Rs.2.5 lakhs to Rs.7.5 lakhs. The cost ceiling range also increased from Rs.2.5 - 6 lakhs to Rs.7.5 - 18 lakhs. Rate of interest suggested at lower rates of 6-11% instead of 7.5-12% as at present.
 - f) House Rent Allowance has been recommended @ 30% of the maximum of the payscale in A-1 cities and from 5% to 15% of the maximum in other cities.
(Chapter 112)
- Educational Assistance* 60. Rates of assistance under various schemes of educational assistance have been doubled. (Chapter 113)
- Medical facilities* 61. The Commission has suggested that the network of CGHS dispensaries should be expanded to cover more cities and at least one private hospital recognised for in-patient treatment in every town having a CGHS dispensary. All Authorised Medical Attendants in a single station should be organised into CGHS Agencies and identified for priority expansion of the scheme. Contributions of employees to the scheme have been recommended to be increased and it has been suggested that individual departments should also make contribution for expansion of the CGHS network. It has been suggested that

timings of CGHS dispensaries be divided into two shifts either by paying a split-duty allowance or by dividing the existing staff into two shifts. For outpatient treatment in areas presently covered by medical reimbursement, a medical allowance of Rs. 100 p.m. has been recommended. There are also suggestions for compulsory medical checkup of employees at Govt. cost after they attain the age of 40 years, introduction of health credit cards on a pilot basis and for medical insurance to cover the hospitalisation needs of employees. (Chapter 114)

*General
Provident Fund*

62. With regard to General Provident Fund, a higher rate of interest (13%) on deposits has been suggested. The limit under the deposit-linked insurance scheme has been raised to Rupees One-lakh. (Chapter 115)

CGEGIS

63. The Commission has recommended the doubling of rate of contribution to the Group Insurance Scheme, as also the amount of insurance cover. It has been suggested that the deposits be kept in a trust fund outside the Public Account, and be managed by a Committee which also has employees' representatives on it. The benefits under the scheme should be at par with those offered by the Army Group Insurance Scheme. (Chapter 116)

Leave

64. No major changes have been suggested in the leave rules. Some of the minor changes are:

- a) Accumulation of earned leave for encashment at the time of superannuation increased by 60 days to 300 days.
- b) Rules for encashment of half-pay leave changed to the extent that commuted half-pay leave can be utilised to complete the period of 300 days in case there is a deficiency
(Chapter 117)

*Hours of work,
Holidays and
Overtime
Allowance*

65. Some quite drastic suggestions have been made under this head, in order to increase the time available for work in Government offices. These are:

- a) Shift from 5-day to 6-day week, with second Saturday being an off-day. This would mean an increase of 40 working days in a year.
- b) Gazetted holidays have been reduced from 17 to 3 - viz. Republic Day, Independence Day and Mahatma Gandhi's birthday. The reduction of 14 days here has been made up by increasing the number of restricted holidays.
- c) No holidays to be declared on the demise of any leader, except the incumbent President and Prime Minister.
- d) Overtime Allowance has been abolished.
(Chapter 118)

*Women
Employees in
Government*

66. The Commission has recommended a series of measures to benefit women employees in Government. Some of these are enumerated below:

- a) The quantum of maternity leave has been enhanced from 90 to 135 days
- b) Paternity leave of 15 days been recommended for male employees during the confinement of their wives

- c) Flexi-time and flexi-place has been suggested for introduction on a pilot basis.
- d) Age of initial recruitment for women has been enhanced to 35 years.
- e) Part-time employment on optional basis has been introduced, with the proviso that they can work half-time for 6 years connected with two child-rearing periods at half the salaries, with the period of service counting for all purposes.
(Chapter 120)

Canteens 67. In view of the importance of canteens for providing clean and wholesome food at reasonable rates to the Government employees, the Commission has re-introduced grants-in-aid at rates varying between Rs.2500 to Rs.40,000 for departmental canteens. (Chapter 121)

Attire Allowance 68. The Commission has concluded that a large number of employees who are entitled to uniforms do not actually wear them. It has therefore been suggested that in cases other than uniformed services and security staff, uniforms should be replaced by an attire allowance of Rs.100 p.m. (Chapter 122)

Advances 69. Amount of various advances currently available to Government employees have been raised and made more realistic. Car Advance has been raised to Rs.1.8 lakhs; motor-cycle advance to Rs.30,000; scooter advance to Rs.20,000; bicycle advance to Rs.1,500 and advance for purchase of personal computers fixed at Rs.1.0 lakh. Eligibility criteria have also been suitably revised. Festival Advance has been replaced by a general purpose advance equal to one month's basic pay + dearness allowance. In order to mitigate hardships to the families of Government employees dying in harness, the Commission has, for the first time recommended a provision for waiving off outstanding loans in case of employees dying in harness whose next of kin has not been given a Government job on compassionate grounds, to the extent of Rs.50,000 for auxiliary staff, Rs.1.0 lakh for supporting and supervisory personnel and Rs.2.0 lakhs in the case of executives. (Chapter 123)

JCM 70. The Commission has observed that in some cases, Government takes inordinate time in taking a final decision on the Award of a Board of Arbitration. Accordingly, a time limit has been fixed for accepting or rejecting the Award of the Board of Arbitration. The Commission has also recommended that in cases where a question of general nature is concerned, the decision taken in one specific case either by the judiciary or the Government should be applied to all other identical cases. (Chapter 126)

CIVILIAN EMPLOYEES : PENSIONS AND OTHER RETIREMENT BENEFITS

Age of superannuation 71. The age of superannuation has been increased to 60 years for all employees, except for personnel of CPOs and armed forces. This will be applicable from a prospective date to be notified by the Government, and shall not apply to those who are on extension. (Chapter 128)

<i>Voluntary retirement</i>	72. Voluntary retirement has been recommended under two different schemes. One is the normal scheme of voluntary retirement after a service of 20 years, which has been retained. A special scheme of VRS with golden handshake is being proposed for departments having identified surplus staff. Apart from the normal weightage of 5 years, this scheme envisages cent per cent commutation of pension and a special ex gratia payment @ 1.5 times pay plus DA for each year of service put in or year of service left, whichever is less. (Chapter 129)
<i>Pensionary benefits</i>	73. The Commission visualizes a pension of 67% of last pay drawn as being sufficient to meet the post-retirement needs of an employee. This would be met to the extent of 50% through the normal scheme of pension to be funded by Government, with the balance 17% being made up by contributions from the employees to a Pension Fund. Additional pension has been recommended @ 1% for each additional year of service beyond 33 years. Ceilings on pensions and gratuities have been removed. Gratuity would now be paid on the basis of pay and D.A. on the date of retirement. Terminal gratuity would be admissible to those resigning from Government service also. (Chapter 133)
<i>Family pension.</i>	74. Family pension has been recommended at a uniform rate of 30% of pay. 100% neutralisation of cost of living through dearness relief has been suggested. Such relief would be now available to employed family pensioners also. (Chapter 134)
<i>Ex gratia on death</i>	75. The Commission has rationalised the various schemes of ex gratia award on the death and disability of a Government employee, with the result that uniform amounts of pension and ex gratia awards would be available to civilian and military employees for death met in similar circumstances. (Chapter 135)
<i>Commutation of pension</i>	76. The limit of commutation of pension for civilian employees has been raised from 33.1/3% to 40%. The commuted portion would be restored after 12 years, instead of 15 years as at present. (Chapter 136)
<i>Parity of past pensioners</i>	77. There has been a long-pending demand for absolute parity between past and present pensioners. The Commission has accepted such total parity between pre-and post-1.1.1986 pensioners, but a modified parity-formula has been evolved for pre-and post-1.1.1996 pensioners. The overall formula assures a minimum pension of 50% of the minimum pay of the post held at the time of retirement as revised from time to time. This applies to family pensioners also. (Chapter 137)
<i>SRPF/CPF retirees</i>	78. For SRPF/CPF retirees, an ex gratia of Rs.600 p.m. along with dearness relief has been proposed. (Chapter 139)
<i>Interim relief</i>	79. The concept of interim relief for pensioners has been introduced for the first time by the Fifth CPC. It has expressed the hope that the linkage of pensioners with employees for purposes of interim relief would continue in the future. (Chapter 138)
<i>Medical allowance for pensioners</i>	80. A fixed medical allowance of Rs.100 p.m. has been recommended for pensioners residing in areas not covered by CGHS. (Chapter 140)
<i>Other matters regarding pensioners</i>	81. The ignorable part of pension for purposes of re-employment has been raised from Rs.500 to Rs.1500 p.m. All restrictions on re-employment of pensioners in commercial employment have been removed. (Chapter 141)

ARMED FORCES PERSONNEL

Role and operating scenario

82. Looking at the role of the armed forces, the Commission has concluded that its participation in counter-insurgency operations should be minimised. Accordingly, Rashtriya Rifles should be disbanded and the Assam Rifles handed over to the Ministry of Home Affairs for being amalgamated with the CRPF (Chapter 142)

Optimisation of force levels

83. The Commission felt that a clearcut role for the armed forces should be delineated and a National Security Council formed in order to advise the Cabinet on security issues. A Perspective Manpower plan should be drawn up in order to optimise the manpower and increase investment in equipment and armaments. (Chapter 33)

Making armed forces attractive

84. The Commission has surveyed the scenario of employment in the armed forces and concluded that the shortages are mainly in the short-service commissions. A number of steps to make a career in the armed forces more attractive have been initiated:

- a) Cadets during training at Service Training Institutes will now be paid Rs.8000 p.m. as against Rs.1500 p.m. at present.
- b) The rank of 2nd lieutenant has been abolished.
- c) The starting basic salary for commissioned officers has been kept at Rs.8250/- as against Rs.8000 p.m. for civilian officers.
- d) The qualifying service for substantive promotion upto the rank of Lt.Col. (TS) has been reduced by one year.
- e) The ACP Scheme has been extended to the armed forces
- f) Integrated pay scales of the commissioned officers have been replaced by regular pay scales.
(Chapter 147)

Pay structure of officers

85. The following revised pay scales have been recommended for service officers:

Lieutenant	: Rs.8250-300-10050
Captain	: Rs.9600-300-11400+Rs.400 rank pay
Major	: Rs.11600-325-14850+Rs.1200 rank pay
Lt.Colonel	: Rs.13500-400-17100+Rs.1600 rank pay
Colonel	: Rs.15100-450-17350+Rs.2000 rank pay
Brigadier	: Rs.15350-450-17600+Rs.2400 rank pay

The pay scales of higher ranks are equated to the corresponding civilian pay scales. (Chapter 147)

Pay structure of PBOR

86. As regards the pay structure of Personnel Below Officer Rank, the following changes have been suggested

- a) Group D of PBOR have been brought at par with Group C.

- b) ACP Scheme has been introduced on par with civilians.
- c) Starting pay of infantry soldier has been increased to Rs. 3000 p.m.
- d) Classification and appointment pay rates have been enhanced. (Chapter 146)

Allowances 87. Most of their specific allowances have been doubled. However, keeping in mind the additional hazards involved in fighter flying and service in submarines, they have been granted a 2.5 times increase. Personal Maintenance Allowance has been rationalised. Travel entitlements have been brought at par with civilians. Gallantry Awards have been substantially increased. In the case of Param Vir Chakra, there is a major increase to Rs. 1500/- p.m. (Chapters 149-155)

Conditions of Service 88. The Commission has not changed the present scale of rations being granted to the armed forces personnel. However, in order to afford greater flexibility in purchase of items to officers posted in peace areas, they have been allowed a cash ration allowance in lieu of rations in kind. (Chapter 157)

House Building Advance 89. House Building Advance has been raised to Rs. 7.5 lakhs as in the case of civilians. Rates of compensation in lieu of quarters have been enhanced. (Chapter 158)

Leave entitlements 90. Leave encashment has been raised from 240 days to 300 days and proportionately for lower categorisations. Encashment of leave authorised at par with civilian employees. (Chapter 160)

Pension 91. The weightage in qualifying service for pension has been increased by two years. Family pension has been rationalised. Provisions on re-marriage of widows have been liberalised. Disability pensions have been thoroughly restructured as under:

- a) Broadbanding of degree of disability has been carried out, with those boarded out being treated as having 50% disability, those between 50 and 75% as having 75% disability and those between 75 and 100% treated as having 100% disability.
- b) The attributability of disability to service is now to be judged by the officer higher in rank to the Commanding Officer.
- c) The extent of disability once determined continues for life, unless review is demanded by the individual himself. (Chapter 161-164)

Past pensioners 92. The scheme of granting near parity in pensions for past pensioners as in the case of civilians has been extended to armed forces personnel. (Chapter 165)

Ex-servicemen 93. Percentage of reservation of ex-servicemen has been proposed to be increased from 10 to 25% in CPOs. There is also a suggestion for recruitment of CPO personnel for short service commissions in the armed forces, followed by a lateral transfer to the CPOs after seven years of service. Two committees, one under the Raksha Rajya Mantri and the other under the Additional Secretary, Ministry of Defence have been recommended for monitoring resettlement of ex-servicemen. (Chapter 166)

Medical Allowance

94. Medical Allowance @ Rs.100 p.m. has also been suggested for armed forces pensioners, living in remote areas where normal health facilities are not available. (Chapter 166)

OTHER MATTERS

Tax on income

95. The Commission has felt that the salaries and pensions recommended by it are not really adequate if they are to be fully taxed. Accordingly, it has recommended that all allowances and pensions should be paid net of taxes. (Chapter 167)

Fixation of pay

96. With regard to fixation of pay in the revised scales, the Commission has suggested that one additional increment in the revised scale should be granted in case there is bunching of four batches of employees at the minimum of the scale. This is an improvement on the Fourth CPC where one increment for bunching of five batches was recommended. (Chapter 169)

Date of effect

97. It has been suggested that the revised pay scales, dearness allowance and pensions should be given retrospective effect w.e.f. 1.1.1996. All other allowances, including CCA, HRA etc. should be made applicable prospectively. (Chapter 170)

Financial implications

98. The Commission has estimated that the additional financial implications for one year would come to Rs.8800 crores. However, this figure would be reduced to Rs.7300 crores for the financial year 1997-98, if we deduct the savings expected from the postponement of retirement benefits. Arrears for fifteen months are to be paid only for some of the items listed above and the financial implication is estimated at Rs.5462.50 crores. As a third instalment of Interim Relief is to be deducted from this, the net additionality comes to Rs.3962.50 crores. The Commission has suggested that 50% of the arrears could be paid in cash and the rest deposited in the GPF Accounts of the employees. Thus the total financial implications of implementing the Pay Commission's Report for a period of 27 months from 1.1.1996 to 31.3.1998 is likely to be Rs.11,262.50 crores. (Chapter 170)

Need for continuing machinery for pay revision

99. The Commission has recommended that pay revision should, in future, be entrusted to a permanent Pay Commission drawing its authority from a Constitutional provision, whose recommendations should have a binding character. Pay should be revised annually as in other countries. As an alternative, it has been suggested that dearness allowance should be converted into dearness pay every time the cost of living rises by 50% over the base level. This would imply a revision of pay every 4 to 5 years. The final option is to have a decennial exercise as at present, but with fixed dates. The Commission has suggested that the date of constitution of the next Pay Commission should not be later than 1.1.2003 and the date of implementation of its recommendations should be 1.1.2006, irrespective of when its report is submitted. (Chapter 171)

PROPOSED SCALES OF PAY

SL. NO.	EXISTING STANDARD SCALES OF PAY (Rs.)	GRADES	REVISED STANDARD SCALES OF PAY (Rs.)	SPAN IN YEARS
1.	750-12-870-14-940	S-1	2440-40-3200	19
2.	775-12-871-14-1025	S-2	2550-45-3540	22
3.	800-15-1010-20-1150	S-3	2650-50-4000	27
4.	825-15-900-20-1200	S-4	2750-55-4400	30
5.	950-20-1150-25-1400 950-20-1150-25-1500 1150-25-1500	S-5	3050-70-4590	22
6.	975-25-1150-30-1540 975-25-1150-30-1660	S-6	3200-85-4900	20
7.	1200-30-1440-30-1800 1200-30-1560-40-2040 1320-30-1560-40-2040	S-7	4000-100-6000	20
8.	1350-30-1440-40-1800-50-2200 1400-40-1800-50-2300	S-8	4500-125-7000	20
9.	1400-40-1600-50-2300-60-2600 1600-50-2300-60-2660	S-9	5000-150-8000	20
10.	1640-60-2600-75-2900	S-10	5500-175-9000	20
11.	2000-60-2120	S-11	6500-200-8900	2
12.	2000-60-2300-75-3200 2000-60-2300-75-3200-100-3500	S-12	6500-200-10500	20
13.	2375-75-3200-100-3500 2375-75-3200-100-3500-125-3750	S-13	7000-225-11500	20
*	2500-4000 (proposed new pre-revised scale)	S-14	7500-250-12000	18
14.	2200-75-2800-100-4000 2300-100-2800	S-15	8000-275-13500	20
15.	2630/- FIXED	S-16	9000/- fixed	
16.	2630-75-2780	S-17	9000-275-9550	2
17.	3150-100-3350	S-18	10325-325-10975	2

Sl. No	EXISTING STANDARD SCALES OF PAY (Rs.)	GRADES	REVISED STANDARD SCALES OF PAY (Rs.)	SPAN IN YEARS
18.	3000-125-3625 3000-100-3500-125-4500 3000-100-3500-125-5000	S-19	10000-325-15200	16
19	3200-100-3700-125-4700	S-20	10650-325-15850	16
20.	3700-150-4450 3700-125-4700-150-5000	S-21	12000-375-16500	12
21.	3950-125-4700-150-5000	S-22	12750-375-16500	10
22.	3700-125-4950-150-5700	S-23	12000-375-18000	16
23.	4100-125-4850-150-5300 4500-150-5700	S-24	14300-400-18300	10
24.	4800-150-5700	S-25	15100-400-18300	8
25.	5100-150-5700 5100-150-6150 5100-150-5700-200-6300	S-26	16400-450-20000	8
26.	5100-150-6300-200-6700	S-27	16400-450-20900	10
27.	4500-150-5700-200-7300	S-28	14300-450-22400	18
28.	5900-200-6700 5900-200-7300	S-29	18400-500-22400	08
29.	7300-100-7600	S-30	22400-525-24500	4
30	7300-200-7500-250-8000	S-31	22400-600-26000	6
31.	7600/- fixed 7600-100-8000	S-32	24050-650-26000	3
32.	8000 /- FIXED	S-33	26000/- FIXED	-
33.	9000 /- FIXED	S-34	30000/- FIXED	-

*Note It may be clarified that while discussing the various pay scales, the Commission came to the conclusion that there was need for another payscale between Rs 2000-3500/ 2375-3500/2375-3750 on the one hand and Rs 2200-4000 or Rs 3000-4500 on the other. As such, we coined a pre-revised payscale of Rs 2500-4000 as a Group 'B' payscale, to act as an intermediate stage. As we had already decided to raise the revised payscale corresponding to Rs 2200-4000 to Rs 8000-13500 (instead of Rs 7000 etc. as it should have become if the broad multiplier of 3.25 were used), there was a gap of Rs 1000. It should be clearly understood that the pre-revised scale of Rs 2500-4000 (as it corresponds to a revised scale of Rs 7500-12000) is a lower scale than Rs 2200-4000 (as it corresponds to a revised scale of Rs 8000-13500).

Appendix - II

General Questionnaire

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Some preliminary observations

The First Central Pay Commission was constituted in May, 1946 to inquire into and report on, among other things, the structure of the pay scales and standards of remuneration of different categories of Central Government employees with the objective of achieving rationalisation, simplification and uniformity to the fullest degree possible. Such commissions with varying terms of reference were constituted thereafter, generally at intervals of a decade or more, in August 1957, April 1970 and July 1983. Over a period of time, the pension structure and death-cum-retirement benefits and compensation packages for Armed Forces personnel were also brought within the purview of the Central Pay Commission.

The Terms of Reference (Annexe I) of the present Pay Commission, formally constituted in April 1994, are, in many respects, significantly wider in their ambit and scope than those of its predecessors. Apart from determining an appropriate salary structure and pensionary benefits for Central Government employees, the Commission has also been asked, for the first time, to examine the terms and conditions of service of Armed Forces personnel and to recommend the reforms necessary to bring about desirable changes in work methods, environment and attitudes, aimed at promoting efficiency in administration, reducing redundant paper work and optimizing the size of the Government machinery.

This Pay Commission has received over 20,000 memoranda as against 950 by the First Pay Commission, and 5,000, 9,500 and 8,500 respectively by the Second, Third and Fourth Pay Commissions. Many employees and their associations have pitched their demands high on this occasion because of the high expectations generated by economic liberalisation, the freer play of market forces and the rise of consumerism, combined with the removal of ceilings on private sector managerial salaries. There is now an increased demand for parity with the commercial undertakings in the public and private sector and strict adherence to the doctrine of "equal pay for equal work".

On the other hand, the essence of the constitutional mandate for decentralisation and devolution of political power to the States and grass-root self-governing institutions and the aftermath of liberalisation are expected to result in a significantly altered, if not a diminished, role for the Central Government. This may necessitate radical changes in organisation, methods and procedures of administration and a thinning of the bureaucratic flab. These would get an added impetus in the context of the advanced and more efficient systems of information storage, processing and retrieval now available. The progressive increase in the size of the Government machinery over a period of time and its adverse impact on Government's ways and means position have also been a cause for concern. Besides, public dissatisfaction with the performance of the Government machinery is perhaps more discernible now than in the past. It is probably on these considerations that Government have, for the first time, asked a Pay Commission to suggest methods for its optimization.

Though the bulk of the mainstream thinking seems to be for a trimmed but better paid class of Government employees, there are some who hold the view that the compensation packages and "invisible" benefits available to Government employees are even now excessive in relation to their job demands and responsibilities and in contrast to the millions who live below the poverty line. It has been further stated that the increased levels of managerial remuneration in the private corporate sector are the result of their having to function in an internationally competitive environment with reasonably transparent performance appraisal criteria and all the attendant uncertainties in regard to job security. There is also a feeling in some quarters that the country can ill afford the luxury of extending further concessions to its employees in the overall context of the

mounting fiscal and revenue deficits of the Central as well as the State Governments and of their likely inflationary impact.

In this milieu, apart from ensuring a satisfactory package of benefits to Government employees, the Commission will necessarily have to pay due regard to the likely impact of its recommendations on the economy in general and the resources of the Central Government in particular. The cascading effect of their recommendations on the State Governments, the public sector, autonomous institutions, local bodies, etc. cannot also be ignored. The other demands on the resources of the Government, such as those on account of its socio-economic obligations, defence and national security, and the requirements of sound fiscal management, will also have to be taken into account. A satisfactory resolution of these conflicting points of view, therefore, is not an easy task.

Having regard to the far-reaching implications that its recommendations would have, the Commission wishes to ascertain the views of opinion-makers from different walks of life across the country, to enable formulation of recommendations which would be appropriate and feasible in the prevailing circumstances.

What is now being elicited is your personal opinion, which may not necessarily be that of your organisation, association or profession. Your responses should be specific and contain reasons to justify the course of action advocated. Please also feel free to suggest scales of pay, rates of increment, formulae, norms, etc.

Just a single copy of your response, preferably typed, will suffice. It is also not necessary that every question should be answered. The choice is entirely left to you.

The functioning of the Government affects all of us. Your response will be a valued input to our decision-making process. Confidentiality of your replies would be ensured and these utilised only internally by the Commission. A prompt and detailed response is, therefore, solicited.

SECTION I : GENERAL APPROACH

Impact of changing scenario

- Q 1.1 What is the likely impact of the fast-changing socio-economic and political scenario in the country on the role of Government? Will the functional responsibilities of Government employees continue to remain as important as at present?
- Q 1.2 Many employees and their associations have pitched their demands high because of the high expectations generated by economic liberalisation. Are such expectations and demands justified?

Comparison with public/private sectors

- Q 1.3 To what extent are the comparisons between pay scales and perquisites in Government and the public sector and the demand for parity valid and justified?
- Q 1.4 The recent decision to abolish the ceiling on compensation packages for senior managers in private companies and the entry of multinationals in India have resulted in a phenomenal increase in the salaries and perquisites of the private sector. Is there sufficient justification for Government employees to seek broad parity with them?
- Q 1.5 Given the differences in job requirements and responsibilities, and the fact that Government may not be able to match the compensation levels in the private sector, what other incentives and perquisites can be considered so that Government employees are motivated to give their best and the right type of talent is attracted to Government service?
- Q 1.6 Is it possible to quantify all other benefits, excluding pay, derived by employees in Government and the public and private sectors from security of tenure, promotional avenues, retirement packages, housing and other invisibles? If so, what methodologies would you suggest in order to ensure an appropriate comparison?
- Q 1.7 In order to ensure a fair comparison based on principles of equity and social justice, would it not also be appropriate to take into account the economic conditions of large sections of the community which are less privileged than Government employees and many of whom live below the poverty line?
- Q 1.8 Is it feasible for Government to prescribe and enforce a national income and wage policy? If so, would the institutional arrangements for this purpose include a permanent Pay Commission or a similar agency for Central Government employees?

International comparisons

- Q 1.9 Some countries have raised civil service pay scales almost to levels prevalent in the private sector on the hypothesis that a well-paid bureaucracy is likely to be honest and diligent. To

what extent would such a hypothesis be valid and how far would such a course of action be desirable at the present stage of India's economic development?

Capacity to pay

- Q 1.10 How should the capacity to pay of the Government be assessed? Should we look at the proportion of expenditure on wages and salaries (including pensions) to (a) revenue receipts and expenditure of the Central Government, and/or (b) the Gross Domestic Product? In the overall context of mounting fiscal deficits of the Central Government on the revenue account, what criteria should be adopted to determine the capacity to pay?

Impact on other organisations

- Q 1.11 The recommendations of the Pay Commission are likely to lead to similar demands from employees of State Governments, municipal bodies, panchayati raj institutions and autonomous institutions. Their paying capacity is considerably limited. To what extent should this factor act as a deterrent in devising a reasonable remuneration package for Central Government employees?

Accountability

- Q 1.12 There are those who feel that a better deal to Government employees must be contingent on the imposition of an effective system of accountability, including their willingness to accept the 'hire and fire' regime supposed to prevail in the private sector. Others apprehend that this would expose the civil servant to the ills of subjectivity, arbitrariness and victimization. Please suggest appropriate criteria for enforcing accountability in Government.

SECTION 41 : PRINCIPLES FOR PAY DETERMINATION

General Principles

- Q 2.1 Many general principles like fair comparison, job evaluation, pay relativities, equal pay for equal work, supply and demand considerations, State as a model employer etc. have come to be accepted. How would you prioritize these conflicting principles? What additional principles for pay determination would you suggest in the present context ?

Minimum wage

- Q 2.2 What should be the criteria to determine the minimum wage? Should it be the "living wage" promised in the Directive Principles of State Policy and as envisaged in Article 43 of the Constitution? What should be its relationship with per capita National Income ? Please suggest an appropriate basic pay for the lowest functionary in Government based on the criteria preferred by you.

Highest salaries

- Q 2.3 How should we determine the salary to be paid to a Secretary in the Central Government ? Is it necessary that we adhere to a pre-determined minimum-maximum ratio on ideological considerations ? Or is it more important to ensure efficient administration by preventing flight of outstanding talent from Government? Please suggest an appropriate basic pay for a Secretary.

Relativities

- Q 2.4 Would you suggest any changes in the current vertical and horizontal relativities in respect of any Service or Cadre ?
- Q 2.5 Would it be correct to concede a demand for parity between two posts in different organisations merely on the basis of a comparison of pay scales and designations which may sometimes be misleading? Would it not be more appropriate to base it on job content? What other indices would you suggest to ensure a fair comparison?
- Q 2.6 Employees in the Secretariat and analogous establishments are entitled to higher pay scales than the corresponding field functionaries. This was supposed to compensate them for the loss of certain facilities available to them in field assignments and the extra effort required for decision-making at the policy level. Are these factors valid even today particularly in the context of decentralisation and devolution of administrative powers? Should field functionaries, in fact, not be entitled to a higher compensation?
- Q 2.7 In offices having industrial units, the ministerial cadres (Superintendents, Clerks etc.) have an edge over the technical cadres (technical supervisors, artisans etc.). Should the edge be continued or dispensed with? Please elaborate.

Group A Services

- Q 2.8 Is there a case for a Unified Civil Service, merging therein all Central (both technical and non-technical) and All India Services, allowing vertical and horizontal movement? Or

should there be two distinct streams, one embracing all the technical services and the other for non-technical services?

- Q 2.9 At present, officers of I.A.S. and I.F.S. have a slight edge over those of other all India and Group A Central Services. Should all these services be brought at par in respect of status, salaries, promotion prospects etc.? If you favour an edge, what norms should be prescribed in this regard and how should strict adherence thereto be ensured? Can flexible complementing be resorted to, in order to provide promotional avenues without having to create additional posts in higher scales?
- Q 2.10 Do you feel that the pattern of pay scales for all Group A Services should be re-designed so as to attract candidates of the requisite calibre? Having regard to the compensation packages being offered to fresh MBAs and other professionals by the private sector, what emoluments would you suggest for an entrant to a Group A Service in Government?

Professional personnel

- Q 2.11 What steps should be taken to ensure that scientists, doctors, engineers and other professionals with sophisticated education and skills are retained in their specialised fields in Government? Should there be a separate compensation package for them, which may include a higher status and initial pay, advance increments, a higher retirement age, improvement in service conditions, etc.?
- Q 2.12 Should scientists in the fields of agriculture, rural development, animal husbandry etc. not be treated at par with scientists in the fields of space, atomic energy, ocean development, etc.?

Court employees

- Q 2.13 Pursuant to court judgements, the scales of pay for employees of the Supreme Court of India and the High Court of Delhi have been raised to levels higher than those of their peers in Government. Should this divergence in pay scales be continued as a measure of personnel policy, in view of the special conditions stated to be prevalent in the higher judiciary?

Employees of Union Territories

- Q 2.14 Should the pay scales of employees in Union Territories be equated to those of corresponding posts in the Central Government or in the neighbouring States, or sometimes to the one and sometimes to the other?

SECTION III : PAY STRUCTURE

Classification of Posts

- Q 3.1 Presently, civilian posts in the Central Government are classified into four Groups ('A', 'B', 'C' and 'D') with reference to their scales of pay. Would you suggest any changes therein?

Restructuring of Group C & D posts

- Q 3.2 It has been suggested that all lower Group C functionaries in the Secretariat be replaced by multi-functional Executive Assistants, who would be graduates and well-versed in office work, secretarial skills and use of modern office equipment including computers. Similar arrangements can be evolved for Group C posts in other organisations of Government. What do you think of this suggestion?
- Q 3.3 Similarly, regrouping of Group D staff into fewer categories capable of performing diverse functions has been suggested. How would you react to this proposal?

Pay-scales

- Q 3.4 How should a pay scale be structured? What is a reasonable ratio between the minimum and maximum of a pay scale?
- Q 3.5 Currently, there are 56 pay scales in Government. Should these be reduced in number? Will such reduction not lead to a sense of stagnation?

Efficiency bars

- Q 3.6 Should efficiency bars be retained? If so, how should these be related to performance appraisal criteria?

Increments

- Q 3.7 What should be the criteria for determining the rates and frequency of increments in respect of different scales of pay? Should these bear a uniform or varying relationship with the minima and/or maxima of the scales?

Stagnation

- Q 3.8 Should stagnation be countered by having long integrated pay scales as are now available to the armed forces, by introducing selection grades, through grant of stagnation increments or by some other method?
- Q 3.9 What specific criteria could be adopted to prescribe appropriate pay scales for isolated posts with little or no promotional avenues?

Revision of pay scales

- Q 3.10 To what level of the cost of living index should the revised pay scales be linked?

- Q 3.11 Please suggest a formula for revision of the existing pay scales, giving reasons
- Q 3.12 How should pay be fixed in the revised pay scales? Should there be a point-to-point fixation? If not, please suggest a method by which it can be ensured that senior personnel are not placed at a disadvantage vis-a-vis their juniors and due weightage is given for the longer service rendered by the former
- Q 3.13 What should be the date of effect of the revised pay scales and other recommendations?

Exemption from Income Tax

- Q 3.14 It has been suggested that the emoluments of Government employees and pensioners, or at least those elements thereof which are compensatory in nature like DA/Dearness Relief, CCA, HRA etc. should be exempted from income tax. What are your views?

SECTION IV : ALLOWANCES AND FACILITIES

Dearness Allowance

- Q 4.1 In view of the fact that the majority of the Indian population has no hedge against inflation, is the payment of Dearness Allowance to Government employees justified? If so, should there be any distinction in this regard between the Central Government employees and those in public undertakings?
- Q 4.2 Has Dearness Allowance come to stay as a device for countering inflation? Or should basic pay be directly linked to the cost of living index?
- Q 4.3 Does the All India Consumer Price Index for Industrial Workers (General) suitably reflect inflation, especially in respect of employees in the middle and high income groups? If not, what alternative measure can be used? What base year would be ideal?
- Q 4.4 Most associations have requested for full neutralisation of the Cost of Living Index at all levels. Is the demand justified?
- Q 4.5 Should D.A. instalments be released yearly, six-monthly, quarterly or monthly? Should the release be automatic?

Compensatory Allowances

- Q 4.6 Is City Compensatory Allowance a sufficient compensation for the problems of a large city? If DA and HRA provide full neutralization, do you think CCA should continue? Is there a need for changing the basis of classification of cities and the rates of CCA? If so, please suggest the revised basis and rates.
- Q 4.7 Having regard to the number of advantages available to personnel posted in urban areas and their general reluctance to serve in rural areas, is there any justification at all for a City Compensatory Allowance? Should an allowance instead be paid as an incentive for service in rural areas?
- Q 4.8 What modifications would you suggest in other allowances like Hill Compensatory Allowance, Winter Allowance, Bad Climate Allowance, Remote Locality Allowance, Project Allowance, Tribal Area Allowance, etc.?
- Q 4.9 Should Non-Practising Allowance (now available to doctors and veterinarians) be abolished and private practice allowed? If not, should similar compensation be sanctioned to all other professionals in Government or even to all Government employees? Should there be differentials in rates of NPA? If so, on what basis?
- Q 4.10 How would you decide whether a Risk Allowance is justified for a particular category of employees? Should the allowance be replaced by Risk Insurance?

Housing

- Q 4.11 The level of satisfaction in provision of Government residential accommodation is just 25%. What should be the reasonable percentage satisfaction in provision of such accommodation? Should it be made available by (i) capital outlay on Government colonies, (ii) hiring of

privately owned flats or (iii) reimbursement of market rents actually paid by the employees, and to what extent under each alternative?

Q 4.12 What are the difficulties encountered by employees in securing Government accommodation? Are these accentuated by creation of distinct pools for specified categories, allotment to non-entitled persons, non-vacation and allotment on out-of-turn basis? How can these be resolved?

Q 4.13 Should Government charge licence fee (rent) from its employees for residential accommodation? On what basis?

Q 4.14 Should Government try to ensure that each employee owns a house on retirement? Is there a case for a scheme under which the employee buys the house from Government by paying the monthly rent, under a hire-purchase arrangement? Should some houses be earmarked in all Government-run or-controlled schemes for allotment to its employees?

House Rent Allowance (HRA)

Q 4.15 The existing classification of cities/towns for the purpose of HRA is based on population data derived from the decennial census. Would you suggest reclassification of cities for purposes of HRA and if so, in what manner? The present HRA rates vary from Rs. 150 to Rs. 1000 per month. What should be the relationship (expressed as a percentage) between HRA and (i) the basic pay and (ii) prevailing market rents? Should HRA be linked to the Cost of Living Index?

House-building Advance (HBA)

Q 4.16 The admissible quantum of HBA is 50 times of basic pay or Rs. 2.5 lakhs or actual cost of construction, whichever is the least. This is further restricted to the repaying capacity of the employee. What liberalisations would you suggest in the HBA Scheme? Should the amount of admissible advance be linked to the Cost of Construction Index? Should the rate of interest be comparable to the rates charged by banks and PSUs from their employees? Should Government at all subsidize interest in the context of the free market economy?

Travelling Allowance

Q 4.17 Would you suggest any amendments to the Travelling and Daily Allowance Rules and rates. In particular, to what extent should hotel charges be reimbursed by Government?

Q 4.18 In what manner should the transfer grant, incidentals and baggage allowance be raised so that transfers are no longer viewed as a punishment?

Transportation

Q 4.19 Should Government accept responsibility for transportation of officers and staff between residence and office? How much should be charged for this? Should they instead be asked to use their personal vehicles and be paid a petrol allowance, in cash or kind?

Leave Travel Concession

- Q 4.20 Should Leave Travel Concession Scheme be made more attractive by permitting travel to the home town annually and anywhere in India biennially? Or should it be replaced by a Leave Travel Allowance? If so, what should be the amount? Should railway passes and Privilege Ticket Orders be provided to all Government employees on the same scales and conditions as are presently admissible to railway employees or should these facilities be withdrawn even for the latter?

Educational Allowances

- Q 4.21 Do you have any suggestions in regard to the schemes of Children's Education Allowance, Payment of Hostel Subsidy, Reimbursement of Tuition Fees and Subsidy for the Purchase of Books? Should these be replaced by an annual Education Grant?

Health Cover

- Q 4.22 Does the Central Government Health Service provide a satisfactory medical cover? Should it be abolished or strengthened? Should employees be required to contribute to CGHS? If so, how much? Do you think that medical facilities developed by different departments at the same stations should be pooled and made available to all employees?
- Q 4.23 In order to ensure adequate medical coverage to Government employees, various alternatives such as reimbursement of all expenses incurred on obtaining treatment at Government or private clinics and hospitals, with or without any ceiling, introduction of a contributory medical insurance scheme or payment of a fixed monthly medical allowance have been suggested. Which alternative would you recommend and why?

Provident Funds

- Q 4.24 Are any modifications necessary in the General Provident Fund Scheme? Should it be voluntary? Should the rates of interest on deposits be increased? Will a trust be able to manage the funds better?
- Q 4.25 Would you recommend a Contributory Provident Fund Scheme in lieu of GPF and pension, at least for those who enter Government service late in life?

Insurance Coverage

- Q 4.26 Are you in favour of increasing the amounts of insurance cover provided to employees under the Group Insurance Scheme? If so, by how much?
- Q 4.27 Do you feel that employees deployed on duties involving risks to life and limb should be insured for higher amounts? Should special provisions be made for employees dying due to violence or accident in the course of discharge of their duties? Should these be made applicable to all categories or only to specified ones?

Bonus

- Q 4.28 Should bonus and similar ex-gratia benefits be abolished or extended to all Government employees? Should payment of bonus be linked to the productivity of the Ministry/

organisation? If so, what criteria would you suggest in respect of those organisations, the output of which cannot be measured quantitatively?

Incentive for family planning

- Q 4.29 Do you think that the present increment given for promoting the small family norm deserves to be replaced by a lump-sum incentive? If so, what should be the amount? Should the incentive be extended to those who limit the size of their families without resorting to sterilization?

Overtime Allowance

- Q 4.30 Do you favour complete abolition of Overtime Allowance, without any exception whatsoever? If not, what changes would you advocate in the system? Is payment of honorarium in offices where extra work has to be necessarily disposed of on a time-bound basis in certain periods of the year a better option?

Leave

- Q 4.31 It has been suggested that earned leave should be allowed to be accumulated upto 360 days (as against 240 days at present), and be encashable to the extent of 15 days annually and 360 days at the time of retirement. What are your comments?
- Q 4.32 Should half-pay leave be abolished or made encashable? It has been urged that any deficiency in accumulation of earned leave at retirement should be made good by set-off against the unutilized half-pay leave. Is this justified?
- Q 4.33 Is the present quantum of maternity leave (90 days) sufficient? A demand has been made that paternity leave should also be sanctioned. How would you react to this suggestion?
- Q 4.34 Would you favour a parity between industrial and non-industrial employees within the Government in respect of their leave entitlements?

Welfare Measures

- Q 4.35 Please comment on the adequacy of welfare measures like canteens, cooperative stores, sports clubs, uniforms and protective clothing etc. What further measures would you suggest?

Advances

- Q 4.36 Should all advances for purchase of conveyances and computers be equal to their actual market prices? Should the linkage between the quantum of advance and the market price be done away with?

Women employees

- Q 4.37 Should there be a reservation for women in Government service? If so, what percentage would you suggest?

- Q 4.38 In what manner should disabilities and discrimination suffered by women in respect of recruitment, promotion, career development, working conditions, remunerations or job security be removed? What special facilities like flexible time-schedules, age relaxation, child-care services, equal opportunity, early retirement plans etc. are necessary to improve their condition?
- Q 4.39 Should a male and female employee married to each other be treated as independent entities for purposes of entitlement to accommodation, allowances, advances, concessions etc.?

SECTION V : ARMED FORCES PERSONNEL

Conditions of Service

- Q 5.1 What steps should be taken to make entry into the Defence Services more attractive to maintain the morale of personnel and to ensure their continued retention? Please identify the areas where conditions of their service need to be improved.

Restructuring

- Q 5.2 Keeping in view the changed geo-political and strategic environment and the lessons of recent wars, is there a scope for restructuring of the Armed Forces with greater emphasis on technology than on manpower? In this context, what specific measures would you suggest to ensure the cost effectiveness of the defence apparatus?
- Q 5.3 There is an increasing tendency in recent years to deploy the Army in aid of civil power for quelling internal disturbances. This has attracted adverse criticism. The raising of the Rashtriya Rifles as a Wing of the Army to specialize in internal security duties has also not been viewed favourably. What are the solutions to this complex and sensitive problem?

Recruitment

- Q 5.4 It has been suggested that recruitment should be made only to the fighting units of the Armed Forces and after a short spell of about 7 years, some of the officers and men should be laterally transferred, based on their suitability, to the non-combatant wings, the paramilitary forces and civilian jobs. Also, that all civilian officers in the Central Government should have to undergo a compulsory two-year stint in the armed forces and then remain as reservists, as in other countries. How would you react to these suggestions?

Pay and Perquisites

- Q 5.5 What should be the basis for determination of pay scales for Armed Forces Personnel? What weightage should be assigned on a ten point scale to (i) parity with civil services, (ii) comparison with private sector, (iii) special and hazardous nature of duties, (iv) short career span and (v) restricted rights?
- Q 5.6 There are definite requirements both to keep the Forces young and to meet the aspirations for faster and assured promotions. What changes would you suggest in the present pay structure and promotion policies?
- Q 5.7 How should the pay of a soldier, sailor and airman be determined? How should it relate to the minimum wage in Government and the pay of a constable in paramilitary or internal security forces?
- Q 5.8 There is a demand that Ration Scales and Field Service Concessions should be uniformly applicable, across the board, within the Armed Forces without any distinction based on rank. There is also a demand either for withdrawal of some of these concessions in other than field areas or for their extension to all similarly placed paramilitary forces. What are your views on the subject?

- Q 5.9 Is it possible to standardize the period of service, pay structure, emoluments and service conditions among the three services ?
- Q 5.10 Would you suggest any rationalisation of the large number of allowances now available for Other Ranks?
- Q 5.11 Are you aware of specific concessions which have become too tedious to avail of, due to cumbersome procedures involved, as in the issue of Railway Warrants to jawans. Do you think these procedures can be simplified, say by issue of pre-paid coupons ? If so, how ?

Retirement Benefits

- Q 5.12 Should there be any change in the ages of superannuation? Is there scope for a Voluntary Retirement Scheme ? If so, please suggest an appropriate scheme.
- Q 5.13 Is it feasible to have one-rank-one-pension ? Is the scheme for payment of One time Increase the right solution for reducing the difference in pensions between present and past pensioners ?

C.S.D.

- Q 5.14 Would you suggest any modifications in the existing arrangements relating to Canteen Stores Depots ?

Ex-servicemen

- Q 5.15 What more can be done to rehabilitate and improve the lot of ex-servicemen ? Should there be a protection of last pay drawn for those re-employed in civil services ?

SECTION VI : RETIREMENT BENEFITS

Age of retirement

- Q 6.1 It has been widely suggested that in view of the longer life-span of Indians and the practice in other countries, and in order to utilize the experience and expertise of senior officials, the age of superannuation in government should be raised to 60 years, if not to 62 (65 years for scientific, engineering and medical personnel). Would you agree? Should the increase in age of superannuation be of universal application or be restricted only to those fulfilling certain specified conditions and pre-requisites, such as physical and mental fitness, and after following appropriate screening procedures?
- Q 6.2 Should the age of superannuation in Central Police Organisations be at par with other services instead of 55 years, as at present in some of them, or should it be reduced with full pensionary benefits to maintain a young profile, considering the nature of duties being performed by them ?

Qualifying service

- Q 6.3 At present, the qualifying service for earning full pension is 33 years. Reduction of this period to anything between 20 and 30 years has been demanded. It has also been suggested that enhanced pension be paid for service in excess of 33 years. What do you recommend? Should employees with less than 10 years' service also be entitled to pension?

Amount of pension

- Q 6.4 At present, pension is computed at 50% of the average emoluments drawn during the preceding 10 months. It has been suggested that the percentage be raised to anywhere between 60 and 100 and the amount determined based on the average emoluments of the preceding 3 or 6 months or even the last pay drawn. Further, that the rate of pension be enhanced by 5% every 10 years after retirement. How do you react to these suggestions?
- Q 6.5 How should minimum pension be determined? Should it bear the same relation to minimum salary as retiring pension bears to average pay on completion of qualifying service? What amount would you consider reasonable at this stage?

Dearness Relief

- Q 6.6 It has been urged that dearness relief on pension should be given on the same scale as dearness allowance for serving employees. Also, that there should be full neutralisation of cost of living for the higher levels. Would you agree ? Should dearness relief continue to be paid on the commuted portion of the pension as well, as is currently the practice ?

Family Pension

- Q 6.7 At present, family pension is 30% of last pay drawn upto Rs. 1,500. 20% for pay between Rs. 1,500 and Rs. 3,000, and 15% for pay above Rs. 3,000 subject to certain prescribed minimum and maximum limits. It has been suggested that it should be equal to pension/pay last drawn. Is this justified? Should there be a ceiling of Rs. 1250 for family pension as at present? Would you like to suggest any other changes in the Family Pension Scheme?

Gratuity

Q 6.8 Gratuity is currently paid 'a' 15 days' pay for each completed year of service, subject to a ceiling of 16 1/2 months' pay or Rs. one lakh, whichever is less. It has been suggested that this be raised to one month's pay for each completed year of service, and the present ceilings removed. Do you agree? Should "pay" include all allowances, instead of being confined only to "basic pay" as at present?

Q 6.9 Would you suggest the replacement of gratuity by an increase in the quantum of pension?

Compulsory retirement

Q 6.10 Have you any suggestions in regard to the present procedure for compulsorily retiring an employee in the public interest?

Voluntary retirement

Q 6.11 Currently, employees with 20 years' service can seek voluntary retirement and receive a weightage of five years. It has been suggested that such retirement be allowed on completion of 10 years' service, with weightage of 50% of the remaining service. Do you agree? Do you have any alternative scheme of voluntary retirement involving a golden handshake to suggest?

Commutation

Q 6.12 At present, commutation of pension is permissible to the extent of 33 1/3% and full pension is restored after a period of 15 years. It has been proposed that the extent of commutation be raised to 50% and restoration take place after a period ranging from 7 to 12 years. What do you suggest? Should commutation also apply to family pension?

Other benefits

Q 6.13 Is there any case for grant of other benefits like House Rent Allowance, City Compensatory Allowance, House Building Advance, Leave Travel Concession, Bonus etc. to pensioners?

Medical Cover

Q 6.14 What kind of medical cover ranging from CGHS to reimbursement of medical expenses, medical insurance or medical allowance would be appropriate for pensioners?

Past pensioners

Q 6.15 It has been suggested that all liberalisation in pension structure and rates should be made applicable retrospectively. Is the demand justified? How can broad parity between past and present pensioners be achieved?

Pension Fund

Q 6.16 Would it be feasible to have a Pension Fund, with contributions from the Government and/or the employees, and thus provide for a contributory pension that may be higher than the present rate of 50% and even reach the level of last pay drawn?

SECTION VII : ADMINISTRATIVE REFORMS

Role of Govt.

- Q 7.1 Do you feel the role of the Central Govt. should be redefined by (i) transferring most of the field functions to State Governments, local bodies and NGOs, (ii) entrusting service functions on contract to private agencies and (iii) withdrawal of the public sector from non-core non-strategic areas? Which centrally sponsored schemes should be transferred to the States ?

Effectiveness

- Q 7.2 In what specific ways should the effectiveness of Government be enhanced by bringing about environmental changes (laying greater emphasis on management rather than administration, accountability, sensitivity, performance-orientation etc.), and organisational changes (simplification of procedures, emphasis on goals, making institutions organic rather than mechanistic, etc.)?
- Q 7.3 How can training of employees be made more useful in increasing effectiveness and professionalisation of the Government? Should an employee be made to serve in a related department for a specific period in order to ensure optimum utilisation of skills acquired through training?
- Q 7.4 Please suggest in detail how the effectiveness of Government can be enhanced by automation, computerisation or other improved methods of office management?
- Q 7.5 What, in your opinion, are the main factors that prevent expeditious decision-making in the present set-up? What measures, including enhanced organisational autonomy and delegation of powers, would you suggest to overcome these?

Openness

- Q 7.6 Are openness and public participation in Government adequate? Is there a need for greater openness and transparency by dispensing with provisions like the Official Secrets Act in respect of non-sensitive activities of the Government? Should Government employees be allowed to air their views in public or to higher authorities, where the public interest so demands?

Officer-oriented system

- Q 7.7 Should the Government shift over to an officer-oriented structure (as in the Desk officer system of the Central Secretariat) in certain Departments? If so, identify such departments.

Reduction in Govt. machinery

- Q 7.8 Do you think that with ongoing liberalisation, certain Government Departments have become largely or wholly redundant? If so, kindly identify such departments.
- Q 7.9 Is there an avoidable overlap of functions among some Ministries, Departments or organisations of the Central Government? If so, please identify such organisations along with the areas of overlap.

Q 7.10 It has been suggested that the only effective way of thinning the flab in Government is to impose a one-third cut, across the board, in all cadres and services, to be achieved within the next ten years. This can be done by abolishing all posts that fall vacant and by drastically reducing the intake. Please comment on these measures and others which you may like to suggest.

Q 7.11 Is there a scope for reorganising the numerous security and police organizations created from time to time, in order to reduce their number and overall size?

Q 7.12 Are you aware of any outdated work norms laid down by Government for sanction of additional units or staff in an organisation? If so, please suggest revised norms that should be adopted in these cases?

Abolition of feudalism

Q 7.13 Should all vestiges of feudalism in the country like huge residential bungalows sprawling over several acres, large number of servants' quarters, retinues of personal staff, bungalow peons, use of uniformed personnel as batmen or on unnecessary security or ceremonial duties etc. be abolished? Please make concrete suggestions.

Specific proposals

Q 7.14 Please outline specific proposals which could result in

- (i) Reduction and redeployment of staff,
- (ii) Reduction of paper work,
- (iii) Better work environment,
- (iv) Economy in expenditure,
- (v) Professionalisation of services
- (vi) Reduction in litigation on service matters

New concepts

Q 7.15 Do you think the concepts of contractual appointment, part-time work, flexible job description, flexitime etc. need to be introduced in Government to change the environment, provide more jobs and impart flexibility to the working conditions of employees?

Q 7.16 Should there be lateral movement from Government to non-Government jobs and vice-versa? If so, in which spheres and to what extent?

Q 7.17 It has been suggested that existing Government employees should be encouraged to shift to employment on contract for specified periods in return for a substantially higher remuneration package. Would you agree?

Performance Appraisal

Q 7.18 In what way should the present system of performance appraisal be changed? Should the ACR be an open document? How far has the introduction of self-assessment helped in the

process of appraisal ? Should appraisal be done for an entire team instead of for individuals

Q 7.19 In what manner can Government employees be made personally accountable for their acts of omission or commission, without any special safeguards? Would you recommend any amendments to Article 311 of the Constitution, Section 197 of the Code of Criminal Procedure, Section 17 and 19 of the Prevention of Corruption Act, 1988, and various rules relating to conduct of Government servants and disciplinary proceedings?

Q 7.20 In what manner should the work of honest, dynamic and efficient officials be rewarded?

Transfer and Promotion Policies

Q 7.21 How can it be ensured that mid-term transfers of officials involving short tenures are not resorted to on considerations other than purely administrative?

Q 7.22 How should promotion policies be modified to ensure that seniority, merit and professional qualifications get due weightage? At what stages and to what extent should direct recruits be inducted? Should promotions be assured at all to each employee? If so, to what extent? Should promotions be time-bound and delinked from availability of posts?

Q 7.23 It has been suggested that a departmental examination should form the basis for assessment of merit for purposes of promotion at each level in addition to the ACRs. Please comment.

Holidays

Q 7.24 Kindly comment on the appropriateness of adopting a five-day week in Government offices when other sectors follow a six-day week. Please also state whether the number of Gazetted holidays in Government offices should be reduced?

Q 7.25 What do you think is the state of work ethics and punctuality in Government offices ? Kindly suggest ways of improving these.

Conditions of service

Q 7.26 Please cite any condition of service or rule the introduction, modification or removal of which would improve the morale and efficiency of public service.

Appendix - III

A Short Note on Inadequacy of Data required for Pay Commission Work

DATA REQUIREMENTS OF A PAY COMMISSION

*Our requirements
of data*

III.1 The terms of reference of Pay Commissions, inter alia, require them to make recommendations on pay and allowances and conditions of service of Central Government employees bearing in mind the trends and conditions of service prevailing elsewhere and the resources of the Central Government. This necessarily requires data on the various aspects of -

- a) Size of Central Govt. employees
- b) Pay and allowances of Central Govt. Employees
- c) Pension and Retirements benefits
- d) Recruitment and Promotion Rules
- e) Structure of emoluments, allowances and conditions of service as it prevails in the State Governments, public sector, private sector and in other countries.

Quality of Data

III.2 We too were in need of the above information and like all the previous Pay Commissions faced a host of problems pertaining to data with inadequate, unreliable, dated and incognate information.

THE AREAS OF INADEQUACIES

*Size of Central
Govt. employees*

III.3 There are several sources reporting on the size of Government employees. The Census of Central Govt. employees published by the Directorate General of Employment and Training (DGET) in the Ministry of Labour and the Expenditure Budget are amongst the main sources on the size of the civilian employment in Central Government. The Economic Survey and the brochure titled "Pay and Allowances of Central Government Employees" brought out by the Pay Research Unit in the Ministry of Finance also contain some information on the size of employment in Central Government. The Department of Personnel and Training too maintains some information on this subject. Surprisingly, not only does the size of civilian employment reported by these sources vary, the rate of increase reported also varies. (See Table III.1 and III.2) While most sources show an increasing trend during the period 1988 to 1992, the Department of Personnel and Training statistics shows a decline in Central Government employment between 1991 and 1992. This inconsistency is probably because there is no uniformity in the way in which the target population, is defined by these sources. The Census of Central Government Employees, which is the most scientific reliable and comprehensive source on the size of Central Government, is found to be dated and is published with a lag of 4 to 5 years with the latest information being available for the year 1991 only.

*Pay and
allowances*

III.4 Regarding Pay and Allowances, the Pay Research Unit (PRU) in the Department of Expenditure under Ministry of Finance brings out a brochure titled "Pay and Allowances of the Central Government employees". This brochure contains information only on total expenditure on pay and allowances drawn by the Central Government employees. What this brochure does not contain is the pay-scale-wise distribution of the number of employees drawing a particular allowance. Details on allowances have also been omitted. In the case of travelling allowance, separate information on the amount being spent on tours and transfers is not available. Details of other Compensatory Allowances such as Special Compensatory Allowance, Special Duty Allowance, Night Duty Allowance, Risk Allowance are not available. No information is available on the number of employees claiming HRA, HBA, or availing themselves of Leave Travel Concession etc. This information should be built into the brochure brought out by the PRU. Unfortunately, this brochure is also published with a time lag of over two to three years.

Pensions

III.5 The other area where information was found to be rather scantily available was pensions. There appears to be no authentic information on pensioners before the year 1991-92. Though the Central Pension Accounting Office set up in 1990 has done commendable work in computerising civilian pensions and brings out an annual publication of "Accounts at a glance", which is our chief source on pensions, glaring data gaps still remain. No information on "total" pensioners or "total" family pensioners, their spread across pension ranges and departments is published though some information on year-wise retirees is available. Similarly, the age profile and mortality figures among pensioners are not

available. It would be rewarding to tabulate the past trends on pensioners till as long back as possible and make some projections on future retirements, pay scale wise and ministry wise. This will in many ways help the personnel policy in Government.

Recruitment and Promotion Rules

III.6 No information was available inhouse on the Recruitment and Promotion rules (R&P) associated with the 40 lakh odd civilian posts in Government. The collection of the R&P rules from the various departments was a herculean task and took a considerable amount of our time. The Department of Personnel and Training being a nodal Ministry should ideally centralize this information. Also there appears to be some scope for simplifying these rules so as to make it possible to computerize the information contained in the R&P Rules. This would facilitate job evaluation and make it easier to establish equivalences between jobs.

Pay structure and conditions of service elsewhere

III.7 No information was available on the pay structure and service conditions of employees in the State Governments, Public Sector, Private Sector and countries abroad. The result was that we had to collect and collate information on these subjects on our own. This took a large part of our time. We feel that the latest trends on pay, allowances and conditions of service available elsewhere, should be readily available to Pay Commissions. Centralizing information in the above areas will also facilitate the overseeing and implementation of a National Wage Policy being recommended by us elsewhere.

OUR SUGGESTIONS FOR THE FUTURE

The need for galvanizing information gathering mechanisms in Government.

III.8 In the absence of the above information being readily available to us, the onus of collection and compilation of information under these heads came to rest on us. This severely burdened the Commission. We observe that Governments abroad have been at great pains to maintain centralized statistical information systems needed for the purpose of pay revisions. While there exists a Department of Personnel and Training, a Pay and Research Unit in the Department of Expenditure, a Directorate of Employment in Ministry of Labour and a Central Pension Accounting Office, charged with the responsibility of carrying out some of the above tasks, we feel that these cells in the Government will need to be galvanized sufficiently so as to generate suitable information gathering mechanisms in the areas mentioned above. We have elsewhere also suggested the setting up of a permanent wage body for maintaining and updating the basic data on pay and allowances on a continuing basis.

Total Employment in Central Govt. according to different sources

(Lakhs)

Year	Expendi- ture document of the Central Budget (as on 1st March)	Economic Survey	D.O.P.T.	D.G.E. & T.		Pay Research Unit
				Regular	Non-regular	
1.	2.	3.	4.	5.	6.	7.
1984	N.A.	33.11	32.42	36.14	3.91	N.A.
1985	N.A.	33.29	33.70	N.A.	N.A.	N.A.
1986	N.A.	33.46	34.56	N.A.	N.A.	N.A.
1987	N.A.	33.50	34.46	N.A.	N.A.	N.A.
1988	38.83	33.81	33.37	36.99	3.82	N.A.
1989	39.69	33.95	34.64	37.48	3.70	N.A.
1990	40.63	33.97	34.77	37.74	3.41	N.A.
1991	40.82	34.10	37.35	33.13	3.47	N.A. ** 33.30
1992	41.39 *	34.28	36.59	N.A.	N.A.	N.A. @
1993	39.72 *	33.83	35.30	N.A.	N.A.	41.44
1994	39.49 *	33.92	N.A.	N.A.	N.A.	N.A.
1995	39.88	N.A.	N.A.	N.A.	N.A.	N.A.

Percentage Annual
increase over
previous year

1989	2.21	0.41	3.81	1.32
1990	2.37	0.06	0.38	0.69
1991	0.47	0.38	7.42	1.03
1992	1.40	0.53	-2.03	N.A.

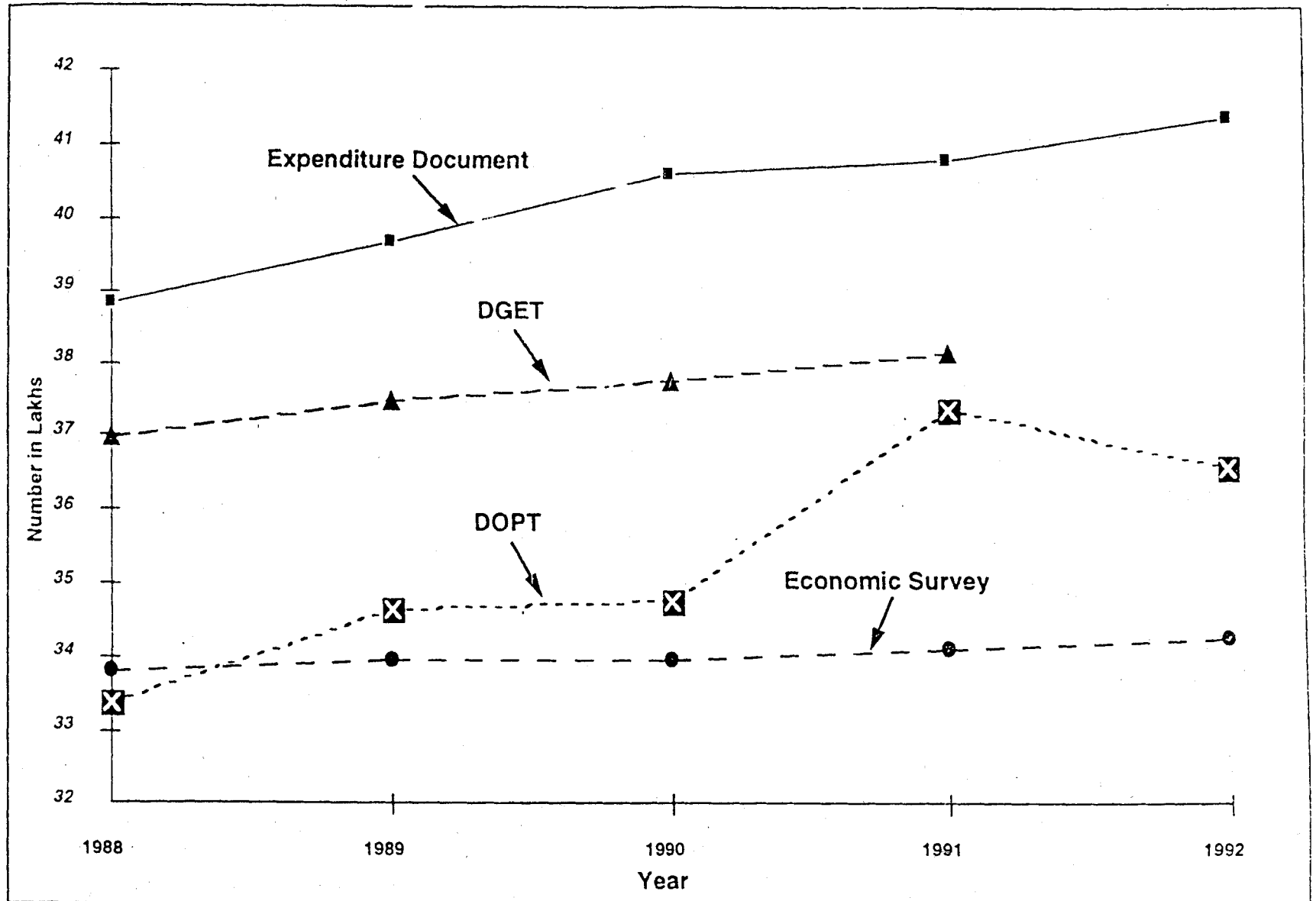
* Excluding Delhi.

** Relates to 1.7.1991

@ Relates to 31.3.1993

Total Civilian Employment in Central Government

As per different sources





Appendix - IV

Note of Dissent by Prof. Suresh Tendulkar, Member, Fifth CPC

Unlike other two colleagues who had worked inside the state apparatus for long periods, I was a total outsider who had faced the bureaucratic set up in all its raw forms in an anonymous manner. This is the background with which I joined as part-time Member of the Fifth Central Pay Commission (FCPC for short) and I tried to press the outsider's perspective in the functioning of the Central Government machinery. With the compact three-member Commission, each one of us realised the paramount need to minimise dissent in order not to dilute the recommendations of the Commission and each one of us tried his best to accommodate the view point of the others with mutual understanding and respect for the individual position. The recommendations in the report reflect the end-result of these efforts. This note is an expression of those disagreements which still persisted despite sincere endeavours.

2. There existed a deep conflict between my self-serving personal interests and the professional judgement. Being a university teacher, even though my scales and service conditions remained formally outside the purview of the FCPC, I knew that they would later be extended to me in a some form or the other. I realised, however, that I was appointed to the FCPC in my professional capacity and there was need to over-ride personal interests. This may be kept in view in reading this note.

3. I may start by explicitly stating my dominant perception that on an average, a Central Government employee is underpaid but also underemployed and hence underperforming. A thirty per cent reduction in the number of employees across the board over a ten year period recommended in the Report and reiterated at several places is an admission of this perception. This is admittedly not an optimal procedure but a compromise between rationality and feasibility, the latter taking into account the socio-political constraints in downsizing the Government machinery. My friends within and outside the Government maintain that even this may prove ambitious. But an explicit recommendation in an official report would at least open up the unpleasant matter for public debate which we as a society had been refusing to confront in the face. This has been the starting point in all countries - developed and developing - which have carried out successful reforms in public administration.

4. There has also been a strange and unjustified dichotomy in social perception that when it comes to welfare activities, it is the Government's obligation irrespective of costs and that when it relates to efficiency it is the function of the market forces. The welfare activities of the Government are taken to be confined not just to what the Government does for the welfare of social groups through various activities but also to directly providing jobs in the Government irrespective of functional requirements and without bothering whether they make positive contribution to the legitimate core functions of the Government in a cost effective fashion. This mindset also permeates the high level bureaucracy which mostly acquits itself creditably while dealing with crisis situations where immediate relief irrespective of cost is the dominant consideration. In routine matters, the same bureaucracy operates as a procedure-oriented rather than result-oriented machinery. It is accountable to the procedures as if the procedures constitute an end in themselves. Even here, if the procedures had been transparent and simple, the objective application of procedures would have led to desired results. Impersonal and impartial application of clear procedures is indeed the hallmark of efficient public administration. However, in our context, the set of complicated and non-transparent procedures which are generally used to obstruct the result, can be deployed to get the desired result if you happen to know somebody in the bureaucracy. This results in a personalised public administration which defeats its very spirit. This takes perverse forms when the size of the bureaucracy is larger than necessary and consequently the pay lower than adequate. This is reflected in the widespread dissatisfaction with the quality, reliability, and timeliness of service in public administration. On rational grounds, therefore, drastic reduction in size is a pre-condition for salary revision. This precondition is difficult to satisfy given the job security regulations. Once the constraints imposed by job security and oversize are accepted, the desirable salary increases have to be lowered to meet the limited salary budget.

5. The rational use of existing manpower is further constrained by the segmentation into large number of cadres with no lateral mobility across related cadres and in most cadres, batch-wise seniority is maintained even in supersessions which are confined only to those within the same batch. The situation is further complicated by considerable diversity along geographical, professional, work-load and responsibility dimensions on which an attempt is made to impose uniformity in terms of equivalences in hierarchical positions, scales of pay and service conditions resulting in various horizontal and vertical relativities which have assumed unjustified sanctity over the years. Judiciary and CAT judgements have also played their role in perpetuating them. In this environment any one isolated action in one part of the system is bound to disturb the horizontal and vertical relativities and generate reverberations throughout, leading to spate of litigations regarding anomalies. In this atmosphere, individual efficient employees cannot be rewarded nor can the shirkers be punished. Equally, any action taken in the context of one service at one level needs to be extended to that level in all the related services. Trade union pressures further reinforce the existing rigidities in the rational use of manpower. The rigidities also work toward raising the salary bill.

6. The precarious fiscal position of the Central Government needs no repetition. The situation in most States is much worse although it has not prevented them from being extra-liberal to their own employees often at the cost of long-term development. If the Centre tries to emulate a few reckless States, it generates spillover effects in other States thereby contributing toward the deterioration of their fiscal position. Apart from its own serious fiscal position, this reinforces the need for the Centre to be more restrained and conservative. The central public sector undertakings (PSUs) have also been granting liberal concessions to their employees through periodical wage settlements. But the recent decision to decentralise these settlements have at least permitted certain PSU-specific viability conditions being taken into account although the trade union pressures are equally strong in the PSUs as well. This has not yet been possible in the Central Government.

1. Retirement Age:

7. One major area where I differ with my colleagues relates to the age of retirement. My colleagues have recommended an increase in the age of retirement from 58 years currently to 60 years and are taking the credit annually for Rs. 1500 crores for two years had the employees retired at the age of 58 years at present. Given the resource strapped position of the Government, this is indeed a tempting proposition. I am not in favour of this move and would like to maintain the **status quo**. My main reasons are as follows:

- (i) The grounds mentioned in the report for raising the age of retirement (para 141.14) would be legitimate only if the size of the Government had been right. As mentioned in Chapter 27, overstaffing in the Central Government is conceded in the recommendation for 30 per cent reduction over the ten year period. By extending the age of retirement, the normal annual reduction due to this factor would be postponed by two years. This is clearly not desirable for downsizing.
- (ii) Secondly, the report also rightly emphasizes at various points that the role of the bureaucracy has to change from being a controller to a facilitator. This requires a drastic change in the mindset which becomes all the more difficult, the higher the age. The experience in the last six years indicate that while a few have indeed succeeded in bringing about the required change in the mindset, a large majority has not. This provides the second substantive argument for not accepting the recommendation in the report. This also calls for changing the training procedures at the younger ages where the mindset can possibly be moulded more easily.
- (iii) Thirdly, there had been considerable expansion in the intake of new recruits in group A starting with the 1960s but gradually accelerating in the 1970s and further in the 1980s. This expansion is most conspicuous in the elite Indian Administrative Service (IAS). According to the civil list (as on 1st January) the stock of directly recruited IAS Officers with service of 30 years or more went up from 95 in 1981 to 170 in 1986, 289 in 1991 and 456 in 1996. This more than four-fold expansion in the matter of 15 years has resulted in (a) the clamour for the creation of additional high level posts, (b) IAS Officers occupying technical and other positions as parking places before getting regular postings; and (c) stagnation resulting in frustration. The number of Secretary level positions in the Central Government occupied by the IAS Officers has indeed more than doubled from 36 in 1984 to 74 in 1996. This is correctly criticised in the report (para 47.23): "The result of such indiscriminate creation of posts is that each post thereby becomes less important and effective, and there are a large number of posts that have no work and authority. A little understood result is the poaching that takes place on the preserves of other services, who resent encroachment." Para 47.24, therefore, recommends "30 per cent reduction in the authorised strength and filled in posts in the all India Services". While endorsing the recommendation wholeheartedly, it would be useful to point out that the problem of stagnation in IAS is going to get progressively worse. The 1996 Civil List of IAS shows that in addition to the stock of 456 Officers with service of 30 years or more as on 1st January, 1996, the following number of officers existed in different intervals of experience.

Interval of experience in year	Number
25-30	456
20-25	633
15-20	643
10-15	727

Thus, even without increase in the retirement age, in coming years, there is going to be considerable overcrowding at the higher level. This will only become much worse with the increase in retirement age. The statements quoted from para 47.23 would hold in considerably accentuated form with adverse impact on other services which have already been bitterly complaining about stagnation and other consequences mentioned in para 47.23.

8. In the foregoing arguments, I have not taken into account the life-time obligations in terms of pension and other post-retirement benefits. These would only reinforce the arguments. In my judgement, therefore, deleterious long-term consequences of an increase in retirement age would far outweigh the illusory financial "savings" in the two years estimated to be Rs. 1500 crores per year without any firm data base (See Para 170.7).

II. Housing Facilities:

9. Para 112.48 recommends major changes in the house-rent allowance (HRA). It introduces a new A-1 category cities with population exceeding 50 lakhs and HRA amounting to 30% of the maximum of the pay scales and the A category cities between 20 to 25 lakhs and HRA amounting to 15% of the maximum of the pay scale. These constitute significant increases compared to the past involving an estimated additional expenditure of Rs. 2000 crores (para 197.4).

10. While conceding the seriousness of the housing shortage in big cities and the hardships involved in commuting long distances, I am not convinced that the suggested solution in 112.48 is the right one. The correct solution is either to increase the stock of houses in the big cities or to relieve the pressure by inducing out-migration. The latter option being closed, the former option is not going to be advanced by the suggested recommendation. The major outcome of the recommendation would be:

- a) Some Government employees would be induced to move into their own house/flat and hence relieve the pressure on existing Government accommodation in short supply:
- b) Landlords would hike the rents in order to reap the additional rental incomes. Compared to the present position, for A-1 cities, HRA increase is 6.4 times for Peon, 4.6 times for Supervisor and as high as 7 times for the group A officers.

11. Both (a) & (b) would possibly and temporarily help the Central Government employees at the cost of those who are not fortunate to be in the Central Government service. This is not a desirable outcome

12. In order to alleviate housing shortage, it is necessary to convert the existing Government owned houses into multi-storey flats and also substantially raise the current charges to the occupants of Government houses which do not even cover the maintenance charges. Steep increase in HRA is not the solution.

III. Leave Travel Concession (LTC)

13. The report has recommended liberalisation of LTC in two dimensions (a) encashment of earned leave upto 10 days along with LTC to the extent of a total of 60 days in a career span (para 121.5), and (b) 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 employees by rail by the entitled class on official tour (para 121.6). It is also mentioned that some 13 (out of some 200 odd) public sector undertakings, several nationalised public sector banks and five State Governments (Tamil Nadu, Gujarat, Himachal Pradesh, Meghalaya and Assam) also permit air travel on LTC.

14. I do not support this move because of significant financial implications not only for the Central Government but also its spill-over effect on the State Governments whose fiscal positions are known to be very precarious. Under the existing rules, outlay on LTC has increased from between Rs. 30 to 40 crores in the mid-eighties to Rs. 82.5 crores in 1993-94 (Table 38.4). With liberalisation in the two dimensions mentioned above, much larger number would come forward to avail of the facility. Moreover, with progressively rising air and train fares, the outlay is likely to explode thereby putting a significant burden on the exchequer. With overcrowding even in the elite IAS discussed earlier in connection with retirement age, the number of officials of Joint Secretary level and above would progressively increase from 626 as on 1st February, 1996 thereby raising the number eligible to travel by air on LTC. The case with PSUs and Nationalised public sector banks cannot be compared as their outlays on LTC do not come from the central exchequer.

IV. Income Tax

15. The report states: "Much though we would have liked to make the full emoluments of Government employees net of income tax, **we have decided to start with allowances and pensions only, as a first step**" (para 167.6, emphasis in original). It, therefore, recommends that

- (a) all allowances of Central Government employees, including those of various union territories, may henceforth be paid net of taxes, (para 167.10);
- (b) the tax concession be extended to such part of DA as may be converted into Dearness Pay from time to time (para 167.10); and
- (c) pensions of all retired Central Government employees may be paid net of taxes (para 167.11)

16. I do not support these recommendations because the provisions of income Tax Act must apply equally to all citizens whether they are Government employees or not. At the time of approving the changes in direct taxes every year, the Parliament is expected to take account of legitimate exemptions and appropriateness of rates to reconcile the conflicting objectives of revenue generation and equity. Once this is done, no segment of the population should be given extra concessions in any form to get around the provisions.

17. I am even more concerned that the 'first step' is towards the ultimate goal in the quotation above from para 167.6, namely "to make the full emoluments of Government employees net of Income Tax" which 'circumspection' has prevented them from recommending. The argument given in support of this goal is "... it is a fact that it has not been possible for us to fully meet the aspirations of Central Government employees in respect of both salaries and allowance" (para 167.5). It is useful to remember and I am sure my colleagues are reasonable enough to recognise that salaries and allowances are to be determined mainly with reference to duties and responsibilities and

only secondarily with reference to the aspirations relating to the life-style. Secondly, if and when rightsizing takes place, the argument would not apply. Finally, as the report itself recognises, even though legally possible, it would not be equitable "to treat Central Government employees as a special category for purposes of Income-tax". (Para 167.4)

V. Dearness Allowance

18. The report recommends that "inflation neutralisation be made uniform at 100% at all levels" (para 18.8)

19. The same paragraph offers the defence of the recommendation in terms of the following arguments :

- (i) "Minimum-maximum ratios fixed by the Pay Commission should have some sanctity and stability" and that "it cannot be allowed to become a plaything in the hands of an erratic CPI;"
- (ii) 'Unbalanced external relativities' with "the lifting of the ceilings on private sector and the salaries in the public sector getting linked to productivity"
- (iii) 'Unjust practice of differential neutralisation' as "the government is unable to pay comparable salaries at higher levels to its officers in spite of the enormity of their tasks and higher level of responsibilities."

20. These grounds are taken to override the argument of 'vertical equity' accepted by the earlier Pay Commissions (para 118.2) in justifying the differential rates of neutralisation.

21. I am not persuaded by the defence for the following reasons:

- (i) First, the original justification for DA was the premise that inflation affects everybody equally and some minimum subsistence level should be guaranteed to everybody independently of prices. This yielded the industrial DA system by which all employees were compensated with equal absolute amount per point increase in the Consumer Price Index. Consequently, the percentage of DA to salary declined with a rise in salary levels in the hierarchy. This 'point basis' was linked with percentage neutralisation according to basic salary level in the Fourth Central Pay Commission (CPC). This was a deviation from the original premise. It can possibly be rationalised by arguing that the minimum subsistence levels differ at different levels in the hierarchy and it is these levels **at their minimum** in each 'grade' should be protected against the price rise. This provides the justification of 'vertical equity' in terms of declining percentage of neutralisation. Acceptance of maximum-minimum ratio in combination with the recommendation of declining percentage neutralisation by the Fourth CPC shows that the former was to be subject to the 'vertical equity' considerations and was not expected to remain stable in a rigid fashion.
- (ii) Second, the maximum-minimum ratio itself has no objective sanctity. The present FCPC has arbitrarily fixed it at the same level as the Fourth CPC. It would also be useful to remember that the ratio compares basic salaries only and does not take account of non-monetised perquisites. Inclusive of these perquisites, the ratio would be higher.

- (iii) Third, the 'unbalanced external relativity' observed in the last five to six years cannot be assumed to remain stable as the pay-packets in the private corporate and public sector enterprises are bound to be linked to their commercial fortunes and performance. This is not the case in Central Government service.
- (iv) Fourth, the argument of 'unjust practice of differential neutralisation' is linked to the inability of Government to pay comparable salaries at higher levels in spite of enormity of tasks and higher levels of responsibilities. This has to be taken in conjunction with the 'creation of unnecessary posts' (para 47.23 quoted earlier) and 'the tendency is to create more and more posts at the higher levels in order to accommodate a high percentage of officers in senior assignments" (para 47.25.

22. I am, therefore, not convinced that the maximum-minimum ratio must override 'vertical equity' resulting in 100% neutralisation at all levels. While the case can be made for reducing the percentage neutralisation or tightening the corresponding salary limits for applicability, at least the *status quo* is warranted.

VI. Promotion Policy

23. The current empanelment procedures for Additional Secretary/Special Secretary/Secretary need to be made more open and transparent. The special committee currently assisting the Cabinet Secretary should include at least one non-IAS outsider who can take a detached view neutral to different services. This would also partially alleviate the resentment felt by other Group 'A' services.

24. The current procedure especially in IAS does not permit inter-batch comparison for empanelment. With the increase in the numbers over the years there is much weaker reason to believe that everyone in an earlier batch would be uniformly superior to everyone in a subsequent batch. Some more stringent screening procedures need to be devised by which eligible number from each batch can be reduced and at least two consecutive batches can be considered for empanelment. I understand that in some Central services with small batch sizes, inter-batch supersession has been taking place. While it would cause some heart burning as any change in the *status quo* does, it would generate incentives for the efficient younger officers to strive harder and aspire for fast-track promotion.

25. Currently, all the Secretaries get the identical pay. This was possibly sensible when the number of Secretary level posts were strictly rationed. The number of Secretaries to the Government of India increased from 45 in 1972 to 61 in 1984 and 107 in 1996. This is in line with tendency noted earlier from chapter 47. The justification for having identical salary for such a large number is very weak indeed. There is, therefore, a good justification for creating a scale for Secretaries. The details need to be worked out. But it could start at a lower level than suggested in the new scale and go almost upto the level of the Cabinet Secretary. The range should be such as to accommodate the differences in the workload, duties and responsibilities after taking account of 30 per cent reduction recommended in the Report.

26. In addition, fixed time contracts can be offered for the top positions not only to outsiders but also those from the subsequent batches who are willing to switch to contract basic in return for fast track promotion. In such cases, clear cut performance criteria need to be evolved. For this purpose, the experience from New Zealand and England could be considered.

27. I have dealt with the question of promotion and competition from the top level

because that has to be the starting point for introducing elements of market into the government service. Success in this context would open up the possibilities of lateral mobility through limited departmental competitive examinations and other means at lower levels. Desk-officer-oriented system and multi-skilling at lower levels would also help in this process.

VII. Financial Implications

28. The gross additional financial implications of the recommendations pertaining to all Central Government employees have been estimated to be Rs. 8800 crores (para 197.4). After netting out the impact of the suggested deferment of retirement benefit amounting to Rs. 1500 crores, the net impact is estimated to be Rs. 7300 crores (para 197.7). If my arguments for not increasing the age of retirement are accepted, the total expenditure on salaries and allowances would rise to Rs. 10300 crores.

29. Although the staff of the FCPC has done the best possible job in estimating financial 'implications', I must mention that the data-base on pensionary benefits to past pensioners is extremely weak. We do not have the size distribution of the total stock of past pensioners according to the size of pension they draw. Even Rs. 1500 crores for retirees during 1997-98 is only a notional figure. Similarly, medical facilities and other allowances are mostly contingent on certain events which cannot be predicted and on which the past data only give the aggregate expenditure. With liberalisation of many allowances, the actual expenditure on some of the allowances is likely to expand and the past experience would not be an adequate basis for prediction.

30. The financial implications are, therefore, likely to be more massive than has been suggested in the report. Some of the suggestions in this note may merely offset the addition of Rs. 1500 crores on retirement. In order to keep the outlays under strict check, it is necessary to provide for a reasonable cap on specific allowances at the departmental level to be strictly adhered. Similarly, there is also an urgent need to keep a cap in real expenditure on pay and allowances.

31. If the outlays prove to be unsustainable, painful trade-offs would have to be worked out between how much the government would like to do for the present employees in comparison with the past employees. Similarly, in the armed forces, too, the painful choice between men and equipment would have to be faced to keep the defence budget under check. Needless to add, the cap on other current expenditures of the Central Government would have to be even more stringent to take the blow from the recommendations of the report.

VIII Two final points

32. My colleagues have rightly suggested a drastic reduction in the number of holidays for the Central Government employees. They have suggested three national holidays: 15th August, 26th January and 2nd October. I hold the Mahatma in the highest esteem. However, given the proclivities of the government to extent the list of person - specific holidays in an indiscriminate fashion, I would like to take out 2nd October from the list of national holidays so as not leave any scope for introducing person-specific holidays. In fact, working harder on October 2nd would make the Mahatma much happier in his heavenly abode. I, therefore, recommend omitting October 2nd from the list with a stipulation that no person-specific national holiday be given, however highly esteemed the person may be.

33. In the policy statement on allowances, there is a reference bordering on the tinge of envy, to a number of officers having 'orderlies and batmen'. (para 40.29). This has been translated into the recommendation that "all executives of and above the rank of Deputy Secretary

and equivalent may be provided with a residential Telephone Attendant" whose tenure would be co-terminus with that of the officer, who would not have the status of a government employee and who are to be recruited directly at a fixed rate of Rs. 1500 per month being borne by the Government (para 10.633). This is an unfortunate suggestion for the Central Government to subsidize full-time domestic servant for officers who are currently not entitled to orderlies and batmen. Propriety impels me to refrain from any further comment. I simply cannot support it. Stronger case exists for a phased withdrawal of this facility wherever it is currently exploited officially or otherwise.

(SURESH D. TENDULKAR)

MEMBER

29.01.1997

Appendix - V

Rejoinder by the Chairman and the Member Secretary, Fifth CPC

Introduction

1. Our esteemed colleague Prof. Suresh Tendulkar has handed over his note of dissent at 7.30 p.m. today. Normally, if the note had reached us well in time, we would have rebutted his arguments in the body of the Report. Now we are forced to make a brief rejoinder.

Age of retirement

2. The argument that increase in the age of superannuation would adversely affect the downsizing effort is not valid. Both the measures suggested by us are major policy initiatives with significant ramifications. They cannot be judged by looking at a single end-result. The measures suggested by us for downsizing include abolition of 3.5 lakh vacant jobs straightaway, which more than compensate for the lack of retirement in the first two years. There are other measures like compulsory retirement, normal voluntary retirement, VRS with golden handshake, contracting out of services, corporatisation, privatisation etc. All these measures will definitely lead to 30% downsizing.

3. The other plea that the mindset of government employees would not change because they would stay in office for two more years does not stand scrutiny. Mindsets change when there are generation gaps, not in a space of two years.

4. We have indicated many solutions for the problem of stagnation in the IAS and other services, and the increase in age of superannuation will benefit all in the long run, even those who have to wait a little longer for their promotions.

Housing facilities

5. About the increase in HRA, the report clearly spells out various methods by which the total stock of housing can be added to. Our colleague also admits that increase in HRA will induce many employees to shift to their own houses. As far as the hike in rents is concerned, this is a function of the overall demand and supply situation, which we hope will improve by the multi-pronged strategy suggested by us.

LTC

6. The only objection to the liberalisation of LTC for senior executives is the financial implication. Our calculations show that this will cost only Rs.10 crores per year. This cannot be termed excessive.

Income Tax

7. With regard to income tax, our colleague has stressed the principle that provisions of Income Tax Act must apply equally to all citizens. We are in agreement with him. That is why we have not suggested any amendment in the Income Tax Law. Our recommendation for paying allowances net of tax is already provided for in the existing law. Government is presently doing this for all IFS officers. Many private sector employees are using this provision of law. Any other employer is also free to make use of the provision. This recommendation cannot, therefore, be faulted on the ground that it is discriminatory.

D.3

8. We do not agree with our learned brother that we have "arbitrarily fixed the minimum-maximum ratio at the same level as the Fourth CPC". This matter was discussed in depth and arguments in favour of increasing or reducing the ratio were examined. The decision not to touch the ratio is a considered decision of the Fifth CPC and there are solid reasons for it. That is why the ratio has sanctity and cannot be allowed to become the plaything of an erratic cost of living index.

9. The concept of 'vertical equity' sought to be enunciated by our esteemed colleague is nothing but a rehash of certain modes of thinking which have in the past reduced our higher bureaucracy to the present sorry pass in terms of compensation packages. The trend all over the world and in the private sector in India is to pay senior executives what they deserve.

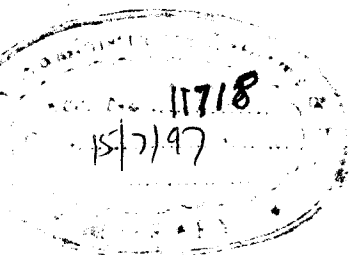
10. Our recommendations have to be internally consistent. Our overall thrust is towards lesser numbers and better salaries. We cannot use the present position of there being too many employees to buttress an argument for differential neutralisation. When the number of senior executives are to be reduced by 30%, they must be paid their due and that can only happen with 100% neutralisation of the increase in cost of living.

*Telephone
Attendant
Allowance*

11. A large number of officers in the military, police, railways, district administration and other Central/State Government Departments already have at least one attendant at their residences, whether he is called a batman or an orderly or a telephone attendant or a khalasi or whatever. The Telephone Attendant Allowance is meant to cover only those few senior officers, mainly posted in Secretariat jobs, who do not have such assistance at home. Such a facility will only result in making the life of such Secretariat officers a little more tolerable and reverse the present trend of AIS officers not wanting to come to the Centre or to State Secretariat jobs.

Conclusion

12. We would not like to rebut all the points made by our esteemed colleague, nor is there time to do so. In fact all the recommendations in our Report are themselves self-explanatory and are based on substantive reasons. We would like to conclude that we were honoured in having the advice of a noted economist like Prof. Tendulkar and the Report is indeed a much better document because of his numerous contributions to it.



(S. RATNAVEL PANDIAN)
29.01.1997

(M.K.KAW)
29.01.1997