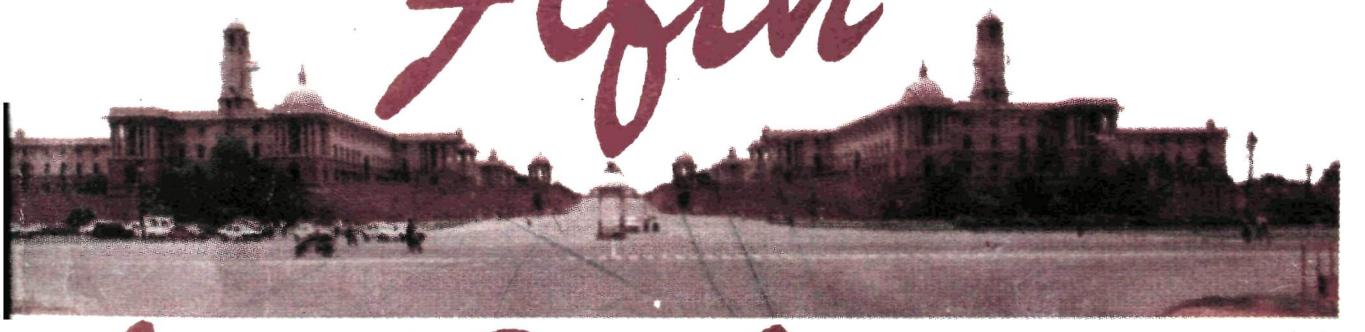
सत्यमेव जयते

Government of India
Ministry of Finance

Report of the Fifth Central Pay Commission



Volume III

January 1997

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Blessed is he who expects nothing, for he shall never be disappointed

Pope

Section IV

Pay Scales for Officers and Employees of Supreme Court of India and High Court of Delhi

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Pay Scales for Officers and Employees of the Supreme Court of India and High Court of Delhi

INTRODUCTION

Terms of Reference

103.1 Our terms of reference, inter alia, required the Commission to examine the present structure of emoluments and conditions of service of officers and servants of the Supreme Court of India and High Court of Delhi. Though a similar reference was made to the Fourth CPC by adding a new sub-clause (iv) vide Resolution dated December 24, 1986, below Para 2(1) (iii) of the original Resolution, requiring the Commission to examine the structure of emoluments and conditions of service of officers and employees of the Supreme Court of India, the terms did not include the officers and employees of the High Court of Delhi. The Fourth CPC gave its report on this matter on 27th May, 1987. The summary of the recommendations and conclusions of the Fourth CPC are found in Chapter 6 of Part-III of its Report.

Constitutional Position

103.2 The Supreme Court is at the apex of the hierarchy of Courts in India, exercising original as well as appellate jurisdiction. As the Law Commission has observed, the Supreme Court is the highest constitutional Court of this land, performing a multiple role within the constitutional frame. Similarly, all the High Courts including the High Court of Delhi, are also vested with extraordinary powers under the Constitution, both on the Original and Appellate sides, but within the jurisdiction of the concerned State or the Union Territory, as the case may be. Keeping in view the independence, importance, high status and dignity of the highest courts, the framers of the Constitution in their wisdom thought it fit that the officers and employees of the Supreme Court and the High Courts should be governed by specific provisions of the Constitution "relating to salaries, allowances, leave or pensions" and other service conditions.

Article 146

103.3 Article 146 of the Constitution which deals with matters relating to the officers and servants of the Supreme Court reads:

> "146. Officers and servants and the expenses of the Supreme Court:-
>
> (1) Appointment of officers and servants of the Supreme Court shall be made by the Chief Justice of India or such other Judge or officer of the Court as he may direct:
>
> Provided that the President may by rule require that in such cases as may be specified in the rule, no person not already attached to the court shall be appointed to any office connected with the Court, save after consultation with the Union Public Service Commission.
>
> (2) Subject to the provisions of any law made by Parliament, the conditions of service of officers and servants of the Supreme Court shall be such as may be prescribed by rules made by the Chief Justice of India or by some other Judge or officer of the Court authorised by the Chief Justice of India to make rules for the purpose:
>
> Provided that the rules made under this clause shall, so far as they relate to salaries, allowances, leave or pensions, require the approval of the President.
>
> (3) The administrative expenses of the Supreme Court, including all salaries, allowances and pensions payable to or in respect of the officers and servants of the Court, shall be charged upon the Consolidated Fund of India, and any fees or other moneys taken by the Court shall form part of that Fund".

Article 229

103.4 Article 229 which is analogous to Article 146 deals with matters relating to officers and servants of the High Courts. It reads as follows:

> "229. Officers and servants and the expenses of High Court:-
>
> (1) Appointments of officers and servants of a High Court shall be made by the Chief Justice of the Court or such other Judge or officer of the Court as he may direct:
>
> Provided that the Governor of the State may by rule require that in such cases as may be specified in the rule no person not already attached to the Court shall be appointed to any office connected with the Court save after consultation with the State Public Service Commission.
>
> (2) Subject to the provisions of any law made by the Legislature of the State, the conditions of service of officers and servants of a High Court shall be such as may be prescribed by rules made by the Chief Justice of the Court or by some other Judge or officer of the Court authorised by the Chief Justice to make rules for the purpose:

Provided that the rules made under this clause shall, so far as they relate to salaries, allowances, leave or pensions, require the approval of the Governor of the State.

(3) The administrative expenses of a High Court, including all salaries, allowances and pensions payable to or in respect of the officers and servants of the Court, shall be charged upon the Consolidated Fund of the State, and any fees or other moneys taken by the Court shall form part of that Fund."

103.5 Both these Articles are intended to secure the independence of the Supreme Court and the High Courts from the control of the Executive and the Legislature and they confer a relatively exclusive power not only in the matter of appointments but also in prescribing the conditions of service of officers and servants by rules to be made as contemplated under clause (2) of the relevant Articles of the Constitution. But it would be subject to the provisions of any law made by the Parliament in matters relating to the Supreme Court and by the Legislature of the State in matters relating to the High Court. The proviso to Clause (2) of both the Articles states that the rules made under clause (2) so far as they relate to salaries, allowances, leave or pensions, require the approval of the President in the case of the Supreme Court and the Governor of the State concerned in the case of a High Court. The administrative expenses of both the courts including salaries and allowances and leave or pensions payable to or in respect of the officers and servants of the courts are charged upon the Consolidated Fund of India.

103.6 Thus it is clear that the methodology of the fixation of the pay-scales of the officers and employees of the Supreme Court and the High Courts is distinct and independent, as constitutionally prescribed, though subject to the approval of the President or the Governor, as the case may be, vide provisos to Clauses (2) of Articles 146 and 229 of the Constitution.

BACKGROUND REGARDING REVISION OF PAY STRUCTURE

103.7 It is necessary to outline the background regarding the revision of the pay structure of officers and employees of the Supreme Court of India and the High Court of Delhi, so as to appreciate the issues involved.

Writ Petitions filed by the employees of Delhi High Court

103.8 Several writ petitions were filed before the Delhi High Court by various categories of its employees, namely, the Private Secretaries and Readers to the Judges, Superintendents, Senior Stenographers, Assistants, Junior Readers, Junior Stenographers, Joint Registrars, Assistant Registrars, Deputy Registrars and certain categories of Class IV employees, seeking revision of their respective pay-scales. The Delhi High Court granted the relief and revised their pay scales. With regard to certain categories of Class III and Class IV employees, the Delhi High Court while revising their pay-scales, granted them Punjab pay-scales and Central Dearness Allowance.

103.9 On being aggrieved by the orders passed in the writ petitions, the Government of India filed Special Leave Petitions before the Supreme Court, which

which were summarily rejected.

Judgement dated 25-7-86 of the Supreme Court

103.10 Thereafter, the Supreme Court Employees' Welfare Association approached the Supreme Court by filing a batch of Writ Petitions, namely, Writ Petition No.801/86 etc. etc. and several Misc. Petitions seeking higher pay scales/parity in the pay-scales with the Delhi High Court employees for the corresponding categories on the ground of 'equal pay for equal work' and interim orders meanwhile. The Supreme Court on 25th July, 1986 passed the following order:-

> "By way of an interim arrangement, pending final disposal of the writ petition, we direct that the officers and staff of the Supreme Court Registry may be paid same pay scales and allowances which are at present being enjoyed by the officers and the members of the staff of the High Court of Delhi belonging to the same category with effect from the date from which such scales of pay have been allowed to the officers and the members of the staff of the High Court of Delhi, if and in so far as they are higher or better than what the officers and the members of the Registry of the Supreme Court are getting..."

Recommendations of the Fourth CPC

103.11 By the same order, the Supreme Court directed the Respondents, namely, Union of India and Another to take steps to refer the question of revision of pay scales to the Fourth CPC as suggested by a Committee of Judges which submitted its Report in May, 1985. It was pursuant to that interim order that the matter was referred to the Fourth CPC. After the said reference, the Registry of the Supreme Court forwarded to the Fourth CPC a copy of the report of the Committee of Judges, along with copies of all interim orders passed by the Supreme Court. A team of officers of the Commission visited various sections of the Registry and spent a number of days for a proper understanding of the working of the various categories of employees and nature of their work. The Commission also had some discussion with the then Chief Justice of India and other Judges and finally submitted its report to the Ministry of Finance, Government of India, on 27th May, 1987 recommending various pay scales to different categories of officers and servants of the Supreme Court. The Commission, however, did not recommend the pay scales as granted to them by the interim orders passed on different dates to different categories of employees.

Subsequent Developments

103.12 On receipt of the report of the Fourth CPC, the Registrar General of the Supreme Court by his letter dated July 22, 1987 addressed to the Secretary, Ministry of Finance, stated, inter-alia, that if the pay scales as proposed by the Fourth CPC were accepted and implemented, it would result in a number of anomalies and the Supreme Court would encounter some difficulties in implementing the same. He was also of the opinion that the Pay Commission should not have made any such recommendation which had the effect of reducing the pay scales than what had been granted by the Supreme Court by its interim orders. Further, it was stated by him that the Fourth CPC should not also have made recommendations which had the effect of taking away the benefit accrued to other categories of employees by the Supreme Court's order dated 14th August, 1986 by which the Supreme Court had directed that some of the employees who were not covered by the earlier order would also be paid by way of an interim arrangement a sum equivalent to 10% of their basic pay, subject to a minimum of

Rs.50/- with effect from 1.1.1986.

Judgement dated 24-7-89 of the Supreme Court

103.13 In this connection, it may be stated that by its judgment dated 24th July, 1989, the Supreme Court directed that the status quo should be maintained until the rules fixing the salaries of the officers and servants of the Supreme Court were framed by the Hon'ble Chief Justice of India under Article 146 of the Constitution and concluded thus:

> "In our opinion, the Chief Justice of India is the proper authority to consider the question as to the distinctive nature and personality of the employees of the Supreme Court.... The Chief Justice of India may appoint a Committee of Judges to submit a report relating to all relevant matters and, thereafter, the Chief Justice of India may frame rules after taking into consideration the report of the Committee. It will be absolutely in the discretion of the Chief Justice of India or his nominee as to how and in what manner the rules will be framed."

103.14 The Court further directed that till the rules are framed by the Chief Justice of India, the interim orders passed in respect of the scales of pay of officers and employees of the Supreme Court should remain in force-vide **Supreme Court Employees' Welfare Association Vs. Union of India & Anr., 1989 (4) SCC 187** (hereinafter referred to as Welfare Association's case).

Committee of Judges

103.15 In pursuance of the direction given by the Court, the then Chief Justice of India referred the matter to a Committee of Judges chaired by Hon'ble Mr. Justice M.N.Venkatachaliah (as he then was), for framing the rules fixing the pay scales of the officers and servants of the Supreme Court under Article 146 of the Constitution. The Committee after examining the issue in question opined that unless the Court vacates those interim orders and allows the Committee to exercise its own discretion, it cannot make any recommendation and suggested as follows:-

> "(1) The Chief Justice of India can make rules under Article 146 of the Constitution of India if the limitations of interim orders are lifted by the Court on the judicial side as the judicial directions in the interim orders operate to circumscribe and limit the powers of the Chief Justice of India under Article 146.
>
> (2) In these circumstances, the course open is to move the Court to vacate the interim order and if the interim order is vacated, the exercise of powers under Article 146 could be exercised untrampled by the conditions of the interim order."

However, the Committee taking into consideration the pay scales of various posts in the Supreme Court and their corresponding posts in the High Court of Delhi and the scale of pay recommended by the Fourth CPC, granted the pay scales as given in Annexe-103.1.

Subsequently, a number of Interlocutory Applications were filed in W.P.(C) No.801/86 by the Supreme Court Employees Welfare Association, praying that the staff of the Supreme Court be placed in higher scales of pay than

what was admissible to the corresponding staff working in the Delhi High Court. The Court heard and allowed all the I.As. and by its judgement dated 16.3.1993 revised the pay scales of some of the categories of the employees of the Supreme Court with effect from 1.1.1986. The Court directed that "the pay scales as recommended by the Committee of Judges may be given from the month of March, 1993 by way of interim measure". Further it expressed the hope that "as regards arrears from 1.1.1986, the Chief Justice shall pass appropriate orders" and finally made the following observation:-

> "It has been mentioned in the Report submitted by the Committee of Judges that in view of the constraints of the interim orders passed by this Court from time to time the Committee has recommended that the Chief Justice of India can make Rules under Article 146 of the Constitution of India if the limitations of the interim orders are lifted by the Court on the judicial side. We consider the appositeness of such recommendations made by the Committee. We, therefore, make it clear that the Chief Justice of India is free to make Rules in exercise of powers under Article 146 of the Constitution of India without any constraint and irrespective of any interim orders passed on 25.7.1986, 14.8.1986, 14.11.1986 and 15.1.1987."

103.16 By this judgement, the Supreme Court also impressed the urgency for framing the rules and for fixing the salary and allowances of the officers and employees of the Supreme Court.

Five Judges' Committee

103.17 Pursuant to the judgement dated 16.3.1993, the Chief Justice of India framed the draft rules under Article 146 of the Constitution and forwarded it to a five-Judges Committee consisting of Justice S. Ratnavel Pandian as its Chairman (now the Chairman of Fifth Central Pay Commission) and Hon'ble Justice A.M. Ahmadi (as the present learned Chief Justice then was), Hon'ble Justice Kuldip Singh, Hon'ble Justice J.S. Verma, Hon'ble Justice P.B. Sawant as its members to consider and examine the said Rules and make its recommendations in the matter.

Drafting of the "Supreme Court Officers and Servants (Revised Pay) Rules, 1993"

103.18 The Committee after carefully considering the entire matter and the draft rules, by its report dated 25th August, 1993, made its recommendations, inter-alia, that the Committee was in agreement with the draft rules called "Supreme Court Officers and Servants (Revised Pay) Rules, 1993" framed by the learned Chief Justice of India and agreed that in the events that had occurred, the Rules should come into effect from 1.1.1986 and the said rules might also be sent to the President of India for his approval as required under Article 146(2) of the Constitution. The Committee observed in its Report that the pay scales of the staff of the Supreme Court are independent of the pay scales of any other staff of the High Court or any department of the Central Government.

Their Present Status

103.19 Thereafter, the rules were forwarded to the President of India for approval as required under proviso to Article 146(2). We are informed that till date no order has been communicated to the Supreme Court either approving or disapproving the rules. In the meantime, the Government of India introduced two Bills, namely, the "Salaries, Allowances, Leave and Pensions of the Officers and Servants of the Supreme Court Bill, 1994" and the "Salaries, Allowances, Leave

and Pensions of the Officers and Servants of the Delhi High Court Bill, 1994" in the Rajya Sabha on 19th August, 1994. We are informed that the Rajya Sabha discussed this matter in the House and referred the Bills to the Parliamentary Committee for Home Affairs for examination and report. In this context, it may be stated that we are not informed of any decision taken on these two Bills.

Demands of employees of the Supreme Court and the Delhi High Court

103.20 Various associations of the officers and staff of the Supreme Court and the High Court of Delhi have submitted their detailed memoranda to this Commission requesting that the pay structure of the employees of the Supreme Court and the High Court of Delhi may be determined based on relevant criteria, independent of the pay scales of Central Government employees, having regard to the distinct nature of work, qualifications, work-load, responsibilities, level of accountability, scale and attainments of the employees and not based on comparison by existing designation, as concluded by the five-Judges' Committee of the Supreme Court in 1985.

103.21 The Supreme Court Employees' Welfare Association have made their demands for change in designations for existing categories of employees, upgradation of the post of junior clerk, senior clerk and assistant to Rs.1400-2300, Rs.1640-2900 and Rs.2000-3200 respectively, upgradation of the library staff, upgradation of the post of Assistant Registrar-cum-Private Secretary from Rs.3300-4800 to Rs.3500-5000 i.e. equivalent to the Private Secretaries to the Secretary General, Deputy Speaker, Speaker in the Lok Sabha and Rajya Sabha and upgradation of the post of Senior Stenographer to Rs.2300-3700. Their other demands include payment of fixed conveyance allowance, entertainment allowance @500/-p.m. for A.R.-cum-PS for attending to guests at the residence of Hon'ble Judges, a fixed uniform allowance to the officers as is being given to the officers of the High Court and non-practising allowance.

103.22 Delhi High Court Employees' Welfare Association has requested for upgradation of the post of Junior Stenographer, Assistant Librarian, Assistant Registrar/PPS to Hon'ble the Chief Justice, Deputy Registrar, Joint Registrar and the Registrar. The employees of both the Courts have further requested that as they are governed by the same rules which are applicable to the corresponding categories of Central Government employees, recommendations with regard to TA, Housing facilities, HRA, CCA, medical facilities, conveyance allowance, LTC, education allowance, group insurance, age of superannuation, bonus, gratuity etc.etc. should also mutatis mutandis be made applicable to them.

Present pay scales

103.23 The present pay scales of the officers and employees of the Supreme Court and the High Court of Delhi are given in Annexe 103.2 and 103.3 respectively.

103.24 The Registry of the Supreme Court of India has forwarded to this Commission data on the establishment of the Registry of the Supreme Court together with self-contained statements indicating the qualifications, mode of recruitment, duties and responsibilities attached to various categories of posts, job contents of the various categories, a copy of the Supreme Court officers and Servants(conditions of service and conduct) Rules, 1961 (as amended upto 16th December, 1985) and Manual of Office Procedure on the administrative side and various Judges' Committees Reports inclusive of the five-Judges' Committee Report of 1993 which was headed by Justice S. Ratnavel Pandian.

Pay scales of various posts in Delhi High Court

103.25 We are now informed that the pay scales of various posts on the establishment of the High Court have been revised from time to time by the judicial verdicts given in writ petitions filed by the staff of that Court. An amended First Schedule to the Delhi High Court Officers and Servants (Salaries, Leave and Pension) Rules, 1970 has been sent to the Administrator of the Union Territory of Delhi on 7.9.1992 for necessary approval and the same is still under consideration.

Nomenclature of posts

103.26 The Registry of the High Court has brought to our notice that on a joint representation made by the nominees/representatives of the staff of the High Court, the Chief Justice of Delhi High Court has changed the nomenclature of the existing posts on the establishment of the High Court and a letter to that effect has been forwarded for obtaining approval of the Lt. Governor of Delhi for making amendment in the First Schedule of the aforesaid Rules,1970.

Existing Committee for recommending pay scales for certain categories of employees of the Delhi High Court

103.27 We are further informed that pursuant to the judgement dated 2nd May 1996 of the Supreme Court in Civil Appeal Nos. 4232-4236/95 etc., Hon'ble the Chief Justice of Delhi High Court had constituted a Committee to consider th entitlement of the pay scales of the posts of Assistant, Senior Stenographer, Librarian, Daftries, Book Binder, Usher and Peon etc. on the establishment of that Court and after taking into consideration the report of the Committee, the Chief Justice of Delhi High Court has recommended the various pay scales of these categories and the recommendations of the Chief Justice along with a copy of the Judges Committee has been forwarded to the Government on 30th September 1996 for necessary sanction w.e.f. 1.1.1986 which is still pending.

Position in respect of interim reliefs recommended by the 5th CPC

103.28 It would be apposite to mention in this connection that we have forwarded to the Chief Justice of India and the Chief Justice of the High Court of Delhi the copies of our Interim Reports granting interim relief to the Central Government employees, which have been accepted and implemented in toto by the concerned Chief Justices.

Commission's meeting with the Hon'ble Chief Justice

103.29 The Commission had the benefit of meeting the Hon'ble Shri A.M. Ahmadi , the Chief Justice of India and a meeting of the Chairman and Shri M. Jagannatha Rao, Chief Justice of the High Court of Delhi took place on two occasions and detailed discussions were made with both the Chief Justices in respect of the terms made by the Government relating to the officers and employees of both the Courts vis-a-vis the constitutional provisions and the judicial pronouncements of the highest courts.

OUR VIEWS

View Point of the 5th CPC

103.30 **We think that it is not necessary to go into the comparability and relativity of the service conditions and pay scales of the employees of both the Courts with those of the Central Government employees and make recommendations within the terms of reference since this Commission feels that it would be quite inappropriate for reasons to be mentioned hereinafter, to make any recommendations as asked for.**

The reasons are:-

(1) The appointments and the conditions of service including the matters relating to salaries, allowances, leave or pensions of the officers and servants of the Supreme Court and the High Courts are governed by specific Articles 146 and 229 of the Constitution.

(2) In Civil Appeal No.6020 of 1994 Union of India & Ors. Vs. Pratibha Bonnerjea & Anr. Judgement Today 1995 (8) SC 357, the learned Chief Justice of India, Shri A.M. Ahmadi speaking for the Bench has observed:

> ".....That is why not only Judges but even the staff members are insulated from executive influence. Article 229 clearly provides that appointments of Officers and servants of a High Court shall be made by the Chief Justice of the Court or such other Judge or officer as he may direct. Even the conditions of service of officers and servants shall be such as may be prescribed by the Chief Justice or his nominee authorised by him to make rules; the approval of the Governor is necessary only if the rules relate to salaries, allowances, leave or pension. This provision also shows that officers and servants of the High Court are also under the exclusive control of the Chief Justice and not the Government....."

(3) In Civil Appeal No.4232/4236 of 1995 etc. Union of India & Ors. Vs. Amrik Singh & Ors., a Division Bench of Supreme Court consisting of Hon'ble Justice Kuldip Singh and Hon'ble Justice N. Venkatachala on 2nd May 1995 has made the following observation:

> "..... we are of the view that the matter regarding the fixation of pay scales of the employees of the Delhi High Court should be considered and decided by the Chief Justice of the High Court....."

(4) The Chief Justice of the Delhi High Court while expressing his views on the questionnaire sent from this Commission has stated, "The members of the High Court staff cannot be placed at par with the members of the staff working in other Departments."

(5) The text and tenor of the letter addressed to the Member Secretary of the Commission by the High Court stating that in view of the provisions of Article 229 of the Constitution, the report of the Commission would be subject to certain conditions, spell out the exclusive authority of the Chief Justice in the matter of fixation of pay scales of his employees. One of the conditions reads thus:

> "(i) That the recommendations would be submitted to the Chief Justice, Delhi High Court who may or may not accept them or may take such modifications as may be deemed proper."

(6) Since the Parliament seems to have not made any law relating to the conditions of service of the employees of the Supreme Court, the Chief Justice of India had framed the rules called "Supreme Court Officers and Servants (Revised Pay) Rules, 1993 with the aid and assistance of a committee of five senior

senior most Judges of the Supreme Court (Chaired by Justice S. Ratnavel Pandian, presently Chairman of the Fifth CPC) in exercise of the authority conferred on him under Article 146(2). The said Rules are stated to be forwarded to the President for necessary approval. Similarly, the Chief Justice of the High Court of Delhi pursuant to certain judicial verdicts, made some amendments to the First Schedule of the Delhi High Court Officers and Servants (Salaries, Leave and Pensions) Rules, 1970 in exercise of his constitutional authority under Article 229(2) and sent the same to the Lt. Governor of Delhi on 7.9.1992 for necessary approval to carry out the amendment in the rules. Further, pursuant to the judgement of the Supreme Court dated 2nd May 1995 (supra), the High Court of Delhi has forwarded the recommendations of the Chief Justice of Delhi High Court for necessary approval. But till date, we are not informed of the approval or otherwise of these rules by the concerned constitutional Heads as required by proviso to Clause (2) of Article 146 and proviso to Clause (2) of Article 229.

(7) Since the rules of 1993 forwarded by the Supreme Court to the President of India and the amendment to the rules of 1970 and the recommendations of the Chief Justice of Delhi High Court which have been forwarded to the Lt. Governor by the High Court are pending approval before the constitutional Heads, it would be quite inappropriate for this Commission to make any recommendations prescribing the service conditions including the matters relating to salaries etc., which would be tantamount to prejudging the final decision to be taken by the Constitutional Heads relating to the rules framed by the Supreme Court and the High Court. Further, as ruled by the Supreme Court in Welfare Association's case (supra), rules framed by the Chief Justice of India relating to salaries, allowances, leave and pension will not have any effect only "if the President of India does not approve of the salaries, allowances, leave or pensions" and "what should go to the President of India for his approval under proviso to Article 146 is not the report or the recommendations of the Pay Commission but the rules framed by the Chief Justice of India". It therefore necessarily follows that only in case the approval is not granted by the Constitutional Heads, the recommendations of this Commission, if at all, will be only of some assistance to the Chief Justices for framing the Rules with regard to the service conditions of Court employees.

(8) The Supreme Court, in fact, in the Welfare Association's case expressed its view regarding the question of reference to the Central Pay Commission, stating "If we are to go strictly by Article 146(2) of the Constitution, the question of any reference to the Pay Commission does not arise. The Chief Justice of India has to frame rules with the aid and assistance of his own officers and other Judges..." In considering the rules framed by the Chief Justice of India relating to salaries, allowances, leave and pensions, "it will not be the concern of the President of India how and in what manner the Chief Justice of India has laid down the rules" and further opined that the 'rules framed by the Chief Justice of India should normally be accepted by the Government .....'

(9) The pay scales prescribed by the Supreme Court and the High Court of Delhi are fully supported by various decisions of the highest courts of this land.

Observations of the Chairman of

103.31 Therefore, in the light of the above legal position as pronounced by the Supreme Court in the Welfare Association's case, which was

the 5th CPC

decided after submission of the report of the 4th CPC relating to employees of the Supreme Court and in view of the fact that the present Chairman of this Commission (Justice S. Ratnavel Pandian) had already agreed with the Rules of 1993 framed by the Chief Justice of India prescribing the service conditions inclusive of the matter relating to salaries, allowances, leave or pensions, it would be quite improper for this Commission to examine the present structure of emoluments of officers and employees of the Supreme Court of India and the High Court of Delhi and suggest any recommendation therefor. Further, the Chairman of this Commission strongly feels that he will not be justified in examining the service conditions of officers and employees of the Supreme Court in relation to the structure of emoluments and that any such exercise in this regard would be tantamount to reviewing his earlier opinion expressed along with the other members of Five-Judges Committee of the Supreme Court (referred to above) while agreeing with the Chief Justice of India in framing the Supreme Court Officers and Servants (Revised Pay) Rules, 1993.

CONCLUSION

Recommen-dations

103.32 In view of the above discussion, we would like to sum up our recommendations as under:-

a) **The entire question of conditions of service, including pay scales, allowances, etc. of the officers and employees of the Supreme Court of India and the High Court of Delhi has to be decided in the manner laid down in the Constitution of India, as interpreted in the various judgements of the highest court in the land.**

b) **The Fifth Pay Commission finds itself unable to make any recommendations whatsoever for the officers and employees of the Supreme Court of India and High Court of Delhi.**

c) However, we have made our detailed recommendations on pay scales, allowances, pensions, etc. with regard to different categories of Central Government employees. **We would be happy if these recommendations are of any assistance to the Hon'ble Chief Justice of India and the Hon'ble Chief Justice of the Delhi High Court, as a background material for basing their own decisions.**

Before we close this discussion, we would like to conclude with one last respectful submission. In case the Hon'ble Courts decide to grant pay scales, allowances, etc. to their own employees that are at variance with the pay scales, allowances, etc. of Central Government employees on the ground that their qualifications, duties and responsibilities are different, they may, if they so desire, modify the designations of such posts to make these different from the designations used in the Central Government so as to avoid any confusion in the future.

ANNEXE-103.1

STATEMENT SHOWING THE PAY SCALES FOR VARIOUS POSTS IN THE SUPREME COURT AND THEIR CORRESPONDING POST IN THE HIGH COURT OF DELHI

Sl. No.	Name of Post	Scale of pay as recommended by Fourth CPC	Corresponding post in the High Court of Delhi	Scale of pay in the High Court	Scale recommend bythe Delhi Committee
1.	2.	3.	4.	5.	6.
		(Rs.)		(Rs.)	(Rs.)
1.	Registrar General	8000/-(fixed)	-	-	8000(Fixed)
2.	Registrar	7300-7600	Registrar	5900-6700	7300-7600
3.	Addl. Registrar	5900-6700	-	-	5900-6700
4.	Joint Registrar	4500-5700	Jt.Registrar	4500-5700	4500-5700
5.	Deputy Registrar	3700-5000	Dy.Registrar	3700-5000	3700-5000
6.	Editor, S.C. Rs.	3700-5000	-	-	3700-5000
7.	Director (Library)	3700-5000	-	-	3700-5000
8.	Assistant Registrar	3000-4500	Astt.Registrar	3000-4500	3300-4800
9.	PPS to CJI	3000-4500	PPS-Cum-Asstt. Registrar	3000-4500	3300-4800
10.	Assistant Editor,SCR	3000-4500	-	-	3300-4800
11.	Chief Librarian	3000-4500	-	-	3300-4800

Sl. No.	Name of Post	Scale of pay as recommended by Fourth CPC	Corresponding post in the High Court of Delhi	Scale of pay in the Delhi High Court	Scale recommend by the Committee
1.	2.	3.	4.	5.	6.
12.	A.R.-Cum-PS to CJI	3000-4500	PS	3000-4500	3300-4800
13.	A.R.-Cum-PS to Judge	3000-4500	PS	3000-4500	3300-4800
14.	A.R.-Cum-PS to Regr. General	3000-4500	-	-	3300-4800
15.	Section Officer	2300-3700	Supdt.	3000-4500	3000-4500
16.	Librarian	2300-3700	Librarian	2000-3500	3000-4500
17.	Court Master	2300-3700	Court Master	3000-4500	3000-4500
18.	PS to Registrar	2300-3700	-	-	2300-3700
19.	PA to Addl Registrar	2000-3500	-	-	2000-3500
20.	Sr.Asstt. Librarian	2300-3700	-	-	3000-4500
21.	Account-ant.	1640-2900	SAS Accountant	1640-2900	1640-2900
22.	Assistant	1640-2900	Assistant	1640-2900	1640-2900
23.	Court Associate	1640-2900	Assistant	1640-2900	1640-2900
24.	Editor of Paper Books	1640-2900	Assistant	1640-2900	1640-2900
25.	Cashier	1640-2900	Treasurer	1400-2300	1640-2900

Sl. No.	Name of Post	Scale of pay as recommended By Fourth CPC	Corresponding post in the High Court of Delhi	pay in	Scale of the Delhi High Court	Scale recommend by the Committee
1.	2.	3.	4.		5.	6.
26.	Proof Reader	1400-2600	Jr.Translator and Proof Reader		1400-2300	1400-2600
27.	Steno-grapher	1640-2900	Sr.Steno-grapher		2000-3200	2000-3200
28.	Assistant Librarian	1640-2900	Assistant Librarian		1350-2200	1640-2900
29.	Caretaker	1400-2300	Caretaker		550-900 (pre-revised)	1400-2300
30.	Sr.Clerk	1400-2300	U.D.C.		1400-2300	1400-2300
31.	Jr.Steno-grapher	1200-2040	Jr.Steno-grapher		425-700 (in terms of Court's order)	1400-2300
32.	Jr.Clerk	1200-2040	L.D.C.		1350-2200	1350-2200
33.	Chauffeur	950-1500	Staff Car Driver		1350-2200	1350-2200
34.	Sr.Gest. Operator	950-1500	Sr.Gest. Operator		1350-2200	1350-2200
35.	Despatch Rider	950-1500	Despatch Rider		1350-2200	1350-2200
36.	Senior Library Attendant	950-1500	Restorer		1350-2200	1350-2200
37.	Record Keeper	950-1500	-		-	1350-2200

Sl. No.	Name of Post	Scale of pay as recommended By Fourth CPC	Corresponding post in the High Court of Delhi	pay in	Scale of the Delhi High Court	Scale recommend by the Committee
1.	2.	3.	4.		5.	6.
38.	Record Sorter	800-1150	-		-	1200-2040
39.	Junior Library Attendant	800-1150	-		-	1200-2040
40.	Jr.Gest. Operator	800-1150	Jr.Gest. Operator		975-1660	1200-2040
41.	Daftry	775-1025	Daftry		975-1660	1000-1750
42.	Jamadar	975-1025	Jamadar		975-1660	1000-1750
43.	Peon	750-940	Peon		975-1660	975-1660
44.	Farash	750-940	Farash		975-1660	975-1660
45.	Safaiwala	750-940	Sweeper		975-1660	975-1660

ANNEXE-1032

STATEMENT SHOWING PAY SCALES IN SUPREME COURT AS ON 31-3-94.

Sl. No.	Name of the post	Pay Scale
1.	Court Administrator-cum-Registrar General	8000/- (fixed)
2.	Registrar	7300-7600
3.	Additional Registrar	5900-6700
4	Joint Registrar	4500-5700
5.	Deputy Registrar	3700-5000
6.	Editor,Supreme Court Reports	3700-5000
7.	Director (Library)	3700-5000
8	Assistant Registrar	3300-4800
9.	PPS to Hon'ble Chief Justice of India	3300-4800
10.	Assistant Editor, Supreme Court Reports	3300-4800
11.	Chief Librarian	3300-4800
12.	Assistant Registrar-cum-Private Secretary to Hon'ble Chief Justice of India	3300-4800
13	Assistant Registrar-cum-Private Secretary to Hon'ble Judges	3300-4800
14.	Assistant Registrar-cum-Private Secretary to Registrar General	3300-4800
15.	Section Officer	3000-4500
16.	Court Master (Shorthand)	3000-4500
17.	Court Master (Non-Shorthand)	3000-4500
18.	Librarian	3000-4500
19.	Private Secretary to Registrar	3000-4500
20.	PA to Additional Registrar	2000-3500
21	Assistant Accounts Officer (Concurrent Audit)	2000-3200
22.	Senior Assistant Librarian	3000-4500
23.	Accountant	1640-2900
24.	Court Associate	1640-2900
25.	Assistant	1640-2900
26.	Editor of Paper Books	1640-2900
27.	Cashier	1640-2900
28.	Proof Reader	1400-2600
29.	Assistant Librarian	1640-2900
30	Care Taker	1400-2300
31.	Stenographer	2000-3200
32.	Junior Stenographer	1400-2300
33.	Senior Clerk	1400-2300
34.	Junior Clerk	1350-2200
35.	Chauffeurs	1350-2220
36.	Senior Gestetnor Operator	1350-2200

Sl. No.	Name of the post	Pay Scale
37.	Senior Library Attendant	1350-2200
38.	Despatch Rider	1350-2200
39.	Record Keeper	1350-2200
40.	Junior Gestetnor Operator	1200-2040
41.	Junior Library Attendant	1200-2040
42.	Record Sorter	1200-2040
43.	Daftary	1000-1750
44.	Jamadar	1000-1750
45.	Peon	975-1660
46.	Farash	975-1660
47.	Safaiwala	975-1660

ANNEXE-103.3

STATEMENT INDICATING PAY SCALES IN DELHI HIGH COURT w.e.f.1-1-86

Sl. No.	Name of the post		Pay Scale (Rs.)
1.	2.		3.
1.	Registrar		5900-6700
2.	Joint Registrar		4500-5700
3.	Deputy Registrar		3700-5000
4.	PPS-cum-Assistant Registrar		3000-4500
5.	Assistant Registrar		3000-4500
6.	Accounts Officer		3000-4500
7.	Superintendent		3000-4500
8.	Court Master		3000-4500
9.	Private Secretary		3000-4500
10.	Librarian		2000-3500
11.	SAS Accountant		1640-2900
12.	Assistant		1640-2900
13.	Senior Translator		1640-2900
14.	Junior Reader		1640-2900
15.	P.A. to Registrar		2000-3200
16.	Senior Stenographer		2000-3200
17.	Assistant Librarian		1350-2200
18.	Treasurer		1400-2300
19.	Care Taker	i)	1350-2200
		ii)	Yet to be revised (when filled from cadres of Assistant in Delhi High Court)
20.	Upper Division Clerk		1400-2300
21.	Junior Translator and Proof Reader		1400-2300
22.	PA to Deputy Registrar		1400-2300
23.	Junior Stenographer		1400-2300
24.	Lower Division Clerk		1350-2200
25.	Restorer		1350-2200
26.	Staff Car Driver		1350-2200
27.	Despatch Van Driver (Rider)		1350-2200
28.	Despatch Rider		1350-2200
29.	Senior Gestetnor Operator		1350-2200
30.	Junior Gestetnor Operator		975-1660
31.	Daftry		975-1660
32.	Book Binder		975-1660
33.	Usher		975-1660
34.	Peon		975-1660
35.	Farash		975-1660
36.	Chowkidar		975-1660
37.	Sweeper		975-1660
38.	Mali		975-1660

Section V

Pay Scales for Union Territories

104

Pay Scales for Union Territories

Introduction

104.1 Presently there are seven Union Territories specified in the First Schedule of the Constitution. These include Andaman and Nicobar Islands, Chandigarh, Dadra And Nagar Haveli, Daman and Diu, Lakshadweep, Pondicherry and National Capital of Territory of Delhi.

Posts in Chandigarh

104.2 All the posts in Chandigarh administration are filled on deputation from amongst officials of the state governments of Haryana and Punjab, with senior level posts being filled from amongst IAS and IPS officers of the AGMUT cadre. The state government officials posted in Chandigarh administration are entitled to deputation allowance. The existing set up in Chandigarh has functioned quite effectively and no changes are necessary therein. Accordingly, we have not made any recommendation in case of Chandigarh.

Distribution of posts

104.3 Persons holding various public posts in these Union Territories are employees of the central government. The group-wise distribution of posts in the various unions territories is as indicated below:-

Union Territories	GROUP A	B	C	D	Total
Andaman and Nicobar Islands	330	556	12,276	9512	22,674
Dadra and Nagar Haveli	74	47	2,100	329	2,550
Daman and Diu	87	104	1,851	715	2,757
Lakshadweep	54	187	2,877	1,519	4,637
NCT of Delhi	1,532	3,875	99,426	6,055	1,10,888
Pondicherry	1.076	641	14,236	7,518	23,471
Grand Total	**3,153**	**5,410**	**1,32,766**	**25,648**	**1,66,977**

104.4 Till 1968, the pay scales and allowances of employees of UT were linked with neighbouring states. Thereafter the policy was changed and presently the

pay and allowances of UT employees are by and large on the pattern of Central Government employees. We are of the view that such parity is justified and accordingly have tried to give comparable pay scales to similarly placed posts in the UTs and the Central Government. However for certain fields posts in the UTs, no analogous posts exist in the Central Government. As far as possible we have linked the pay scales of such posts with those of the neighbouring states.

104.5 We have received numerous demands seeking parity in pay scales with similarly designated posts in the Central Government or other union territories. While we have tried to extend identical pay scales to all similarly posts in different union territories, this has not always been possible as frequently the qualifications or the level of duties and responsibilities attached to these posts are different.

COMMON CATEGORIES AND ALLOWANCES

Medical Allowance

104.6 Elsewhere in the report, we have recommended enhancement of rate of medical allowance to Rs.100 per month. **This may be extended to all the government employees of different union territories, who are not covered by CGHS facilities.**

Diet Allowance

104.7 Presently non-gazetted Delhi Police personnel are entitled to a diet allowance on days when they have to be on continuous duty of more than 9 hours. We have separately recommended that this allowance may be given @ Rs.20 per day for a maximum of 60 days in a year. **This allowance may be extended to all the non-gazetted police personnel of other union territories also.**

Washing Allowance

104.8 Elsewhere in the report we have recommended revision of the rates of washing allowance from the existing Rs.5 per month to Rs.30 per month. **This may be extended to Police personnel in all UTs. Our general recommendations on the uniform and washing allowance will equally apply to all the nursing staff in different union territories.**

Secretariat Staff

104.9 Presently secretariats of various union territories follow different patterns of pay scales and designations. We are of the considered view that with the possible exception of NCT of Delhi, all the posts in secretariats of other union territories should follow a uniform pattern. Elsewhere in the report we have recommended the hierarchical pattern for ministerial staff working in subordinate and attached offices. A similar structure also needs to be introduced in the secretariats of all Union Territories. **Accordingly we recommend that following changes may be effected in the existing pay scales of various posts in the respective secretariats of the union territories:-**

- **The pay scale of a LDC may be retained at the existing level of Rs.950-1500.**
- **The pay scale of the post of UDC may be upgraded to Rs.1320-2040.**
- **The scale of pay of Head Clerk/ Assistant and other similarly placed posts may be raised to Rs.1600-2660.**

All Superintendent may be placed in the scale of Rs.1640-2900. This would entail upgradation of Superintendents in Lakshadweep who are presently in the scale of Rs.1400-2300.

Forest Staff

104.10 The present pay scales and designations of different categories of Forest Staff in various union territories are as follows:

Designation	Scale of Pay
Assistant Conservator of Forests	Rs.2000-3500
Assistant Forest Officer**	Rs.2000-3500
Senior Forest Ranger**	Rs.1640-2900
Range Officer	Rs.1400-2300
Deputy Ranger	Rs.1200-1800
Forester	Rs. 950-1400
Forest Guard	Rs. 775-1025
Forest Protection Force	Rs. 775-1025

** Available only in the National Capital Territory of Delhi.

The administrative ministry has recommended parity in the pay scales of these posts with those of comparable posts in the police and revenue departments. Pay scales of comparable posts in the Forest Departments of many state governments like Assam, Haryana, Himachal Pradesh and Punjab are in higher scales of pay. Group 'B' Gazetted status has also been conferred on the Forest Rangers in Himachal Pradesh, Nagaland, Maharashtra and Orissa. We also notice that the duties and responsibilities of forest staff are broadly comparable with those of police personnel. Apart from the functions of protecting and conserving the environment, forest personnel also have powers of apprehension and arrest of poachers and trespassers, service of summons, execution of warrants, etc. In our view, parity with police personnel is, therefore, not unjustified. **In view of this, we recommend that:-**

- **the posts of Forest Guards and Forest Protection Force, both of which are presently in the scale of pay of Rs.775-1025, may be merged and upgraded at par with a police constable in the scale of Rs.825-1200 with two advance increments at the time of initial appointment. Simultaneously, the qualification prescribed for the posts may also be enhanced to matriculation, on par with that of constables.**

- **twelve and a half percent of the total number of existing posts of Forest Guards and Forest Protection Force in all the union territories may be upgraded to those of Head Forest Guards and placed in the scale of Rs.975-1660 at par with a head constable.**

- **the post of Forester, the education qualification for which is similar to that prescribed for the post of Assistant Sub-Inspector (SSC or equivalent), may be placed in the scale of pay of Rs.1320-2040.**

a post corresponding to that of Deputy Ranger does not exist in the police department. In the context of the proposals to equate the lower posts of forest staff to police personnel and in order to maintain vertical relativities this post may be placed in the scale of Rs.1600-2660.

three posts of Senior Forest Ranger (Rs.1640-2900) above that of the Deputy Ranger exist only in Delhi, in addition to the posts of Range Officer (Forest Ranger), whereas all other union territories have only posts of Range Officers in a lower pay scale (Rs.1400-2300). The duties and responsibilities of these two posts are identical. Besides, given the fact that forest resources are not in abundance in the National Capital Territory, there is, prima facie, no justification for having posts in a higher scale in Delhi alone. The educational qualification (graduation) prescribed for the posts is identical to that of a Sub Inspector of Police. The posts of Range Officer (Forest Ranger) and Senior Forest Ranger may, therefore, be merged and placed in the scale of pay of Rs.1640-2900 on par with the post of Sub-Inspector of Police.

ten percent of the existing posts of Assistant Conservator of Forest may be placed in a higher scale of Rs.2500-4000 to provide promotion avenues and designated as Assistant Conservator of Forest, Grade I, the existing posts in the lower scale being simultaneously redesignated as Assistant Conservator of Forest, Grade II. The designation of the post in Delhi may also be changed from Assistant Forest Officer to Assistant Conservator of Forest, Grade II, to ensure uniformity in designations.

Fire Staff

104.11 Presently, Fire fighting personnel in various union territories follow different hierarchical patterns. Pay scales of fire staff in Delhi and Andaman and Nicobar Islands are relatively higher. Higher scales for fire staff of Delhi are justified on account of more strenuous nature of their duties. In Andaman and Nicobar Islands, Fire Brigade forms a part of the Police Department and functions under the supervision and control of an officer of the rank of Sub Inspector with the necessary number of Assistant Sub Inspectors, Head Constables, Lance Head Constables and Constables trained in fire fighting. This set-up has worked efficiently and we do not intend disturbing it. Some restructuring, however, is required in the fire departments of all union territories other than Delhi and Andaman and Nicobar Islands. **Accordingly, we recommend that fire departments of these union territories may be restructured as under:-**

Designation	Pay scale
Divisional Fire Officer	**Rs.2200-4000**
Dy. Divisional Fire Officer	**Rs.2000-3500**
Asstt. Divisional Fire Officer	**Rs.1600-2660**
Station Officer	**Rs.1320-2040**
Leading Fireman	**Rs. 950-1500**
Fireman	**Rs. 775-1025**

Scales of PC Driver/Constable Driver will remain unchanged at Rs.950-1500. We also clarify that in cases where the pay scale is getting rationalised at a lower level in the new dispensation, the present salary of the existing incumbents may be protected by grant of personal pay.

Medical, Para-medical and Veterinary Staff

104.12 Elsewhere in the report, we have made general recommendations for the common categories of medical, paramedical and veterinary staff. **These recommendations will, mutatis-mutandis, be applicable in case of all the union territories also.**

Teaching Staff

104.13 We have separately recommended a common pay structure for the general category of teaching staff. **While in the forthcoming paragraphs we have given recommendations in respect of specific categories of teaching staff of individual union territories, however, the common pay structure recommended by us for the general category of teaching staff shall be fully applicable in respect of different categories of teaching staff in all the union territories.**

Tehsildars and Deputy Tehsildars

104.14 Presently, posts of Tehsildars and Deputy Tehsildars in different union territories are in the respective pay scales of Rs.1640-2900 and Rs.1400-2300. Tehsildar is a Group B Gazetted post, recruitment to which is made through promotion, failing which by transfer on deputation. Deputy Tehsildars with 5 years regular service in the grade and who have passed the prescribed Departmental Tests are eligible for promotion as Tehsildars. Duties of Tehsildars, apart from land revenue functions, also include excise inspection and raids, controlling situations during natural calamities, accidents, etc., poll duties, along with attending to law and order problems. Deputy Tehsildar is a Group C post which is filled 75% by promotion and 25% by direct recruitment. Essential qualification for direct recruitment is graduation. Revenue Inspectors and Settlement Revenue Inspectors with 5 years of service in the post are eligible for promotion as Deputy Tehsildar provided they have qualified in the departmental examinations. Their duties include assisting Tehsildar and inspecting the offices of functionaries working under them. On account of their duties and minimum qualifications prescribed, we are of the view that these posts deserve a higher pay scale. **Accordingly, we recommend that Tehsildars and Dy. Tehsildars of all UTs may be placed in the respective pay scales of Rs.2000-3500 and Rs.1600-2660.**

Drivers and Despatch Riders

104.15 We have separately recommended a 3 grade structure for drivers and despatch riders in the scales of Rs.950-1500, Rs.1320-2040 and Rs.1400-2300. **This**

structure may also be extended to the drivers and Despatch Riders of all the union territories.

Junior Engineers

104.16 Presently, Junior Engineers in various Departments of all union territories are recruited in different pay scales. We have separately recommended the scale of Rs.1600-2660 along with ACP scales of Rs.1640-2900 and Rs.2000-3500 for all Junior Engineers with three years diploma. **These recommendations may be extended to all the Junior Engineers with similar qualifications who are working in different departments of union territories.**

Laboratory Attendants

104.17 We have noticed that in many departments of different UTs, the post of Laboratory Attendant carrying the minimum qualification of 8th pass with experience exists in the pay scale of Rs.800-1150. We have separately recommended that all Laboratory Attendants not possessing the qualification of 10+2 along with a certificate in laboratory work, may be placed in the scale of Rs.750-940 with ACP scales of Rs.775-1025 and Rs.800-1150. **Accordingly, we recommend that all Laboratory Attendants working in various departments of different UTs who do not posses a 10+2 degree and certificate in laboratory work may be placed in the pay scale of Rs.750-940 with ACP scales of Rs.775-1025 and Rs.800-1150. The emoluments of existing personnel manning these posts may, however, be protected by treating the higher scale as personal to them.**

Andaman and Nicobar Islands

GENERAL

Island Special Allowance and Special Compensatory Allowance

104.18 Employees posted in the A&N Islands with all India transfer liability are entitled to an island special allowance @ 12.5 % of the basic pay, subject to a maximum of Rs. 1000. Apart from island special allowance, all employees are also entitled to special compensatory allowance. At present, special compensatory allowance at varying rates is paid to employees posted in different regions of the A&N Islands. Rates of these allowances have remained unchanged since the recommendations of the Fourth Pay Commission and thus need to be revised. **Accordingly we recommend that special compensatory allowance may be paid at double the existing rates. Island Special Allowance may continue to be paid @ 12.5% of the revised basic pay without any upper ceiling. We further recommend that employees eligible for island special allowance should not be paid special compensatory allowance as no justification exists for paying two different allowances to compensate a person for a particular posting.**

DIRECTORATE OF ANIMAL HUSBANDRY AND VETERINARY SERVICES

Sr. Veterinary Officer

104.19 A single, isolated post of Senior Veterinary Officer exists in the pay scale of Rs.2200-4000. **We recommend that this post may be treated as ex-cadre post of the Central Veterinary Service to be filled on deputation by members of Central Veterinary Service.**

DIRECTORATE OF FISHERIES

Fisheries Development Officer/Assistant Directors

104.20 Fisheries Development Officers/ Assistant Directors in the pay scale of Rs.2000-3500 are eligible for promotion to the post of Director carrying the scale of Rs.3000-4500. **We recommend that 50% of the existing posts of Fisheries Development Officers/Asstt. Directors may be redesignated as Fisheries Development Officer Grade I/ Dy. Director and upgraded to the scale of Rs.2500-4000. The remaining posts of Fisheries Development Officers in the scale of Rs.2000-3500 may be redesignated as Fisheries Development Officer Grade II. Fisheries Development Officers Grade II and Assistant Directors will be eligible for promotion as Fisheries Development Officer, Grade I/Dy. Director after 3 years service, who then would be eligible for promotion as Director on completion of 4 years service in the scale of Rs.2500-4000.**

Surveyors

104.21 Presently, there are two posts of Surveyors in the pay scale of Rs.1200-2040. No promotion avenues are available to the incumbents of this post. **Accordingly, we recommend that the following 3-grade structure may be extended to them:-**

Surveyors Gr. III	**-**	**Rs.1200-2040 (entry scale)**
Surveyors Gr.II	**-**	**Rs.1400-2300**
Surveyors Gr. I	**-**	**Rs.1600-2660**

Plant Operator-cum-Mechanic

104.22 Presently, Plant Operator-cum-Mechanic working in the Fisheries Department of Andaman and Nicobar Islands are placed in a lower pay scale vis-a-vis their counterparts in Lakshadweep. We are inclined to give them a pay scale on par with their collegues in Lakshadweep, as the nature of duties and minimum qualifications prescribed are identical in both the cases. **Accordingly we recommend that the pay scale of Plant Operator-cum-Mechanic in the fisheries department of Andaman And Nicobar Islands may be upgraded to the scale of Rs.1320-2040.**

PUBLIC WORKS DEPARTMENT

Assistant Town Planners

104.23 Presently, Assistant Town Planners with 8 years' service in the existing pay scale of Rs.2000-3500 are eligible for promotion to the post of Associate Town Planner in the pay scale of Rs.3000-4500. **We recommend that one of the existing post of Assistant Town Planner may be redesignated as Assistant Town Planner, Grade I and placed in the scale of Rs.2500-4000. Remaining posts of Assistant Town Planner should be redesignated as Assistant Town Planner, Grade II. Assistant Town Planners, Grade II with 4 years' service in the grade will be eligible for promotion as Assistant Town Planner Grade I who, after putting in 4 years' service in the grade shall be eligible for promotion as Associate Town Planner in the scale of Rs.3000-4500.**

Assistant Shed Masters and Shed Masters

104.24 The post of Assistant Shed Master in the Shipping Godown of the Port Management Board presently exists in the pay scale of Rs 1200-2040 This post is a promotion post for Tally Clerks who incidentally are also in an identical pay scale. While Tally Clerks as well as Assistant Shed Master are eligible for promotion to the post of Shed Master in the pay scale of Rs.1400-2300, the years of service prescribed for this promotion in case of Assistant Shed Master is 5 years as compared to 15 years in the case of Tally Clerks. **In order to streamline the hierarchical pattern of the organisation, we recommend that posts of Assistant Shed Master may be upgraded to the scale of Rs. 1400-2300. Simultaneously, Shed Masters may be placed in the scale of Rs.1600-2660. The posts of Shed Masters shall henceforth be filled only from amongst Asst. Shed Masters with minimum 3 years' service in the grade.**

Overseers

104.25 Presently, there are 12 posts of Overseers in the pay scale of Rs.950-1400. The posts are filled 75% by direct recruitment, minimum qualification for which is 12th pass, and 25% by promotion of matriculate Head Workers with 5 years' experience. Overseers with 15 years' service in the grade are eligible for promotion to the post of Sub-Divisional Officer (4 posts, 50% of which are filled by promotion and the rest by direct recruitment of graduates) in the pay scale of Rs.1400-2600 which after rationalisation will be upgraded to Rs.1600-2660. In such a scenario, an Overseer in the scale of Rs. 950-1500 will be eligible for direct promotion to the scale of Rs.1600-2660, which may not be appropriate in the existing hierarchical pattern. **Accordingly, we recommend that 5 of the existing 12 posts of Overseer may be placed in the higher scale of Rs. 1320-2040 and designated as Labour Supervisor, Grade I. Overseers in the scale of Rs.950-1500 may be redesignated as Labour Supervisors, Grade II. Posts of Labour Supervisor, Grade I may be filled solely by promotion of Labour Supervisors, Grade II. Labour Supervisors, Grade I with 10 years' service will be eligible for promotion to the post of Sub-Divisional Officer.**

Gate Keepers

104.26 Port Management Board of Andaman and Nicobar Islands has 17 posts of Gate Keeper in the pay scale of Rs.750-940. No promotion avenues are presently available for these posts. **Accordingly, we recommend that a 3-grade structure in the pay scales of Rs.750-940, Rs.775-1025 and Rs.800-1150 carrying respective designations of Gatekeeper-Grade III, Gatekeeper-Grade II and Gatekeeper-Grade I may be provided for the Gatekeepers of Port Management Board.**

EDUCATION DEPARTMENT

Peripatetic Teachers

104.27 Pay scales of Peripatetic Teachers working in Andaman and Nicobar Islands were earlier at par with those of Primary School Teachers (Rs.1200-2040). Qualifications prescribed for Peripatetic Teachers include matriculation with diploma in the concerned trade. However, the Calcutta Bench of the Central Administrative Tribunal in its judgement dated 10.4.95 in OA No.81/4 has directed that these teachers be treated at par with Physical Education Teachers and provided similar promotion avenues. The qualifications and duties of these teachers are comparable with those of Primary School Teachers and as such, we are of the view that the equation of these teachers with primary school teachers will be more equitable. We are seperately recommending the same pay scale for Primary School Teachers as is currently available to Physical Education Teachers. **Accordingly, we recommend that pay scale at par with the revised pay scales of Primary School Teachers**

may be given to Peripatetic Teachers. ACP scheme as recommended for Primary School Teachers should also be extended to Peripatetic Teachers.

HEALTH DEPARTMENT

Pharmacists

104.28 There are 105 posts of Pharmacists in the pay scale of Rs.1200-2040. All these posts are filled by direct recruitment, the minimum qualifications prescribed for which is matriculation along with diploma in Pharmacy. In the promotion channel there are 9 posts of Sr. Pharmacists in the pay scale of Rs.1400-2300. Elsewhere we have decided to grant the pay scale of Rs.1400-2300 along with ACP scales of Rs.1600-2660 and Rs.1640-2900 to Pharmacists with matriculation and diploma. **These recommendations may be extended in the instant case and the cadre of Pharmacists in the Health Department of A&N Islands restructured as under:**

Designation	No. of Posts	Pay Scale
Pharmacist Grade-I	**9**	**Rs.1640-2900**
Pharmacist Grade-II	**45**	**Rs.1600-2600**
Pharmacist Grade-III	**60**	**Rs.1400-2300 (Entry scale)**

Lineman and Lineman-cum-Meter-Reader

104.29 The posts of Lineman and Lineman-cum-Meter Reader presently exist in the respective pay scales of Rs.950-1400 and Rs.950-1500. The post of Lineman is filled 75% by promotion from amongst Mazdoors with 10 years experience and having passed 5th standard and 25% by direct recruitment for which minimum qualification is 8th standard, subject to passing a trade test. The post of Lineman-cum Meter Reader is filled 75% by direct recruitment for which minimum qualification prescribed is matriculation with a trade test certificate and 25% by promotion from amongst Linemen/Electrical Fitters with 5 years' experience. Linemen with 10 years of regular service are eligible for promotion to the post of Linemen Superintendent in the pay scale of Rs.1400-2300. Linemen-cum-Meter Reader are eligible for promotion to the post of Jr. Engineer after 8 years of service. **On account of qualifications attached to these posts as well as their promotion hierarchy, we recommend that the pay scales of Lineman and Lineman-cum-Meter Reader may be upgraded to Rs.950-1500 and Rs.1200-2040 respectively.**

FOREST DEPARTMENT

Senior Veterinary Compounders and Veterinary Compounders

104.30 Presently, Dressers/Bull Attendants working in the Forest Department and drawing the pay scale of Rs.750-940 are eligible for promotion to the posts of Vety. Stockman in the pay scale of Rs.775-1025 and thereafter as Veterinary Compounders in the scale of Rs.800-1150. Vety. Compounders are in charge of sub-dispensaries and first-aid cells and despite performing supervisory functions they remain group 'D' employees even after two promotions. Vety. Compounders are eligible for promotion as Sr. Vety. Compounders. We have

separately recommended pay scales of Rs.1200-2040 with ACP scales of Rs.1400-2300 and Rs.1600-2660 respectively for Stockman/Vety. Compounder, provided the minimum qualifications prescribed are Matric along with 2 years' certificate course and one years' experience. **These recommendations may also be extended to this case. Further the pay scale of Senior Vety. Compounder, which is a promotion post for Veterinary Compounder may be raised to Rs.1400-2300 with ACP scales of Rs.1600-2660 and Rs.1640-2900.**

Dadra and Nagar Haveli

HEALTH DEPARTMENT

Dental Surgeon

104.31 The post of Dental Surgeon in the UT of Dadra and Nagar Haveli is in the pay scale of Rs. 2200-4000. No further promotion avenues are available to the incumbents. **Accordingly, we recommend that they be given the ACP scales of Rs.3000-4500, Rs.3700-5000 and Rs.4500-5700 on completion of fixed number of years of service as specified for other Group 'A' Dental Doctors in CHS. Research Pursuit Allowance may also be allowed on the same analogy.**

Biochemist

104.32 The post of Biochemist in the UT of Dadra and Nagar Haveli is presently in the pay scale of Rs.1640-2900. Minimum qualifications prescribed include postgraduation in Biochemistry. In our opinion the post deserves a higher pay scale on the basis of minimum qualifications prescribed. **Accordingly we recommend for this post the pay scale of Rs.2000-3500. Further, under ACP, the scales of Rs.2500-4000 and Rs.2200-4000 may be extended to this post.**

PUBLIC WORKS DEPARTMENT

Draughtsman

104.33 The pay scales for the posts of Draughtsman Grade III, Draughtsman Grade II and Draughtsman Grade I in Dadra and Nagar Haveli are lower than the pay scales of these posts in other Union Territories, despite the mode of recruitment, minimum qualification prescribed and duties being identical in all the Union Territories. **Accordingly, we recommend that pay scales of Draughtsman in Dadra and Nagar Haveli be upgraded to Rs.1600-2660 for Draughtsman Grade I, Rs.1400-2300 for Draughtsman Grade II and Rs.1200-2040 for Draughtsman Grade III.**

Lakshadweep

GENERAL

Abolition of Island Special Pay and enhancement of the Special Compensatory Allowance

104.34 Presently, island special pay optees, numbering 300 out of a total of 4500 employees under the Lakshadweep Administration, are granted special pay @ 80% of basic pay subject to a maximum of Rs.500 per month and such special pay is reckoned for all purposes including TA/DA, retirement benefits and encashment of leave etc. along with compensatory allowance of 10% of basic pay subject to a maximum of Rs.150 per month. Other employees of Lakshadweep Administration doing identical work are only given special compensatory allowance ranging from Rs.150 to Rs.650 per month which is not counted for computation of TA/DA etc.. This has created a disparity in the pay and allowances of special pay optees vis-a-vis others, even though all of them are doing the same work in identical circumstances. The island special pay was originally given in the fifties as at that time the islands were totally undeveloped and isolated. Conditions in these islands as well as their accessability has now improved drastically. Any sacrifices that were made by the special pay optees at the time of their initial posting in these islands have already been amply compensated. Thus there remains no justification for paying the special pay optees substantially higher emoluments for doing similar work as others. **Accordingly, we recommend that the island special pay in Lakshadweep may be stopped and all government employees in this UT, including special pay optees, be paid special compensatory allowance at double the existing rates.**

SECRETARIAT

Extension Officer

104.35 Presently, there are 5 posts of Extension Officer (General) in the Lakshadweep secretariat in the scale of Rs.1350-2200. Their duties involve implementation of poverty alleviation programmes under UT Administration. We observe that similar posts of Extension Officer in Pondicherry as well as in A&N Islands carry the scale of Rs. 1400-2300. **Accordingly, we recommend that Extension Officers in the Lakshadweep Secretariat may be placed in the pay scale of Rs. 1400-2300.**

DIRECTORATE OF HEALTH

Ayurvedic Physician

104.36 A post of Ayurvedic Physician exists in the pay scale of Rs.2000-3500. The post is filled by direct recruitment of recognised degree/diploma holders in Ayurveda possessing three years' professional experience. We have already proposed the scale of Rs.2200-4000 for recognised degree-holding practitioners of Indian Systems of Medicine (ISM). The qualifications prescribed for the post of Ayurvedic Physician in Lakshadweep are at par with recognised degree in ISM.

Accordingly, we recommend that the scale of Rs.2200-4000 be extended to this post.

DIRECTORATE OF EDUCATION

Junior Lecturers

104.37 In Lakshadweep, there are two junior colleges functioning at plus two stage. These institutions are affiliated to Calicut University. As per national pattern of education, the plus two stage institutions have been de-aligned from the universities and attached to secondary schools. The present pay scales of Jr. Lecturers teaching in these institutions are Rs.1640-2900 (Ordinary scale), Rs.2000-3500 (Sr. scale) and Rs.2200-4000 (Selection scale). These pay scales are presently at par with the pay scales of PGT teachers in other senior secondary schools. However, elsewhere we have recommended higher pay scale for PGTs. **We recommend that pay scales at par with the revised scales of Post Graduate Teachers may be given to Junior Lecturers teaching in Junior Colleges of Lakshadweep.**

PORT DEPARTMENT

Cargo Superintendent

104.38 The pay scale of Cargo Superintendents working in the Port Department is Rs.1400-2300. Their duties include looking after the welfare of passengers and cargo in ships and boats. The feeder category for this post is in the pay scale of Rs. 1350-2200 whereas the immediate promotion post, that of Welfare Officer, carries the scale of Rs.1640-2900. On account of the duties prescribed as well as the pay scale of the feeder and promotion posts, the present pay scale of the post appears unjustified. **Accordingly, we recommend that Cargo Superintendents may be upgraded to the pay scale of Rs.1600-2660.**

Delhi

SECRETARIAT

Grade I and Grade II Officers of DASS

104.39 Presently, Grade-I and Grade-II officers of Delhi Administration Subordinate Service (DASS) are in the respective pay scales of Rs.1640-2900 and Rs.1400-2300. Grade-II officers are recruited through a competitive examination conducted by the SSC. Candidates possessing a minimum qualification of graduation are eligible to appear in this examination. All the posts in Grade-I are filled by promotion of Grade-II officers with five years of service in the grade. Grade-I and Grade-II officers function as Tehsildar and Deputy Tehsildar respectively. While in the Secretariat, Grade-I officers are posted as Superintendents in charge of a branch. These officers are also liable to be posted as Assistant Sales Tax Officers, etc. In view of the minimum qualifications prescribed and duties attached to these posts we

are of the view that a higher pay scale needs to be extended to these two posts. **Accordingly, we recommend the scale of Rs.2000-3500 for Grade-I officers and of Rs.1600-2600 for Grade-II officers of DASS.**

Stenographers

104.40 Presently, there are 211 posts of Stenographer (Grade-II) in the pay scale of Rs.1400-2300. All of these posts are filled by promotion of Stenographer (Grade-III) in the pay scale of Rs.1200-2040. We have already recommended the pay scale of Rs.1600-2660 for officers of Grade-II subordinate ministerial/ executive services in NCT of Delhi. **In order to maintain parity between Grade-II Stenographers and Grade-II Subordinate Services of Delhi, we recommend that the pay scale of Stenographer grade II may be upgraded to Rs.1600-2660.**

Translators

104.41 Translators looking after the Official Language work are placed in the pay scale of Rs.1400-2300. The Minimum qualification prescribed for the post is graduation with 3 years' experience. On the basis of qualifications prescribed, **we recommend that the pay scale of this post may be upgraded to Rs.1600-2660.**

Typists, Translators and Technical Assistants

104.42 There are a few isolated posts of Punjabi typist, Punjabi translator and Technical Assistant. **We recommend that under the Assured Career Progression Scheme, the following three-tier structure may be extended to these posts:-**

Post	Present Scale	ACP Scales
Punjabi Typist	**Rs.950-1500**	**1200-2040/ 1400-2300**
Punjabi Translator	**Rs.1400-2300**	**1600-2660/ 1640-2900**
Technical Assistant	**Rs.1400-2300**	**1600-2660/ 1640-2900**

Urdu Typists

104.43 Urdu Typists (Grade IV) in Delhi Administration are in the pay scale of Rs.950-1500. No promotion avenues are available to the incumbents of this post. **Accordingly, we recommend that two ACP scales of Rs.1200-2040 and Rs.1400-2300 may be provided for these posts.**

SECRETARIAT (LEGISLATIVE ASSEMBLY)

Editor of Debates

104.44 There is a post of Editor of Debates in the pay scale of Rs.1640-2900. The post is filled by direct recruitment and minimum qualifications prescribed include post-graduation in Hindi with English as an elective subject at the degree level, along with two years' experience. Recruitment to the post is made through an All India competition conducted by the UPSC. Duties attached to this post include editing, translation and printing of the proceedings of the Legislative Assembly and its various committees. A similarly designated post in Pondicherry is in the pay scale of Rs.2000-3500. **In view of the above facts, we recommend, for the post of Editor of Debates in government of NCT of Delhi, the scale of Rs. 2000-3500. Under the scheme of Assured Career Progression, the scales of Rs.2500-4000 and Rs.2200-4000 may be extended to this post.**

DEPARTMENT OF INDUSTRIAL DEVELOPMENT

Assistant Director and Industrial Adviser

104.45 Presently this department comprises 13 posts of Assistant Director in the scale of Rs.1640-2900; 8 posts of Dy. Director (DD) in the scale of Rs.2200-4000; 5 posts of Joint Director (JD) in the scale of Rs.3000-4500; and one post of Industrial Adviser in the scale of Rs.3000-5000. Direct recruitment is done at the level of AD for which minimum qualification prescribed is a degree in engineering. **Keeping in view the qualifications and duties assigned to these posts, we recommend that the pay scales for the post of Asstt. Director and Industrial Adviser may be upgraded to Rs.2000-3500 and Rs.3700-5000 respectively. No change in the present pay scales of Dy. Director and Joint Director is recommended.**

Carpet Training Officers

104.46 Presently, no promotional avenues are available for the post of Carpet Training Officer carrying the pay scale of Rs.1600-2660. **Accordingly we recommend that under the scheme of Assured Career Progression, the scales of Rs.1640-2900 and Rs.2000-3500 may be extended to incumbents of this post.**

DELHI FIRE SERVICE

Fire Officers

104.47 Four posts of Dy. Chief Fire Officer (DCFO) exist in the scale of Rs.3700-5000. DCFOs are eligible for promotion as Chief Fire Officer in the scale of Rs.5100-6150. No intermediate scale exists between these two posts. **Accordingly, we recommend that 2 posts of Dy. Chief Fire Officer be upgraded to that of Additional Chief Fire Officer (ACFO) in the scale of Rs.4500-5700. DCFOs with 3 years' service in the grade shall be eligible for promotion as ACFO, who then would be entitled for promotion as Chief Fire Officer after 2 years of service as ACFO.**

DIRECTORATE OF PROSECUTION

Prosecutors

104.48 This Directorate comprises the posts of Prosecutor in the scale of Rs.2000-3200, Senior Prosecutor/Additional Public Prosecutor in the scale of Rs.2375-3500, Public Prosecutor/Chief Prosecutor carrying the scale of Rs.2200-4000 and Director of Prosecution in the scale of Rs.3000-4500. The officers of the Directorate conduct cases on behalf of the state in the Courts of Metropolitan Magistrates and Sessions Courts and also tender legal advice on various matters to the Police Department as well as all other departments of the Government of NCT of Delhi. Direct recruitment is made only at the level of Prosecutor for which a degree in law along with 3 years' experience have been prescribed. There is no direct recruitment to the other senior posts. **Keeping in view the important functions being performed by them, we recommend that pay of all these posts may be revised as under:-**

Post	Pay Scale
Prosecutor	**Rs.2000-3500**
Sr. Prosecutor/ Addl. Public Prosecutor	**Rs.2200-4000**

Public Prosecutor/ Chief Prosecutor	**Rs.3000-4500**
Director (Prosecution)	**Rs.3700-5000**

Additionally these officers may be given the facility of creating a Library at home, for which they should be allowed to subscribe to two Law Journals per month and in addition get books purchased worth Rs.2500 per annum through the departmental library for their permanent individual usage. They may also be given robe allowance, dress maintenance allowance and court allowance at rates applicable to prosecutors in CBI. Facility of residential telephones may also be given to all officers working as Sr. Prosecutors or in higher posts.

DEPARTMENT OF LABOUR

Chief Inspector of Boilers

104.49 The post of Chief Inspector of Boilers presently exists in the pay scale of Rs.2200-4000. The duties attached to this post include examination and registration of boilers and imparting advice to owners regarding the proper maintenance and safe working thereof. Additionally there are two posts of Inspectors of Boilers in the scale of Rs.2000-3500 which are filled by promotion of Smoke Observers with 8 years' service in the scale of Rs.1400-2300 and by direct recruitment of Mechanical Engineers with 2 years' experience in equal proportion. Keeping in mind the qualifications prescribed and the nature of their duties, we are of the opinion that the pay scale of Chief Inspector deserves to be upgraded. **Accordingly we recommend that the pay scale of Chief Inspector of Boilers be upgraded to Rs.3000-4500. Simultaneously one of the post of Inspectors (Boilers) be upgraded to the scale of Rs. 2500-4000 and redesignated as Deputy Chief Inspector (Boilers). Inspectors (Boilers) with 3 years' service in the grade would be eligible for promotion to the post of Dy. Chief Inspector who after four years of service in the grade, would become eligible for promotion to the post of Chief Inspector of Boilers.**

Assistant Labour Commissioner

104.50 Delhi Industrial Relations Machinery has a post of Assistant Labour Commissioner in the pay scale of Rs.2375-3500. Labour Officers who constitute the feeder cadre for promotion to the post of Assistant Labour Commissioner are placed in an almost similar scale of Rs.2000-3500. The post of Assistant Labour Commissioner in other UTs like A&N Islands is already in the pay scale of Rs.2200-4000. **Keeping all these factors in view, we recommend that the pay scale of the post of Assistant Labour Commissioner in Delhi Industrial Relations Machinery may be upgraded to Rs.2200-4000.**

Caretaker, Holiday Home

104.51 There is a post of Caretaker, Holiday Home in Labour Department of Delhi Carrying the pay scale of Rs.1200-2040. Duties attached to the post include caretaking of holiday homes being run by Labour Department. Minimum qualifications prescribed for the post are graduation along with 1 years' experience. We observe that as per duties prescribed for this post, no specialised skills are necessary. **Accordingly we recommend that this post may be merged in the UDC cadre with full protection of seniority being afforded to the present incumbent.**

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DIRECTORATE OF PREVENTION OF FOOD ADULTERATION

Assistant Local Health Authority

104.52 There are 5 posts of Assistant Local Health Authority (ALHA) in the pay scale of Rs.2000-3500, which form the feeder cadre for promotion to the five posts of Local Health Authority(LHA) in the pay scale of Rs.3000-4500. We have received many demands seeking merger of the posts of ALHA with that of LHA. However, these posts are not comparable either in terms of duties or status or minimum qualifications prescribed. **Accordingly, we recommend that the post of ALHA may not be merged with that of LHA and that replacement pay scales may be given to the posts of Assistant Local Health Authority. However, 2 of the existing posts of ALHA may be upgraded and placed in the scale of Rs.2500-4000. These posts, to be designated ALHAs, Grade I, shall be filled solely by promotion of ALHAs who will now be called ALHAs, Grade II.**

Food Inspectors

104.53 Food Inspectors in the Directorate of Prevention of Food Adulteration are presently in the pay scale of Rs.1400-2300. All of these posts are filled by direct recruitment, the minimum qualification prescribed for which is graduation along with minimum of 45 days' training in Food Inspection and Sampling Work under the Food Authority of Central Government. They are eligible for promotion to the post of Assistant Local Health Authority in the pay scale of Rs.2000-3500. In view of the minimum qualification prescribed and duties attached to the post, the present pay scale does not appear to be adequate. **Accordingly we recommend that the pay scale of Food Inspectors in Delhi be upgraded to Rs.1600-2660 along with a dynamic ACP scale of Rs.1640-2900. This could become a normal grade, on distribution of the existing 24 posts equally between the two scales of pay.**

Field Assistants and Sample Packers

104.54 There are 25 posts of Field Assistants/Sample Packers carrying the pay scale of Rs.975-1540. The posts are filled entirely by direct recruitment of matriculates. Their duties include sealing and packing of samples of food products and carrying them from field to office. No promotional avenues exist for these posts. The nature of duties is a general one and not much diffrent from that of LDCs. **Accordingly we recommend that all these posts may be merged in the cadre of LDCs with full protection of their seniority.**

DIRECTORATE OF HEALTH SERVICES

Junior Medical Officers (HOMEO)

104.55 Presently there are 31 posts of Junior Medical Officers (Homeopathy) in the pay scale of Rs.2000-3500. The minimum qualification prescribed for incumbents to this post is a bachelor's degree in the traditional system of medicine. Elsewhere, we have recommended grant of pay scales at par with allopathic doctors to doctors practising the traditional systems of medicine. **In view of the foregoing, we recommend that the post of JMOs (Homoeopathy) be upgraded as Medical Officer (Homoeo) and placed in the pay scale equivalent to Rs.2200-4000. Suitable promotion levels at par with CHS may also be created for these doctors.**

Pharmaceutical Chemists

104.56 There are two posts of Pharmaceutical Chemists in Maulana Azad Medical College (MAMC) in the pay scale of Rs.2000-3500. These posts are filled by direct recruitment through the UPSC. No further promotion avenues are available. **Accordingly, we recommend that under ACP, the scales of Rs.2500-4000 and Rs.3000-4500 may be extended to the incumbents of this post.**

Biomicroscopic Technicians

104.57 There is a post of Biomicroscopic Technician in Guru Nanak Eye Centre, Delhi in the pay scale of Rs.1600-2660. A higher scale has been demanded for this post. Minimum qualifications prescribed for the post are matriculation along with diploma in Commercial Art and two years' experience. In view of the qualifications prescribed, the present pay scale appears appropriate. **Accordingly a higher pay scale is not recommended. However, under the scheme of Assured Career Progression the scales of Rs.1640-2900 and Rs.2000-3500 may be extended to the incumbent of this post.**

Laboratory Assistants

104.58 Laboratory Assistants working in dispensaries of Delhi Administration are currently placed in the pay scale of Rs.975-1540. Their functions include giving assistance to Laboratory Technicians. **As per our general recommendations given elsewhere in the report, all such similarly placed categories are to be placed in the pay scale of Rs.950-1500 along with ACP scales of Rs.1320-2040 and Rs.1400-2300, with full protection of the existing pay scale to the present incumbents. These recommendations may also be extended to Laboratory Assistants working in dispensaries of the Government of NCT of Delhi.**

DIRECTORATE OF EDUCATION

Lecturers/ Subject Specialists

104.59 Lecturers/Subject Specialists, who were originally appointed in the State Institute of Education and subsequently adjusted against certain ex-cadre posts in the Directorate of Education in the scale of Rs.2000-3500, presently face intense stagnation. **To alleviate this, we recommend that the following 3 grade structure may be extended to the members of this cadre:-**

Lecturers/Subject Specialists Gr.III	Rs.2000-3500	Entry grade
Lecturers/Subject Specialists Gr.II	Rs.2500-4000	After 5 years of service in Grade III
Lecturers/Subject Specialists Gr.I	Rs.2200-4000	After 5 years of service in Grade II

There is a strong case for abolition of these posts, as and when they fall vacant.

Instructors in ITIs/Basic Training Centre

104.60 There are 13 ITIs and one Basic Training Centre in NCT of Delhi which impart training in various trades to over 8,000 trainees. There are 575 posts of Craft Instructor in the scale of Rs.1400-2600, 78 posts of Supervisor Instructor/Language Instructor in the scale of Rs.1640-2900 and 52 posts of Foreman Instructor carrying the scale of Rs.2000-3200 in these centres. Higher pay scales have been demanded for all these posts. Keeping in mind the educational qualifications prescribed and the fact that the posts in other UTs are also in similar



pay scales, the existing pay scales seem to be appropriate. **However, under the Assured Career Progression Scheme, we recommend the following scales may be extended to these posts:**

Posts	First ACP Scale	Second ACP Scale
Craft Instructors	**Rs.1640-2900**	**Rs.2000-3500**
Supervisor Instructor and Language Instructor	**Rs.2000-3500**	**Rs.2500-4000**
Foreman Instructor	**Rs.2500-4000**	**Rs.2200-4000**

Museum Curators

104.61 Museum Curators working in various science centres of Delhi are presently placed in the pay scale of Rs.1200-2040. The posts are filled by direct recruitment and minimum qualifications prescribed include B.Sc. with one years' working experience. On the basis of qualifications attached to this post, a higher pay scale seems justified. **Accordingly, we recommend the pay scale of Rs.1400-2300 for the post of Museum Curator. In order to provide some promotion avenues to them, we further recommend that two of these 5 posts may be upgraded, one each to the scales of Rs.1600-2660 and Rs.1640-2900 with the respective designations of Senior Museum Curator and Chief Museum Curator.**

Laboratory Assistants

104.62 Laboratory Assistants in Senior Secondary Schools and Secondary Schools of Delhi are presently working in the pay scale of Rs.1200-2040. These posts are filled by promotion of Group 'D' employees. We note that on their promotion to Group C, Group D employees are normally placed in the scale of Rs.950-1500. This principle needs to be extended in the instant case also. **Accordingly we recommend that all the existing posts of Laboratory Assistants may be redesignated as Laboratory Technicians Grade II in the present pay scale of Rs.1200-2040. All the new promotees from group D may henceforth be promoted as Laboratory Technician Grade III in the scale of Rs.950-1500. Laboratory Technicians Grade III with minimum 5 years' experience in the grade shall be eligible for promotion as Laboratory Technician Grade II. Additionally a new grade designated as Laboratory Technician grade I in the scale of Rs.1400-2300 may be created which shall be filled by promotion of Laboratory Technician Grade II with a minimum service of 5 years. Five hundred of the existing 1653 posts may be upgraded as Laboratory Technician Grade I in the scale of Rs.1400-2300. The exisitng incumbents of the remaining posts may be given the post of Laboratory Technician Grade II in the pay scale of Rs.1200-2040, with the proviso that along with promotion of juniors to the post of Laboratory Technicians Grade III in future, 600 posts of the Laboratory Technicians Grade II will be down-graded to Laboratory Technicians Grade III in the pay scale of Rs.950-1500.**

Mechanics Grade A, Mechanics

104.63 Presently, the cadre of technical supporting staff in Delhi College of Engineering includes posts of Mechanic, Grade A and Mechanic, Grade B in the

Grade B and Draughtsmen

identical scale of Rs.1400-2300, despite the latter being the feeder post for the former. The duties of these posts are similar. **Accordingly we recommend that the posts of Mechanic Grade A and Mechanic Grade B may be merged and redesignated as Senior Mechanic in the scale of Rs.1400-2300. Simultaneously the recruitment rules may also be amended to fill two third posts of Sr. Mechanic by promotion of Mechanic Gr.C, to be redesignated as Jr. Mechanic, with 6 years' service in the grade and remaining posts by direct recruitment of matriculates with ITI certificate and 4 years' experience. ACP for direct recruit Senior Mechanics may be given in the scales of Rs.1600-2660 and Rs.1640-2900.** The institute also has some posts of Draughtsmen in the pay scale of Rs.1600-2660. Their present pay scale is appropriate and does not need any upgradation. **However, ACP for direct recruit Draughtsmen to the scales of Rs.1640-2900 and Rs.2000-3500 may be granted.**

Life Guards

104.64 Life Guards in Directorate of Education have to perform duties in the mornings as well as in the evenings. **As a compensation for the split nature of their duty, we recommend a split duty allowance at two-thirds the rate of night duty allowance for Life Guards working in the Directorate of Education.**

DEPARTMENT OF SOCIAL WELFARE

Organisational Restructuring

104.65 Posts of Welfare Officer Grade-II, Probation Officer Grade II, Prison Officer Grade II, Craft Instructor and BA-BT Teacher exist in this department. Despite widely different duties and minimum qualifications, these post have been placed in the identical scale of Rs.1400-2600. Furthermore all these posts, as well as the posts of Adult Education Officer and Supervisor in the pay scale of Rs.1400-2300 constitute the feeder posts for promotion as Probation Officer, Grade I, and Deputy Senior Superintendent in the scale of Rs.1640-2900. A bottleneck exists at the level of Deputy Superintendent as there are only 35 posts of Deputy Superintendent for a feeder cadre of 306 posts, even though the next higher post of Superintendent has a sanctioned strength of 55 posts. Thus some organisational restructuring is necessary in this department. **Accordingly we recommend that following changes may be effected in the organisational set up of the Department of Social Welfare:-**

The single post of Adult Education Teacher may be given the ACP scales of Rs.1600-2660 and Rs.1640-2900. The incumbent would be eligible for further functional promotion to the post of Deputy Superintendent/PO Grade II in the scale of Rs.1640-2900.

Fifty two of the existing 129 posts of Supervisor (Women) may be upgraded as Supervisor Grade I in the scale of Rs.1640-2900 , with the remaining posts being redesignated as Supervisor Grade II in the pay scale of Rs.1400-2300. Supervisor Grade II with 5 years' service would be eligible for promotion as Supervisor Grade I who, after 5 years' of service in the grade, would be eligible for promotion to the post of Dy. Supdt./PO Grade II.

- **Five of the existing thirteen posts of BA-BT Teacher may be redesignated as Senior BA-BT Teachers in the scale of Rs.1640-2900. BA-BT Teachers with five years' service in the grade shall be eligible for promotion as Sr. BA-BT Teachers who then would be considered for promotion as Dy. Supdt/PO Grade II after five years of service in the grade.**

- **Fourteen of the existing 35 posts of Craft Instructor may be upgraded as Sr. Craft Instructors in the pay scale of Rs.1640-2900. The posts of Sr. Craft Instructor will be filled by promotion of Craft Instructors with 5 years' service in the grade. Senior Craft Instructor with 5 years' of service in the grade would be eligible for promotion as Dy.Supdt.**

- **Pay scales of Welfare Officer (Grade-II)/Probation Officer (Grade-II) and Prison Welfare Officer may be upgraded to the scale of Rs.1640-2900. They would be eligible for promotion as Deputy Superintendent after 5 years' of service in the grade.**

- **All the posts of Superintendent may be filled by direct recruitment and promotion in an equal ratio.**

DIRECTORATE GENERAL OF HOME GUARDS

Ex-cadre posts

104.66 There are a few ex-cadre posts in the Directorate of Home Guards and Civil Defence which are manned by technically trained persons responsible for the recruitment of volunteers, their training and coordination with the Police authorities during peace and non-peace times. Incumbents of these posts have desired pay scales at par with police personnel. **We are unable to grant such parity, as educational qualifications as well as duties attached to these posts do not compare favourably with those of Delhi Police. However, under the scheme of Assured Career Progression, normal hierarchical scales may be extended to them as under :-**

POST	ACP SCALES
Junior Instructor	**Rs.1400-2300/ Rs.1640-2900**
Instructor(CD)/Jr.Instructor(HG)/ Junior Distt. Staff Officer	**Rs.1640-2900/ Rs.2000-3500**
Distt. Staff Officer/ Inspecting Officer/ Sr. Instructor/ Company Commander	**Rs.2000-3500/ Rs.2500-4000**

HEALTH AND FAMILY WELFARE TRAINING CENTRES

Health Education Officer, Social Science Instructor

104.67 There are 5 posts of Health Extension Education Officer/Social Science Instructor and 4 posts of Extension Educator carrying the respective pay

and Extension Educator

scales of Rs.1640-2900 and Rs.1400-2300 in the Health and Family Welfare Training Centre of Government of NCT of Delhi. The minimum qualification prescribed for Health Extension Education Officer/Social Science Instructor is MA (Social Science) with five years' experience and for Extension Educator it is graduation with three years' experience. Keeping in view the qualifications prescribed for these posts, **we recommend the pay scale of 1600-2660 for Extension Educator and that of Rs.2000-3500 for the post of Health Extension Education Officer/Social Science Instructor.**

DEVELOPMENT DEPARTMENT

Horticulture Assistant

104.68 There are 25 posts of Horticulture Assistant in the pay scale of Rs.1400-2300. **We recommend that under the scheme of ACP, scales of Rs.1600-2660 and Rs.1640-2900 may be granted to the incumbents of this post.**

IRRIGATION AND FLOOD CONTROL DEPARTMENT

Draughtsmen and Junior Engineers

104.69 Draughtsmen in the Irrigation and Flood Control Department are presently in the pay scale of Rs.1200-2040. Elsewhere we have recommended that the scale of Rs.1200-2040 along with ACP scales of Rs.1600-2660 and Rs.1640-2900 may be extended to all Draughtsmen possessing a two-year diploma. **These recommendations will also be applicable in this case.**

CENTRAL JAIL

Technical Staff

104.70 There are five sanctioned posts of Technical staff in the Jail Factory as under:-

1. Assistant Factory Supervisor	Rs.1200-2040
2. Weaving Master	Rs. 950-1400
3. Carpenter Master	Rs. 950-1400
4. Tailor Master	Rs. 950-1400
5. Mistry Fitter	Rs. 800-1150

Barring Assistant Factory Supervisor, the minimum qualification prescribed for all these posts is middle pass with diploma in the relevant trade. **In view of their duties we recommend for the posts of Weaving Master, Carpenter Master, Tailor Master and Mistry Fitter, the pay scale of Rs.950-1500. Simultaneously, the qualifications prescribed for recruitment to these posts may be revised to matric along with ITI diploma. No change is recommended in the pay scale of Assistant Factory Supervisor.**

Pondicherry

SECRETARIAT

Deputy Directors/ Senior Accounts Officers

104.71 Incumbents working as Dy. Director of Accounts and Treasuries/Senior Accounts Officer in the scale of Rs.2000-3500 have demanded higher pay scales at par with similar posts in the Indian Audit and Accounts Department. We note that these posts are filled by promotion of such Accounts Officer Grade-I in the scale of Rs.2000-3200 who have passed the higher accounts test and rendered 3 years service in the grade. The post of Accounts Officer Grade-I is filled by promotion of Superintendents Gr.I in the scale of Rs.1640-2900 who have passed higher accounts test and rendered 3 years' service in the grade. Presently, in the organised accounts departments, personnel who have qualified the SAS or equivalent examination with 5 years' service in the scale of Rs.1640-2900 are eligible for promotion to the scale of Rs.2000-3200 and thereafter to the scale of Rs.2375-3500 after 3 years' service in the scale of Rs.2000-3200. We understand that the test prescribed in Pondicherry is equivalent to the SAS Examination and is conducted by the Accountant General, Tamil Nadu. Accordingly, on the analogy of the promotion avenues available in the organised accounts departments, **we recommend that the pay scale of Dy. Director of Accounts and Treasuries/Senior Accounts Officer may be equated to that of Accounts Officer in the organised Accounts cadre.**

Superintendents

104.72 Presently, Pondicherry Secretariat includes 187 posts of Superintendent Grade II in the pay scale of Rs. 1600-2660 and 86 posts of Superintendent Grade I in the pay scale of Rs. 1640-2900. We have received demands seeking the merger of these two posts. Superintendents Grade II with 2 years of regular service in the grade are eligible for promotion as Superintendents Grade I who, in turn, are eligible for promotion to PCS. As one of these two posts is a promotion post for the other, these cannot be merged. However, pay scale of Assistants has been proposed to be revised to Rs.1600-2660. Simultaneously, upgradation of entry grade for PCS has separately been enunciated. **Accordingly we recommend that the post of Suptd. Gr.II may be upgraded to the scale of Rs.1640-2900 and that of Suptd Gr.I to the scale of Rs.2000-3500.**

COOPERATIVE DEPARTMENT

Junior Inspectors and Senior Inspectors

104.73 The Cooperative Department of Pondicherry has 11 posts of Cooperative Officers in the pay scale of Rs.1400-2600. This pay scale will be automatically merged with that of Rs.1600-2660, which in our view is appropriate for this post. We also note that the number of officers presently occupying this post is much more than the number of posts sanctioned. It is apparent that a cadre review of the department has not been carried out and posts have been created in an ad hoc manner to cope with the increased workload. **Accordingly, we recommend that a cadre review of this department may be carried out at the earliest. We also recommend that the designation of the posts of Senior Inspector and Junior**

Inspector in this department may be changed to Inspector and Sub-Inspector respectively.

DEPARTMENT OF SURVEY AND LAND RECORDS

Inspectors and Sub Inspectors

104.74 Presently, the Department of Survey and Land Records has posts of Sub Inspectors and Inspectors in the respective pay scales of Rs.1400-2300 and Rs.1640-2900. The minimum qualification prescribed for the post of Sub-Inspectors is graduation. **Keeping in view the qualification prescribed we recommend that the post of Sub-Inspector may be placed in the scale of Rs.1600-2660.** Presently Inspectors of this department are at par with Tehsildars in the pay scale of Rs.1640-2900. We have separately upgraded the post of Tehsildars to the scale of Rs.2000-3500. **In order to maintain parity between these posts we recommend that the pay scale of Inspectors (Survey and Land Records) may be raised to Rs.2000-3500.**

Agriculture Officers

104.75 In the Agriculture Department of Pondicherry, 71 posts of Agriculture Officer exist in the pay scale of Rs.1400-2300. The posts are filled 80% by direct recruitment and 20% by promotion of Compost Development Inspectors who are in the scale of Rs.1320-2040. The next promotion post for Agriculture Officer is that of Deputy Director in the pay scale of Rs.2000-3500. The present hierarchial pattern is not appropriate **and accordingly we recommend that the pay scale of the post of Agriculture Officer be upgraded to Rs.1640-2900.**

DEPARTMENT OF HEALTH

Workmen employed in the Hospital Equipments Workshop

104.76 Presently, there are 11 posts of different workmen like Fitter, Carpenter, Instrument Mechanic, Blacksmith, Plumber, Welder, Wireman (pay scale: Rs.950-1500), Painter (pay scale: Rs.775-1025) and Workshop Attendant (pay scale: Rs.750-940) in the Hospital Equipment Workshop. The minimum qualification prescribed for all the posts in the pay scale of Rs.950-1500 is a certificate from ITI or any other recognised institute. **The pay scale of Rs.950-1500 is therefore, appropriate for these posts.** However, no promotion avenues are presently available to those posts. **Accordingly we recommend that under ACP, the scales of Rs.1320-2040 and Rs.1400-2300 may be extended to these posts.** For posts of Painters and Workshop Attendant, only experience has been prescribed. **While we do not recommend any change in the present pay scale of Workshop Attendant, under ACP, the scales of Rs.775-1025 and Rs.800-1150 may be extended to this post. The job of Painter being more specialised, we recommend the scale of Rs.800-1150 along with ACP scales of Rs.900-1150 and Rs.1200-1800.**

Insect Collectors

104.77 Presently, there are 12 posts of Insect Collectors in the pay scale of Rs.800-1150. The minimum qualification for direct recruitment is matriculation or its equivalent. Insect Collectors with 8 years' service are eligible for promotion to the post of Filaria Inspector in the pay scale of Rs.1200-2040. The post bearing similar designation in NICD is in the scale of Rs.950-1400, where minimum qualification prescribed is Higher Secondary with Science. Identical post of Insect Collector in other UTs like Andaman and Nicobar Islands is in the scale of Rs.950-1400. Thus the Insect Collectors of Pondicherry are placed in a lower pay scale vis-a-vis their colleagues in other places. **Accordingly we recommend that Insect Collectors of**

Pondicherry may be placed in the pay scale of Rs.950-1500. Simultaneously the minimum qualification for this post may also be raised to 10+2 pass with science.

ELECTRICITY DEPARTMENT

Feasibility of converting the department into an undertaking/ board

104.78 Employees working in the Electricity Department of Pondicherry are involved in distribution and transmission of electricity along with necessary maintenance work. Their present pay scales are similar to those in CPWD. The employees have demanded higher pay scales oat par with Delhi Electricity Supply Undertaking (DESU) or Tamil Nadu Electricity Board. While it is true that the nature of their work is commercial quite like the work being performed by DESU/Tamil Nadu Electricity Board, comparable pay scales can only be given if the status of this department is made similar to that of DESU and other State Electricity Boards. **We therefore advise the UT Administration to examine the economics of converting the Electricity Department of Pondicherry into a departmentally managed commercial undertaking/Board on the lines of DESU. Till such an exercise is completed, only replacement pay scales are recommended for various posts in the Electricity Department of Pondicherry.**

POLICE DEPARTMENT

Proficiency Allowance

104.79 Presently, Police Constable (Wireless) and Head Constable (Wireless) in Pondicherry are in receipt of Rs.20 and Rs.40 respectively as proficiency pay. **We recommend that the amount of proficiency pay may be doubled to Rs.40 for Constable (Wireless) and Rs.80 for Head Constable (Wireless). Simultaneously, proficiency pay may be reclassified as proficiency allowance.**

MISCELLANEOUS

104.80 Our recommendations for the organised group B services in different union territories have been given elsewhere in the report. Accordingly, the same are not reflected in this chapter. Delhi Police, which functions under the control of Ministry of Home Affairs, has been dealt with in the relevant chapter.

104.81 Other posts in the union territories have standard scales of pay. The corresponding replacement pay scales recommended by us will apply to them.

Part V

Civilian Employees : Allowances and Facilities

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

St. Clement of Alexandria

105

Compensation for Price Rise

INTRODUCTION

Definition and historical background

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

Views of the Previous Pay Commissions.

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

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

EXISTING POSITION

The existing Dearness Allowance formula.

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

Thus, the formula for calculating DA is:-

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

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

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

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

Release of DA instalments since 1.1.86.

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

Yearly expenditure on Dearness Allowance for civilian employees.

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

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

Comparative position in States, Public Sector and Countries abroad.

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

Demands made in

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

the Memoranda

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

OUR RECOMMENDATIONS

Uniform neutralisation @ 100% at all levels.

105 8 It has been strongly urged that a uniform neutralization of DA @ 100% should be given to employees at all levels. We see merit in this demand. The erosion in the real value of salary at the highest level, has been the most severe, beginning from 1949 followed by other Group A officers down the line (see Annexe 105.2). In contrast, a comparison of the index of real earnings for the peon between 1949 and 1996 shows that the peon was more than fully neutralized for inflation and was in real terms paid 53% more than his salary in 1949. **The Secretary on the other hand was not even paid full neutralization for inflation and consequently his real salary has eroded to the extent of 72% as compared to the position in 1949.** The erosion was a consequence of a deliberate policy followed for a long time, under the mistaken impression that impoverishment of the higher bureaucracy was an essential ingredient of a socialistic pattern of society. A distortion is also observed in the internal relativities because of this formula While the Fourth CPC had made recommendations which had resulted in a pre-tax maximum minimum disparity ratio of 10.7 in 1986, this ratio had slipped to a level of 8.58 in 1995 and to 8 43 in 1996. This was primarily an account of the Dearness Allowance formula which prescribes differential rates of neutralization. It does not require extraordinary intelligence to perceive that minimum-maximum ratios fixed by a Pay Commission should have some sanctity and stability. Once an ideal ratio is arrived at, it cannot be allowed to become a plaything in the hands of an erratic CPI. With the lifting of the ceilings in the private sector and salaries in the public sector getting linked to productivity, the external relativities have got totally unbalanced. The government is unable to pay comparable salaries at the higher levels to its officers inspite of the enormity of their tasks and higher levels of responsibilities. **Inflation neutralization on a graduated scale in the present circumstances will be anachronistic and unduly unjust to the senior officers.** At this juncture, the Government's conscious intervention in removal of the unjust practice of differential neutralisation of DA is a must. **Accordingly we, recommend that inflation neutralization be made uniform @ 100% at all levels.**

AICPI(IW) to continue for Dearness Allowance purposes

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

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

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

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

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

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

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

Dearness Allowance to be net of tax.

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

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DA instalments released between June 86 and January 96

Annexe - 105.1
(See para 105.4)

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

Trends in the Index of Real Earnings at various levels of Central Govt.'

Annexe 105.2

(Emoluments in Rupees per month)

Year	1949	1957	1960	1969	As on 1st January 1973	1986	1988	1990	1992	1994	1995	1996
1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.	13.
Peon												
(a) Emoluments	65	72.5	80	141	196	750	885	1035	1283	1530	1688	1860
(b) Index of Emoluments	100	112	123	217	302	1154	1362	1592	1973	2354	2596	2862
(c) Index of Real Earnings	100	100	99	103	120	153	152	153	150	152	152	153
Lower Division Clerk												
(a) Emoluments	100	112.5	120	208	260	950	1121	1311	1625	1938	2138	2356
(b) Index of Emoluments	100	112.5	120	208	260	950	1121	1311	1625	1938	2138	2356
(c) Index of Real Earnings	100	101	97	99	103	126	125	126	124	125	125	126
Assistant												
(a) Emoluments	215	222.5	230	356	425	1640	1935	2263	2804	3346	3690	4067
(b) Index of Emoluments	100	103	107	166	198	763	900	1053	1304	1556	1716	1892
(c) Index of Real Earnings	100	93	86	78	79	101	101	101	99	101	101	101
Class I (Jr. scale)												
(a) Emoluments	390	390	400	560	700	2200	2596	3036	3762	4488	4950	5456
(b) Index of Emoluments	100	100	103	144	179	564	666	778	965	1151	1269	1399
(c) Index of Real Earnings	100	90	83	68	71	75	74	75	74	74	74	75
Under Secretary												
(a) Emoluments	685	685	700	820	1200	3000	3540	4140	5130	6120	6750	7440
(b) Index of Emoluments	100	100	102	120	175	438	517	604	749	893	985	1086
(c) Index of Real Earnings	100	90	82	57	70	58	58	58	57	58	58	58
Secretary												
(a) Emoluments	3000	3000	3000	3000	3500	8000	8880	10000	11680	13360	14480	15680
(b) Index of Emoluments	100	100	100	100	117	267	296	333	389	445	483	523
(c) Index of Real Earnings	100	90	81	47	46	35	33	32	30	29	28	28
Index of AICPI ** Base 1949=100	100	111	124	211	252	754	895	1039	1311	1546	1704	1874
Minimum/Maximum Ratio	1:46.2	1:41.4	1:37.5	1:21.3	1:17.9	1:10.7	1:10.0	1: 9.66	1: 9.11	1: 8.73	1: 8.58	1: 8.43

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

@ Emoluments include Pay+DA only but excludes other allowances.
** Figures on AICPI pertains to the 12 monthly average for the calender year in cols. 2 to 6 and financial year for cols. 8 to 13.

106

Compensatory Allowances

Introduction

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

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

CITY COMPENSATORY ALLOWANCE

Definition

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

Previous Pay Commissions' Observations.

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

Present position

106.4 The Fourth CPC recommended that CCA be paid to Central

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

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

Cities for this purpose were classified as follows:-

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

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

Our recommendations

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

Population criterion to continue for the purpose of classification of cities

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

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

The revised population limits for classification of cities

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

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

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

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

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

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

allowance for such areas on a case to case basis.

CCA at State Government rates not recommended

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

Payment of CCA as a lumpsum recommended

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

(Amount in Rs.)

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

SPECIAL COMPENSATORY ALLOWANCE

Definition

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

Previous Pay Commissions' Observations

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

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

Fourth CPC's recommendations

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

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

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

Demands before the Commission

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

i) Suitable criteria for measuring hardship/ difficulty should be evolved. The present system of following the State Governments' classification for eligibility for the purpose of SCA should be done away with, as it is not fair.

ii) The Composite Hill Compensatory Allowance, Bad Climate Allowance and Tribal Area Allowance should also be subsumed under SCA as the purpose of these allowances is also to compensate hardship.

Our recommendations

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

a) **The Composite Hill Compensatory Allowance, Bad Climate Allowance as well as Tribal Area Allowance be also subsumed under the head of Special Compensatory Allowance.**

b) **The following rates of Special Compensatory Allowance are recommended:-**

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

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

d) **Special Compensatory Allowance (Hill Areas) would be payable as under:-**

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

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

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

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

e) **Special compensatory Allowance (Tribal Area/Scheduled Area/ Agency Area) would be payable at the rate admissible for Part D in the table.**

f) **Special Compensatory Allowance (Bad Climate) would be payable at the rate admissible for Part D in the table.**

g) If more than one of the above allowances become admissible at a place, then the Central Government employee will have the option to choose the allowance which benefits him the most. Also City Compensatory Allowance will not be admissible to persons drawing SCA.

PROJECT ALLOWANCE

Definition

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

The present position

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

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

Our recommendations

106.18 **We recommend the following rates of Project Allowance:-**

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

TRAINING ALLOWANCE

Definition

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

Present Position

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

Our recommendations

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

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

ii) As far as possible, training institutions for Central Government

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

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

RISK ALLOWANCE

Definition

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

Views expressed by the previous Commissions

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

The present position

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

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

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

Categories demanding risk allowance

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

Our recommendations

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

Denotification of certain categories

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

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

b) **Deputy Directors and Assistant Directors in the Hotline Training Centre, Department of Power, Bangalore;**

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

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

Notification of certain categories for risk allowance

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

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

Rates of Risk Allowance

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

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

NIGHT DUTY ALLOWANCE

Definition

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

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

Our recommendations

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

TELEPHONE ATTENDANT ALLOWANCE

Our recommendations

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

ENTERTAINMENT ALLOWANCE

Our recommendations

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

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

Demands

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

AIS OFFICERS AND CENTRAL GOVERNMENT EMPLOYEES POSTED IN SIKKIM.

Our recommendations

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

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

SPECIAL (DUTY) ALLOWANCE

Demands and Our recommendations

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

TENURE OF POSTING

Demands and Our recommendations

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

RETENTION OF ACCOMMODATION

Our recommendations

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

CHILDREN EDUCATION ALLOWANCE

Our recommendations

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

MEDICAL FACILITIES

Our recommendations

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

TELEPHONE FACILITIES

Our recommendations

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

EMERGENCY PASSAGE

Our recommendations

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

107

Travelling Allowance

INTRODUCTION

Travelling Allowance

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

TRAVEL ENTITLEMENTS

Travelling entitlement while on tour and transfer in public interest

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

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

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

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

Daily Allowance

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

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

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

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

Accommodation entitlement while on tour

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

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

CATEGORY	ACCOMMODATION
Top Executives & Sr. Executives	**Reimbursement of actual expenditure incurred towards normal single room rent in a hotel of a category not above 5 star.**
Executives	**Normal single room in a hotel of a category not above 3 star.**

	A-1 class cities	A class cities & specially expensive localities	B-1 class cities & specially expensive localities	Others
Supervisory Staff	**Any hotel room up to Rs.200 per day**	**Any hotel room up to Rs.160 per day**	**Any hotel room up to Rs.120 per day**	**Any hotel room up to Rs.80 per day**
Supporting Staff	**Any hotel room up to Rs.150 per day**	**Any hotel room up to Rs.120 per day**	**Any hotel room up to Rs.90 per day**	**Any hotel room up to Rs.60 per day**
Auxiliary Staff	**Any hotel room up to Rs.100 per day**	**Any hotel room up to Rs.80 per day**	**Any hotel room up to Rs.60 per day**	**Any hotel room up to Rs.40 per day**

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

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

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

TRANSFER ALLOWANCE

Transfer Grant and Packing Allowance

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

Transport of Personal effects on Transfer

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

PROVISIONS FOR RETIRING EMPLOYEES

Transportation of conveyance for retired government employees

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

Composite transfer grant for retired government employees

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

TRANSPORT ALLOWANCE

Transport Allowance

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

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

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

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

(i) **Staff cars attached to individual officers should be permitted only to Top Executives in the Government and field functionaries who need such attached staff cars due to the nature of their work.**

(ii) **For all other officers, there should be a common pool of private vehicles which should be taken on daily hire on the basis of annual rate contracts. These should be the minimum necessary for transaction of official work.**

(iii) **The cadre of staff car drivers should be frozen, so that departments are finally left with only as many drivers as are required to ply the attached staff cars. All other posts should be gradually abolished, as and when a vacancy arises in the normal course. Surplus drivers should also be encouraged to take voluntary retirement with golden handshake.**

(iv) **In the interim period, such drivers may be redeployed on other duties by retraining. Surplus vehicles should also be disposed of.**

Transfer Allowance to Physically Handicapped Employees

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

ANNEXE - 107.1

RANGE OF CONVEYANCE ALLOWANCE

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

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

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

108

Leave Travel Concession

INTRODUCTION

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

DEMANDS

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

(i) Encashment of LTC should be allowed.

(ii) An allowance should be paid to cover incidental expenses.

(iii) Journeys on LTC should be allowed as per entitlement for official tours.

(iv) Foreign travel should be allowed on LTC.

(v) Frequency of LTC should be increased.

(vi) Rules prescribing travel by shortest route should be liberalised.

(vii) Employees posted in remote localities should be allowed air travel on LTC.

(viii) Facility of Leave Travel Concession should be extended to retired government employees.

(ix) Definition of dependents should be liberalised.

Reasoning behind the demands

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

OUR RECOMMENDATIONS

Encashment of LTC

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

Allowance for incidental expenses

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

Travel entitlement during LTC

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

employees may be permitted to travel by train by the class of accommodation to which they are entitled for journeys on official tour. We also suggest that government should initiate necessary amendments in the Income Tax Act, 1961 to exempt air travel on LTC from income tax.

Foreign travel on LTC

108.7 Permitting foreign travel on LTC is not in conformity with the rationale behind this facility. Besides, expenditure incurred on travel abroad at government expense would involve substantial financial implications which is a luxury the country can ill afford in the context of the overall constraints of resources and other pressing priorities. **We feel that this demand is devoid of any merit and cannot be accepted.**

Increasing the frequency of Home Town LTC

108.8 The LTC Rules envisage visit to any place in India once in a block of four years. Any increase in the frequency of the All India LTC would have substantial additional financial implications. Besides, even at present, all government employees do not avail themselves of this facility and any increase in its frequency would consequently not benefit all the employees uniformly. **Therefore, a general increase in the frequency of either Home Town LTC or All India LTC cannot be considered. However, such government employees as are posted outside their home town can be given an option to avail of the concession for travel to their home towns on three occasions in a block of four years (as against one Home Town LTC and one All India LTC presently admissible), by surrendering their claim to the All India LTC which would otherwise be admissible.** In our view, this would enable such of those transferable personnel, who are often posted far away from their home towns and have to undertake journeys annually to fulfil various family and social commitments, to visit their home towns at least thrice in a block of four years if not annually. **Simultaneously, the definition of home town should be made more stringent and the same criteria, as are now applied at the time of change of home town, should be applied even at the time when the first declaration of home town is made.**

Condition of travel by shortest route on LTC

108.9 As regards removal of the condition in regard to travel by the shortest route, we feel that the present restriction is a salutary one and should continue. **Powers to permit travel by a longer route in genuine cases should continue to be with the Ministry of Finance. Whenever, such travel by longer route is considered justified, the Ministry should formally issue general orders in order to minimise the time taken to reach the destination. In this decision- making process, the recommendations of the Local Central Government Employees Welfare Committee should form an important input.**

Allowing air journey to remote areas on LTC

108.10 Government employees posted in specified areas of North-eastern region, Andaman & Nicobar Islands, Lakshadweep and Ladakh are allowed to perform LTC journeys by air in certain sectors. We are aware that some other remote locations also deserve similar concessions However, we are not in a position to clearly demarcate such areas. **We, therefore, recommend that government should undertake a review of all such remote areas as early as possible and extend similar concessions to these areas in respect of travel during LTC**

Redefining dependent family members for LTC

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

Extension of LTC to pensioners

108.12 **We do not propose extension of the facility of Leave Travel Concession to the retired employees of the CentralGovernment on account of the enormous financial implications involved.**

LTC to Railway employees

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

109

Special Pay

Introduction

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

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

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

Revision of rates of Special Pay

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

employees are still in receipt of special pay of varying amounts at present. **We would, therefore, reiterate the recommendation of the Third CPC that "the device of special pay should be used as sparingly as possible". Based on our examination, we have separately recommended the discontinuance of the special pay in certain specific cases. We would also urge Government to undertake a thorough review of cases of special pay to determine the necessity for its continuance.**

Quantum of Special Pay

109.4 Pending completion of the review suggested by us, **the special pay already admissible may be doubled in those cases where this was sanctioned at the current rates between January 1, 1986 and December 31, 1990 and enhanced by 50 per cent in those cases where this was sanctioned only after December 31, 1990. The present ceiling on the quantum of special pay may, however, be removed.** It may also be clarified that only those cases in respect of which we ourselves have not made specific recommendations will be covered by this dispensation.

Treatment as "Pay"

109.5 Another demand of a large cross-section of employees is that special pay should be treated as pay for all purposes and that various allowances and pensionary benefits should be computed after taking into account this element. It has been argued in this context that the real value of the special pay gets continuously eroded because of the general escalation in prices. While this is not strictly germane to the demand, as the name itself suggests, special pay is not universally applicable but is admissible when the prescribed 'special' criteria are fulfilled. To treat this as pay would result in an invidious distinction between those entitled to this element and those who are not eligible by virtue of their duties and responsibilities, though both the categories of personnel may be in identical scales of pay. Besides, the definition of 'Pay' under F.R. was consciously amended by the Fourth CPC to exclude special pay and we are not in favour of widening its scope. **We are of the considered view that, as in the case of certain other allowances, this addition to pay should be sui generis and should not be reckoned for any other benefit, such as dearness allowance, house rent allowance, compensatory allowances, pension, gratuity, etc. Further, in order to avoid any confusion arising out of this element of the compensation package being termed as a kind of pay, we would suggest that this should henceforth be termed "Special Allowance" and not "Special Pay".**

Special Pay for Desk Officers and Attaches

109.6 Section Officers and Assistants of the Central Secretariat Service appointed as Desk Officers and Desk Attaches respectively in various ministries and departments are presently entitled to a special pay of Rs.150 and Rs.75 per month. Apart from urging that the special pay should be enhanced to Rs.750 and Rs.500 per month, the Association representing the Group 'A' Officers of the Central Secretariat Service has also represented that the special pay should be extended to the Under Secretaries of the Service who function as Desk Officers. We have separately recommended separate and distinct higher scale of pay for the Desk Officers and the withdrawal of the special pay presently admissible on this account to the Section Officers. **The question of any enhancement of the special pay does not, therefore, arise. We do not also recommend any special pay to Under Secretaries functioning under the Desk Officer system, having regard to our expectation that it should be possible, in the none too distant a future, to ensure that the Central Secretariat is entirely officer-oriented.**

Upper Division Clerks in Subordinate Offices

109.7 In the subordinate offices of various ministries and departments, incumbents of 10 per cent of the posts of Upper Division Clerk are entitled to a special pay of Rs.70 per month in consideration of the complex responsibilities entrusted to them. Apart from suggesting that the special pay should be enhanced to Rs.150 per month, it has also been urged that the special pay should be admissible to all Upper Division Clerks as have rendered five years' service. It has also been brought to our notice that since this special pay is taken into account for purposes of fixation of pay on promotion, it often happens that the pay of a junior Upper Division Clerk in receipt of special pay is fixed at a stage higher than that of the senior not in receipt of the special pay, which results in an anomalous situation. **This problem will cease to exist because we have separately recommended that 10 per cent of the posts of Upper Division Clerk in subordinate offices to which the special pay is presently attached may be placed in a higher replacement scale corresponding to Rs.1600-2660, and the special pay simultaneously withdrawn. The question of any enhancement does not also consequently arise.**

INCENTIVES FOR PROMOTING SMALL FAMILY NORMS

Incentives available

109.8 Promotion of small family norms is a national priority and emphasis has to be laid on their adoption by all citizens. The attitudes and life styles of public servants greatly influence the general masses and have a demonstrative effect. It was perhaps in recognition of the significant role that could be played by the large segment of government servants in containing the population explosion that Government introduced, in September 1979, the following incentives aimed at encouraging its employees to promote small family norms:

(a) Payment, in the form of personal pay, of a special increment equal to the normal increment due at the time of undergoing sterilisation or the increment last drawn by those already drawing pay at the relevant time at the maximum of the applicable scales of pay: and

(b) a rebate of 0.5 per cent in the rate of interest applicable on the house building advance availed of by them.

Conditions of admissibility

The incentives are admissible subject to the fulfillment of the following conditions;

(1) The number of surviving children should not be more than three or there should be at least one surviving child.

(2) Male employees entitled to the incentives should not be more than fifty years old, the age of their spouses being between 20 and 45 years.

(3) The ages of female employees and their spouses are not to exceed 45 and 50 years respectively.

Demands

109.9 Varying suggestions have been received by the Commission urging an increase in the number of special increments to three or even five, payment of a lump sum amount, ranging between Rs. 10,000 and Rs. 20,000 in

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

Enhancement of incentive

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

Exercise of option

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

Revision of increments as per new scales

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

Disincentives

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

Incentives for adopting other family planning methods

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

Treating Personal Pay as Pay

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

Fixation of revised salaries

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

Grant of retrospective effect

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

Payment of incentives to pensioners

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

110

Deputation (Duty) Allowance

Introduction

110.1 The mechanism of appointing personnel on deputation to certain posts in government has been adopted in order to attract persons possessing the necessary expertise to occupy, for a relatively short duration, posts requiring specialised knowledge or skills or to perform, in public interest, functions that are outside their normal sphere of responsibilities. Personnel appointed on deputation to posts in the Central Government are entitled to an incentive in the form of Deputation (Duty) Allowance, which is paid as a distinct and separate element and is discontinued on completion of the tenure on deputation. The quantum of the allowance has been revised from time to time and is presently admissible at the rate of 5 per cent of the basic pay, subject to a ceiling of Rs.250 per month, when the deputation assignment is within the same station and at the rate of 10 per cent of the basic pay, subject to a maximum of Rs.500 per month, when the assignment involves a change of station.

Revision of Rates of Allowance

110.2 Employees and associations representing them have brought to our notice that the present rates of deputation (duty) allowance are inadequate and have suggested that these should be enhanced to 10 to 20 per cent of the pay, subject to a maximum of Rs.1,000 per month, for deputation within the same station and to 20 to 40 per cent of the pay, subject to a maximum of Rs.2,000 per month, when a change of station is involved. As an alternative, payment of a fixed monthly amount has also been suggested. In support of the demand for an enhancement of the allowance, some of the ministries and departments have also highlighted difficulties in filling ex-cadre posts on deputation because of the unwillingness of personnel to accept such assignments on payment of a meagre allowance. The quantum of the allowance in absolute terms would, however, increase when computed with reference to the revised scales of pay recommended by us and would represent a significant addition to one's emoluments. **We are, therefore, not in favour of any increase in the present rates expressed as percentages of the basic pay. The ceilings on Deputation (Duty) Allowance may, however, be removed for all categories of employees.**

Linkage with Consumer Price Index

110.3 It has been urged that the allowance should be linked to the consumer price index to facilitate its periodical revision and that it should also be reckoned as pay for all purposes including pensionary benefits. This allowance is only a short-term compensation for the dislocation involved in deputation assignments and is admissible only during the prescribed tenure. Therefore, any linkage, as suggested, with the consumer price index or any move to treat it as pay for all purposes will not be justified. **We are of the considered view that the allowance should be sui generis as at present and should not be reckoned for any other benefit, such as house rent allowance, compensatory allowances, pension, gratuity, etc. We would, however, recommend that Government themselves may review the rates periodically without awaiting the recommendations of subsequent Pay Commissions.**

Personnel on deputation to CBI and IB

110.4 Deputation (Duty) Allowance in respect of personnel of the Central Police Organisations, State Police forces, etc., appointed to posts in the Central Bureau of Investigation - where the deputation component at crucial levels is stated to be around 60 per cent - and the Intelligence Bureau is regulated in terms of the special orders issued for the purpose. Whereas personnel deputed to the former organisation from outstations are presently entitled to the allowance at the rate of 20 per cent of their basic pay, subject to a maximum of Rs.500 per month, those appointed in the latter are entitled to a fixed amount ranging between Rs.75 and Rs.225 per month, depending on the post held by them and the scale of pay. **After careful consideration and taking into account our other recommendations relating to these two agencies, we are of the view that the Deputation (Duty) Allowance in these cases should also be regulated only in terms of the general orders on the subject, modified to the extent of our recommendation in paragraph 110.2 supra in regard to removal of the ceiling on the quantum of allowance.**

Central (Deputation on Tenure) Allowance

110.5 Apart from Deputation (Duty) Allowance, Officers of the All India Services and other Group `A' Central Services appointed as Under Secretary, Deputy Secretary and Director in the Central Ministries and Departments under the Central Staffing Scheme are entitled to a Central (Deputation on Tenure) Allowance, also termed as Special Pay, at the rate of 15 per cent of their grade pay, subject to a maximum of Rs.400 per month for Under Secretaries and Rs.500 per month for Deputy Secretaries and Directors. This is further subject to the condition that the officers' grade pay plus the special pay shall not exceed Rs.4,500 in the case of those appointed as Under Secretaries and Rs.5,850 per month in respect of those appointed as Deputy Secretaries or Directors.

Review of Rates

110.6 Associations representing the Group `A' Officers have demanded an enhancement of the Central (Deputation on Tenure) Allowance, removal of the ceiling on its quantum, and its payment to all officers appointed in ministries and departments under the Central Staffing Scheme. As in the case of the Deputation (Duty) Allowance, there would be a significant increase in the allowance based on the revised scales of pay recommended by us. **We, therefore, consider the present rate of 15 per cent of the grade pay to be adequate and do not recommend any increase.** The present ceilings of Rs.400 and Rs.500, however, operate harshly in the case of those officers drawing pay in their parent departments either at the maximum of the applicable scale of pay or at its higher stages. Central deputations also involve considerable dislocation and we understand that officers are unwilling to accept appointments as Under Secretary,

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

Extension to Personnel not presently covered

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

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

111

Bonus

INTRODUCTION

Historical background

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

ILO Definition

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

Concept in India

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

Bombay High Court's Judgement

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

Committee on Profit Sharing 1948

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

interest in the fortunes of the concern in which he works This means no share for labour in units which do not make profits. The main considerations for grant of bonus were discussed by the Labour Appellate Tribunal which evolved in 1950 a formula known as the Full Bench Formula, which is based on the principle that (i) both labour and capital contribute to the prosperity of an establishment and social justice requires that workmen should be allowed a reasonable share in the prosperity, and (ii) the gap between the living wages and actual wages should be filled in, at least partly, by way of payment of bonus.

PAYMENT OF BONUS ACT, 1965

Bonus Ordinance issued

111.6 A Tripartite Commission known as the Bonus Commission under the Chairmanship of Shri M.R. Mehar was constituted on 6.12.1961. The recommendations of this Commission were accepted by the Government in 1964, subject to certain modifications. After discussion with the Standing Labour Committee in December 1964 and March 1965, the legislation on Bonus was finalised and was issued on 29.5.1965 as the Payment of Bonus Ordinance 1965. The Ordinance was replaced by an Act on 25.9.1965.

Salient features

111.7 The Act was meant to provide for the payment of Bonus to persons employed in an industrial establishment and drawing a salary of Rs.1600 per month. In the case of those drawing between Rs.750 and Rs.1600 per month, bonus was to be calculated as if their salary were Rs.750 per month only. The Act provided for a minimum bonus of 4% of pay including dearness allowance or Rs.40, whichever was higher irrespective of profits. It also provided that the bonus under the general formula would not exceed 20% of salary/wage.

Bonus formula

111.8 A bonus of 4% of pay including dearness allowance was to be paid irrespective of any profits. More bonus up to 20% could be paid if there was more allocable surplus which is 60% (or 67% in the case of non-resident companies) of available surplus. The available surplus is the amount left after deducting prior charges from the gross profits of establishments during an accounting year. The Bonus Act defined the following as the prior charges:-

Prior charges defined

(i) Depreciation as admissible under the Income Tax Act or the Agriculture Income Tax Law.

(ii) Development rebate or development allowance.

(iii) Direct Tax payable by the employer.

(iv) Dividends

(v) 8.5% of paid up equity share capital.

(vi) 6% of reserve.

Scheme of Set On and Set Off

111.9 If the allocable surplus exceeds the amount that is enough to make a payment of 20% bonus, the balance is set on for the next accounting year and so on up to the fourth accounting year. If, however, the amount of allocable surplus falls short of the amount that is required to make the payment of minimum bonus,

the portion by which it falls short is set off for the next accounting year and so on up to the fourth accounting year.

Production/ Productivity Linked Bonus

111.10 The Act also provided that bonus could be paid in terms of an agreement/settlement linking it to production/productivity as an alternative to the above bonus formula. There was no maximum limit for this kind of bonus.

Exclusion of Public Sector Undertakings

111.11 A Public Sector Undertaking was generally excluded from the purview of the Act, unless it sold goods or rendered services in competition with an establishment in private sector and the incomes from such selling of goods or rendering of services were not less than 20% of its gross income.

Other excluded categories

111.12 The Act was not applicable to employees employed by an establishment engaged in any industry carried on by or under the authority of the Central Government or a State Government or a local authority. This includes departmental establishments like Railways, Defence, P&T, Government of India Presses etc. The other categories of employees excluded from the purview of the Act are listed in Section 32 of the Act.

REVIEW COMMITTEES

Bonus Review Committee

111.13 A Bonus Review Committee was constituted on 28.4.1972 to review the operation of Payment of Bonus Act 1965 under the Chairmanship of Dr. D.K. Madan. In the absence of unanimity, two Interim Reports, one signed by the Chairman and three Members and another by four Members, were submitted to the Government on 13.9.1972. Both these Reports recommended that for the time being, the concept of Bonus in the Bonus Act should remain unchanged. In 1972, the minimum bonus of 4% of pay including dearness allowance was raised to 8-1/3% for the accounting year 1971-72 after considering the Reports of the Bonus Review Committee.

Ex gratia to non-competitive PSUs

111.14 In 1966, the Government extended, by a Cabinet decision, benefits available under the payment of Bonus Act to industries which were excluded from the purview of the Act (PSUs which were not competing with private sector units). This led to the struggle for bonus by the employees of the industries run departmentally like Railways, Post & Telegraphs etc. The denial of their demands led to the famous Railway strike in 1974.

Bhoothalingam Committee

111.15 To help evolve an integrated policy on wages, incomes and prices, the Central Government had set up a study group under the Chairmanship of Shri S. Bhoothalingam, a retired Secretary to the Government of India. The recommendations of the study Group as summarised by them, on the question of bonus, are as follows:

(i) Bonus not to be extended to new areas and to be phased out in unsuitable areas and replaced by other measures of performance.

(ii) Appointment of a pay committee to examine the pay structure of industrial employees in Railways and other Government departmental undertakings.

(iii) Existing system of bonus to continue for the present.

(iv) Create suitable machinery for quick decisions on disputes regarding allocable surplus.

(v) Government to initiate talks with trade unions and managements to explore possibility of replacing bonus by long-term benefits like retirement pensions, temporary unemployment relief, etc.

(vi) Scheme for creating a generalised pension fund.

(vii) Divert part of allocable surplus in high- profit industries towards financing of rural employment scheme.

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

Productivity Linked Bonus Scheme

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

AD HOC BONUS SCHEME

PLB schemes reviewed

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

Ad hoc bonus paid

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

AD HOC BONUS TO CENTRAL GOVERNMENT EMPLOYEES

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

PRODUCTIVITY LINKED BONUS SCHEMES

PLB Scheme in Railways

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

p.m. respectively. In the earlier schemes, no weightage was attached to the input factor. Therefore, in order to make the scheme more meaningful and productivity oriented, formula based on the ENTKMs as output and open line staff strength as input was introduced from the year 1986-87. The eligibility ceiling was revised from Rs.2,500 p.m. to Rs.3,500 p.m. The next review of the PLB Scheme was carried out in the year 1993 and it was decided to extend the existing formula for the next three years. Simultaneously, the staff side raised the demand for revision of eligibility ceilings so as to cover all non-gazetted employees. It was pointed out that with the increase in dearness allowance, a large number of employees belonging to important categories like Drivers, Guards, Station Masters, etc. got excluded from the purview of the PLB Scheme. Finding the demand justified, the Government raised the eligibility ceiling from Rs.3,500 p.m. to Rs.4,500 p.m. for the year 1992-93 onwards. The calculation ceiling was, however, revised from the year 1993-94 to Rs.2,500 p.m.

Railway Reforms Committee

111.20 Certain deficiencies pointed out by the Railway Reforms Committee (RRC) in the PLB scheme of the Railways have been considered by the Ministry of Railways and the suggestion that PLB should be based on traffic tonne kilometers per employee excluding staff in the production units has been included in the PLB formula which is currently in operation. The other two suggestions that there should be phased change in formula for bonus by relating it to Zonal and later Divisional performance instead of a single all railway figure, and that some part of PLB may be paid in the form of non-monetary benefits have not been found to be administratively acceptable by the Ministry of Railways on the ground that the performance achieved by the Railways is not dependent on a particular zone but depends on the entire system, the components of which are mutually dependent on each other.

Review of Scheme likely

111.21 We have been informed by the Ministry of Railways that the existing formula is sought to be reviewed by including the capital as an additional input with 1990-91 to 1992-93 as the base to make the formula more realistic. They have further informed that the refinement sought in the formula is linked with enhancement/removal of ceiling on emoluments for eligibility to PLB. For the accounting year 1995-96, all Groups 'C' and 'D' Railway employees have been paid PLB without any ceiling on wages for eligibility. The details of calculation of bonus for the year 1994-95 in respect of Railway employees have been given in Annexe 111.1.

PLB in P&T

111.22 PLB Scheme for P&T employees was introduced in the year 1980 as a result of an agreement reached between the Department and the staff side at the Departmental Council of JCM. The performance for the year 1976-77 was adopted as the base year. For each one point increase beyond the Productivity Index (PI) of 100, one day's additional bonus was payable over and above 25 days' wages. For every fall of 0.7 point in the PI, bonus was to be reduced by one day. If the PI fell below 95, no bonus was payable for that year.

PLB in Department of Telecom

111.23 After bifurcation of the erstwhile P&T Department into Department of Posts and Department of Telecom, the formula was revised on the basis of a detailed study carried out through the National Productivity Council (NPC) and on their recommendations, the base year was changed from 1976-77 to 1985-86. For PI of 100 points, bonus equal to 40 days wages was payable and for every increase of 5 points, additional bonus for one day was payable. Similarly, for

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

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

Method of calculation

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

PLB in Department of Posts

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

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

PLB in Production Units under Ministry of Defence

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

PLB for AOC, EME, Navy and Air Force

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

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

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

COVERAGE AND FINANCIAL IMPLICATIONS

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

POSITION IN STATE GOVERNMENTS

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

POSITION IN PSUs

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

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

Production incentive bonus scheme

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

REFERENCE MADE BY GOVERNMENT

Amendment in the Terms of Reference

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

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

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

EFFORTS MADE

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

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

Options available

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

REPRESENTATIONS BY ASSOCIATIONS

Railway Federations

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

Postal Officers' Associations

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

All India Postal Officers (Accounts) Association

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

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

GSI Scientific Officers' Association

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

Confederation of Central Government Employees and Workers

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

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

Federation of Central Secretariat and Allied Offices' Employees

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

Views of certain departments

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

11.43 Ministry of Railways, Department of Telecom, Department of

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

OBSERVATIONS OF COURTS

Observations of Supreme Court

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

Nature of bonus

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

(a) **Bonus is not a bounty graciously made by the employer**. It is a cash payment made in addition to wages. It generally represents the cash incentive conditionally made on certain standards of attendance and efficiency being attained, when the wages fall short of living wages and when the industry makes profits which are partly a result of contributions made by the workers.

(b) **Bonus is not an ex-gratia payment. It is a claim of the workers for a share in the profits for which they are partly responsible**. Thus even if the wages paid are living wages, workers are entitled to bonus under certain circumstances.

(c) **Bonus is not a deferred wage**, so it cannot have a precedence over dividends. Although the bonus paid on the basis of any agreement or contract between the parties can be regarded as a deferred wage.

(d) **Bonus is a cash payment made in addition to wages as a stimulus to extra work and efficiency** by the workers.

(e) **Bonus is not an honorarium**. It is paid on the basis of amount of profits made and contribution of the workers generally to such profits, whereas honorarium is paid for extraordinarily good services provided by an individual worker.

OUR APPROACH

Concept of Bonus

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

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

Our approach

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

Our observations

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

Our recommendations

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

(1) **The ad hoc Bonus Scheme should be replaced by a Productivity Linked Bonus Scheme** to be evolved by each department in consultation with experts in the field and the departmental council of the JCM, within a period of 9 months from the date of notification of such a decision by the Government.

(2) **The bonus scheme in the Department of Revenue** in respect of employees in Central Board of Direct Taxes and Central Board of Excise and Customs **should be based on seizures of contraband, evasion of customs/excise duty, detection of under/over-invoicing of import/exports, infringement of import/export licensing laws, number**

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

(3) **The payment of bonus should be linked to productivity and not to production** as at present because in highly mechanised and modernised industries such as Telecom, there is not much scope for employees to increase or decease the production as most of the jobs are done automatically in a mechanical and routine way. With the installation of highly sophisticated electronic/digital exchanges with increased installed capacity, the number of telephones would automatically increase without any substantial contribution of the employees. Likewise, in the Department of Posts, with the introduction of automatic sorting machines, transmission of money orders through satellite and computerisation of most of the postal functions at the counters, the output is bound to increase without any significant contribution of the individual employees. Such changes in the methods of work or induction of advanced technology warrant evolution of new work norms.

(4) **The formula to be evolved for measuring productivity should be based on an input-output ratio** by assigning due weightages to land, labour, capital and enterpreneurship which are the major inputs needed for achieving output. In case of increase or decease in any of these components, the weightages should be adjusted.

(5) **Other important factors such as quality of service, customer satisfaction, punctuality in running of trains, observance of schedule for delivery of letters and money orders, rectification of telephone faults, transportation of goods and their delivery etc. should be accorded due weightages** while measuring productivity.

(6) **The base for measuring productivity should be the average performance of the two best years during the last five years.**

(7) **The payment of bonus should be restricted to those employees who are categorised as Auxiliary and Supporting Staff and are in receipt of emoluments not exceeding Rs.4500 per month** in the revised scales of pay. In other words, the eligibility ceiling shall be Rs.4500 per month.

(8) The **existing calculation ceiling of Rs.2,500 should be retained.**

(9) **There should be no minimum bonus** either in the ad hoc or Productivity Linked Bonus schemes.

(10) **There should be a ceiling of 30 days' wages under the current ad hoc Bonus Scheme and 55 days under the Productivity Linked Bonus Scheme.**

(11) **The practice of treating the productivity index of the base year as hundred and the ratio of 1:0.7 for calculating payment for achievements above and below the base year's index should continue.**

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

(12) **In the event of productivity falling below the productivity index of 90, no bonus should be payable, as at present**.

(13) **For a productivity index of 100 of the base year**, one **should be uniformly entitled to bonus for 15 days**, and not 25 or 40 days as is the position at present in the case of Department of Posts, Defence Production Units and Department of Telecom.

(14) **The concept of disqualification for bonus should be introduced**. Employees who are involved in departmental proceedings as for a major penalty or who are placed under suspension or those who are charged with criminal offences involving moral turpitude or employees whose increment is withheld under the scheme of performance related increments should be disentitled for bonus.

(15) In order to measure accurately the productivity of service-oriented departments like Department of Posts, **the goods produced and services offered by such departments should be priced according to the cost**. Subsidy, if any, for these goods/services should be in visible terms and not a hidden one.

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

Annexe 111.1
(See para No 111.21)

PRODUCTIVITY LINKED BONUS FOR RAILWAYS FOR THE YEAR 1994-95

Existing formula for calculation of PLB :-

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

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

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

B = Average of PLB days in the preceding three years

Base Index (BI) :-

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

No. of staff (Open line)

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

Base Index = $\frac{(I)}{(ii)}$: $\frac{268815 \text{ Million}}{1545467}$

= 173938 (iii)

No. of PLB days paid (B):-

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

Average for the 3 years : 49 (iv)

Productivity Index (PI) for 1994-95

Goods NTKMs = 249564 Million

PKMs (Non-suburban) = 251378 Million

Equated NTKMs = 249564 Million + (I.071 x 251378 million)

= 267412 million (v)

No. of staff = 1507901 (vi)

Productivity for 1994-95 = (v) / (vi) = 267412 million / 1507901

= 177340 (vii)

PLB payable for 1994-95 = (vii) / (iii) x (iv) = 177340 / 173938 x 49

= 49.96

= 50 days

Annexe 111.2
(See para No.111.24)

PRODUCTIVITY LINKED BONUS SCHEME FOR THE EMPLOYEES OF DEPARTMENT OF TELECOMMUNICATIONS

Productivity Index for year n

$$Kn = \frac{40 \times An}{Ao} + \frac{7 \times Bn}{Bo} + \frac{20 \times Cn}{Co} + \frac{10 \times Dn}{Do} + \frac{15 \times En}{Eo} + \frac{8 \times Fn}{Fo}$$

Where- Kn = Productivity for year n
An, Bn etc. are A,B etc. factors for year n
Ko = Productivity index for year 1985-86 (= 100).

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

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

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

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

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

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

Wp = No. of regular employees other than telegraph traffic + corresponding equivalent of OTA + 0.5% casual labour

Wt = No. of telegraph traffic regular employees+ corresponding equivalent of OTA + 0.5% casual labour

112

Housing Facilities and House Rent Allowance

HOUSING : A CONDITION OF SERVICE

National Housing Policy

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

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

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

Investment in housing

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

Investment in Housing during different Plan Periods

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

Housing satisfaction levels

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

HOUSING FACILITIES TO CENTRAL GOVERNMENT EMPLOYEES : AN OVERVIEW

Department	No. of Staff	Quarters	Satisfaction level (% age)	Hostel Accommo-dation	Housing Welfare Orgn.	Rent Free Accommo-dation	Lease Accommo-dation	Basic Ameni-ties in Quarters	Separate Pool
Railways	16,02,051	6,22,982	38 89	Yes	Yes	Yes	Yes	Some without basic amenities	No
Telecom	3,85,648	27,540	7 14	NA	NA	NA	NA	NA	NA
Posts	2,87,016	20,880	7 27	No	No	Yes	No	Yes	No
Defence Civilians	6,72,216 (partly covered by General Pool)	NA	15 to 29	Yes (in some Orgns)	No	No (some excep-tions)	Yes only D.G. Defence Estates	Yes	No (except for DRDO, Air Force)
General Pool	11,00,000 (estimated)	92,071	8 37	Yes	Yes	Yes	No	Yes	Yes
	3,25,169 (Projected Demand based on limited applications)								
	Average Satisfaction level	**:16.73**				NA Not Available			

Note: Data received during 1995-96

Planned Statisfaction levels

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

Satisfaction levels in other countries and PSUs

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

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

PSUs :

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

Our recommendations

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

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

Tight resource position of Government

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

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

Hire purchase

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

Satisfaction unlikely to improve

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

Need for higher investments in housing

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

Availability of land

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

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

EARC recommendations

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

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

We believe it was not the intention of either the Government or Parliament that the ULCRA should lead to the kind of results that it has..... Urban housing seems to have got into a vicious circle. Non-availability of building sites comes in the way of investment by those who have the funds, and lack of finance limits construction by the Government which does have a lot of land at its disposal..... It is, in our judgement, possible to evolve arrangements under which such surplus land as has come to the Government under ULCRA and private capital seeking investment in housing can be brought together in a socially beneficial manner."

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

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

ii) The first preference in priorities of allotment should be to corporate bodies in the public sector as well as in the private sector who are looking for land to construct housing for their own employees.

iii) Since the allotment of land to private parties will place additional funds at the disposal of Government, these could be utilised for expanding public housing programmes.

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

Housing finance

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

i) Floating of Joint Sector Housing Companies with public and private agencies sharing 25% and 24% equity holding and remaining 51% being public equity.

ii) Legislative changes in the property laws which curtail the market.

iii) Implementation of standardised credit appraisal, loan structure and interest payment procedures by regulatory authorities, particularly NHB.

iv) Housing re-finance for individual loans - securitisation of loans wherein pools of individual loans or receivables are packaged, underwritten and distributed to investors in the form of securities.

v) Changes in the laws to enable sale of property in case of default by the borrower, uniform procedures in underwriting methods and loan origination procedures, introduction of mortgage insurance, etc.

vi) NHB to raise funds in the global market at low interest rates of 5-6% and pass on to HFCs

vii) Clubbing of housing finance with real estate development projects.

viii) Integration of housing finance companies with the commercial banks.

Housing finance companies

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

Housing Fund

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

i) Variable rates of contribution according to category

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

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

ii) Rate of interest = 13% i e., one percent more than interest on PF. Additional one percent at the time of maturity by Government as a welfare measure.

iii) Tax exemption on contributions to the fund

iv) Fund to be managed in the same manner as CGEGIS.

v) No advance from the Fund.

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

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

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

Multi-pronged strategy necessary

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

Support to cooperative societies

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

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

Leased Accommodation

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

Ceiling limits in Railways

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

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

Provision of leased accommodation

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

Our recommendations

112.23 **Accordingly, we make the following recommendations:-**

The Government should provide/facilitate :-

i) Availability of **cheap developed land** with or without private sector participation. The Government must conduct a survey to identify surplus land available with Railways, other Central Government departments and in Defence cantonments. The Government may also consider suitable liberalisation of the provisions of the Urban Land Ceiling Act with a view to removing the inhibiting factors in the utilisation of urban land to ease the housing situation in the country. The existing land use pattern of Government buildings should also be changed so as to provide for multi-storeyed flats instead of independent bunglows.

ii) **Priority allotment of land** to Central Government Employees Cooperative Housing Societies and to organisations like Central Government Employees Welfare Housing Organisation (CGEWHO) and Indian Railway Welfare Organisation (IRWO);

iii) **Massive infusion of cheap housing finance** through National Housing Bank, Housing Finance Companies and by encouraging private/joint sector housing finance companies;

iv) **Adequate repayment capacity** of Central Government employees;

v) **Leased Accommodation** : Government must take residential accommodation on lease and provide it to employees. The dwelling units constructed by Government employees with or without the assistance of Government should also be taken by the Government for this purpose. The Government must, however, ensure the following in such cases :-

- Adequate Rent
- Periodic Revision of Rent
- Vacation after termination of lease-contract

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

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

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

The **residential properties taken over by the Government**

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

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

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

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

Variable rates of contribution according to category :-

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

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

120, 180, 300 or 360 months.

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

Income Tax exemption on contributions to the fund.
No advance permissible from the Fund.
The **Housing Fund** be kept outside the Government and managed by a Trust comprising trustees representing contributors and sponsor. The detailed modalities in this regard may be worked out by the Government on similar lines as for **Pension Fund** recommended by us.

HOUSE BUILDING ADVANCE

Present scenario

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

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

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

S.No	Pay range of Employees Rs.	Type of G.P accommo-dation	Area in Sq Mt.	Rate per Sq. Mt. Rs	Cost of construc-tion per Unit (Exclu-sive of cost of land (Rs.)	Amount of HBA at the rate of the pay range Rs.	Percentage of HBA to cost of con-struction	Uncovered Difference between cost of con-struction and HBA (Rs.)
1.	2.	3.	4	5.	6	7	8	9
1	750-940	I	46.75	6359	2,97,283	47,500	15.97%	2,49,283
2.	950-1499	II	57.75	6243	3,60,533	75,000	20.8%	2,85,533
3.	1500-2799	III	70.20	6204	4,35,520	1,40,000	32.14%	2,95,520
4.	2800-3599	IV	98.20	6183	6,07,170	2,25,000	37.05%	3,82,170
5.	3600-4499	V-A	189.56	5895	11,17,456	2,50,000	22.37%	8,67,456
6.	4500-5899	V-B						

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

ii) Cost of construction in and around Delhi in 1990 was 3 to 6 times more than admissible HBA (Source : Indian Railway Welfare Organisation) (Annexe 112.1).

iii) Residential building cost index increased by 3.5 times for Delhi during 1984-1994.

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

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

(Source : National Buildings Organisation.)

iv) Urban Land Prices in metropolitan cities of the country during 1984-85 to 1992-93 have increased many times. (Source : Town and Country Planning Organisation).

v) Percentage increase in prices for apartments in Delhi during 1994-95 ranged between 88% to 114%.

Delhi Price Trends - Apartments
Market Price for 2000 square feet Apartment

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

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

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

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

Final Cost	9,125.00

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

vii) Number of years a household would take to save for a Rs.10 lakh house in Delhi/Bombay.

93% of the hoseholds will take 16 to 50 years to save for a house of Rs.10 lakhs. (World Bank Data).

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

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

HBA inadequate

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

Employees' contribution

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

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

Sensitivity analysis

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

HBA : COST OF CONSTRUCTION : REPAYING CAPACITY : RATIOS

Maximum Admissibility		HBA/Cost of Construction (excluding land)			Repaying Capacity/Principal HBA + Interest		
		Assumed Pay Increase					
	Pay Range*	3 times Rs.	3.5 times Rs.	4 times Rs.	10% Rs.	7.5% Rs	5% Rs
50 times basic pay	1	48	56	64	96	107	122
	2	62	73	83	96	107	122
	3	96	112	129	96	107	122

	4	89	104	119	96	107	122
	5	60	70	81	96	107	122
45 times basic pay	1	43	50	57	107	119	136
	2	56	66	75	107	119	136
	3	87	101	116	107	119	136
	4	80	93	107	107	119	136
	5	54	63	72	107	119	136
40 times basic pay	1	38	45	51	120	134	153
	2	50	58	67	120	134	153
	3	77	90	103	120	134	153
	4	71	83	95	120	134	153
	5	48	56	64	120	134	153

* As in para 112.24
(Note : Cost of Construction Source Ministry of Urban Affairs & Employment)
Repaying Capacity @ 35% of Basic Pay for 20 years (existing formula)

We find that --

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

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

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

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

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

Our recommendations

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

05 years hence Rs.20.11 lakhs
10 years hence Rs.40.45 lakhs
15 years hence Rs.93.58 lakhs

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

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

Existing (Rs.) *Proposed (Rs.)*

- HBA

Maximum admissible amount	2 5 lakhs	7 5 lakhs (i.e 3 times of the present amount)
Quantum	No change proposed i.e., 50 times the monthly basic pay or the actual cost of construction/acquisition or repaying capcity or Rs 7 5 lakhs which ever is the least	
For Rural Areas	No change i.e 80% of the cost of construction or entitlement whichever is lower	
For enlargement of existing house	50 months pay or Rs.60,000 whichever is less	50 months pay or Rs 1 8 lakhs whichever is less

Rate of Interest	Amount of Loan Sanctioned Rs	From 26 7 90 onwards	Upto 1 5 lakhs - 6%
			1 5 to 3 lakhs - 7 5%
	Upto 25,000	7 5%	3 to 5 lakhs - 9%
	25,001 to 50,000	7 5%	5 to 7 5 lakhs 11%
	50,000 to 75,000	9.0%	
	75,001 to 1,00,000	9.0%	
	1,00,000 to 1,50,000	10.0%	
	1,50,001 to 2,00,000	11.0%	
	2,00,001 to 2,25,000	11.5%	
	2,25,001 to 2,50,000	12.0%	

Recovery	No change proposed	
Cost Ceiling	Mirumum 2 5 lakhs	7 5 lakhs
	Maximum 6 lakhs	18 lakhs

Proposed Housing Fund Scheme (HFS) andHBA

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

Housing Loan Scheme (HLS)

Subsidy on interest

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

Loans from World Bank, ADB

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

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

Social Security net for HBA

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

HOUSE RENT ALLOWANCE

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

HRA and Market Rent

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

Source Ministry of Urban Affairs and Employment Data received in 1995

Rent Control

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

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

i) Exemption of all new apartments from the ambit of the law would make all such houses virtually out of reach of those who cannot afford high rents.

ii) The 10% rise in the standard rent based on constructional cost and the market price of the land at the time of construction would hit the middle and lower class hard. With real estate prices sky-rocketing every year even a modest flat would cost nothing less than Rs.4 to 5 lakhs - rent would be Rs.2500 to Rs.4500.

iii) The yearly revision of standard rent to compensate for inflation and ensuring a fair return for investment on housing also does not take into account the tenants' ability to pay. In metropolitan cities people spend upto 45% of their incomes on rent.

Urban scenario in India

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

i) The urban population which was 50 million (approx. 14% of the national population) in 1947 reached 217 million (25.7% of country's population) in 1991 - during this period the country's population only doubled from 350 million to 628 million. The urban population is projected to reach 350 million by the turn of the century.

ii) Seven of the 13 cities in the world with population of more than 10 million are in Asia, of which two - Mumbai and Calcutta - are in India. Delhi would soon be joining the list.

iii) Nearly 50% of the urbanites live in the 91 towns that have a population of 3 lakhs or more. The metropolitan cities of Mumbai, Calcutta, Delhi, Bangalore, Chennai and Hyderabad that accommodate nearly 25% of urbanites recorded increases in population ranging between 30% to 50% in the eighties.

iv) Delhi and Mumbai annually receive 5-7 lakh people. The cities are, therefore, hardpressed not only to cater to the growing needs of their permanent population but perforce have to meet the shelter needs of the migrants who are on the look-out for rented premises both for business and residential purposes.

Increase in rents

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

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

Bombay					
Res.3 Bed	35	60	100	180	73
Commercial	85	125	160	260	49
Delhi					
Res.3 Bed	15	25	50	60	53
Commercial	45	65	80	130	43
Bangalore					
Res 3 Bed	08	10	15	40	81
Commercial	15	30	40	75	74

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

Classification of cities

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

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

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

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

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

Total payment on housing

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

Item	Weightage	
	Industrial Workers (CPI 1981)	Urban Non-manual employees (1982-83)
Food	57.00	47.13
Pan, Beedi & Intoxicants	3.15	--

Fuel	6.28	5.48
Housing	**8.67**	**16.41**
Clothing	8.54	7 03
Misc	16.36	23.95

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

Pay Range (Rs.)	Total Payment on Housing (Rs.)		Ratio of Total Payment on Housing to Market Rent	
	IW	UNME	IW	UNME
750-949	302	438	20 13	29.02
950-1499	491	705	19.64	28.02
1500-2799	899	1300	25.68	37 14
2800-3599	1021	1397	20 42	27 94
3600-4499	1221	1597	20.35	26.62
4500 & above	1421	1797	18.95	23 96

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

i) The changes in House Rent Indices are not quickly reflected in the consumer price index;

ii) The house rent data are collected from the same set of rented dwellings at six monthly intervals. The rent increase in the market is not, therefore, realistically reflected in House Rent Indices.

iii) Payment of DA meets only partial increase in the costs.

House rent indices

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

House rent Indices

	Jan '73	Jan.'86	Jan '95	% increase since 1986
Urban Non-Manual Employee	155	389	723 73	86 05
	1970	1986	1994	
Industrial Worker (Annual Average)	132	360	652	81 35
Delhi	155	406	675	66.3
Bombay	111	196	636 12	224.55

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

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

Proposals of the Ministry

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

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

Sensitivity analysis

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

HRA MARKET RENT BASIC PAY FOR 'A' CLASS CITY

Assumed Pay No of times of existing Basic Pay	Assumed rates of HRA No of times of existing rates	Ratio			
		HRA/MKT RENT		HRA/Basic Pay	
		MIN	MAX	MIN	MAX
3	3	30	40	16	18
	3.5	35	47	18	21
	4	40	53	21	24
	7	70	93	37	41
3.5	3	30	40	14	15
	3.5	35	47	16	18
	4	40	53	18	20
	7	70	93	32	34
4	3	30	40	12	13
	3.5	35	47	14	16
	4	40	53	16	18
	7	70	93	28	31

It may be seen from the above that -

i) Even 3 to 4 times increase in existing slab rates of HRA would leave a large uncovered gap between HRA and market rent.

ii) Seven times increase in existing HRA would cover 70% to 93% of the market rent. The average HRA in this case would also be approximately Rs.45,000/- p.a. (this amount has been recommended by the Ministry of Urban Affairs and Employment).

iii) Three to four times increase in both basic pay and HRA rates would give a HRA range of 12% to 24% of basic pay. However, this ratio would improve to 28% - 41% with 7 times increase.

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

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

Recomendation of 3rd CPC

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

Our recommendations

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

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

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

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

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

HRA to Husband-wife allottees

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

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

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

Employees who are allotted residential quarters :-
Spend less than 10% of their emoluments as licence fee, which is usually many times less than the market rent for such accommodation

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

Employees who are not allotted residential quarters :-

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

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

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

Misuse of out-of-turn quota

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

Trends of out-of-turn allotment

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

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

(Source: Ministry of Urban Affairs and Employment)

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

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

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

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

Our recommendations

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

i) **out-of-turn quota of residential govt. allotments be reduced to 5% of the total allotments in a year as against the existing 20% as per the Supreme Court judgment referred above. This limit should not be exceeded under any circumstances.**

ii) **the allotments under out of turn quota should be finally decided by a Committee of officials constituted for the purpose. This Committee should be fully empowered to make such allotments according to the laid down criteria. There should be no need to recommed the matter to the Minister, who should not exercise any discretion in the matter.**

Separate Pools

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

Persons other than Government employees

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

Sub-letting

112.57 Provisions already exist for disciplinary action against defaulting

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

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

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

House-owning officials

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

Retention on transfer etc.

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

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

LICENCE FEE

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

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

Our recommendations

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

System of charging licence fees

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

RENT FREE ACCOMODATION

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

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

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

extending this facility to employees in remote places.

CILQ in CPOs

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

Our recommendations

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

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

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

HRA to Gangmen, etc. in Railways

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

Our recommendations

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

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

i) **No licence-fee be charged from staff who are made to live in gang huts which are without basic amenities.**

ii) **The Railway administration must work out a plan to provide basic amenities and accommodation of entitled type to the Gangmen, Gatemen, Keymen and Mates etc. who are at present forced to live in gang huts.**

iii) **The preparation of this housing plan and other demands should be discussed, with the representatives of the**

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

Annex 112.1
(refer para 112.24)

HOUSE BUILDING ADVANCE AND COST OF CONSTRUCTION

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

Source : Indian Railway Welfare Organisation Brochure.

Annex 112.2
(refer para 112.26)

COMPARATIVE REVIEW OF HOUSING FINANCE SCHEME

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

DELHI CO-OP HOUSING FINANCE CORP.

Individual *Note 5 *	3	14.2-15.2%	5-20	EMI	70% of dwelling unit cost
Infr. Stru. loan society for elects & lifts	No ceiling	16.5%	5	Qtrly	100% of facility cost
Bridge Loan	-do-	16.5%	1	Qtrly	65% of cost

Notes:
1. 60 per cent of cost excl. external dvpt and preferential location charges.
2. The professional's capability to repay/three years I-T returns.
3. Borrowers current income and capability to repay.
4. Specifically designed to suit individual investor. *Step up *Step down *Balloon *Repayment Holiday Plan. Company arranges an insurance cover.
5. Lower of 48 months individual income or Rs.3 lakh.

- Also arrange social security cover at 0.5 per cent of sanctioned loan amount through LIC
- Borrower deposits 8.5 per cent of loan amount on which he received 10 per cent annually compounded interest.

LOAN REPAYMENT LIABILITY ON DCHFC LOAN

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

DCM HOUSING FINANCE LTD

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

HOUSING DEV. FINANCE CORP.

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

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Scheme for Educational Assistance

Introduction

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

Demands

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

Revision of rates

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

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

c) Science Fee of Rs.5 per month for Classes IX to XII, if charged separately	Science fee of Rs.10 per month for classes IX to XII, if charged separately.
d) Rs.50 p.m. per child	Rs.100 p.m.per child for physically handicapped and mentally retarded children for classes I to XII
iii) Hostel Subsidy	Rs.150 p.m. per child	Rs.300 p.m.per child

Periodic review of rates

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

Condition of admissibility

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

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

Extension of MEA Scheme to others

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

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

Central schools

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

114

Medical Facilities for Employees

GENERAL INTRODUCTION

Infrastructure for health care

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

EMERGING SCENARIO

Areas of focus

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

care and rise in the costs of health care.

Global trends

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

NEED FOR RE-ORGANISATION

Recommendations made in the past

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

Demands in Memoranda

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

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

Landmark Court Judgements

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

WORKSHOP ON MEDICAL FACILITIES

Participation at the Workshop

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

Issues raised and discussed

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

Findings of the Workshop

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

RECOMMENDATIONS FOR STRATEGIC CHANGE

Rationale

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

Total Health Care

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

CENTRAL GOVERNMENT HEALTH SCHEME

Continuance of CGHS

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

Expansion of CGHS

114.13 The CGHS presently exists in 21 cities covering about 8 94 lakhs employees and their dependents, i.e about 17% of the total number of employees. In addition, an allopathic dispensary each in Bhubaneshwar and Ranchi is functioning exclusively for the Accountant General's employees. Proposals for opening of CGHS dispensaries at Trivandrum and Guwahati have recently been approved. The Ministry also has under consideration upgrading the dispensaries at Bhubaneshwar and Ranchi Norms require that any city employing 7,500 or more Central Government employees is eligible for the opening of a CGHS dispensary, subject to availability of funds. The main impediments to rapid expansion are lack of concentration of employees and pensioners, and shortage of manpower, equipment, accomodation and funds. **The Ministry of Health & Family Welfare should prepare a perspective plan for the next 10 years and based on that provide funds for strengthening CGHS and its expansion to new cities. The Ministry of Finance should place adequate funds at the disposal of Ministry of Health and Family Welfare for the purpose.** As regards problems of manpower, equipment and funds, **Government may consider pooling all Authorised Medical Attendants (AMAs) of Central Government Departments at a station into a single CGHS Health Agency** for providing CGHS facilities for limited hours in a day, till regular dispensaries can be opened. This would not involve additional expenditure at new locations, as the same retainership mechanism would work as exists for the AMAs. Since AMAs are appointed by different Departments, the Central Standing Welfare Co-ordination Committees could play an effective role in making the pooling arrangements and providing accomodation for the purpose. Such Health Agency stations can be identified as priority locations in the 10-year perspective plan for opening new full-fledged dispensaries as constraints, financial and otherwise, are overcome.

Extension of CGHS to excluded categories

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

Limit of dependence

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

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

CGHS Contributions

114 16 No Central Government employee paid from civil estimates and having HQ in cities covered by the Scheme can opt out of the scheme. Permission to opt out of the scheme has been demanded by some on account of dissatisfaction CHS Doctors, in particular, have demanded exemption from paying contributions on the grounds that many organisations offer their "products" as free fringe benefits to their employees Employees in general have demanded exemption and have argued that the CGHS is the only contributory scheme whereas other schemes are not contributory. A section of the demands also seeks exemption of medical contributions from taxable income on the analogy of contributions to medical insurance We do not find any justification for exempting any category of employees from making contributions. We also observe that expenditure on health care for CGHS beneficiaries has been rising, but contributions have not kept pace with it. Health care schemes are not being strengthened or expanded for want of funds The Second CPC had recommended that medical care schemes should be contributory for all Central Government employees, and the Third CPC also indicated a strong case for raising contributions The Fourth CPC raised the contributions keeping in mind the differences between per capita per annum contribution and expenditure under CGHS The rates of contribution worked out as a percentage of basic pay at the lowest and highest end of slabs is at **Annexe 114.2.** The present rates of contribution add up to about Rs.3.27 crores annually. **We recommend that ALL medical facilities be made contributory in nature, including those which are presently non-contributory**. However, where such facilities are not available and the employees have to take recourse to the provisions of CS (MA) Rules, no contribution should be charged from them. Just as medical insurance premia are exempt from income tax, **we recommend that contributions paid towards medical facilities by Central Government employees, may be treated as deductible from total income for purposes of Income Tax.** We also feel that CGHS contributions need to be raised in order to bridge the rising gap in health care expenditure and contributions, to some extent. A summary of the trend of expenditure and contributions since the Last CPC may be seen at Annexe 114 3. Accordingly, **we recommend the following rates of contributions against the pay slabs given in the table below. Ministry of Health may also consider extending the scheme of one life-time contribution, available to pensioners, to service employees as well.**

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

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

Inadequacies in the Scheme

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

Cleanliness

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

Timings of dispensaries

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

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

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

Equipment for diagnosis and testing

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

Supply of medicine

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

Regular Inspections

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

a) Inspection Teams can be formed comprising an officer of the DGHS, the CMO in-charge and the Area Welfare Officer, who will carry out full inspections at regular intervals;

b) A pre-drafted questionnaire indicating all the areas requiring probe, including complaints and suggestions, should be permanently retained by the team as well as dispensaries for focussing on such areas;

c) The team can carry out surprise visits to dispensaries with high complaint rate or problems, and be sufficiently empowered to take maximum possible remedial measures on the spot;

d) The team will be responsible for upkeep of statistical and financial information on beneficiaries, medicines, equipments, facilities, staff and cleanliness, in the dispensaries allotted to it; and

e) A cell of DGHS should monitor the regular conduct of inspections and compilation of statistical and financial information for policy decisions

MEDICAL REIMBURSEMENT SCHEME

Recognition of private RMPs

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

Medical Allowance

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

Hospitalisation under Medical Reimbursements

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

Recognising

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

referral institutions

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

Ceilings on reimbursible expenditure

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

Medical advances

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

Health Credit Cards

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

TOWARDS TOTAL HEALTH CARE

Preventive and Promotive measures

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

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

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

Compulsory medical checkups

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

Health Management Information System

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

Medical Accountability

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

MEDICAL INSURANCE

General background

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

Recommendations on medical insurance

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

Review of the scheme

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

be reviewed for any modifications that are desired.

Conclusion

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

Annexe 114.1
(See para 114.1)

MEDICAL FACILITIES FOR CENTRAL GOVERNMENT EMPLOYEES AS ON 31.3.94

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

Annexe-114.2
(See para 114.2)

CONTRIBUTIONS TO CENTRAL GOVERNMENT HEALTH SCHEME
(Figures in Rupees)

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

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

Annnexe 114.3
(See para 114.16)

DETAILS OF BENEFICIARIES, EXPENDITURE OF THE CGHS

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

Source: Base paper of Ministry of Health & Family Welfare

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General Provident Fund

Objectives

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

Participation in the Fund and Rates of subscription

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

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

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

Minimum subscription

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

Removal of restriction on subscription

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

Rate of Interest

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

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

Advances and withdrawals

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

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

Revival of Incentive Scheme

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

Deposit-linked Insurance Scheme

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

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

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

(a) **Rs.40,000 for a subscriber who had held a post in a scale of pay the maximum of which was Rs.12,000 or more during the greater part of the three-year period;**

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

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

(d) **Rs.10,000 in the case of a subscriber who had held a post in a scale of pay the maximum of which was less than Rs.3,500 for the greater part of the three-year period.**

Retention of Accumulations after superannuation

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

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

Issue of Pass Books

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

116

Central Government Employees Group Insurance Scheme

Introduction

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

Enhancement of subscription and Insurance Cover

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

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

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

Revised rates of subscription and insurance cover

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

Option to subscribe at higher rates

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

Apportionment between Savings and Insurance Funds

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

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

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

Our recommendations

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

Parity with Army Group Insurance Scheme

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

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

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

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

Our recommendations

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

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Leave Entitlement

INTRODUCTION

Rules governing leave entitlements

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

EARNED LEAVE

Quantum of annual earned leave

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

Limit on accumulation of earned leave and encashment thereof

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

Demand by JCM

117.4 JCM has consistently been demanding further increase in the limit of accumulation of earned leave as well as allowing in-service encashment of earned leave. Most of the state governments have already allowed the facility of in-service encashment of earned leave to their serving employees. Even in the Central Government, the Board of arbitration in its Award dated 31-3-89 in CA reference No.3 of 1986 allowed encashment of earned leave while in service. However, the government did not accept this award because of its adverse impact on the national economy.

Views of previous Pay Commissions

117.5 The demand for in-service encashment of earned leave had been considered by earlier Pay Commissions also. The Second CPC rejected it on the ground that the entitlement to leave was not even remotely intended to serve as a means of supplementing an employee's earnings. The Third CPC considered the demand in detail after taking into account factors such as the extension of this benefit by various State Governments, the impact of such encashment combined with leave on efficiency , etc.. The Commission did not, however, recommend, like its predecessor, acceptance of the demand because it was not convinced of the rationale therefor. There was no mention of this demand in the report of the Fourth CPC.

Our recommendations

117.6 The financial implications of allowing in-service encashment of earned leave would be rather high and the government may not be able to afford a recurring, annual expenditure of such a large magnitude. It may not, therefore, be desirable to agree to the demand for annual encashment of earned leave. There may, however, be some justification for enhancement of the ceiling on accumulation of earned leave during one's career. There have also been persistent demands that employees should be paid a cash allowance to meet incidental expenses during travel on Leave Travel Concession. Considering all these demands together, we are of the view that encashment of leave during one's career should be linked to Leave Travel Concession, so that additional funds are available to the employees. **Accordingly, we propose that:**

(i) all employees may be permitted to encash 10 days earned leave at the time of availing of Leave Travel Concession, subject to the conditions that (a) the total leave so encashed during the entire service career does not exceed 60 days in the aggregate; (b) earned leave of at least an equivalent duration is also availed of simultaneously by the employee; (c) a balance of at least 30 days of earned leave is still available to the credit of the employee after taking into account the periods of encashment as well as leave; and (d) the period of leave encashed shall be deducted from the quantum of leave that can be normally encashed by him at the time of superannuation.

(ii) simultaneously, the ceiling on the total earned leave that can be accumulated during one's career may be enhanced from the present 240 days to 300 days.

Allowing travelling time to employees posted

117.7 Presently, Central Government employees travelling outside their area of posting on earned leave are not allowed any travelling time, except in the case of employees serving in a few specified remote areas of Lakshadweep, A&N

in remote areas

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

Our recommendations

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

Restricting number of EL which can be availed in one spell

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

Prescribing limit on time available for retrospective conversion of leave

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

Earned leave in vacation departments

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

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

HALF PAY LEAVE

Rules governing half pay leave

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

Encashment of half pay leave

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

Commuted leave

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

MATERNITY LEAVE

Enhancing the quantum of

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

maternity leave

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

Paternity leave

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

Limiting maternity leave available for miscarriage, abortion etc.

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

OTHER KINDS OF LEAVE

Extra ordinary leave for employment outside the government

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

Limiting the quantum of extra ordinary leave

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

Study leave

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

Sabbatical

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

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

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Hours of Work, Holidays and Overtime Allowance

HOURS OF WORK

Introduction

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

Revival of Six-day Week

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

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

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

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

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

Flexitime

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

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

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

Split Hours of Duty

118 8 While the introduction of flexible working hours in government offices may be somewhat premature at this stage, we are of the view that it would be essential to introduce staggered or split hours of duty in those offices and establishments which deal with the public so as to improve the services provided by them. For instance, an office responsible for collection of electricity charges could function for two distinct periods in a day, in the morning as well as in the evening, by deploying the existing staff in two shifts instead of one. Similarly, dispensaries and hospitals, banks, shopping centres, etc. could observe split timings, say from 7 to 11 a.m. and 5 to 8 p m. This would ensure that employees do not utilise their normal working hours to attend to their personal work, and can thereby lead to a more efficient functioning of government establishments. **Such of those employees as are required to perform split duties could be paid a split duty allowance.**

Punctuality in Government Offices

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

OVERTIME ALLOWANCE

Introduction

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

Review of System

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

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

Our Recommendations

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

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

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

HOLIDAY

Reduction in Closed Holidays

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

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

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

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

Declaration of Holidays on Demise of Leaders

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

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

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

National Holiday Allowance

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

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Welfare Measures

General rules governing welfare activities

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

Bodies promoting participation of employees in sports

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

Provision of recreational facilities in offices

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

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

Holiday homes

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

Benevolent Fund

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

Residential telephone

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

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

	Free calls allowed (Bimonthly)	
Post	**Existing**	**Proposed**
Executives	**300 calls**	**400 calls**
Sr. Executives	**300 calls**	**800 calls**
Top Executives	**300 calls**	**No limit**

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

Providing Counsellors in Government offices

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

Free ration for civilian employees

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

Opening Defence Canteens for civilian employees

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

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

120

Women Employees in Central Government

INTRODUCTION

General

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

Need for additional facilities

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

Special Provisions Available

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

a) Age relaxation for widows and women separated from their husbands for appointment in Groups C and D posts.

b) Exemption from requirement of educational qualifications in respect of widows of deceased Government servants appointed on compassionate grounds to post of peons.

c) Guidelines for posting of husband and wife at same station.

d) Maternity leave benefits and guidelines for provision of creche facilities etc.

National Commission for Women

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

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

ALTERNATIVE WORK SCHEDULES

Flexitime and Flexiplace

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

Part-time Employment

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

CHILD CARE FACILITIES

Existing

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

Position

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

Our Recommendations

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

RESERVATION OF JOBS FOR WOMEN

Existing Position

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

Proposal Under Consideration

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

Our

120.12 It is undeniable that better education and greater participation of

Recommendations

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

EARLY RETIREMENT SCHEMES AND AGE OF RECRUITMENT

Our Recommendations

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

ACCOMMODATION

Demand

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

Our Recommendations

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

NATURE OF POSTINGS

Suggestions Made

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

accordingly.

Views of the Ministry

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

Our Recommendations

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

LEAVE RESERVE

Our Recommendations

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

TRANSPORT FACILITIES

Our Recommendations

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

PUBLIC CONVENIENCES FOR WOMEN

Our Suggestions

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

PROVISIONS WHERE BOTH HUSBAND AND WIFE ARE GOVERNMENT SERVANTS

Leave sharing Arrangement

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

Our Recommendations

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

Other Suggestions

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

121

Canteen Facilities

General

121.1 Organising canteen facilities within the office premises to provide beverages, snacks and meals prepared in hygienic conditions to the employees during the working hours at economic prices is an important welfare activity undertaken by the government. The scheme for running refreshment canteens was started in 1962 following the recommendations of the 2nd Pay Commission. As on 1st December, 1993, 1,244 canteens and tiffin rooms were registered with the Director of Canteens in the Department of Personnel and Training.

Types of Canteen

121.2 There are two type of canteens in government establishments and offices i.e. (i) statutory canteens, and (ii) departmental canteens. Statutory canteens are provided by departments to industrial establishments governed by the Factories Act. In statutory canteens the entire expenditure, barring the cost of provisions, is met by the government. Departmental canteens are available in all offices with an establishment strength of 25 or above. Earlier, apart from certain other concessions, grants for the initial purchase of equipment, crockery, utensils, etc. and for their replacement were also made available by Government to these canteens. These grants were, however, discontinued w.e.f. 1-10-91 consequent upon the grant of status of government employees to the canteen staff.

Grant-in-Aid for canteens

121.3 We, however, feel that for proper running of the canteens, apart from other concessions, like free electricity and water, LPG and uniforms at subsidised rates, etc., the revival of the earlier scheme of grants-in-aid would be justified. **Accordingly we recommend that grant-in-aid for initial purchases may be paid as indicated below :-**

Estt. Strength/Type	Equipment	Crockery/ Utensils	Furniture	Total
Tiffin Rooms				
25 to 49 B	Rs.2000	Rs. 500	-	Rs.2500
	To be merged and renamed only Tiffin Room			
50 to 99 A	-	-	-	-
Canteens				
100-249 D	Rs.12000	Rs.3000	Rs.5000	Rs.20000
250-499 C	Rs.15000	Rs.4000	Rs.6000	Rs.25000
500-699 B	Rs.20000	Rs.5000	Rs.10000	Rs.35000
700-1200 A	Rs.24000	Rs.6000	Rs.10000	Rs.40000

Replacement Grant

121..4 **Grants for replacement of equipment, crockery/utensils and furniture may be paid triennially for replacement of crockery and utensils and quinquennially for equipment and furniture. The quantum of these grants may be kept equal to the amount of initial grants for these purposes.** The scales should also be periodically revised to take care of the increase in the cost of living index.

Beverages at point of duty

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

122

Uniforms and Related Allowances

Introduction

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

Limiting the use of uniforms and attire allowance

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

Our recommendations

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

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

Procedure for stitching of uniforms

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

Uniform allowance

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

Washing allowance

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

123

Advances

INTRODUCTION

Admissible advances

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

ADVANCES FOR CONVEYANCES

Advances for Purchase of Conveyances

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

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

Our recommendations

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

Eligibility Criteria

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

COMPUTER ADVANCE

Advance for purchase of Personal Computers

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

OTHER ADVANCE

Other Interest-bearing Advances

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

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

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

OTHER DEMANDS

Rates of Interest

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

Recovery of Advances

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

Waiving of recovery in certain cases

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

monetary limits:

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

124

Service Matters

INTRODUCTION

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

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

CONDUCT RULES

Application of Rules

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

Revision of ceilings for reporting transactions in movable property

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

Our recommendations

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

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

Revision of ceilings for acceptance of gifts

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

Present position

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

Our Recommend-ations

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

Acceptance of part-time jobs while in service

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

Our Recomend-ations

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

CENTRAL CIVIL SERVICES (CLASSIFICATION, CONTROL AND APPEAL) RULES

Introduction

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

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

Application of Rules

124.11 The CCS(CC&A) Rules apply to every Government servant, including every civilian in the Defence Services, but do not apply to Railway servants, members of All India Services, persons in casual employment, persons subject to discharge from service on less than one month's notice and persons for whom special provision is made with the previous approval of the President.

Delegation of powers to suspend

124.12 Suggestions have been made that all superior officers should be empowered to suspend their subordinates.

Our recommendations

124.13 Rule 10 of the CCS(CCA) Rules empowers the appointing authority, any authority to which the appointing authority is subordinate, disciplinary authority and any other authority empowered by the President by a general or special order to place an employee under suspension. In respect of offices located away from the headquarters, supervisory officers in such offices have been specially empowered to suspend a subordinate officer in cases involving gross dereliction of duties. In order, however, to prevent abuse of this power, the suspending authority is required to report the facts of each case immediately to the next higher authority and all such orders of suspension become void ab initio unless confirmed by the reviewing authority within a period of one month from the date of order. **Having regard to the fact that one or more of the above authorities are present at the headquarters and adequate provision exists in respect of field offices located outside the headquarters, we are of the view that it would not be appropriate to delegate the power of suspension to all supervisory officers.**

Summary procedure in certain cases

124.14 Suggestions have been made that if a Government servant is involved in an offence or conduct involving moral turpitude, corruption, embezzlement or misappropriation of Government money, possession of disproportionate assets, or misuse of official power for personal gains, he should be summarily tried without following the lengthy procedure of formal disciplinary proceedings

Position of Rules

124.15 Rule 19 of the CCS(CC&A) Rules empowers the disciplinary authority to straightaway make an order imposing penalty without following the prescribed detailed procedure under Rules 14, 15 and 16 of the said rules on three grounds namely: (a) where a person is dismissed or removed or reduced in rank on the ground of conduct which had led to his conviction on a criminal charge; or (b) where the authority empowered to dismiss or remove a person or to reduce him in rank is satisfied that for some reasons, to be recorded by that authority in writing it is not reasonably practicable to hold such enquiry; or (c) where the President o Governor, as the case may be, is satisfied that in the interest of security of the State, it is not expedient to hold such enquiry. Even under these three exceptiona circumstances, the Constitution does not vest unbridled powers in the competen authority when it takes action in terms of any of the three clauses under the 2nd proviso to Article 311(2) of the Constitution or any Service Rule corresponding to it. In its judgement dated 11.7.1985 in the case of Tulsi Ram Patel and others (Civi Appeal No.242 of 1982) and in the subsequent judgement delivered on Septembe

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

Right to appeal

124.16 A suggestion has also been made that in cases where the disciplinary authority chooses to dispense with the enquiry proceedings, an employee should have the right to appeal against such a decision to authorities higher than the disciplinary authority.

Our Recommend-ations

124.17 The question whether an appeal lies or not against an order is to be decided with reference to the authority which made the order. No appeal lies against any order which is made by the President of India. In other cases, an appeal or review petition can be made to the competent authority. **Since adequate safeguards have been provided in the CCS(CC&A) Rules, we do not recommend any change in the existing provisions.**

Defence assistance at appellate stage

124.18 It has been suggested that the charged officer should be supplied with a copy of the comments of the disciplinary authority on appeals preferred before the appellate authority and that he should also be permitted to avail himself of the services of a Defence Assistant during appellate proceedings.

Our Recommend-ations

124.19 Since the comments of the disciplinary authority on appeals preferred by the charged officer do not constitute a record of the enquiry proceedings on the basis of which a decision is to be taken by the appellate authority, **we are not convinced of the need to supply a copy of the comments of the disciplinary authority to the charged officer. Similarly, as no enquiry proceedings are held at the appellate stage but a decision is to be taken by the appellate authority on the basis of the record of the enquiry including grant of a personal hearing, wherever necessary, we are unable to accept the suggestion to allow the charged officer to avail himself of the services of a Defence Assistant at the appellate stage. This is only likely to delay the proceedings.**

Appointment of IO from outside the Department

124.20 It has been urged before the Commission that the enquiry officers should be selected from outside the department to ensure impartiality.

Our Recommend-ations

124.21 Rule 14(5) of the CCS(CC&A) Rules provides that the disciplinary authority can itself inquire into the charges or can appoint an inquiry officer for the purpose. Wherever disciplinary proceedings are initiated on the advice of the Central Vigilance Commission (CVC) in a majority of the cases, inquiry is held by the Commissioners for Departmental Inquiries who are officers of the CVC. While in a majority of cases it may be possible that the disciplinary authority himself does not conduct the inquiry, it may still not be practicable in all

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

Review of procedure for imposition of major penalties

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

Our Recommendations

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

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

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

Termination of penalty one year before retirement

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

Our Recommendations

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

Training of IO/PO

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

Our Recommendations

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

Honorarium to IO/PO/DA

124.30 It has been urged that the Presenting Officers, Inquiry Officers and Defence Assistants should be paid honorarium, which should be commensurate with the labour put in by these officers.

Our Recommendations

124.31 We have taken note of the instructions issued in 1988 and 1992 respectively providing for payment of honoraria to the Presenting and Inquiry Officers. **We recommend revision of the rates suitably by the Government. We are, however, unable to accept the suggestion that Defence Assistants who assist the charged officer of their own volition should also be paid honoraria by the Government.**

Pensionary benefits on conviction

124.32 It has been suggested that the families of convicted Government servants should not be deprived of pensionary benefits.

Position under Rules

124.33 Conviction of a government servant can be under any law, which provides for punishment for a criminal offence whether by fine or imprisonment. No distinction is made between crimes involving moral turpitude and other crimes. It is not necessary that one of the extreme penalties such as dismissal, removal and compulsory retirement is imposed in a case of conviction as a matter of course. The disciplinary authorities are supposed to give proper consideration to the offence actually committed by the government servant as a result of which he was convicted by the Court of law. It is only where the government servant has been convicted on the ground of moral turpitude that his retention in service is considered undesirable and one of the three penalties is imposed in such a case. It is only in cases where the penalty of dismissal or removal is imposed that the right to receive pension and gratuity is forfeited.

Our Recommendations

124.34 **Having regard to the fact that the gravity of the offence committed by the convicted government servant is the determining factor for imposition of one of the penalties, which in turn decides the entitlement to pensionary benefits, as well as the fact that adequate provisions exist in the rules for grant of compassionate allowance in deserving cases, no change appears to be necessary in the existing rules. Making provision for pensionary benefits to the families of convicted government servant would amount to rendering the punishment infructuous. We are of the view that no change is called for in the existing rules.**

COMPASSIONATE APPOINTMENTS

The Scheme

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

Group 'D'). The percentage of vacancies which can be filled by compassionate appointment in a given year is 5% of the direct recruitment quota.

Removal of ceiling on compassionate appointments

124.36 A review of the desirability of continuance of the practice of compassionate appointments has been sought on the ground of its impact on efficiency. Removal of the existing ceiling on the percentage of posts which can be filled by compassionate appointments has also been sought.

Our Recommendations

124.37 We have considered the suggestions and taken note of the fact that the scheme of compassionate appointments envisages appointment of applicants only if they are eligible and suitable for a post in all respects under the provisions of the relevant recruitment rules, and such applicants are given relaxation only in recruitment procedure and age limit. The scheme itself takes adequate care that appointments made are consistent with the requirements of maintenance of efficiency of administration. **We are, therefore, of the view that the existing practice of making appointments on compassionate grounds in deserving cases needs to be continued. As regards removal of ceiling on the percentage of posts which can be filled by compassionate appointments, we are of the view that removal of the ceiling would reduce the number of posts available to candidates coming through direct recruitment which is not desirable. The existing ceiling of 5% in respect of compassionate appointments, therefore, needs to be maintained and followed strictly.**

Enlargement/ contraction of the scheme

124.38 Extension of facility of compassionate appointments to dependents other than widow/son/daughter of the deceased Government Servant and restricting the compassionate appointments to widows alone have been suggested.

Our Recommendations

124.39 The scope of the scheme providing for appointment on compassionate grounds has already been narrowed by deleting near relatives from the scheme by the Government. **In view of the fact that the existing provisions in the scheme are in conformity with the observations of the Supreme Court, inclusion of other relatives within the scope of the scheme or exclusion of son/daughter therefrom would not be appropriate.**

Lump sum payment in lieu of compassionate appointment

124.40 It has been urged that the families of deceased Government servants who die in harness or those who are retired on medical grounds should be paid a lump sum amount in cases where compassionate appointments are not feasible on administrative grounds.

Our Recommendations

124.41 **We have considered the suggestion carefully and do not support the idea of making lump sum payment in lieu of compassionate appointments because the facility of compassionate appointments is extended as an additional benefit to families in immediate need of assistance.**

Time limit for belated requests

124.42 Suggestions have been made that the time lag in compassionate appointments should be reduced and the appointments made within a reasonable period of the demise of the Government servant and not postponed for unduly long periods on the ground that dependent children have not attained majority.

Our Recommendations

124.43 Since compassionate appointments can be made up to a maximum of 5% of the vacancies falling under direct recruitment quota in any Group 'C' or

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

Appointment of dependents of retiring employees

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

Our Recommend-ations

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

CONFIRMATION

Historical background

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

Uniform period of probation

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

Our Recommend-ations

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

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

Deemed satisfactory completion of probation period

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

Our Recommend-ations

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

Confirmation of casual labourers

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

Our Recommend-ations

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

ESTABLISHMENT RULES

Charge Allowance while holding additional charge

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

Our Recommend-ations

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

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

Amendment to FR 56(j)

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

SERVICE CONDITIONS OF HANDICAPPED EMPLOYEES

Existing Provisions

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

Identification of jobs suitable for handicapped employees

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

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

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

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

Our Recommend-ations

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

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

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

Our Recommend-ations

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

Increase in rate of conveyance allowance and removal of ceiling

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

Our Recommend-ations

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

Automatic grant of Transport Allowance to handicapped employees

124.64 Suggestions have also been made for automatic grant of the allowance to those recruited against vacancies reserved for the physically handicapped, without requiring them to appear before the medical authorities from time to time.

Our Recommend-ations

124.65 **We would recommend that the percentage of disability determined at the time of initial recruitment should be treated as final and should be the basis for grant of conveyance (now transport) allowance, unless the employee himself/herself asks for a review.**

Assistance of a scribe

124.66 It has been suggested that blind and handicapped employees who are required to pass a departmental examination for earning increment as a condition of service or for the purpose of promotion to the next higher grade may be permitted to take the assistance of a scribe from among one of the co-employees.

Our Recommend-ations

124.67 **We have considered the suggestion and are of the view that assistance of a scribe may be provided. He may be a co-employee in the same department but should not be in the same line of work so that there is no possibility of any malpractice.**

Grant of interest-free loans

124.68 It has been suggested that handicapped employees may be sanctioned interest-free loans for acquisition of residential accommodation and conveyance.

Our Recommend-ations

124.69 **We have considered the suggestion carefully and do not support the idea of granting an interest-free loan to a handicapped employee for purchase of a vehicle or acquisition of a house. However, as a gesture of goodwill, we recommend that handicapped employees may be given a concession of half a per cent in the rate of interest applicable for House Building Advance and Advances for purchase of a conveyance.**

Reimbursement of expenditure on repairs to artificial limbs

124.70 Reimbursement of expenditure incurred on repairs of artificial limbs has been sought.

Our Recommend-ations

124.71 **We recommend that reimbursement of expenditure incurred on repairs to artificial limbs may be allowed.**

Reader's allowance

124.72 It has been suggested that blind teachers may be granted reader's allowance at the rate of Rs.500 per month on the analogy of financial assistance given to Readers in Universities at the rate of Rs.3,000 per annum for purchase of braille books, reader's allowance etc.

Our Recommend-ations

124.73 We have given our careful consideration to the suggestion and feel that whereas UGC Teachers/Research Scholars have to scan through voluminous records such as reference books, research papers, etc. the duties and responsibilities of blind teachers do not require consultation of research material to the same extent as by research scholars. **However, keeping in view the need of blind teachers and the amount they have to spend on purchase of reading material due to non-availability of books in braille in the libraries, we**

recommend a Reader's Allowance of Rs.l00 per month for the blind teachers.

Upgradation of pay scale of chair caners

124.74 Suggestions have been made for upgradation of the pay scale of Chair Caners on the ground that caning of chairs involves application of skill.

Our Recommend-ations

124.75 We have considered the suggestion and are convinced of the argument that caning of chairs does involve application of skill. **We, therefore, recommend that chair caners may be placed in the pay scale of Rs.800-l150 and be considered for placement in the ACP pay scales of Rs.950-l500 and Rs.l200-l800.**

Recaning of chairs by blind persons alone

124.76 It has been suggested that recaning of chairs through contractors should be discontinued because it deprives the blind persons of job opportunities. Wherever the work load justifies, a post of Chair Caner should be created and in other places, the recaning work should be got done through blind persons.

Our Recommend-ations

124.77 We have taken note of the existing instructions which enjoin upon the contractors to employ only blind persons for recaning of chairs and earmarking a post of Chair Caners out of existing vacancies in Group 'D' wherever workload justifies **We are satisfied with the adequacy of the existing instructions but would like the Government to ensure their observance scrupulously**

Placement in higher pay scale where junior is promoted

124 78 Blind Postgraduate Teachers have sought their placement in the pay scale of Vice Principal and Principal on non-functional basis in the event of a junior PGT being promoted to the post of a Vice Principal/Principal.

Our Recommend-ations

124.79 **We are of the view that a person should not be ignored for promotion to a higher post merely because he is blind. We are, however, not in favour of placing those considered unfit for promotion in the next pay scale on non-functional basis, simply because of their disability.**

125

Industrial and Non-Industrial Employees

INTRODUCTION

Definition of Workman

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

Industrial Disputes Act, 1947

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

DEMANDS FOR PARITY

125 3 Industrial employees of the Central Government have always been demanding parity in matters of leave entitlement, holidays, leave encashment and working hours with their counterparts classified as non-industrial employees. The

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

RECENT POSITION

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

DIFFERENCES BETWEEN THE TWO CATEGORIES

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

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

REDUCTION OF WORKING HOURS

Position elsewhere

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

Views of earlier CPCs

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

OUR RECOMMENDATIONS

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

Entitlement to earned leave

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

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

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

Accumulation of earned leave

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

Leave that can be taken on one occasion

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

Number of occasions in a year

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

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

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Joint Consultative Machinery

Introduction

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

Working of the JCM

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

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

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

Delimiting the work between permanent Pay Commission and Central Administrative Tribunals

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

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

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

Part VI

Civilian Employees : Pensions and other retirement benefits

By asking for the impossible we obtain the best possible

Italian Proverb

127

Our Overall Strategy on Retirement Benefits

INTRODUCTION

127.1 Our Terms of Reference require us to examine the existing pension structure and death-cum-retirement benefits with a view to having a proper pension structure for "pensioners" and make recommendations relating thereto which may be desirable and feasible. This gives us a broad enough canvas and we have tried to fulfil our mandate. We have not allowed the deletion of the phrase "pensioners, both past and present", which had been used in the Terms of Reference for the Fourth CPC, to constrict our vision and have included past pensioners within the ambit of our consideration.

DEFINITION OF PENSION

127.2 As per Article 366 (17) of the Constitution of India; pension means a pension, whether contributory or not, of any kind whatsoever payable to or in respect of any person, and includes retired pay so payable, a gratuity so payable and any sum or sums so payable by way of the return, with or without interest thereon or any other addition thereto, of subscriptions to a provident fund.

THE GOALS OF PENSION SCHEMES

Supreme Court's verdict

127.3 Pension is an area where clarity of vision is often obscured by ill-considered notions. However, the Supreme Court of India has, in the landmark judgement of D.S. Nakara and others vs. Union of India (AIR 1983, SC 130) clarified all the issues connected to pension. While examining the goals that a pension scheme should seek to subserve, the Apex Court held that :

"A pension scheme consistent with available resources must provide that the

pensioner would be able to live :

(i) free from want, with decency, independence and self-respect; and

(ii) at a standard equivalent at the pre-retirement level."

127.4 The Court felt that as determining the minimum amount required for living decently was difficult, selecting the percentage representing the proper ratio between earnings and the retirement income was harder. We owe it to the pensioners that they live, not merely exist.

Pension not a bounty

127.5 The Court held that pension is neither a bounty nor a matter of grace depending upon the sweet will of the employer. It is not an ex gratia payment, but a payment for past services rendered. It is a social welfare measure, rendering socio-economic justice to those who in the heyday of their life ceaselessly toiled for the employer on an assurance that in their old age, they would not be left in the lurch

Pension a statutory right

127.6 We would like, therefore, to state at the outset that we respect the observations of the Hon'ble Court in the Nakara case. It needs to be averred emphatically that pension is not in the nature of alms being doled out to beggars. The senior citizens need to be treated with dignity and courtesy befitting their age. **Pension is their statutory, inalienable, legally enforceable right** and it has been earned by the sweat of their brow. As such it should be fixed, revised, modified and changed in ways not entirely dissimilar to the salaries granted to serving employees.

Relativity between pay and pension

127.7 Having said so, we would hasten to add that we are not advocating a complete parity between pay and pension. Such a parity is neither justified nor affordable. All we are saying is that, in certain respects and within the limits of financial feasibility, certain limited linkages need to be incorporated.

Interim relief to pensioners

127.8 We started to build these bridges when for the first time in the history of the services, we suggested in our Report submitted in October, 1994, that an interim relief be granted to pensioners. When no action was taken on the same, we followed it up in our Report presented in May, 1995 and suggested another instalment of interim relief to pensioners. Fortunately, this time the Government relented and granted both the installments of interim relief to pensioners. This established a principle and the grant of a third instalment to pensioners consequent upon our Report of August, 1996 evoked no surprise. **We hope and trust that this nexus between the serving employees and pensioners with regard to grant of interim relief is now firmly established and will subsist.**

QUANTUM OF PENSION

Increase to 67%

127.9 With regard to the quantum of pension, there is nor can there be, a universally acceptable formula. Different countries give pensions ranging between 50 and 100% of last pay drawn. Our Consultants have suggested that 67% of last pay drawn should suffice. We realise that it would not be possible for

Government to fund this sudden increase in the quantum of pension from 50% to 67%. It is, therefore, being suggested that, while retaining the Government's contribution at 50%, the balance should be funded by employee's contributions. Even so, the figure of 67% cannot be reached overnight for those retiring within the next few years.

Pension Fund

127.10 This will involve the constitution of a Pension Fund, in which both Government's share and the employee's contribution will be deposited, outside the Public Account, to provide the possibility of higher income by a judicious investment of the trust funds.

Reckonable emoluments and Additional Pension

127.11 There would be some **relief to pensioners by the reduction of the period over which emoluments are averaged towards the end of the career from ten to six months**. Pensioners who have served the Government for more than 33 years would also benefit from our suggestion that **0.5% additional pension be granted for every 6 months of additional service over and above 33 years**

Family pensions

127.12 With regard to family pensions, we have retained the quantum of 30% of reckonable emoluments as at present but this has been made uniform for all categories of employees. The ceiling has also been removed.

Neutralisation of cost of living

127.13 We have similarly **found no justification for a differential neutralisation** of the cost of living and have, therefore, allowed full neutralisation to all.

GRATUITY

Conversion of Dearness Allowance into Dearness Pay

127.14 There is a lot of loose thinking on gratuity. There are no fixed schedules for treatment of a portion of Dearness Allowance as Dearness Pay for purpose of computation of gratuity. Resultantly, there have been great differences between the amounts drawn by two colleagues who might have died or retired within one day of each other. This naturally caused tremendous resentment.

Ceilings

127.15 Gratuity has also been unnecessarily subjected to three kinds of ceilings. First is the rate of gratuity which is half-a-month's emoluments for every year of service put in. This is subject to a second ceiling of 16.5 months, irrespective of number of years of service. There is also a cash ceiling on top of the other two. We have tried to bring about greater equity in the system between past and present retirees, by making two suggestions - ***removal of the cash ceiling and computation of gratuity on pay plus Dearness Allowance on the date of retirement***.

PARITY BETWEEN PAST AND PRESENT PENSIONERS

The One Time Increase

127.16 The most controversial subject in the field of pensions has been the glaring disparity between persons of equivalent rank and status drawing vastly unequal pensions if they retired at different points of time. Government had tried to solve the problem partially for the armed forces by adopting the One Time Increase formula, but this had not met their demand for One Rank One Pension.

The iniquity among the civilian pensioners has continued over the decades with scant relief to the older of the senior citizens.

Modified parity formula

127.17 **We have attempted a major policy thrust, by suggesting a complete parity between past and present pensioners at the time of the Fourth CPC, while recommending a modified parity between pre-1996 and post-1996 pensioners**. The formula will ensure total equity as between persons who retired before 1986 and those who retired later. It also gives all pensioners at least the minimum pension appurtenant to the post-1996 revised scale of pay of the post they held at retirement.

DEATH

Ex gratia rewards

127.18 We found considerable ad hocism in the treatment of employees dying while in service, even to the extent of different departments treating their employees through varying formulae. **We have tried to bring some uniformity in the ex gratia rewards according to the nature of death in five different sets of circumstances, with the amount ranging upto Rs.7.5 lakhs**.

MEDICAL ALLOWANCE

127.19 For pensioners not covered by CGHS, **we are suggesting a medical allowance of Rs.100 per month. We have also recommended a comprehensive medical scheme, providing complete health insurance both to employees and pensioners in non-CGHS areas**.

CONCLUSION

127.20 Thus the Commission has tried, within the constraints of resources, to rationalize the various retirement benefits, in accordance with an overall strategy as outlined above. Much more could possibly have been attempted, but we have proceeded slowly and steadily in a particular direction, with the hope that further improvements would be brought about by future Pay Commissions.

128

Age of Superannuation

INTRODUCTION

128.1 Age of retirement is one of the conditions of service of Government employees irrespective of whether they are in the Central or State Government. In fixing of the retirement age of employees, some of the most important factors which are taken into account are: life expectancy, health and morbidity, labour market conditions, stage of economic development, financial implications, social dimensions, etc. The age at which the productivity, efficiency and health of an employee begins to decline can be considered as the appropriate age for retirement.

HISTORICAL BACKGROUND

128.2 Till 31st March, 1938, the normal age of retirement of Central Government employees was 55 years. Employees could, however, be retained in service up to 60 years, depending on their being physically fit and mentally alert. From 1.4.1938, the age of retirement was uniformly fixed as 55 years for all Central Government employees and it continued to be so till 30th November, 1962.

VIEWS OF PREVIOUS PAY COMMISSIONS

First CPC

128.3 The First CPC recommended the age of 58 years for superannuation. It was, however, decided in 1949 not to change the age of retirement on the ground that a majority of the employees retiring at the age of 55 years were not capable of rendering efficient service and their replacement by younger persons was in the interest of maintaining efficiency in Government. This question was again considered in 1953. While it was decided not to change the age of retirement in consideration of its adverse impact on public opinion, liberal extension of service, particularly in case of scientific and technical personnel was recommended in the context of shortage of trained manpower.

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Second CPC

128 4 The Second CPC also considered the question and recommended that raising the age of retirement to 58 years was fully justified due to improvement in life expectancy, physical fitness and the need for trained manpower. The recommendation was considered in 1959 and again in 1962, when it was decided to raise the age of superannuation to 58 years. The decision was based mainly on the consideration that reduction in employment opportunities in the event of an increase in the age of retirement would be a nominal 1% of the total additional employment needed for the educated unemployed during the 3rd Plan and that there was an urgent need for trained technical manpower. Orders were issued in November 1962 making the decision to increase the age of retirement from 55 to 58 years effective from 1.12.1962. The age of retirement for Group 'D' employees and workshop employees in the Central Government was maintained at 60 years.

Third and Fourth CPCs

128 5 The Third and Fourth CPCs examined the question of increasing the age of retirement further to 60 years. While conceding that such increase was justified in the context of the rise in life expectancy at birth, they did not, however, finally recommend any increase having regard to its likely adverse impact on fresh recruitment, as they felt that induction of fresh blood and fresh knowledge was essential for efficient working in government.

PRESENT POSITION

Position in the Central Government

128.6 Presently the age of retirement is 58 years for different categories of Central Government employees other than workmen, ministerial Government servants who entered service on or before 31.3.1938 and Group 'D' employees, in whose cases the age of retirement is 60 years. Provision also exists for extension/re-employment in service of non-technical/ non-scientific personnel up to the age of 60 years and of Scientific/Technical personnel up to 62 years in public interest.

Position in research institutions, Universities etc

128.7 The age of retirement of technical and scientific personnel engaged in research institutions like CSIR, ICMR, IITs etc. and of university teachers is 60 years. However, in many universities there is a practice of re-employing personnel up to 62-65 years.

Position in CPOs, Army etc.

128.8 In Central Police Organisations, the age of retirement of personnel up to the rank of Commandant is 55 years in BSF, ITBP and CRPF, and 58 years in Assam Rifles, CISF and RPF. In the Coast Guard, officers below the rank of Commandant, Subordinates and Sailors retire at the age of 55 years. In the Armed Forces, the age of superannuation differs from rank to rank and from category to category and ranges between 40 and 60 years.

COMPARATIVE POSITION IN OTHER SECTORS

Position in State Governments

128.9 Most of the State Governments follow the Central Government pattern in regard to the age of retirement. In Kerala, however, it continues to be 55 years for all categories of employees. Officers of the State Judicial Services retire at 60 years on the basis of a judgement of the Supreme Court delivered on November 13, 1991 in the case of All India Judges Association versus Union of India and others 1992 SCC(L&S) 9. Teachers retire at 60 years, and are also

allowed to continue in employment up to the end of the academic session.

Position in public enterprises

128.10 Public sector undertakings follow the retirement pattern of the Central Government. In the case of autonomous organisations supported by the Government of India, a higher age of retirement of 60 years has been prescribed, but the age of retirement for ministerial staff continues to be 58 years in many of them.

Position in private sector

128.11 The age of retirement in the private sector differs from organisation to organisation and generally ranges from 60 to 65 years. In some smaller organisations, there is no age of retirement at all and employees continue to work till they are able to.

POSITION IN OTHER COUNTRIES

128.12 The global trend is to increase the age of retirement further in view of demographic changes. In most of the western countries, age of superannuation is already 65 years. In U.S.A., it has been recently increased to 67 years. In Italy and Argentina, an increase is proposed from 60 years to 65 years. In Denmark and Norway, the age of retirement is 67 years and 70 years respectively. In the Asian region, the age of retirement in Japan and Hong Kong is 65 years. In China, Pakistan and Phillipines, it is 60 years. Upward revision of the age of retirement is, therefore, a global phenomenon

CONSULTANCY REPORT

Specialised study by the IAMR

128.13 In the context of a large number of demands received from individuals, associations of employees, eminent persons, etc. relating to increase in the age of superannuation of Central Government employees, the Commission entrusted a study to the Institute of Applied Manpower Research (IAMR) to examine the retirement pattern of Central Government employees including scientific, technical and educational categories, Central Police Organisations and the Armed Forces and to make suitable recommendations about their desirable ages of superannuation.

Recommendations of IAMR

128.14 The IAMR in its report recommended raising of the age of superannuation on the following considerations:-

(a) Life expectancy
(b) Span of service
(c) Old age dependency ratio
(d) Physical health and mental capabilities
(e) Productivity in old age
(f) Expert opinion

MAIN ISSUES AND OUR RECOMMENDATIONS THEREON

General increase in age of retirement

128.15 It has been urged that the age of retirement may be increased from 58 years to 60-65 years taking into account the increase in longevity, availability

of better health care facilities, improved health standards of citizens, need for utilisation of experience and wisdom of senior employees, need for uniformity in the age of retirement between industrial and non-industrial categories, the possibility of taking full advantage of the vast potential of qualified doctors, scientists, engineers, technologists, and other professionals, the resultant reduction in the expenditure on pensions, the scope for protecting the interests of unprivileged sections of society and highly qualified persons who join service at higher ages and who are unable to render 33 years of service required for full pension.

Our recommendations

128.16 After considering various aspects of the matter and the recommendations of IAMR, **we recommend an increase in the age of retirement for all Central Government employees (except those in the Armed Forces and Central Police Organisations) to 60 years** on the following considerations:-

(i) Life expectancy at birth has increased by 19.5 years over 1961. Life expectancy at the age of 50 years has increased from 14.81 years in 1950 to 27 years.

(ii) All over the world, the trend is to raise the age of superannuation to around 65 years. China, Pakistan and Phillipines have already raised it to 60 years.

(iii) Many persons join Government employment at a late age. These are mainly the disadvantaged sections of society like scheduled castes, scheduled tribes, other backward classes etc. They are unable to draw full pension because they do not complete 33 years of qualifying service. Addition of two more years to service would bring thousands of such employees to a higher rate of pension.

(iv) A large percentage of employees already superannuate at 60 years. Extending the same benefit to others removes a major irritant. It also does away with the anomalous situation of a Group 'D' employee under promotion to a Group 'C' post debating within himself as to whether he should refuse the promotion and continue till 60 years or accept the promotion and retire at 58 years.

(v) There is a tendency on the part of senior officials to seek extension of service up to the age of 60 years. Very often, they are prepared to do anything for obtaining such an extension of service. A general increase in the age of superannuation, coupled with a total ban on extension of service except for scientists and medical specialists who could be granted extension in service on a case to case basis up to the age of 64 years, recommended separately, will lead to an enhanced level of objectivity and impartiality among senior administrators.

(vi) The impact on employment situation is rather marginal, especially as there is a freeze in fresh recruitment for the last 15 years or so.

(vii) There is a massive saving of more than Rs.3,000 crores on account of postponement of retirement benefits for two years.

Prospective effect

128.17 **The recommendation for extending the age of superannuation to 60 years should have only prospective effect from such date as Government may specify and shall be applicable only to those employees who are to retire at the normal age of superannuation on or after the date on which the Government orders come into effect.**

Demands from CPOs

128.18 It has been urged that the age of superannuation for personnel of Central Police Organisations should be (i) at par with other organisations; (ii) 60 years; (iii) 58 years for all instead of 55 years up to the rank of Commandant and 58 years for others; and (iv) on the pattern of armed forces.

Our recommendations

128.19 We have given careful consideration to the suggestions and **are of the view that the ages of superannuation in different organisations have been evolved over the years in accordance with their specific individual requirements and any tampering with the existing ages of superannuation may not be very conducive to the overall interest of the organisations and may ultimately prove to be counter-productive.** We have also noticed that the conditions of service of the armed forces and personnel of the CPOs are different and there is no provision for rehabilitation of personnel of CPOs after retirement at par with ex-servicemen. The existing practice of maintaining the difference between the two forces may continue notwithstanding the need for some relief to the personnel of the CPOs for their early retirement.

128.20 In order to compensate the loss partially that employees in CPOs may suffer due to non-extension of the proposed general increase in the age of superannuation in their case, **we recommend that a benefit of three added years of service for the purpose of computation of pensionary benefits may be given to all employees in CPOs** to whom the proposal for increase in the age of superannuation would not apply. The benefit of added years of service shall be extended in case of superannuation pension alone and would be limited to the extent of shortfall in qualifying service subject to maximum of three years so that the qualifying service plus the weightage allowed does not exceed 33 years of service. We are making a similar suggestion for armed forces personnel separately.

Reduction in the age of retirement

128.21 Suggestions have also been made for reducing the age of retirement to 55 years so as to overcome the problem of unemployment.

Our recommendations

128.22 We have given careful consideration to these suggestions. Our consultants (IAMR) have referred that the Central Government accounts for just one per cent of total employment opportunities in the country. In most of the western countries, the age of superannuation is 65 years. In the Asian Region also, the age of retirement varies between 60 and 65 years. In the European Region, a further increase in the retirement age is round the corner. We consider it to be bad economic policy to remove unemployment by retiring people before they cease to be productive. Any attempt at reduction of age of retirement will not only be uneconomical but is likely to be viewed as a retrograde step. Data furnished by the IAMR supports the view that there has been a marked improvement in life expectancy not only at birth but also at higher ages. The survey conducted by them and various WHO studies reveal that there is no decline in physical health and

mental abilities up to 62 years of age and there is a higher participation rate of older workers in the labour market. In the light of the above information and in keeping with the global trends, **we do not find any merit in the suggestions to reduce the age of superannuation to 55 years**.

Date of retirement of employees

128.23 It has been urged before us that all the employees should be retired on 31st December irrespective of the month in which they were born. Another suggestion is that the employees born on the first day of a month should be retired on the last day of the same month instead of the last day of the preceding month.

Our recommendations

128.24 We have considered the suggestions in the light of the opinion expressed by the official side that retiring all employees on 31st December irrespective of their month of birth or on the last day of the month for employees born on first of a month, would amount to retention of such employees beyond the age of superannuation. We have also been informed that there are several court rulings about persons whose date of birth falls on the first day of a month, in which courts have held that such persons should retire from service on the afternoon of the last day of the preceding month on attaining the age of superannuation. In view of the above position, **we do not recommend any change in the existing procedure** and practice being followed.

Reference by DOPT

128.25 The Department of Personnel and Training made a specific reference to the Commission to examine and consider (i) substituting the words "regular employees" for "monthly rate of pay" appearing in Rule 56(b) of the Fundamental Rules because the use of the words `monthly rate of pay' was slightly anachronistic, in as much as even casual workers with temporary status were in receipt of pay on monthly basis; (ii) the scope of the term "workmen", their age of retirement and categories of persons who could be covered under Note below FR 56(b).

128.26 The staff unions of various organisations having fully or partially commercial, semi-commercial or service functions have demanded that the age of retirement of their employees be treated as 60 years as they belong to the category of `workman' and the benefit of Note below FR 56(b) should be extended to them. Certain categories of employees such as Drivers, Despatch Riders and Gestetner Operators have also demanded the benefit of superannuation at the age of 60 years.

Our recommendations

128.27 We have considered the proposals made by the Department of Personnel and Training and the demands raised by certain categories of employees in the light of several Court/Tribunal rulings. Courts and Tribunals have been adopting a liberal interpretation of the terms industry' and `workman',with the result that a large number of employees who would ordinarily not qualify as `workmen' are getting the benefit of retirement at the age of 60 years.

128.28 The scope of the term `workman' has been examined and widely interpreted by the Supreme Court in diverse judgements. In Prithpal Singh versus UOI, 1991 Supp (1) SCC 32, driver of a staff car has been held to be an "artisan". In Des Raj versus State of Punjab, (1988) 2 SCC 537, Irrigation Department of the State of Punjab has been held to be an "industry". Following a judgement in a case of Bangalore Water Supply versus A. Rajappa (1978) 2 SCC 213, the definition of industry' has been enlarged.

128.29 In view of our general recommendation to increase the age of superannuation to 60 years for all Central Government employees regardless of the category to which they belong ***the questions posed to us by the DOP&T have lost their relevance***.

128.30 The present age of superannuation of Central Government employees has acted in the past as a benchmark against which the ages of superannuation of other categories of employees, judicial officers, teachers, constitutional authorities etc. were fixed. **It is expected that our recommendations will lead to suitable readjustments elsewhere in order to maintain the present relativities**.

129

Voluntary Retirement

INTRODUCTION

Two-pronged strategy

129.1 Currently, we already have a procedure for voluntary retirement. In the context of economic liberalisation and the need for rightsizing the Government machinery, the question of liberalising the provisions of the present Voluntary Retirement Scheme (VRS) arose. After considerable thought, and considering the report of M/s Noble & Hewitt, our consultants on the subject, **the Commission has evolved a two-pronged strategy on voluntary retirement as under**:

(a) **Retain the existing VRS as it is, on a regular year-round basis to take care of those who want to leave Government service of their own volition.** Here the assumption is that they have weighed the pros and cons of their decision and have already lined up a job in all probability. For them, the normal provisions would be adequate.

(b) **Evolve a new special short-term Golden Handshake Scheme only for those who are identified by Government as surplus.** Here it is the Government which is taking the painful decision of sending such employees home, although there may be no fault of theirs. To ease the position, special provisions are necessary.

129.2 We first consider the present provisions relating to Voluntary Retirement and the demands and issues pertaining thereto.

HISTORICAL BACKGROUND

Provisions in Rules

129.3 The scheme of Voluntary Retirement for Central Government employees was first introduced in 1977 through executive instructions. It was given a statutory backing by the introduction of Rule 48-A in the CCS (Pension) Rules in November, 1978. Under the Scheme, a Government servant who has completed

not less than 20 years of qualifying service may seek voluntary retirement by giving a notice of not less than 3 months in writing to the appointing authority. Retirement under this rule is on a voluntary basis, the initiative resting with the employee. The Government does not have the right to retire the employee at this stage.

129.4 Provisions providing for premature retirement are also contained in Rule 48(l)(a) of Central Civil Services (Pension) Rules. A Government servant can under this Rule, seek retirement at any time after completion of 30 years of qualifying service. Rule 56(k) of Fundamental Rules provides for premature retirement by a Group 'A' or 'B' officer on his attaining the age of 50 years, provided he had entered Government service before attaining the age of 35 years and in all other cases after attainment of the age of 55 years. The Government also has a corresponding right to retire a Government servant in public interest under Rule 48 (l)(b) and FR 56(j), but this is a kind of punishment and we have dealt with compulsory retirement in our Chapter on Service Matters.

Weightage in service

129.5 Initially, a weightage of five years in qualifying service was admissible in cases of voluntary retirement under Rule 48-A. This was subject to the condition that the total qualifying service after the weightage did not exceed 30 years and it did not take an employee beyond the normal date of his superannuation. Subsequently, however, the position was liberalised and the weightage of five years has been given in all cases of voluntary retirement covered by Rule 48(l)(a) and Rule 48-A of CCS(Pension) Rules and Rule 56(k) of the Fundamental Rules. The limit of 30 years was also raised to 33 years. The benefit of weightage is, however, not admissible in cases where a Government employee is retired compulsorily by the Government in public interest.

MAJOR ISSUES AND OUR RECOMMENDATIONS

Reduction in qualifying service for voluntary retirement

129.6 It has been urged before the Commission that the qualifying service for seeking voluntary retirement should be reduced from the existing 20 years to 15 or 10 years. Some employees have pleaded that they be permitted to retire after 15 years of service or on completion of 50 years of age irrespective of the fact that they had entered Government service before attaining the age of 35 years.

Our recommendations

129.7 Similar requests had been examined by the first three Pay Commissions, who chose not to recommend any special provisions for early retirement. The existing rules which permit voluntary retirement after 20 years of service or on attaining 50/55 years of age already provide an opportunity to those who do not wish to continue in service. Any further reduction in the period of service for voluntary retirement is likely to create difficulties in the retention of trained manpower in Government, besides casting upon Government the liability to pay a life-long pension to the employee and his family after his death. Any employer, including the Government, expects an employee to render service for a reasonable period before entering into a commitment for the payment of a life-long pension and family pension on a liberal scale. There is also no justification for allowing different periods of qualifying service for seeking voluntary retirement in case of outstanding sportsmen, women employees, Groups 'A' and 'B' officers or employees posted in remote areas as has been demanded. Taking an overall view

of the matter, **the existing provisions providing for voluntary retirement are adequate and do not call for any modification.**

Increase in weightage of qualifying service

129.8 It has been urged that the weightage in qualifying service on voluntary retirement should be raised from 5 years to 10 or 15 years. Also that the weightage of 5 years in qualifying service may be allowed to those who sought voluntary retirement prior to 10.9.1983.

Our recommendations

129.9 The present provisions relating to voluntary retirement are considered to be quite reasonable and adequately compensate those desirous of quitting government service for whatever reasons. **Any further liberalisation of these provisions would not appear to be justified.** As regards the extension of **weightage of 5 years in qualifying service** to those who retired prior to 10.9.1983, benefits improving the conditions of service of government employees **should logically be extended only prospectively from a date** to be specified for the purpose. Under the circumstances, it would not be desirable to reopen past cases already decided.

Financial benefit for added years of service

129.10 Another demand received by us is that an additional benefit in the form of five advance increments should be extended to those seeking voluntary retirement for the purpose of calculation of their pension and other benefits.

Our recommendations

129.11 An increment is granted after an employee renders service for 12 months. Since an employee ceases to render any service on voluntary retirement, **the question of granting any further increments would not obviously arise.** No change is recommended in the existing procedure.

Repeal of Rule 10 of CCS (Pension) Rules

129.12 It has been urged that Rule 10 of the CCS (Pension) Rules which requires a pensioner to seek the previous sanction of the Government before accepting any commercial employment within a period of two years of his superannuation should be deleted or modified slightly to provide that the request of an employee seeking permission to accept such employment should be decided before the expiry of the notice period. This has been justified on the ground that the rule places unnecessary restrictions on pensioners.

Our recommendations

129.13 Rule 10 of the CCS (Pension) Rules would not appear to be very relevant in the context of the circumstances prevailing after the liberalisation of the economy. It could, in fact, be considered an anachronism. There is, therefore, much force in the argument that the existing provisions place unnecessary restrictions on pensioners. **We, recommend deletion of Rule 10 of the CCS (Pension) Rules subject to other liabilities of Government employees for acts committed by them while in service continuing to remain in force as per the existing rules. It may also be clarified that if it turns out later that a government employee had obtained a post-retirement job from an individual or a company in lieu of certain undue favours extended by him during service, he shall be proceeded against under the Prevention of Corrpution Act and other legal provisions.**

Appointment of dependents on voluntary retirement

129.14 It has been represented by some of the associations and employees that a dependant child or other dependants of an employee opting for voluntary retirement should be employed in government service on compassionate grounds.

Our recommendations

129.15 In this context, it would be quite appropriate to make reference to a decision of the Supreme Court in Auditor General of India and other Vs. Shri G. Anantha Rajeswara Raj, 1994 SCC(L&S) 500. In that case, the question posed for consideration was whether the compassionate appointment of near relations tantamounted to appointment on the basis of descent and was, therefore, violative of Article 16(2) of the Constitution. The Supreme Court held as under:-

> "If the appointments are confined to the son/daughter or widow of the deceased Government employee who needs immediate appointment on grounds of immediate need of assistance in the event of there being no other earning member in the family to supplement the loss of income from the breadwinner to relieve the economic distress of the members of the family, it is unexceptionable. But in other cases, it cannot be a rule to take advantage of the memorandum to appoint the persons to these posts on the ground of compassion."

129.16 In view of the above, **no change is called for in the existing provisions.**

Cent per cent commutation on voluntary retirement

129.17 It has been urged that employees seeking voluntary retirement should be given the option to commute even 100% of their pension. It has also been suggested that such persons should be paid a lump sum amount in lieu of monthly pension.

Our recommendations

129.18 At present employees seeking voluntary retirement are treated at par with employees retiring on superannuation and are allowed to commute up to one-third of their pension. The facility of commutation of one's entire pension which was available to employees permanently absorbed in public sector undertakings and autonomous bodies has been withdrawn w.e.f. 31.3.1995. Pension is primarily intended to provide a regular income to an employee after his retirement. It also ensures that he leads an independent life without having to rely on others for support and sustenance. This has been rendered even more necessary after the breakdown of the joint family system. Commutation of the entire pension would not meet the desired objectives. On the contrary, it is not unlikely that the lump sum amount received in lieu of pension may be frittered away in speculative ventures to the detriment of a pensioner's interests. Having regard to all relevant factors, we recommend that the **employees seeking voluntary retirement should be allowed to commute pension upto the same percentage as is allowed to employees on superannuation.**

GOLDEN HANDSHAKE SCHEME

Amendment to Rule 29 of CCS (Pension) Rules, 1972

129.19 While any further liberalisation of the existing scheme of voluntary retirement as contained in Rule 48-A of the CCS (Pension) Rules is not considered justified, it is felt that a **more attractive "golden handshake scheme" needs to be formulated in respect of employees who are identified as being surplus to requirements in the context of right-sizing the machinery of Government.** At present employees who are declared surplus are given a weightage of five years' service under Rule 29 of the CCS (Pension) Rules, provided they had rendered a service of not less than 15 years. With a view to

protecting the interests of an employee declared to be surplus due to abolition of posts or reduction in establishment, the provisions of Rule 29 of the Pension Rules need to be revised. The following guidelines are proposed to be incorporated in Rule 29 of the Pension Rules in substitution of the existing provisions. Some of the suggestions contained here have been taken from the Report of M/s Noble & Hewitt, our consultants on the subject.

Weightage in service

129.20 A Government servant who is declared surplus to the establishment in which he is serving **shall be entitled to an addition of five years to the qualifying service rendered by him provided** that the qualifying service rendered by him is not less than 15 years on the date on which he exercises an option to retire and the qualifying length of service after taking into account the aforesaid addition is not more than the service he could have rendered had he retired on the date of his normal superannuation, and the option to retire is exercised and is communicated to the authority competent to sanction pension within the period specified by the competent authority.

129.21 With a view to effecting an across-the-board reduction in the staff strength to the extent specified by the Commission in its recommendations on reducing the size of the government machinery, a special task force consisting of senior officers not below the rank of Joint Secretary may be constituted under the Secretary of each administrative ministry, to identify the surplus categories of employees and their numbers. Every department will have to carry out this exercise on a continuing basis. The scheme being proposed will be applicable to persons within the age group of 35-50 years. The scheme shall be opened for a limited period of 3 months at a time, during which period options will be invited from the categories of staff identified as surplus. If the staff identified as surplus apply for voluntary retirement, they shall be relieved from service and if they do not exercise the option to retire in response to the scheme, action shall be taken to discharge them from service under the existing provisions of various Service Rules. With a view to ensuring that only those persons are discharged from service who are sought to be discharged and not others who are to be retained, the final decision to accept the notice of retirement would rest with the special task force. **The posts vacated by the incumbents shall be abolished. The persons identified as surplus would be entitled to the following benefits**:-

a) **Full commutation of pension** by surrender of the right to receive monthly pension with an option to avail, instead, of commutation up to the limit prescribed for employees retiring on superannuation and to receive monthly pension.

b) **Ex-gratia amount equivalent to 1.5 months emoluments (Pay+ DA) for each completed year of service or the remaining years of service left before the normal date of retirement, whichever is lower**. The weightage allowed in qualifying service shall not count for the purpose of computation of ex-gratia amount. The employee shall be given an option to receive the amount of ex-gratia and retirement gratuity either in lump sum or in the shape of a Monthly Protection Allowance, equivalent to the ex-gratia, gratuity and interest thereon at the rate applicable to GPF accumulations, spread over 60 months. This Allowance could help the employee to pull on during the period of transition,

by providing him with a substantial monthly income sufficient to cater to his basic needs at least.

c) Computation of pension and retirement gratuity by allowing a **weightage of five years** to the qualifying service on the date of relief.

d) **Encashment of Earned Leave** accumulated on the date of relief.

e) **Payment of accumulations in the General Provident Fund.**

f) **Payment of savings element with interest in the CGEGIS.**

g) **TA/DA as on transfer for self and family for settling anywhere in India.**

h) **Exemption of pensionary benefits including ex-gratia amount from Income Tax and Wealth Tax.**

CONCLUSION

129.22 It is our firm belief that Government can, by a judicious mix of the normal Voluntary Retirement Scheme and the special Golden Handshake Scheme be able to achieve its objective of rightsizing the Government machinery within a reasonable time-frame.

130

Retirement Benefits of State Government Employees

INTRODUCTION

130.1 One of our terms of reference relates to an examination of the existing pension structure for Central Government employees, including death-cum-retirement benefits, having regard, among other relevant factors, to the prevailing pay structure and retirement benefits available in other sectors. It was, therefore, necessary for us to ascertain the retirement benefits available to employees of the State Governments. A specific questionnaire for the purpose was designed and sent to the State Governments. Replies were received from 21 States.

130.2 Analysis of these responses reveals that a majority of the States have generally adopted the Central Government pattern for grant of pensionary benefits. Like Central Government employees, those working under State Governments are entitled to pension and gratuity on superannuation and are eligible to commute their pension and encash leave. Provisions for payment of family pension and gratuity also exist in the event of their death. Improvements effected by the Central Government from time to time in the pensionary benefits of its employees and the changes in the Pension Rules have also been extended to the employees of the State Governments. There are, however, certain departures which are discussed in the succeeding paragraphs.

PENSIONARY BENEFITS

Eligibility criteria

130.3 As in the Central Government, only such of the State Government employees as have rendered a minimum qualifying service of ten years are eligible to receive pension. Full pension is admissible on completion of qualifying service of 33 years and any service rendered in excess of 33 years is ignored for computation of pensionary benefits. In Tamil Nadu, however, full pension is admissible on rendering a qualifying service of 30 years in consideration of the fact that the maximum age limit for entry into government service is 28 years.

Calculation of pension

130.4 While pension is calculated with reference to the average emoluments drawn during the ten months preceding superannuation by a majority of the States, the pay last drawn, however, forms the basis in Karnataka, Orissa, Tripura and West Bengal. The concept of reckonable emoluments for pension, which include only the basic pay in the Central Government, has also been adopted by States other than Meghalaya, Rajasthan, Tamil Nadu, West Bengal and Punjab where special pay and personal pay are also included in the definition of the term 'emoluments'.

Minimum and maximum pension

130.5 The minimum pension presently admissible in the Central Governnment and most of the States is Rs.375 per month; this is, however, restricted to Rs.300 in Orissa and Rajasthan and to Rs.370 in Andhra Pradesh. On the other hand, a higher minimum monthly pension has been approved by the State Governments of Karnataka (Rs 390), Tripura and West Bengal (Rs.400) and Assam (Rs 450). While there is no ceiling on pension in Andhra Pradesh, Madhya Pradesh, Orissa, Rajasthan, Tamil Nadu and Tripura, the ceiling ranges between Rs 3,000 and Rs.4,500 in other States.

Compensation for inflation

130.6 With a view to maintaining the real value of pension and family pension, the concept of payment of Dearness Relief is followed by the State Governments as at the Centre. The pension of past pensioners is also updated in the same way as is done in respect of Central Government pensioners.

Enhancement of pension

130.7 The State Government of Punjab grants a special allowance equal to 5 per cent and 10 per cent of the basic pension to its pensioners and family pensioners on their attaining the age of 70 and 80 years respectively to compensate them for the higher expenses attendant with old age. No Dearness Relief is, however, payable on the special allowance.

Commutation of pension

130.8 Provisions relating to commutation of pension are similar in the Central and State Governments and the commutation table in force in the Central Government has also been adopted for the purpose by the States. However, the Government of Tamil Nadu permits its employees to commute their pension on more than one occasion whenever this is increased or revised. While most of State Governments permit restoration of the commuted portion of pension on expiry of a period of 15 years, the State Governments of Kerala, Madhya Pradesh and Orissa permit this after 12 years. On the other hand, restoration is permitted after 14 years in Arunachal Pradesh and Assam. In Punjab, restoration on expiry of 12 years is applicable only in those cases where the pension is commuted before one attains the age of 59 years. If this is done between the ages of 59 and 65 years or between 65 and 70 years, restoration takes place on expiry of a period of twelve months and nine months respectively after the entire lumpsum amount paid as the commuted value is adjusted by means of drawal of a reduced pension. Pensioners in Karnataka who retired prior to July 1, 1986 are entitled to the restoration of their full pension on the expiry of 14 years or on their attaining 70 years of age. The position is somewhat similar in Rajasthan except that restoration in all cases is permissible on completion of 14 years or on the employee attaining the age of 70 years, whichever is later. The Haryana Government permits restoration on the employee attaining the age of 70 years or when the entire amount commuted is recovered along with notional interest thereon, whichever is later. In Himachal Pradesh, on the other hand, restoration is permissible after the lapse of 138 months or on attainment of 70 years of age, whichever is later.

GRATUITY

130.9 State Governments also pay retirement gratuity to their employees who, retire voluntarily or superannuate on attaining the age of compulsory retirement, service gratuity to those who superannuate after having rendered less than 10 years of service and death gratuity to the families of those employees who die in harness. The eligibility conditions governing these benefits, their quantum and method of their computation are similar to those applicable to Central Government employees. While the ceiling on gratuity/death gratuity was enhanced to Rs 2.5 lakhs by Government with effect from April 1, 1995 in pursuance of the recommendation contained in our Second Interim Report (May 1995), the earlier ceiling of Rupees one lakh continues to be applicable in many States other than the following:

Andhra Pradesh	...	15 times the emoluments, subject to an overall ceiling of Rs 60,000.
Assam and Meghalaya	...	Rs 72,000
Kerala	...	Rs 80,000
Rajasthan and West Bengal	...	Rs 85,000
Sikkim	...	Rs 65,000

FAMILY PENSION

Deviations from Central Scheme

130.10 Most of the State Governments have generally adopted the Central Family Pension Scheme. However, while the rates of family pension in Central Government vary with reference to three distinct pay ranges, employees of the Governments of Andhra Pradesh and Tamil Nadu are entitled to family pension at a uniform rate of 30 per cent of the pay. The slab system is consequently not in force in these two States. The rates of Family Pension are also somewhat different in Punjab for the same pay ranges as in the Central Government and are 40 per cent, 30 per cent and 20 per cent of the pay respectively for the three pay ranges. A maximum family pension of Rs 1,500 is also admissible as against the ceiling of Rs 1,250 prescribed by the Central Government. The minimum and maximum family pension admissible in different States also vary and are as follows:

State Government	Family Pension Entitlement	
	Minimum	Maximum
	Rs	Rs
Assam	450	900
Haryana	300	-
Karnataka	390	1,250
Orissa	300	715

Rajasthan	300	750
Sikkim	325	1,000
West Bengal	400	1,000

State Government employees in Rajasthan and Tamil Nadu are eligible for family pension on completion of not less than a year's qualifying service, whereas a minimum service of not less than three years is necessary in Sikkim. Apart from the spouse, minor sons up to 18 years of age and unmarried daughters up to 21 years of age are eligible for family pension in Assam and Meghalaya. In Rajasthan, however, only minor sons and unmarried minor daughters are eligible.

OTHER BENEFITS

Medical facilities

130.11 There is a considerable variation in medical and other benefits admissible to pensioners of different State Governments. In Kerala, pensioners above 65 years are entitled to a monthly medical allowance of Rs 25, while all pensioners in Jammu & Kashmir and Meghalaya receive an allowance of Rs50 and Rs200 per month respectively. The Tamil Nadu Government also pays a monthly medical allowance of Rs 50 to its pensioners.

Ex-gratia payments

130.12 Employees of West Bengal Government who retired prior to September 30, 1993 as well as those who retired or died between October 1, 1993 and December 31, 1993 and were not eligible to receive ad hoc bonus are paid an annual ex gratia grant of Rs.400. Ex gratia payment of Rs.100 is also paid by the Tamil Nadu Government to its pensioners. Besides, pensioners in the State are also entitled annually to a festival advance equal to their monthly pension or Rs.500, whichever is lower.

Travel concessions

130.13 Pensioners in Punjab receive, once in a block of two years, a month's basic pension as a grant to meet expenditure on travel. This is in lieu of the Leave Travel Concession admissible to serving employees.

130.14 It would be observed that retired employees in certain States have an edge over their counterparts in the Central Government in certain respects, while they are less favourably placed in certain others. Quite naturally, in urging the extension of additional benefits and facilities, associations representing Central Government pensioners have drawn our attention to the more favourable aspects of the retirement benefits admissible to employees of State Governments. We have given due consideration to the position prevailing in different States in formulating our recommendations on the package of benefits for Central Government pensioners.

130.15 Based on available information presented by the Department of Pension and Pensioners' Welfare at the Chief Ministers' Conference on Pension Administration (November 1995), statistical data on pensioners and family pensioners in different States and expenditure on pensions during 1990-95 have been presented in Annexe 130.1.

130.16 Our information on State Governments being based on their replies to questionnaires, which were received quite some time back, some of the data could be out of date.

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ANNEXE - 130.1
(REFER PARA L30.L5)

STATEMENT OF STATE GOVERNMENT PENSIONERS (INCLUDING FAMILY PENSIONERS) IN THE LAST FIVE YEARS AND EXPENDITURE INCURRED ON PAYMENT OF PENSION

	NUMBER OF PENSIONERS (IN LAKHS)					TOTAL EXPENDITURE (In Crores of Rupees)				
Name of the Government	31.03.90	31.03.91	31.03.92	31.03.93	31.03.94	1990-91	1991-92	1992-93	1993-94	1994-95
Andhra Pradesh	1.91	2.05	2.30	2.51	2.59	304.16	391.18	4234.11	510.10	5638
Assam				0.65	0.89	49.35	83.32		71.20	916
Bihar					1.75					Not reported
Gujarat	1.25	1.34	1 50	1.60	1.66	182.37	206.35	288.55	262.08	2564
Haryana					.84	70 39	83.52	106.98	119.65	1316
Himachal Pradesh					.30					830
Jammu & Kashmir	0.49	0.52	0.55	0.60	0.64	34.62	53.86	56.96	77.65	776
Kerala	1.63	1.80	2.00	2.24	2.41	293.13	338.95	371.86	437 56	5507
Karnataka	2.24	2.37	2.50	2.66	2.77	232.30	239.65	247.60	315.48	3482
Madhya Pradesh	1.35	1.45	1.57	1.67	1.67	165.22	203.97	253.91	309 00	3338
Maharashtra	3.11	3.23	3.36	3.48	3.64	176.34	203.43	276.57	361.77	4444
Orissa	0.85	0.89	0.96	1.02	1.08	52.35	66.40	81.11	88.58	1075
Punjab					.71				107.60	
Rajasthan	0.83	1.35	1.46	1.56	1.65	96.02	118.90		172.00	1840
Tamil Nadu	2.02	2.08	2.26	2.22	2.62	370.29	460 18	548.98	637 30	6995
West Bengal					1.00	184.42	217.98	252.97	170.40	2360
Uttar Pradesh					130.26	175.67	226.51	411.35	354.50	

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Retirement Benefits in the Public Sector

INTRODUCTION

131.1 Although a comparison with Public Sector Undertakings (PSUs) has not been specifically mentioned in our Terms of Reference, we thought it proper to collect information not only from PSUs but also from financial institutions and insurance corporations. A questionaire was sent to the various organisations and we received information from 63 of them.

CONTRIBUTORY PROVIDENT FUND

131.2 On analysis of the information, it was noticed that employees in PSUs are mostly governed by the Employees Provident Funds and Miscellaneous Provisions Act, 1952 (Act 19 of 1952), as amended from time to time which provides for institution of compulsory provident fund, family pension fund and deposit-linked insurance fund for the benefit of employees in factories and other establishments employing twenty or more persons. The Employees' Provident Fund scheme framed under the provisions of this Act stipulates that a contribution varying from 8.33 per cent to 10 per cent of the monthly salary (basic wages plus dearness allowance) together with a matching contribution from the employer shall be deposited in a public fund to be operated by the Central Government. The rates of contribution to Contributory Provident Fund (CPF) by both employees and employers are either 8.33 per cent or 10 per cent of the monthly salary. The accumulations in the CPF earn interest @ 12 per cent per annum.

RETIREMENT BENEFITS

131.3 The retirement benefits available to the employees of PSUs are mostly in the form of employer's contribution to the provident fund, gratuity and leave encashment. An Employees' Family Pension Scheme has also been adopted

by most of the PSUs since 1971 under the provisions of Employees' Provident Fund and Miscellaneous Provisions Act. This scheme is quite distinct from the family pension scheme applicable to Central Government employees.

131 4 There are a few PSUs where staff originally came on deputation/transfer from Central Government Departments and was later absorbed. Such absorbed employees have been permitted to retain their pensionary benefits. These PSUs include Food Corporation of India, Mahanagar Telephone Nigam Ltd., Hindustan Petroleum Corporation Limited, Nuclear Power Corporation of India Limited, Central Coalfields Limited Hindustan Salts Limited, etc.

131 5 A few PSUs such as Madras Fertilisers Limited, Indian Oil Corporation, Hindustan Petroleum Corporation, Gujarat State Fertilisers Company Limited have limited superannuation benefit fund schemes which are managed out of employees' contributions.

131.6 The gratuity schemes in PSUs are framed under the Payment of Gratuity Act, 1972, as amended from time to time. Gratuity is payable on completion of five years' service on (a) superannuation (b) retirement (c) resignation and (d) death while in service. It is calculated at the rate of fifteen days' wages for the last month for every year of service or a part thereof in excess of six months. A month is treated as consisting of 26 days. The maximum gratuity payable is limited to 20 months' salary (basic pay plus dearness allowance). However, in the event of death while in service, the condition of five years' service for eligibility does not apply. The method of calculation of death gratuity, rates of death gratuity and the ceiling on death gratuity are the same as for Central Government employees. A few PSUs follow the Central Government pattern for payment of gratuity where the amount of gratuity is restricted to 16-1/2 months' salary. These PSUs are: Bharat Electronics Ltd., Cement Corporation of India, Engineers India Ltd., Indian Railway Construction Company, Indian Telephone Industries Ltd., Mazagon Dock Limited, Mica Trading Corporation of India Ltd., etc. An overall ceiling of Rs. one lakh is being observed on the payment of gratuity by all the PSUs

PENSIONS

Introduction of pension scheme in banks and Insurance companies

131 7 On the basis of a settlement signed by the Indian Banks' Association and the All India Workmen's Unions on 29.10.1993, a pension scheme, as a second retiral benefit, in lieu of contributory provident fund was introduced with effect from 1 11 1993. The scheme was compulsory for employees who joined service of a bank on or after 1.11 1993 and optional for those who were in service of a bank as on 31.10.1993. The pension scheme is patterned on the scheme applicable to Central Government employees. A similar scheme has also been introduced with effect from 1.11 93 for employees in the Insurance Sector.

Pension schemes in PSUs

131.8 The Delhi Transport Corporation has introduced a pension scheme for its employees. Mahanagar Telephone Nigam Limited has also adopted the pension scheme as available to Central Government employees, because 99% of its employees are reported to be on deputation from the Department of Telecommunications. For the employees recruited directly, benefits of CPF have been extended. The Air India has introduced a superannuation pension scheme for

its full-time regular employees on Indian pay-roll as on 1.4.1994. To be eligible for pension, a minimum of continuous fifteen years' service is required Pension is calculated on salary last drawn consisting of basic pay, dearness allowance and personal pay. For the existing employees, pension is payable @ 40% of salary last drawn for the first ten years which is stepped up by 0.5% for each completed year of service subject to a maximum of 50% of salary. For the new employees, pension shall be payable @ 1.25% for each year of service subject to maximum of 50% of salary. No dearness relief is payable on pension. No other PSU has introduced a pension scheme as per information received by the Commission.

Family Pension Scheme, 1971

131.9 The Employees' Provident Fund Scheme lacked survivorship coverage on death of the member or providing required support in the unfortunate event of his becoming invalid. To meet this objective partially, the Employees' Family Pension Scheme, 1971 (EFP) was added to the provident fund. According to the scheme, from and out of contributions payable by the employer and the employee to the CPF, a part representing 1-1/6th per cent of the employee's pay (basic plus DA) along with an equivalent amount from and out of employer's contribution was remitted to the Family Pension Fund (FPF) account maintained as a public account by the Central Government. The Central Government also contributed @ 1-1/6th per cent of the pay of the members of the fund to this account. The family pension scheme provided for coverage of widow pension and in the event of death or remarriage of the widow, such pension passed on to the eldest minor children. The need for pensionary support for the member during his old age and to the family upon his death, other than while in service, remained unfulfilled.

Introduction of Employees' Pension Scheme, 1995

131.10 With a view to bridging the aforesaid gap for the workers in industrial and commercial sectors, an Employees' Pension Scheme has been introduced by the Government with effect from 16.11.1995. The scheme has been designed to provide old-age benefit to the member and survivorship coverage to the family upon his death. No separate contribution is payable additionally for this pension scheme. It operates in an integrated manner with the EPF Scheme and derives its finance by way of diversion from EPF Contribution besides the Central Government's contributions. The new pension scheme is an enlargement of the erstwhile family pension scheme, 1971 which stands merged with the new scheme on its introduction. The benefit and entitlements under the old scheme have been secured and will be continued to be payable under the new scheme.

Coverage by the EPS, 1995

131.11 The Employees' Pension Scheme, 1995 (EPS) is compulsory for all members of the existing Family Pension Scheme, 1971 and who become subscribers of provident fund scheme from 16.11.1995 onwards. It is optional for those Provident Fund members who are not members of the Family Pension Scheme, 1971 and those Family Pension Fund members who retired between 1.4.1993 and 15.11.1995.

Financing of EPS

131.12 8.33 per cent of wages out of employer's share have been diverted to the Pension Fund with effect from 16.11.1995. Balance or 1.67% (if rate of contribution is 10%) of employer's share remains in the Provident Fund. Entire employer's share up to 15.11.1995 also gets deposited in the Provident Fund account of the subscriber.

Qualifying conditions

131.13 A minimum of 10 years' service (one month in case of total disablement and death) is essential for eligibility to pension.

Benefits under EPS

131.14 Superannuation/retirement pension is payable on completing a minimum 10 years of service and attaining the age of 58 years. Pension can be availed of by the member at his option before attaining the age of 58 years but not below 50 years Such early pension is subjected to a reduction factor of 3% per year. On leaving employment before ten years' pensionable service, the member has the option to retain the membership until attaining the age of 58 years and enlarge his entitlement with subsequent employment if any, or quit the scheme by availing withdrawal benefit. If the member retains the membership, he remains covered for death risk throughout, thereby providing assured family pension coverage without incurring any extra cost.

Quantum of pension

131.15 Superannuation pension @ 50% of average salary (basic plus DA) during the last 12 months is payable for 33 years of service. If service is more than 33 years, pension shall be increased and can go up to 60%. Pension is calculated at the rate of 1/70th of pensionable salary for each year of service.

Minimum pension

131.16 If the age of the member is 48 years and above but below 53 years or 53 years and above as on 16.11.1995, minimum pension for 24 years of past service shall be Rs.600 p.m. or Rs.500 p.m. respectively. If the past service is less than 24 years, pension shall be reduced proportionately but it shall be not less than Rs.325 and Rs.265 p.m. respectively. For service beyond 16.11.1995, pension shall be calculated @ 1/70th of pensionable salary for each year of service.

Invalid pension

131.17 Full pension is payable as per formula, according to pensionable salary and service, subject to a minimum of Rs.250 per month even if the employee has paid only one month's contribution.

Family Pension

131 18 Pension is payable to the widow and children in the event of death of the member in service or after leaving service or after his death while drawing pension. In case of death while in service, the pension payable will be equal to admissible pension as if the member had retired on the day of death or Rs.450 or the amount worked out according to a table, whichever is more. In case of death after date of exit but before attaining the age of 58 years, it is equal to admissible pension which would have accrued if the member had retired on the date of exit or Rs.250 p.m. or the amount worked out according to a table, whichever is more. In case of death after superannuation, it would be 50% of the member's pension subject to a minimum of Rs.250 p.m.

Orphan pension

131.19 Orphan pension is payable equal to 25% of widow/widower pension, subject to a minimum of Rs.115 p.m., until the children attain the age of 25 years, for a maximum of two children. If the deceased member is not survived by a widow but is survived by children, orphan pension shall be 75% of widow's pension subject to a minimum of Rs.170 p.m. It is available for a maximum of two orphans and runs from the oldest to the youngest.

Benefit for bachelors

131.20 If a member is not married on the date of death but has nominated a person to receive the benefit, pension equal to widow's pension is payable.

Commutation of pension

131.21 Pension can be commuted up to one-third of pension after three years from the introduction of the scheme, i.e. from 16.11.1998.

Adjustment with cost of living index

131.22 Provision has been made for increase in the benefits every year after valuation of the Pension Fund.

Return of capital

131.23 If a pensioner opts for 10% less pension during life-time or opts for 12.5% less pension for a fixed period of 20 years, 100 times the original pension is payable at death in the first case and whether a member lives or dies, after 20 years, in the second case.

OTHER RETIREMENT BENEFITS

Employees' Deposit-linked Insurance Scheme

131.24 An Employees' Deposit-linked Insurance Scheme was introduced in 1976 to provide insurance cover to the workers in the unfortunate event of death of the worker. The scheme provides additional social security benefits equal to the average balance in provident fund account of the deceased employees up to a maximum of Rs.35,000.

Post-retirement medical coverage and facilities

131.25 A few PSUs have extended post-retirement medical facilities on a contributory basis.

Travel facilities

131.26 Most of the PSUs allow their retiring employees to settle anywhere in India by allowing reimbursement of fare as per entitlement. Except this, no travel facilities are provided after retirement.

Encashment of leave

131.27 Facility of leave encashment is available to the employees in PSUs on the same scale as is permitted for Central Government employees.

131.28 Information collected in this chapter has been utilized by us for making a comparative analysis while deciding various issues relating to the retirement benefits of Central Government employees.

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Retirement Benefits in Other Countries

INTRODUCTION

132.1 In most of the countries, public servants are subject to a special scheme of social security protection against old age, disability and death and such a scheme generally differs from other social security schemes meant for the general population or for other workers. Both in developed and developing countries, public authorities have generally tended to provide a preferential scheme for government employees. In some developing countries, public servants are still the only categories of workers who draw pensions, while other workers either avail themselves of accumulated compulsory savings in a National Provident Fund or have no protection whatsoever. Entitlements to pensionary benefits are often recognised as one of the conditions of service of public servants and these benefits are generally paid in full from the public exchequer. In certain cases, where public servants have to pay a contribution, the benefits are comparatively higher.

DETAILS OF RETIREMENT BENEFITS

Entitlement to pension

132.2 Entitlement to pension in case of public servants is dependent on a prescribed age and on certain length of service. The age of superannuation for pensionary purposes ranges from 50 to 70 years. In some countries, pension is also due after a certain length of service, which usually ranges between 30 and 35 years. The minimum period of service which entitles one to pension varies between 10 and 15 years.

Computation of benefits

132.3 Pension in most countries is in the form of a periodical payment based on the average salary in the last year or last 3 to 5 years or on the highest salary achieved in one's career. Generally, the quantum of pension is fixed as a percentage of the reference salary. The basic rate in such cases is stipulated for a

specified number of years and it is increased by 1 or 2 per cent of the reference salary for every additional year of service beyond the specified number of years. In certain cases, a fixed percentage of the reference salary is paid for every year of service. Some countries use a weighted pension formula, in which the lowest paid public employees receive a higher percentage of their previous salary than their better paid counterparts. Most schemes also contain provisions limiting the amount of pension. In many cases, this is done by subjecting the reference salary to a ceiling. Some countries have also introduced a minimum pension.

Pension schemes in other countries

132.4 Details about age of retirement, maximum pension, rate of contribution as percentage of salary by the individual, and the government as prevalent in some countries, are given in the following Table. This has been prepared on the basis of information contained in Report-III of the Joint Committee on the Public Service of the International Labour Organisation (Fourth Session, Geneva, 1988) on social security.

PENSION SCHEMES IN OTHER COUNTRIES

	Age of retire-ment	Maximum pension	Contribution rate as %age of salary	
			Individual	Government
Bangladesh	57	60%	0%	Total cost
Belgium	65	67%	-	Total cost
Canada	65	70%	6. 5%(normal) +1% (for supplementary benefits)	6.5%(normal) +1% (for supplement-ary benefits)
France	65	75-80%	6%	Remainder
Germany	65	75%	0%	Total cost
India	58	50%	0%	Total cost
Indonesia	55	75%	4.75%	Remainder
Malaysia	55	50%	0%	Total cost
Mexico	55	95%	6%	6%
Morocco	65	100%	7%	0%
Myanmar	60	60%	0%	Total cost
Pakistan	60	70%	0%	Total cost
Sri Lanka	55	80-90%	4%	Remainder
Sweden	65 (employer)	65%	9.45%	25%
U.K.	65	50%	9% (individual)	13% + 10.5%(employer)
U.S.A.	62	40%	7%	6.06%

Other associated benefits

132.5 In almost all countries, **the pension schemes also entitle public servants to an Invalidity benefit**, even if the disability is not attributable to the performance of duties. **Similarly, survivor's benefit in case of death of an employee or pensioner is also provided**. In many countries, a survivor's pension is also payable to a dependent widower. The quantum of widow or widower's pension is less than 50 and 60 per cent of the amount of the deceased person's

pension. Pension schemes also provide for orphan's pension and it is normally paid until the children come of age. However, in many cases, a higher age limit is fixed for such pensions in cases where an orphan is undergoing scholastic or vocational training.

FINANCING OF PENSION SCHEMES

PAYG Scheme

132.6 **In a comparatively large number of countries, the Pension Schemes for public servants are unfunded** i.e. based on the pay-as-you-go principle (PAYG). Under this principle, workers today pay pensions to retirees expecting that their pension will be paid by future workers. The main source of financing is, therefore, the government and payment is made out of its current budget. Thus, there is no saving or contribution from the current budget to pay future pensions.

Funded Schemes

132.7 In a funded scheme, a stock of capital accumulates to pay the future obligations, so that the aggregate contribution plus investment returns are sufficient at any time to cover the present value of the entire stream of future obligations. The current generation of workers supports itself through wages and saves part of its output for support after retirement.

132.8 Increased system dependency rates i.e. the ratio of number of pensioners to the number of workers, have put pressure on the viability of PAYG schemes. As such, rapid increase in this rate has caused pressure on public pension systems, resulting in a situation where **most of countries of Eastern Europe and South America have made their pension plans more sustainable by converting part of the pension obligation into a funded contributory scheme**. Current regulations in most of the OECD countries, e.g. Australia, Austria, France, Germany, Italy, Japan, Sweden, UK, etc. require that the occupational pension plans be fully funded. In case of U.S.A., the Public Employees Retirement Systems (PERS), which manage such funded pension schemes have become powerful financial institutions, and there are approximately 2,400 public pension schemes covering around 10 million full-time employees and 3 million pension beneficiaries. Large funds have accumulated under occupational pension plans amounting to 133% of GDP in Switzerland, 117% in Netherland, 105% in UK and 72% in USA. In Chile, which represents an example of successful pension reform, the funded pension schemes are government-mandated but are privately managed by specialised fund management companies. The funds have accumulated resources which are equal to 30% of GDP and achieved a real rate of return of 13% per annum.

Hybrid Systems

132.9 Pure public pay-as-you-go systems or private funded pension systems can be thought of as being at the opposite ends of a spectrum of pension types and many countries operate some sort of a hybrid system. Many pay-as-you-go public pension schemes combine earning-related pensions with a provision for a minimum pension. The concept of minimum pension is seen as a part of poverty prevention after retirement, while providing scope for a degree of income replacement relative to worker's former earnings. Since poverty prevention is seen as a government function, there is no provision for minimum pension in case of private funded pension schemes. However, public funded pension systems, as in case of Chile, do provide minimum pension entitlements for contributors whose

own capital funds are insufficient to purchase a minimum pension annually. This, however, involves a charge on government revenue, as well.

OTHER MATTERS

Maintenance of pensionary rights in cases of mobility to private sector

132.10 Public service pension schemes are well coordinated, so as to ensure that in case of mobility of a public servant from one organisation to another, his pensionary rights are also transferred. Such coordination is ensured even where the transfer is to a private occupational scheme. Thus a sum corresponding to the actuarial value of the rights of a public servant in a scheme is transferred to another scheme to which a worker is admitted. In Canada, such facility is ensured between the Federal Public Service Pension Scheme and Private Occupational Schemes with which transfer agreements have been concluded. In case of Switzerland, this relationship has been established between public service pension schemes and private occupational schemes, which have all had to conform to the requirements of Occupational Pension Act, 1982.

Adjustments of pensions to cost of living index

132.11 In many countries, old-age, invalidity and survivors' **benefits are either indexed to variations in current salaries** for public servants in the same grade, **or periodically adjusted to variations in the cost-of-living index**.

Latest data

132.12 The Commission tried to collect data from 26 important countries through our missions abroad. A summary of the information relating to retirement benefits available to Government employees in 10 countries has been tabulated at Annexe 132.1

Retirement benefits to the Government Employees in different Countries

Annexe-132.1
(see Para 132.12)

Country	Average age of super-annuation	Quantum of pension as % of last pay drawn	Pension paid out of Pension Fund or Public Fund	Relief to Pensioners against inflation	Terminal benefits payable on super-annuation	Quantum of family pension as % of last pay drawn	Medical facilities to retired employees	Schemes of Voluntary retirement/ golden hand-shake and experience
1.	2.	3.	4.	5.	6.	7.	8.	9.
1. Australia	65 years (maximum) 55 years (minimum)	Lump sum benefit (part or full) divided by a conversion factor defined by age at retirement.	Not available	Not provided	Benefits payable as lumpsums, however, it can be exchanged partly or entirely for an indexed Pension Benefit consists of a member component, productivity component and an employer financed component **	Amount as a % of employe pension entitlement:- Spouse 67% Spouse & one Child 78% Spouse & two Children 89% Spouse and 3 or more children 100%	Not Available	Not available
2. Canada	No fixed age	Not on the basis of last pay drawn	N.A.	Pension linked to CPI	Pension	* 50% of employees basic pension to spouse; 10% of employees basic to each of the surviving child of under 8 years (maximum of four child)	N.A.	Yes
3. France	N.A.	50% of the average salary of 11 best career years of an individual	Pension fund		Pension, supplementary grants made in the case of insufficient pension	N.A.	N.A.	Early retirement for those above 60 years of age
4. Sweden	65 years	N.A.	Out of public fund	Pensioners protected against inflation	Only Pension	No family pension	Full medical benefits	Does not exist

Retirement benefits to the Government Employees in different Countries

Annexe-134.1
(see Para 132.12)

Country	Average age of super-annuation	Quantum of pension as % of last pay drawn	Pension paid out of Pension Fund or Public Fund	Relief to Pensioners against inflation	Terminal benefits payable on super-annuation	Quantum of family pension as % of last pay drawn	Medical facilities to retired employees	Schemes of voluntary retirement/ golden hand-shake and experience
1.	2.	3.	4.	5.	6.	7.	8.	9.
5. China	55 years (women) 60 years (men)	75 to 100% of last pay drawn	out of public Fund	N.A.	Pension	N.A.	Full medical cover	VRS includes full pension, retaining, soft loans etc.
6. Hongkong	60 years	1/675 for each month of pensionable service is taken as pensionable factor. Maximum Pension is 2/3rd of the highest pensionable emoluments drawn during the service.	No, paid from general revenue.	Pension linked to average of CPI.	Annual Pension	Widows and orphans pension scheme, and spouses and children pension scheme exist.	N.A.	VRS applicable for employees between the ages of 45 years and 54 years.
7 Indonesia	56 years (in general) 60 years (JS & above) 65 years (Judges etc.)	N.A.	Out of social Insurance (pension) Plans	Indirectly linked to cost of living index	Pension, lump sum payment, medical facilities	on the basis of formula	Medicare facilities provided	No VRS
8. Japan	60 years to 65 years	N.A.	Partly out of pension fund	Pension indexed to CPI	Retirement Allowance and pension	Not applicable (fixed sum p.a. paid as SBP)	Medical facilities available a.t certain conditions	N.A.
9. Malaysia	55 years	Maximum limit 50% of last pay drawn	Out of Public Fund	N.A.	Gratuity and Pension	N.A.	Free medical facilities provided	VRS includes golden hand shake
10. Sri Lanka	60 years	80 to 90% of last pay drawn	N.A.	Pensioners not protected against inflation	Pension only	Widow & Orphan's pension	Not provided	

Retirement benefits to the Government Employees in different Countries*

Annexe.132.1
(see Para 132.12)

	Country	Average age of super-annuation	Quantum of pension as % of last pay drawn	Pension paid out of Pension Fund or Public Fund	Relief to Pensioners against inflation	Terminal benefits payable on super-annuation	Quantum of family pension as % of last pay drawn	Medical facilities to retired employees	Schemes of Voluntary retirement/ golden hand-shake and experience
	1.	2.	3.	4.	5.	6.	7.	8.	9.
11	Thailand	60 years	on the basis of formula	Out of public fund	N.A.	Pension	30 times of last pay drawn as one time payment upon the death of employee	Full medical cover	VRS after 25 years of complete service
12	India	58 years (in general) 60 years (class IV)	50% of last ten months' average basic pay	out of consolidated fund	Pension linked to AICPI	Gratuity, Leave salary, commutation payable as one time payment. Pension payable on monthly basis.	On the basis of Formula	C.G.H.S. facility	VRS after 20 years of qualifying service. No scheme of golden hand-shake.

CPC/Statistical Unit

Source: Data collected by the Fifth Central Pay Commission.

* Monthly Pension = Last pay drawn X Years of service/50

SBP = Survivors Basic Pension

@ Death before retirement, FP = 1.35 X Annual gross salary last drawn X Nos. of years of service

Death after retirement, FP = 0.9375 X Annual gross salary last drawn X Nos. of years of service

** Member component is the contributions paid by the employees plus interest thereon. Productivity component is the fortnightly superannuation productivity contribution made by the employer plus interest thereon.

Employer financed component is a defined amount, the size of which depends on a number of factors including the length of membership, salary and rate of contribution.

133

Retirement Benefits of Civilian Employees

INTRODUCTION

Retirement benefits defined

133.1 Central Government employees on retirement are entitled to superannuation or retiring pension, retirement gratuity, encashment of earned leave and the facility to commute upto one-third of their pension. The significant features of retiring or superannuation pension are that it is non-contributory and is subject to future good conduct of the pensioner. Pension can also be withheld under certain circumstances. Employees who have opted for the CPF scheme are paid CPF accumulations, gratuity and cash equivalent of earned leave.

Computation of Pension

133.2 Pension is computed on the basis of length of qualifying service, reckonable emoluments and the pension formula. There are also orders prescribing a minimum and maximum pension. The rules and regulations governing the above aspects are contained in the Central Civil Services (Pension) Rules, 1972 (hereafter referred to as Pension Rules) which have been modified from time to time with a view to bringing about improvements in the pensionary benefits of the employees.

QUALIFYING SERVICE

What is qualifying service

133.3 One of the elements taken into account for computation of pension is the length of qualifying service rendered by an employee. It is reckoned from the date a government servant assumes charge of the post to which he is appointed in a permanent capacity. Temporary service followed by confirmation without interruption also qualifies for pension provided the duties and pay are regulated by the Central Government.

Formulae in the past

133.4 Prior to 17.4.1950, full pension was equal to 30/60 of emoluments on completion of 30 years of service. From 22.4.1960, pension was computed in terms of completed six monthly periods of service, instead of completed years of

service. Accordingly, pension was computed @ 1/160 of average emoluments for every completed six monthly period of service, subject to a maximum of 60/160 of the average emoluments. With effect from 1.1.1973 maximum pension was raised to 66/160 of average emoluments. At present full pension is admissible on completion of 33 years of qualifying service.

QUALIFYING SERVICE FOR FULL PENSION

Demands

133.5 Suggestions have been made that full pension should be allowed on completion of 10-30 years of service because of increase in the age of recruitment up to 28 years for general candidates and 33 years for reserved category candidates. It has also been suggested that the period of minimum qualifying service for eligibility to pension should be reduced to five years.

Reduction in period of qualifying service

133.6 We understand that the ages of 28 and 33 years mentioned by the memorandists are the upper ages up to which persons belonging to general and reserved categories can enter into Government service. The normal age of recruitment for Groups `B', `C' and `D' posts continues to be between 18 and 25 years, whereas for Group 'A', the age is between 21 and 28 years. It is not logical to assume the upper ages as the normal age of entry into Government service. However, taking into account the plight of late entrants to service, specially those of our brethren belonging to SCs/STs/OBCs, we have recommended an increase in the age of superannuation to 60 years uniformly for all employees other than personnel of Central Police Organisations and defence forces. This would enable even those employees who join service late to render two more years of service and draw more pension than at present. Taking the above factors into consideration, we are unable to recommend a reduction in the period of qualifying service for eligibility to full pension.

Minimum qualifying service

133.7 We have also considered the other suggestion in the light of observations of the Fourth CPC that pension confers a long-term benefit on an employee covering the entire period of his life and should be admissible only if he has served the Government for a reasonably long period. The Commission did not favour any reduction in the requirement of 10 years' qualifying service for grant of pension. **We also do not recommend any reduction.**

ADDITION TO QUALIFYING SERVICE

Position of Rules

133.8 A weightage up to a maximum of 5 years is added to qualifying service when an employee retires on (a) completion of 30 years' qualifying service at the option of employee, (b) attaining the age of 50 years (for Groups `A' and `B') and 55 years (for Groups `C' and `D') at the option of employee, (c) completion of 20 years' qualifying service, (d) being retrenched on account of abolition of post if the employee opts to retire within two months of being declared surplus provided he has completed 15 years' qualifying service, and (e) appointment to a service or post for which a post graduate research or specialised qualification or experience in scientific, technological or professional field is essential to which candidates of more than 25 years of age are normally recruited. Provisions to this effect are contained in Rule 48 of Pension Rules, Rule 56(k) of Fundamental Rules and Rules 29, 30 and 38 of the Pension Rules.

Demands

133.9 Suggestions have been made that those who are initially appointed in relaxation of age should be allowed the benefit of added years of service to the extent of such relaxation. Also, that the benefit of added years of service be extended to scheduled castes, scheduled tribes, physically handicapped, blind, deaf and sportsmen.

Cases of age concession

133.10 As per existing rules, there are 27 categories to whom age concession is allowed for the purpose of appointment to services/posts in the Government of India. Age concession to 20 categories is related to previous government service and for that reason the question of addition to qualifying service does not seem to be appropriate. In other cases, the concession has been extended on compassionate grounds. Keeping in view the fact that the benefit of added years of service is presently extended irrespective of the fact whether a person had obtained employment by availing himself of age concession or otherwise and is essentially service/post-specific for which specific provision is made in the Recruitment Rules in consultation with the UPSC, grant of a concession based on caste, creed or language is not called for. **We do not find any merit in the suggestion and recommend maintaining the status quo.**

Persons with less than 33 years' service

133.11 It has been suggested that Central Government employees who at the time of retirement on superannuation had rendered service of less than 33 years, may be allowed the benefit of addition to service the difference between 33 years and the actual service rendered subject to a maximum of 3 years, on the analogy of provisions available in Andhra Pradesh Government Pension Rules, 1960.

Our Recommend-ations

133.12 The suggestion implies grant of full pension on completion of 30 years of service. **For the reasons mentioned earlier, we do not accept the suggestion and recommend accordingly.**

Cases of premature retirement

133.13 It has been urged that the benefit of five years addition to service should be allowed when an employee is retired prematurely, which is not a punishment and the denial of weightage in qualifying service amounts to inflicting a punishment indirectly.

Our Recommend-ations

133.14 Retiring a government servant prematurely is a condition of service and the prerogative of the Government. Such an action is taken by the Government in the interest of public service when the retention of the government servant is considered to be undesirable. **In such cases, extension of the benefit of addition to qualifying service is not called for and, in our view, amounts to rewarding inefficiency. We do not find any merit in the suggestion and recommend maintaining the status quo.**

Professionally qualified people

133.15 It has been suggested that professionally qualified people who join at the age of 40-45 years with a higher start should be allowed the benefit of addition to service which could either be the number of advance increments granted or a notional figure based on the length of service in the private sector, whichever is more.

Our Recommend-ations

133.16 Having regard to the fact that the benefit of notional addition to qualifying service in case of services requiring persons with scientific, technological and professional qualifications is already admissible subject to certain conditions specified in Rule 30 of the Pension Rules, **we do not find any**

justification in relating the benefit of notional addition to qualifying service to the number of advance increments granted at the time of appointment or to the length of experience gained in the private sector and recommend accordingly.

CPO personnel

133.17 Personnel belonging to BSF, CRPF, ITBP, etc. who retire at the age of 55 years do not get full pensionary benefits. A weightage of three years to the qualifying service has been suggested.

Our Recommend-ations

133.18 With our recommending an increase in the age of superannuation to 60 years for all Central Government employees other than personnel of CPOs and defence forces, the existing difference of 3 years in the age of retirement between Central Government employees and personnel of CPOs would widen to five years. We are of the view that they need to be compensated partially for the loss of pay and allowances for these five years. **We accordingly recommend that the benefit of addition to qualifying service to the extent of shortfall and up to a maximum of 3 years may be extended to such of the CPOs' personnel whose service falls short of 33 years.**

Counting of EOL

133.19 It has been urged that periods of Extra Ordinary Leave whether on medical grounds or otherwise should be taken into account for pensionary benefits.

Our Recommend-ations

133.20 Extra Ordinary Leave (EOL) on medical certificate and without Medical Certificate taken for prosecuting higher scientific/technical studies or due to inability to join or rejoin duty on account of civil commotion is already treated as duty and counts for qualifying service. EOL for other purposes is taken by the employee of his own volition and **we do not find any merit in the suggestion to treat the same as qualifying service for pension.**

COUNTING OF PAST SERVICE FOR PENSION

Demands

133.21 Suggestions have been made that service rendered in Government recognised schools should be counted for computation of pensionary benefits. Another suggestion made relates to counting of service rendered by scientific officers, doctors and others in institutions, run by voluntary organisations or local bodies. It has also been suggested that service rendered as Railway apprentice prior to 15.8.1947 be counted in respect of officers who retired prior to 22.12.1983 on the ground that such service has been counted in respect of officers who retired after 22.12.1983.

Our recommendations

133.22 Counting of past service rendered in recognised schools, colleges, local bodies and charitable institutions on absorption in Government service implies taking over pension liability, which is not in keeping with pronounced policy of the Government. **Keeping in view the financial implications and recurring nature of liability which the Government will have to assume in the event of acceptance of the suggestion, we are not inclined to agree to the suggestion and recommend accordingly.** In view of the judgement of the Supreme Court upholding the right of the Government to prescribe a cut-off date for a new service benefit, **we are not inclined to recommend reopening of the past cases decided otherwise relating to counting of service rendered as**

Railway Apprentice prior to 15.8.1947.

Service of casual labourers

133.23 It has been represented that the service rendered by casual labourers should be counted as qualifying service for computation of pensionary benefits, irrespective of whether they are regularised or not. Another suggestion made relates to counting of full service instead of half service of casual labourers employed by the Railways who were subsequently regularised, on the ground that such a facility was extended to similarly placed Railway Canteen employees.

Our Recommend-ations

133.24 We have considered the suggestions and noted that the Department of Personnel and Training have already taken a decision to count 50% of the service rendered after grant of temporary status, which is generally after a casual labourer has been engaged for a period of at least 240 days (206 days in the case of offices observing five-day week). With a view to maintaining uniformity about counting of service rendered by casual workers on attainment of temporary status followed by regularisation, **we are of the view that the guidelines issued by the DOP&T in its O.M. dated 10.9.1993 in regard to counting of service of casual labourers are adequate and no change therein is recommended.**

Canteen employees

133.25 It has been urged by the canteen employees that the service rendered by them prior to 26.9.1983 should be counted because they were declared holders of civil posts w.e.f. 1.10.1979. A suggestion has also been made that service rendered by government employees on re-employment after superannuation should count towards pensionary benefits and their pension enhanced suitably on the ground that such a facility is available to those who are appointed to Central Administrative Tribunal.

Our Recommend-ations

133.26 In view of the fact that the Supreme Court of India have already decided about a specific date from which service had to be counted for determination of pension and have also ordered counting of qualifying service to the extent of shortfall even prior to the specified date i.e. 26.9.1983, **we are not inclined to recommend counting of entire service rendered by canteen employees for calculation of pension**. As for the other suggestion, since on re-employment after superannuation, benefits of Contributory Provident Fund are extended, **there is no case for counting the service rendered on re-employment for computation of pensionary benefits and we recommend accordingly**.

RECKONABLE EMOLUMENTS

Historical background

133.27 Reckonable emoluments which are taken into account for computation of pension have two aspects viz. (a) the period over which the average is worked out, and (b) the elements of pay which form part of the emoluments. Earlier, pension was determined with reference to average emoluments drawn during the last 36 months of the employee's service. The position was liberalised w.e.f. 29.2.1976 when the period was reduced to 10 months. As regards the elements of pay to be included in emoluments, Liberalised Pension Rules, 1950 provided that only pay drawn against a substantive post shall be treated as emoluments. However, the rules in this regard were liberalised twice, once from 22.4.1960 when substantive pay plus half of the difference between substantive pay and the pay actually drawn in officiating or temporary capacity was reckoned as emoluments, and again from 15.6.1968 when all types of pay as

defined in FR 9(21) (including officiating pay) were reckoned as emoluments.

Present position

133.28 At present, the average emoluments for the purpose of retiring/superannuation pension are calculated over a period of ten months immediately preceding retirement. The expression "emoluments" means the basic pay as defined in Rule 9(21)(a)(i) of the Fundamental Rules which a government servant was receiving immediately before his retirement or on the date of his death and also includes the Non-Practising Allowance admissible to Medical Officers as compensation for their having to forego private practice. Stagnation increments are also treated as emoluments for calculation of retirement benefits.

DEFINITION OF EMOLUMENTS

Demands

133.29 Various suggestions have been received by us from a large number of employees that the expression "emoluments" in the Pension Rules should be redefined as indicated below:

(a) "Emoluments" should include the pay actually drawn at the time of retirement and the notional pay that an employee is likely to be entitled to as a result of fixation of pay in the revised scales of pay recommended by successive Pay Commissions.

(b) Pension should be related to the average emoluments of the last ten months or to the pay last drawn by an employee, whichever is more beneficial.

(c) Average emoluments for pension should be calculated on the maximum of the scale of pay of the post held by an employee at the time of his superannuation.

Notional pay on revision

133.30 Such revised scales of pay as may be recommended by Pay Commissions are normally extended only to those employees actually in service at the time the scales are introduced. However, as we have conceded the demand of past pensioners for complete parity in pension with reference to pension of 1.1.1986 retirees and modified parity, with reference to pension admissible on the minimum pay of the pay scale of the post held by the retiree at the time of retirement, as revised by us effective from 1.1.1996, **we recommend that the words "or notional pay that an employee is likely to be entitled to as a result of fixation of pay recommended by the Pay Commission" may be included in the definition of emoluments**.

Maximum of the scale

133.31 It is only in the case of Defence personnel below officer rank that pensionary benefits are computed with reference to the maximum of the scale of pay of the post from which they retire. This special dispensation has been extended in consideration of the fact that the age of superannuation of these personnel is substantially lower than that of civilian employees and is related to the rank held by them. For civilian employees establishing, a relationship between pension and the maximum of the scale of pay would be neither rational nor logical. **We are, therefore, not inclined to accept this demand**.

Pay last drawn

133.32 As regards the suggestion that pension should be related to the pay

last drawn by an employee, the Fourth Pay Commission, which also considered this issue, came to the conclusion that this may not be beneficial to the employees in all cases and recommended continuance of the existing provisions.

Our Recommend-ations

133.33 **We are of the view that the employees would be benefited to some extent if the pensionary benefits are computed with reference to the average emoluments drawn by them during the last six months of service. Such a proposition would not also burden the Government exchequer unduly, and we recommend accordingly.**

INCLUSION OF ALLOWANCES IN EMOLUMENTS

Demands

133.34 A number of employees have represented that all additions to pay, such as personal pay, deputation pay, special allowance, interim relief, etc., as well as all normal allowances like dearness allowance, house rent allowance, city compensatory allowance, etc. should be included in the term "emoluments" for calculation of pensionary benefits.

Our Recommend-ations

133.35 Long-term benefits like pension should be related only to the basic pay of an employee, as has already been held by the Fourth Pay Commission. There are no circumstances which might warrant a review of this principle. **We are, therefore, not in a position to accept these demands. Dearness allowance would, however, form part of the emoluments in the normal course whenever it is merged, either fully or partially, in the pay for the purpose of pensionary benefits.**

RUNNING ALLOWANCE

Demands

133.36 Railway employees have urged before us that the benefit of addition of Running Allowance to their basic pay for pensionary benefits should also be extended to other than running staff. It has also been represented that Loco Inspectors who perform Foot Plate duty should be treated at par with Running Staff in regard to pensionary benefits.

133.37 Yet another section of the Railway employees have pointed out that the present practice of including various allowances, such as Night Duty Allowance, Running Allowance, etc. in the emoluments of specified categories of employees results in such employees receiving a higher pension in relation even to Group 'B' Officers. This, according to them, lacks justification and is anomalous. They have, therefore, demanded payment of a lump sum amount as a one-time relief to employees not entitled to these concessions.

Concept of Running Allowance

133.38 The concept of Running Allowance is peculiar only to those Railway employees who have been specifically categorised as "Running Staff" based on the duties performed by them.

133.39 Decisions relating to the Running Allowance Scheme have been arrived at only after a very detailed examination over a period of time by various committees and commissions.

Our Recommenda-tions

133.40 It is logical that the arduousness and uncertain hours of work entailed in the performance of running duties over long periods of time should be properly reflected in the quantum of pension admissible. **While a special dispensation would, therefore, be justified in the case of those employees specifically categorised as Running Staff, it will, however, not be rational to extend this concession to those not directly responsible or involved in actual train movement or to the stationary staff who are, in any case, not entitled to any Running allowance. Similarly, in view of the distinguishing features in the duties and service conditions of Loco Inspectors (who are also supervisors) in relation to Running Staff, there is no merit in the demand that Loco Inspectors who perform Foot Plate duty should be treated at par with the Running Staff in regard to pensionary benefits. On the same analogy, the question of paying a lump sum amount as a one-time relief to employees not entitled to the Running Allowance does not also arise.**

Night Duty Allowance

133.41 Night Duty Allowance is paid to almost all the non-gazetted staff on the Railways, including supervisory personnel, for performing duties between 10.00 p.m. and 6.00 a.m. It has been clarified by the Railway Board that this allowance is not reckoned as pay for pensionary benefits. **The contention in this regard is, therefore, not tenable.**

Past cases

133.42 Prior to 1973, 75 per cent of the basic pay of Running Staff was added to their actual basic pay for computation of pensionary benefits, in lieu of the higher scales of pay to which they would otherwise have been entitled. The Third Pay Commission had recommended that this be reduced to 45 per cent. The Railway Board, however, enhanced it to 55 per cent in consultation with the Staff Side, and this decision was initially notified through administrative instructions. The amendment of a statutory provision by an administrative order not notified in the Gazette of India was challenged by certain employees before the Supreme Court. A formal notification amending the relevant codal provisions retrospectively from 1973 was thereafter issued only on December 5, 1988. It has, therefore, been demanded that the pensionary benefits of such of those Running Staff who retired between 1973 and December 5, 1988 should be computed only after the addition of 75 per cent, and not 45 per cent, of the basic pay.

Court Orders

133.43 We have been informed by the Railway Board that this issue had been agitated by some of the retired employees before various Benches of the Central Administrative Tribunal, which had given differing judgements. Government had, therefore, filed a Special Leave Petition in the Supreme Court, which had stayed the orders of the Tribunal in these cases. The matter is presently sub judice.

Our Recommend-ations

133.44 **We are of the view that the demand is not justified because delay in the issue of a formal notification reducing the pay element for pensionary benefits retrospectively would not by itself confer a right on a retired employee to claim the benefit at the higher rate earlier in force, particularly when the decision had been arrived at only after consultation with and obtaining the concurrence of the representatives of the employees and had also been duly notified in the form of administrative instructions.**

NOTIONAL ADDITION TO EMOLUMENTS

Demands

133.45 It has been represented that (i) the pension of those employees who superannuate without being promoted even once in their entire career should be computed after the notional addition of an increment for every five years' service rendered by them and (ii) the terminal benefits of those who superannuate after having rendered service in excess of six months after the drawal of the previous increment should be determined after giving them the benefit notionally of the next increment.

Our Recommend-ations

133.46 We have now introduced the ACP Scheme to take care of financial stagnation. Further, we have to preserve the sanctity of annual increments. **We are, therefore, unable to accept both the demands.**

Retirees born on 1st of a month

133.47 Under extant rules, employees are authorised their annual increments on the first day of the month in which it falls due. Employees whose birthday falls on the first of the month are required to retire in the afternoon of the last day of the preceding month. A number of employees have, therefore, urged that the benefit of the next increment should be allowed in such cases for computation of pensionary benefits so as to remedy an anomalous situation.

Our Recommend-ations

133.48 A somewhat similar proposal that persons born on the first of a month should superannuate only on the last day of the relevant month instead of on the last day of the preceding month has been considered by us elsewhere where we have recommended that the status quo should be maintained in the context of several court rulings on the subject. **In the circumstances, it may not be appropriate to extend any additional benefit in the form of an increment to such employees born on the first of a month and we recommend accordingly.**

PENSION FORMULA

Historical background

133.49 The third element which goes into computation of pension is the pension formula.

133.50 With effect from 1.1.1986, slab formula of calculation of pension was replaced by a uniform formula of 50% of average emoluments for full qualifying service of 33 years (pro rata less when the qualifying service was less than 33 years).

REVISION OF RATE OF PENSION

Demands

133.51 We have received a large number of demands from individuals and associations of employees and pensioners for raising the quantum of non-contributory pension from the existing 50% to amounts ranging from 60% to 100% of the salary last drawn. Before arriving at any decision on the question, the

Commission considered it appropriate to entrust a study aimed at assessing the post-retirement income requirements after taking into account the position obtaining in the private, public and international sectors, and identifying ways and means for payment of pension at higher rates than at present. This study was entrusted to Tata Economic Consultancy Services (TECS).

Consultancy Report

133.52 After considering factors such as the finding of the World Bank (1994) that 100% of the net average lifetime wage may be a reasonable target pension level for households, the low per capita income, the fact that 95% of the employees were members of Groups 'C' and 'D', rapid increase in proportion of pensioners to the workers (system dependency rate), unsustainability of benefits offered by developing countries at rates higher than industrial countries, drain on Government resources etc., **the Consultants have calculated that the post retirement income requirement would be about 65% of the pre-retirement gross income**. TECS are also of the view that any increase in the pension replacement rate of the current non-contributory pension scheme will be financially unsustainable. **In the circumstances, a supplementary pension scheme, which could be contributory in nature, has been held to be a viable means of increasing post-retirement incomes**.

Expenditure on pensions

133.53 Old age security systems all over the world have proved over-ambitious and have had to be restructured and scaled down because of the heavy drain on Government resources. In India also, the expenditure on pensions has been steadily on the increase from Rs.1218 crores in 1986-87 to Rs.5,864.28 Crores in 1994-95. The expenditure is expected to increase further in view of the following:

(a) increased life expectancy both at birth and at higher ages;

(b) higher rate of retirement in the next 10 years because of 57% increase in employment over the period 1957-71;

(c) decrease in spread of salaries by successive Pay Commissions resulting in increase in average pension;

(d) increase in promotion avenues leading to increase in final salaries and hence in pensions;

(e) updating of pension of past pensioners;

(f) indexation of pension against inflation; and

(g) cent per cent neutralisation of the increase in cost of living in respect of all employees irrespective of their pay range.

NATIONAL PENSION FUND

Need for a Fund

133.54 The efforts of the Commission aimed at granting some kind of parity in pension between past and future retirees, allowing of commutation of pension at a higher rate than at present, reducing the period for restoration of the commuted portion of pension, inclusion of D.A. in the definition of emoluments for the purpose of computation of gratuity/death gratuity, payment of a higher

amount of death gratuity to the families of those who die after 12 years of service, payment of family pension at a uniform rate, etc. are likely to give much needed relief to pensioners. It may nevertheless be necessary to ensure a post-retirement income equal to about 65% of the gross salary received by an employee at the time of retirement. In order to achieve this objective without any additional burden on Government resources, the constitution of a Pension Fund to which employees should contribute regularly through monthly deductions from their salary, has been considered, as recommended by the Consultants.

Pension plans

133.55 TECS have indicated two separate and distinct pension plans. The first is the Defined Benefit Plan (DBP) in which the pension entitlement is specified as a component of salary per year of service and the second the Defined Contribution Plan (DCP) in which the size of employer's/employee's contribution is specified as a percentage of salary but the quantum of pension benefit is not specified. While the investment risk is borne by the employer in the DBP, the inflation and the interest rate risk is borne by the employee/employer in the DCP. **In view of the world-wide preference for DBP, we would recommend its adoption. We would also like to add that the higher returns accruing on account of better management of the Fund may be accumulated and distributed to the subscribers at the end of their working life after making necessary provision for capital reserve.**

Indexed pension

133.56 TECS have formulated two schemes which provide for indexed pension and nominal (unindexed) pension. Under the indexed pension scheme, a contribution of 5.85% of the salary (pay + DA) would entitle a new entrant to a pension of 0.5% for every year of contribution for a working life of 33 years and a retirement life of 16 years. If the age of retirement is raised to 60 years, the contribution required would be 5.31%. Under the nominal pension scheme, a 5.14% contribution would entitle a new entrant to a pension of 0.75% of the final salary for every year of contribution for a working life of 33 years. If the working life is 35 years, the contribution required would be 4.89%. **Indexed Pension is a preferable alternative to increase in the pension benefit rate. We, therefore, recommend adoption of the indexed pension plan.**

Our Recommend-ations

133.57 At present, pension obligations are being discharged by the Government on a Pay As You Go (PAYG) basis out of current revenues. Switch over to a Funded Plan, though desirable, would greatly affect the ways and means position of the Government because in addition to meeting its current liabilities, a provision will have to be made in the budget for reducing its PAYG liability. We are, however, of the firm view that a beginning has to be made right now to switch over to the funded plan before the situation becomes irretrievable as a result of the steep increase in pension expenditure. **We would, therefore, recommend that Government may set apart 17.73% of the salary of every new entrant in service from the financial year 1997-98 so that their pension liability is wholly met out of the proposed Pension Fund.**

Option

133.58 Contributory Pension plans are often mandatory because individuals may be myopic and not save for their retirement years. **We, therefore, recommend that while enrolment of new entrants to the Pension Fund may be made mandatory, the existing mid-career employees may be given an option to join the Fund.** Such of those mid-career employees who exercise the option would be required to contribute at a uniform rate of 6 5% of their salary (pay +

DA) and a lump sum amount depending upon the length of their remaining service and on whether they opt for additional pension of 10% or 15% or 16.5% of the final salary.

Armed Forces

133.59 For the armed forces, for a 16.5% additional indexed pension, the contribution would be 18.6% of the salary for Personnel Below Officers Rank (PBOR) and 8.19% for Officers. The reason for the high rate of contribution is that the period over which they contribute is shorter than the civilians and the period over which they would draw pension is much longer. It is estimated that against the working life of 17 years in the Army, 15 years in the Navy and 20 years in the Air Force, PBOR draw pension for 37 years, on an average, in the Army, 39 years in the Navy and 35 years in the Air Force. The officers have a working life of about 30 years and they draw pension for about 23 years on an average. **In view of the higher rate of contribution, TECS have suggested adoption of the unindexed pension plan for the armed forces personnel. We agree with their suggestion and recommend accordingly**.

Two separate Pension Funds

133.60 TECS have recommended constitution of a separate Fund for those serving in the Armed Forces because they have a structure and practices different from those of civilian employees. They have also recommended two Pension Funds for civilian employees - one for Railway employees because they constitute about 50% of the civilian employees and 54.5% of the total expenditure is incurred on Railway pensions - and another for other civilian employees. **We agree with the above suggestions**.

Tax exemption

133.61 **Contributions to the proposed Fund should be entirely exempted from Income Tax. The returns to the Fund should also be made non-taxable in line with the tax-exemption provided to other pension schemes, mutual funds, etc. The benefits to the pensioner would be taxable as it is like any other pension, unless of course our recommendation that pensions should be paid net of tax is accepted**.

Action by Government

133.62 **Government may initiate necessary action to introduce an enabling Act in Parliament for creation of the Pension Funds, amendment to the Income Tax Rules and Insurance Act**.

Management by Trust

133.63 In order to enable the Fund to operate efficiently and profitably, **it should be kept outside the Government and managed by a Trust** comprising trustees who would be representatives of the contributors and the sponsor. 50% representation is common for employees. Each category of contributors such as current employees, pensioners, and women employees should be represented. The Central Government being the sponsor, will have the right to appoint its representatives who should be selected from the Ministries of Law, HRD, Finance and Economics.

Rate of return

133.64 While working out the rate of contribution and the benefits payable, TECS have assumed an 8% inflation rate and a 4% rate of real return, which implies a nominal return of 12.32%. This appears to be on the lower side, given the present rate of return of more than 16% on bonds floated by PSUs/non-banking financial institutions. We feel that **with better management of funds, the employees can reasonably aspire for 20% additional pension** from their contributions made to the Fund over a period of 33 years besides 50% non-

contributory pension from the Government thus making a total pension of 70% of their emoluments last drawn.

ADDITIONAL PENSION

Demands

133.65 Suggestions have been made that additional pension should be paid at the rate of two per cent of emoluments last drawn for each year of service rendered in excess of 33 years, which has been prescribed for full pension. We have given our careful consideration to the suggestion and noted the rates of pension per year of service prevalent in other countries and under the recently introduced Employees' Pension Scheme where full service rendered is counted for computation of pensionary benefits subject to a maximum of 60% . The existing scheme in terms of which pension is reduced proportionately if service rendered is less than 33 years but no increase is allowed for service rendered in excess of 33 years appears to us to be anomalous and unjustified prima facie. With a view to removing this anomalous situation and providing incentive for the long years of meritorious service, **we recommend that additional pension at the rate of 0.5 per cent of emoluments for each completed six-monthly period of service or one per cent of emoluments for each year of service in excess of 33 years may be paid to Central Government employees.**

OTHER DEMANDS

133.66 Suggestions relating to replacement of the pension scheme by a lump sum payment of retiral benefits equal to 150 times the last pay plus Dearness Allowance, re-introduction of the slab system of calculation of pension so as to secure a higher percentage of pension for employees in lower pay slabs, introduction of a pension scale with provision for annual increase, grant of pension at a higher rate initially and its gradual reduction, and additional pension on attaining specified ages on the pattern of Punjab Government have also been made.

Our Recommend-ations: Lump sum settlement

133.67 We have carefully considered the above suggestions. The first suggestion virtually amounts to having a one-time settlement on retirement and is not substantially different from the CPF scheme under which the entire amount is disbursed to the employees at the time of retirement. The employees governed by the CPF scheme have, however, been brought on to the pension scheme unless they opted out of the scheme and those who have already retired have represented for giving them an option to switch over to the pension scheme. In view of the changed circumstances and desirability of maintaining a regular income to the pensioners for their subsistence and other members dependent on them, **we do not recommend replacement of the pension scheme by any other scheme providing for payment of retirement benefits in lump sum.**

Differential rates of pension

133.68 The pension structure having been rationalised over a period of time to bring about uniformity in the computation of pension of all categories of employees, the suggestion to introduce differential rates of pension for employees in different pay ranges appears to us to be a retrograde step and does not merit acceptance. Similarly, introduction of scale of pension providing for annual increment appears neither practical nor justified. The other suggestion that pension

should be paid at higher rates in the initial years of superannuation and be reduced progressively is devoid of merit and **we are unable to recommend acceptance of these suggestions**.

Liberalisation of pension with age

133.69 In view of our recommendations in the chapter on medical and other facilities for pensioners relating to provision of medical facilities for indoor treatment and payment of a fixed medical allowance for day-to-day treatment, we feel that these measures would be adequate to cater to the enhanced medical requirements of aged pensioners and **any liberalisation of the rates of pension with reference to the age is not called for. We recommend accordingly**.

MINIMUM PENSION

Historical background

133.70 Prior to 1.1.1964, there was no concept of minimum pension. With effect from the above date, the payment of pension was made subject to a minimum of Rs.25 per month. This was raised to Rs.40 per month w.e.f. 1.3.1970 and again to Rs.60 per month w.e.f. 1.1.1980. From 1.4.1982 onwards, pension plus dearness relief was to be not less than Rs.150 which was raised to Rs.160 per month w.e.f. 1.4.1983.

Present position

133.71 Although the Fourth Pay Commission had recommended the minimum pension of Rs.300 per month, the Government fixed the same at Rs.375 per month with effect from 1.1.1986.

Our Recommend-ations

133.72 We have recommended a minimum salary of Rs.2440 per month for the lowest functionary in the Government of India. We feel that 50 per cent of the minimum salary of the lowest post would be a reasonable amount to be prescribed as the minimum pension. **We accordingly recommend that the minimum pension should be fixed at Rs.1,220 per month**.

MAXIMUM PENSION

133.73 The amounts of maximum pension fixed from time to time by the Government are as under:-

Date of effect	**Maximum amount of pension**
Prior to 17.4.1950	6,000 per annum
17.4.1950	6,750 per annum
17.4.1956	8,100 per annum
01.1.1973	12,000 per annum
31.3.1979	1,500 per month
31.3.1985	Ceiling removed
01.1.1986	4,500 per month

REMOVAL OF CEILING ON PENSION

133.74 A suggestion has been made that the ceiling on pension be removed. We have taken note of the fact that the existing ceiling on pension is in any case related to the pay (Rs.9,000) of the highest functionaries in Government. **We are not in favour of having any ceiling on the amount of pension and accordingly recommend its abolition.**

PENSION ON DISMISSAL/REMOVAL/RESIGNATION

Present position

133.75 Dismissal or removal from service entails forfeiture of past service and consequent loss of pensionary benefits. Resignation from service also entails forfeiture of past service.

Demands

133.76 Suggestions have been made that retirement benefits should not be denied on dismissal or removal from service because pension has been held to be a deferred wage. It has also been suggested that forfeiture of pension should be limited to the cases of dismissal from service and in cases of removal from service, the employee should be granted 75% or 50% of pension to maintain himself and members of his family.

Our Recommen-ations

133.77 We have considered the suggestions. The penalty of dismissal or removal from service has been introduced to provide for cases in which the continuance of a government servant in service is considered to be undesirable and is imposed on an employee only after holding an enquiry as provided for in the Central Civil Services(Classification, Control & Appeal) Rules, 1965 in which a government servant is afforded all opportunities to defend himself. There is, therefore, no case for the grant of retirement benefits to such employees at par with those who retire honourably. Besides, provisions also exist in the CCS (Pension) Rules, 1972 for the grant of a compassionate Allowance not exceeding two-thirds of pension or gratuity or both in deserving cases. **In view of the existence of the above said enabling provisions in the Pension Rules, we are not in favour of any further liberalisation in regard to payment of retirement benefits to employees who have been dismissed or removed from service and recommend accordingly.**

Resignation

133.78 It has been urged before us to make provision for payment of some pensionary benefits to those employees who quit government service on resignation.

Our Recommend-ations

133.79 We have given our careful consideration to the suggestion and noted that resignation from a service or post entails forfeiture of past service and the claim to both pension and retirement gratuity. While the Government can insist that pension be granted only subject to fulfilment of certain conditions such as reasonable length of service, etc., this does not appear to hold good in so far as retirement gratuity is concerned. We have noted that under the Payment of Gratuity Act, an employee who resigns is entitled to gratuity provided he has rendered at least five years' service. Persons appointed by the Government on contract are also extended the benefit of contributory Provident Fund to which both the employees and employers contribute @ 10% of employees' emoluments. We

feel that employees (whether permanent, quasi-permanent or temporary) who resign from service should be provided some compensation as a one-time payment for the service rendered under the Government. **We accordingly recommend the following compensation**:

Length of Service	Compensation payable
(a) Less than 5 years	Terminal gratuity at the rate of half a month's emoluments for each six monthly period of qualifying service.
(b) 5 years and more but less than 20 years	Terminal Gratuity at the rate of 3/4 of a month's emoluments for each six monthly period of qualifying service(1/2 in lieu of service gratuity and 1/4 in lieu of retirement gratuity).
(c) 20 years and more	Retirement benefits as on Voluntary Retirement.

SERVICE GRATUITY

Demands

133.80 Pension is not payable to an employee who retires from service before completion of ten years' qualifying service. Instead, a lump sum payment is made as service gratuity at the rate of half a month's emoluments for each completed six-monthly period of qualifying service. It has been suggested that the rate of Service Gratuity should be raised from one-half of emoluments to two-thirds of emoluments for each completed six-monthly period of qualifying service.

Our Recommend-ations

133.81 We have considered the suggestion. Permanent employees retiring with less than ten years' qualifying service are paid service gratuity at the rate of half a month's emoluments for each completed six monthly period of qualifying service. The service gratuity is in lieu of pension. Such employees are also paid retirement gratuity at the rate of 1/4th of emoluments for each completed six-monthly period of qualifying service, provided they have rendered not less than five years' service. The amount receivable by such employees shall increase substantially because of introduction of revised pay scales and the calculation of service and retirement gratuity on the basis of pay plus D.A., for which suitable recommendation has been made in this chapter. **Accordingly, we do not recommend any change in the rate of service gratuity.**

RETIREMENT GRATUITY

Historical background

133.82 Prior to introduction of Liberalised Pension Rules, there was no provision for death-cum-retirement gratuity (DCRG). With effect from 17th April, 1950 gratuity at the rate of 9/20 of emoluments for each completed year of qualifying service, subject to a maximum of 15 times the emoluments, was introduced. The rate of gratuity was improved with effect from 22nd April, 1960 and was made one-fourth of emoluments for each completed six months' period of qualifying service. From 1.1.1973, the ceiling of 15 months' emoluments was raised to 16-1/2 times emoluments. The maximum emoluments for calculation of gratuity were Rs.4,000/- per month and the gratuity was subject to a ceiling of

Rs.50,000/- (maximum). Though the Fourth Pay Commission did not recommend any increase in the maximum limit of gratuity, the Government decided to increase the same from Rs.50,000/- to Rs.one lakh with effect from 1.1.1986.

Present position

133.83 Subsequently, in respect of Government servants who retired or died on or after 16th September, 1993, 20% of the basic pay was allowed to be treated as dearness pay for the purpose of reckoning emoluments for calculating retirement gratuity and death gratuity. On the basis of our Interim Report, 97% of basic pay (which was linked to average Consumer Price Index 1201.66 obtaining as on 1st July, 1993) was treated as Dearness Pay for the purpose of death and retirement gratuity in the case of Central Government employees who retired or died on or after April 1, 1995. The ceiling on retirement and death gratuity was raised from Rs.1 lakh to Rs.2.5 lakhs with effect from the same date.

Conditions of eligibility

133.84 Retirement Gratuity is admissible to a government servant who retires from service after completion of qualifying service of 5 years. Earlier, the basic condition for grant of 'Retirement Gratuity' (and Pension) was that the retiring Government servant should have held a post in a substantive capacity under Government at the time of his retirement. However, based on the recommendation of the Fourth CPC, provisions have been made by the Government for grant of pension and retirement gratuity to those Government servants who retire from service on superannuation or invalidation after rendering a continuous temporary or quasi-permanent service of ten years or more. As such, there is even now a difference in the entitlement to retirement gratuity for permanent and temporary government servants as the former is eligible for it at the time of retirement, if he has rendered 5 years of qualifying service, while in the case of the latter, this would be admissible on rendering 10 years of qualifying service.

Demands

133.85 The main demands raised by various associations relating to retirement gratuity are (i) that it should be calculated at the rate of half of emoluments for each completed six-monthly period of service instead of 1/4th as at present, (ii) that the full service rendered by an employee should be taken into account instead of restricting it to 33 years, (iii) that the ceiling on the amount of gratuity should be removed, (iv) that Dearness Allowance should be taken into account for computation of gratuity, (v) that the benefit of merger of DA should be extended from the date at which a particular index was reached and not subsequently, (vi) that the interim recommendation of the Fifth CPC recommending merger of DA as linked to index average 1201.66 should be made effective from 16.9.1993 when the constitution of the Commission was announced or from 9.4.1994 when the notification was issued, and (vii) that the merger of DA should have been recommended from the last day of the month instead of first day of the month as no one retires on the first of a month.

Our Recommendations

133.86 We have considered the above demands and suggestions carefully and taken note of the improvements made in the amount of gratuity over a period of time since its inception in 1950. Government have been merging a portion of DA with pay for the purpose of retirement and other benefits from time to time. Such merger has always been given effect from a date later than the date on which that particular level of Consumer Price Index (CPI) was reached. The difference in these two dates has ranged between 3 and 5 years earlier, but the Fifth CPC, while recommending merger of 97% DA w.e.f. 1.4.1995 in its interim report, reduced this period to 18 months. The practice of merging DA on ad hoc basis has led to

denial of benefit to thousands of employees who retired between the date of last revision of pay scales and the date of merger. Adoption of such a practice does not appear to be a satisfactory arrangement. We are of the view that the ad hoc policy followed so far needs to be discontinued. Considering the fact that gratuity is a one-time payment for services rendered, and the system of calculation of gratuity on the basis of pay plus DA is in vogue in the public and private sector, **we recommend that the definition of emoluments may be revised to include DA on the date of retirement for calculation of all kinds of gratuities (retirement, death, service, terminal).**

Rate of gratuity

133.87 With the introduction of revised pay scales and inclusion of DA in the definition of emoluments, the amount of gratuity shall be increased substantially. **We are, therefore, not inclined to recommend any change in the rate of grautity or counting of service beyond 33 years for payment of gratuity.**

Ceiling

133.88 With the inclusion of DA in the definition of emoluments for calculation of gratuity, the amount of gratuity receivable shall undergo a change every six months when the rates of DA are revised. Any ceiling fixed now shall become unrealistic and would only deprive the retiring employees of their rightful due. **We, therefore, recommend removal of ceiling on all kinds of gratuities.**

Past cases

133.89 For the grant of any benefit, prescription of a cut-off date is essential. In view of Supreme Court's judgement upholding the right of the Government to prescribe a cut-off date and a policy decision of this Commission that all our recommendations shall have prospective effect, **we do not recommend any change in our earlier recommendations of merger of 97% DA for computation of gratuity w.e.f. 1.4.1995 and its applicability to those who retired or died on or after 1.4.1995.**

TERMINAL BENEFITS FOR TEMPORARY/QUASI-PERMANENT EMPLOYEES

Introduction

133.90 Temporary and Quasi Permanent Government servants other than those retiring on superannuation/invalid pension/voluntary retirement with less than 20 years of qualifying service are governed by the provisions of Central Civil Service (Temporary Service) Rules, 1965 and are eligible to the payment of only Terminal Gratuity at the following rates:-

Length of Service	Terminal Gratuity
(a) Below 5 years	Nil
(b) 5 years and above but less than 10 years	Half a month's pay for each completed year of service.
(c) 10 years and above	One month's pay for each completed year of service subject to a maximum of 15 months pay or Rs.15,000, whichever is less.

Present position

133.91 The above rates of Terminal Gratuity are in force prior to Fourth Pay Commission. The Fourth CPC did not recommend any change in the above rates of Terminal Gratuity.

Demands

133.92 The Department of Pension and Pensioners' Welfare made a reference to us seeking our recommendation whether temporary/quasi-permanent employees who had rendered not less than 10 years' service in Government prior to their absorption in a Public Sector Undertaking (PSUs)/Autonomous Body (ABs) before 1.4.1988 should be extended the benefit of pension at par with permanent Government employees and those with less than 10 years' qualifying service should be given pro-rata service gratuity and retirement gratuity.

Past cases

133.93 We have considered the matter carefully in the light of information furnished by the Government. Confirmation was delinked from availability of permanent posts w.e.f. 1.4 1988. The temporary/quasi-permanent employees who got absorbed in PSUs/ABs prior to 1.4.1988 did not get this benefit retrospectively because of serious implications involved in the matter of seniority which was earlier linked to confirmation, and reopening of a large number of past cases. **Keeping in view the sanctity of the cut-off date and the serious implications involved in the acceptance of the suggestion, we do not recommend reopening of the past cases.**

Our Recommend-ations

133.94 As the distinction between temporary/quasi permanent government servants having rendered a qualifying service of not less than 10 years for eligibility to pensionary benefits on retirement on superannuation/ invalidment/absorption in PSUs/ABs has already been removed, **we recommend that such a distinction should also be done away with in regard to payment of terminal benefits to those with less than 10 years qualifying service. The terminal benefits payable to such employees should be at par with permanent employees because employees remain temporary due to administrative delays.**

134

Family Pension

HISTORICAL BACKGROUND

Initial notification, 1950

134.1 A Family Pension Scheme was notified by the Government of India in April, 1950 in terms of which the family of an employee who had rendered 25 years of service was entitled to family pension equal to 50% of the pension entitlement. The family pension was admissible for a total period of 10 years, subject to a maximum of 5 years beyond the date of retirement. The period of service for eligibility to family pension was reduced from 25 years to 20 years with effect from 1.4.1957. After their confirmation, the employees had the facility to nominate the recipients of the Family Pension.

New Scheme, 1964

134.2 This scheme was replaced by a new Family Pension Scheme in 1964 and was made applicable to all regularly appointed employees who were in service on 31.12.1963 and had opted for the scheme and to all Government servants who entered service thereafter. The scheme was also extended from 22.9.1977 to pre-1.1.1964 retirees, to implement a judgement of the Supreme Court.

Amendments in 1977

134.3 Initially, the scheme was contributory and all eligible employees were required to surrender two months' gratuity in order to avail themselves of the benefits. No contribution was, however, required to be made by those unmarried employees who retired or died without leaving a surviving family. The Family Pension Scheme was made non-contributory with effect from 22.9.1977 and the requirement of having to surrender a part of the gratuity was dispensed with.

PRESENT POSITION

134.4 Presently, the benefits of the Family Pension Scheme, 1964 as incorporated in the Central Civil Services (Pension) Rules, 1972 are admissible only to the spouse for life and children up to the age of 25 years. Children suffering from a disability of the mind or those who are physically crippled or disabled are, however, entitled to family pension for life. The condition that the children should

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be dependent on the employee so as to be eligible to the family pension was dispensed with in 1993, which means that even if an eligible child starts earning, he or she would still be entitled to family pension up to the age of 25 years. In the case of a girl child alone, the eligibility to family pension ceases on her attaining the age of 25 years or on her marriage, whichever is earlier. The benefit of family pension is also extended to a spouse married to the pensioner after his retirement.

EXISTING RATES

134.5 The Fourth Pay Commission had recommended a minimum monthly family pension of Rs.300, which was raised to Rs.375 by the Government. The Commission had also recommended payment of family pension equal to 15% of the basic pay in the case of those whose basic pay was above Rs.1,500 per month. This was, however, raised to 20% by the Government for those whose pay was between Rs.1,501 and Rs.3,000 per month. The rates of family pension effective from 1.1.1986 are as follows:-

	Pay of Govt. Servant	**Amount of Family Pension**	**Family Pension computed as a %age of Pension**
(a)	Up to Rs.1,500 p.m.	30% of pay subject to a minimum of Rs. 375 p.m.	60
(b)	Rs.1,501-3,000 p.m.	20% of pay subject to a minimum of Rs. 450 p.m.	40
(c)	Above Rs.3,000 p.m.	15% of pay subject to a minimum of Rs. 600 and maximum of Rs. 1,250 p.m.	30

HIGHER RATES OF FAMILY PENSION

134.6 A higher rate of family pension is admissible if the deceased employee/pensioner had rendered not less than seven years' continuous service. The family pension at the enhanced rate is payable from the date following the date of death while in service or after retirement for a period of seven years or for a period up to the date on which he/she would have attained the age of 65 years had he/she survived, whichever is earlier. The family pension at higher rate is not admissible if a pensioner dies after attaining the age of 65 years. The higher rates are:-

(a) In case of death in service : Twice the amount of normal rate of

family pension or fifty per cent of the pay last drawn, whichever is lower.

(b) In the case of death after retirement : Twice the amount of normal rate of family pension or fifty per cent of pay drawn at the time of retirement or the amount of pension authorised on retirement, whichever is the least.

RATES OF FAMILY PENSION

Demands

134.7 Almost all the pensioners' associations and unions of employees have complained to the Commission that the existing rates of family pension are grossly inadequate to maintain even a single person and have urged that the rates should be revised upwards, between 50% and 100% of pay last drawn.

Our recommendations

134.8 The existing rates of family pension which are linked to the pay drawn by an employee at the time of death while in service or retirement would appear to be inadequate to cater to the needs of the family of the deceased employee/pensioner. Revision thereof is justified because there are certain fixed costs of an establishment which do not get halved and the family continues to incur them even after the demise of a pensioner. There would also appear to be no rationale for prescribing different percentages of family pension with reference to different pay slabs because all families suffer equal hardships on the death of a bread winner. **Taking the above and other relevant factors into consideration, we recommend that the existing varying rates of family pension (30%, 20% and 15%) may be replaced by a uniform rate of 30% of pay for all categories of employees.**

LINKAGE OF FAMILY PENSION TO PENSION

Demands

134.9 Suggestions have been made that the quantum of family pension should be related to the amount of pension and it should be paid between 50% and 100% of pension drawn or admissible in case of death while in service.

Our recommendations

134.10 The suggestion for linkage of family pension with the amount of pension was considered by the Fourth CPC. It was observed by the Commission that the acceptance of the suggestion would, in a large number of cases, place the family of an employee with a shorter span of service at a considerable disadvantage. It would also entail evolution of a different formula for computation of the amount of family pension for employees not entitled to pension i.e. those who die without completing ten years' service necessary for eligibility to pension. We are inclined to agree with the observations of our predecessor. In this view of the matter and our emphasis being on simplification of procedures, **we recommend that the family pension should continue to be related to the pay last drawn by the deceased employee.**

MINIMUM FAMILY PENSION

134.11 A minimum family pension ranging between Rs.1,000 and

Demands Rs.3,000 has been demanded. It has also been suggested that the amount of minimum pension should be not less than the minimum pay of the lowest post in the Government of India or the minimum wages.

Our recommendations 134.12 We have tried our best to ascertain the data taken into account by the Government or the principles followed by the previous Pay Commissions while determining the quantum of minimum pension/family pension for the purpose of arriving at a suitable amount to be recommended by us as minimum pension/family pension but without any success. An inference could perhaps be drawn that the Government had considered 50% of the minimum pay of the lowest post as a reasonable amount when it fixed the minimum pension/family pension at Rs.375 against the amount of Rs.300 recommended by the Fourth Pay Commission. Since we have recommended retention of the rate of pension at 50%, we feel that 50% of the minimum pay of the lowest post would be a reasonable amount of minimum family pension. As we have recommended Rs.2,440 as the minimum pay for the lowest post, **we recommend Rs.1,220 as the minimum family pension. This would apply to past family pensioners also. This formula could possibly be accepted as a reasonable one for establishing some nexus between minimum pay and minimum pension.**

CEILING ON FAMILY PENSION

Demands 134.13 Removal of ceiling of Rs.1,250 on the family pension has been urged before us on the ground that the ceiling operated harshly against senior officers and the family pensioners were being deprived of their legitimate due.

Our recommendations 134.14 The ceilings on pension, family pension and gratuity are unusual features of civil service retirement benefits and there is a very big drop in income when, for instance, a civil servant drawing a pension of Rs.4,500 per mensem expires. The family of the same civil servant is paid a family pension of just Rs.1,250 per month. It is one of fundamental tenets of a social security scheme that the beneficiary should have the assurance that in the event of his death, his widow and children would have the necessary wherewithal to live in reasonable comfort. However, with the meagre amount of family pension, this last desire of a deceased employee can hardly be met. The old assumption that civil servants in higher grades could save a great deal is no longer valid, with the substantial increase in the cost of living. **Considering the fact that the number of employees against whom the existing ceiling operates harshly is not very significant, we are inclined to accept the suggestion for removal of ceiling on family pensions and recommend accordingly.**

FAMILY PENSION AT ENHANCED RATES

Demands 134.15 It has been suggested that the period for payment of family pension at enhanced rates may be raised from 7 to 15 years or till the life-time of the family pensioner.

Our recommendations 134.16 Prior to the Third CPC, the period of seven years was restricted till the employee would have attained the age of superannuation. By this restriction, the families of those who died just before their normal date of

retirement, were deprived of family pension at enhanced rates for full seven years. This anomaly was removed on the recommendation of the Third CPC and the benefit was extended for a period of seven years or till the employee/pensioner would have attained the age of 65 years, whichever was earlier. The period of seven years for entitlement to family pension at enhanced rates is considered to be an adequate period for a family to get adjusted to the changed circumstances. There is, therefore, no strong justification for granting family pension at enhanced rates either for 15 years or for the life-time of the spouse. **Accordingly, we do not recommend any change in the existing condition of eligibility of seven years' service or in period of seven years for entitlement to family pension at enhanced rates. However, in view of our recommendation to increase the age of superannuation to 60 years, the family pension at enhanced rates should be admissible for a period of seven years or till the employee/pensioner would have attained the age of 67 years, had he survived.**

DEFINITION OF FAMILY

Demands

134.17 It has been urged before us that the restriction on payment of family pension to married daughters of a deceased employee/pensioner be removed.

Recommendations on age

134.18 Currently, family pension is payable to sons up to 25 years of age, irrespective of marital status and gainful employment, whereas in case of daughters, it is payable up to 25 years of age or up to the date of marriage, whichever is earlier. This distinction smacks of gender bias against daughters. **We recommend that family pension should be payable to both sons and daughters up to 25 years of age or up to the date of their marriage, whichever is earlier.**

Condition of dependency

134.19 Further, considering the non-contributory nature of family pension and the fact that it is paid ex gratia for sustenance of the dependents, **we are of the view that payment of family pension should be discontinued when the eligible son/daughter starts earning a sum of Rs.2,440 from employment in Government, the private sector, self employment etc. and we recommend accordingly**.

FAMILY PENSION TO WIDOWED/DIVORCED DAUGHTER

Demands

134.20 Suggestions have also been made for extension of the benefit of family pension to the widowed/divorced daughters of a deceased employee.

Our recommendations

134.21 We have considered the suggestion and are of the view that widowed and divorced daughters need to be provided some relief. **We recommend that they be included in the definition of family for payment of family pension up to 25 years of age or up to the date of their remarriage or till they start earning a minimum wage of Rs.2,440, whichever is earlier.**

FAMILY PENSION ON REMARRIAGE

Demands

134.22 It has been urged before us that the existing condition in terms of which payment of family pension is terminated on the re-marriage of a widow should be removed.

Our recommendations

134.23 Having regard to the fact that eligibility for family pension passes to the next eligible child of the deceased employee, **we are unable to agree to the suggestion for continuance of family pension to the widow on remarriage. However, if the widow undertakes to maintain the dependent children on her re-marriage, family pension should continue to be paid**. In the latter case, family pension shall be payable to the widow till the last eligible son/daughter of the deceased employee attains the age of 25 years or starts earning a minimum wage of Rs.2,440 from any source including self-employment or gets married, whichever is earlier.

FAMILY PENSION TO PARENTS, BROTHERS AND SISTERS

Demands

134.24 Several pensioners' associations have suggested that parents, dependent brothers and sisters may be included in the definition of "family" for the purpose of eligibility to family pension.

Parents

134.25 We have noticed that a provision exists in the CCS (Extraordinary Pension) Rules and Liberalised Pensionary Awards for grant of dependent pension to parents in those cases where the deceased government servant had left behind neither a widow nor a child. With a view to bringing about uniformity in the matter of dependent pension in the CCS (Pension) Rules, Extraordinary Pension Rules and Liberalised Pensionary Awards, **we recommend that only those parents who were wholly dependent on the Government servant when he was alive, may be included in the definition of family where the deceased employee had left behind neither a widow nor a child. Such parents shall be eligible for family pension at ordinary rate, i.e. 30% of the pay of the deceased employee**.

Our recommendations

134.26 As for inclusion of brothers, sisters and other relatives in the definition of "family", an employee's desire to discharge wider family obligations is no doubt admirable, but it is hardly fair that such obligation should be discharged at public cost. **In view of the non-contributory nature of family pension, we are not inclined to recommend inclusion of brothers, sisters and other relatives in the definition of "family" for eligibility to family pension.**

IMPLEMENTATION OF RECOMMENDATION OF FOURTH PAY COMMISSION

134.27 While dealing with a large number of demands from several quarters for widening the definition of "family" for eligibility to family pension, we came across a classic example of lack of uniformity in the definition of family in various service rules as analysed by the Fourth Pay Commission in Paragraph 6.15 of Part-II of its report and the recommendations made in Paragraph Nos. 6.16 and 6.17 raising certain vital questions. As per our information, the remedial measures are yet to be taken by the Government. In view of the relevance and importance of the questions raised, we would like to reiterate their recommendations as mentioned above and urge upon the Government to consider the issues as early as possible and

take remedial measures.

UPDATING OF FAMILY PENSION OF PAST FAMILY PENSIONERS

Demands

134.28 All pensioners' associations which submitted their memoranda and which appeared before the Commission to tender oral evidence brought to our notice the glaring disparities in the amount of family pension being drawn by family pensioners belonging to different Pay commission periods and urged that there should be complete parity in the amount of family pension, irrespective of the date of retirement/death of the Government servant. They also suggested the application of revised rates of family pension in respect of pre-1.1.1986 family pensioners as introduced w.e.f. 1.1.1986 before updating their pension on the basis of a formula to be recommended by the Commission for the post-Fifth Pay Commission retirees.

Reasons for disparities

134.29 We have given our careful consideration to the submissions made by the pensioners' associations on behalf of family pensioners and taken note of the fact that family pension, except in cases of death while in service, is authorised by the pension sanctioning authorities in the Pension Payment Order issued to the pensioner at the rates prevalent at the time of authorisation, whereas it is actually disbursed several years thereafter on the death of the pensioner, by which time rates of family pension undergo a change. The disparities in the amount of family pension exist because of (i) prevalence of different rates of family pension at different points of time, (ii) denial of benefits of improved rates of family pension to past pensioners, (iii) imposition of artificial ceilings on the amount of family pension, (iv) denial of benefits of refixation of family pension on the basis of pay in the revised scales of pay, (v) different rates of neutralisation for the rise in the cost of living index etc.

Our recommendations

134.30 While we are in favour of imparting a greater equity between past and present family pensioners, it may not be advisable to go in for complete parity at this juncture because of the financial implications. With a view to achieving this objective, **we would recommend that all the pre-1.1.1986 family pensioners may be brought to the level of 1.1.1986 (Fourth CPC) by notional fixation of pay of the deceased employee from one Pay Commission to the subsequent Pay Commission in the same way as was done for serving employees and then apply the rates of family pension as may be introduced on implementation of Fifth CPC's recommendations. Once the past family pensioners are brought on to the level of Fourth CPC, they should be given the same treatment in regard to quantum of fitment weightage as may be given to the serving employees. If the amount of family pension fixed in the manner indicated above, falls short of 30% of the minimum pay of the post held by the deceased employee, as revised by the Fifth CPC, the family pension would be stepped up to 30% of the minimum pay of the post held by the deceased.** The family pension of post-1.1.1986 family pensioners shall be revised in the manner indicated in the next paragraph without notional fixation of pay of the deceased employee in the Fifth CPC's pay scales. Except notional fixation, the post-1.1.1986 family pensioners shall be entitled to all the benefits which have been extended to pre-1.1.1986 family pensioners. The methodology suggested above would ensure total

parity between family pensioners of pre-1986 and post-1986 periods and modified parity thereafter, which is intended to do away with the unequal treatment meted out to the family pensioners all these years.

134.31 While the work relating to grant of total parity up to 1.1.1986 by notional fixation of pay of the deceased employee and modified parity thereafter shall have to be undertaken by the pension sanctioning authorities, which may take some time, **it would be desirable to grant immediate relief to the family pensioners**. To achieve this objective, pension disbursing authorities may be authorised to consolidate the pension by adding (a) existing basic family pension; (b) Dearness Relief as on 1.1.1996; (c) Interim Reliefs I and II; (d) 20% of basic family pension. The total is to be stepped up to 30% of the minimum pay of the post held by the deceased employee, as revised by the Fifth CPC, wherever consolidated pension falls short of the above percentage. The consolidated pension shall be the basis for grant of Dearness Relief in future.

134.32 There may be cases where it may not be possible for the pension sanctioning authorities to fix the pay of the deceased employees notionally, because of non-availability of records due to such records having been weeded out or other administrative problems. **In such cases the family pension may be revised with reference to the minimum pay of the post held by the deceased, as revised by the Government on our recommendations.**

DEATH GRATUITY

Present position

134.33 In addition to family pension, families of Government employees who die while in service, are entitled to death gratuity which is calculated with reference to the number of years of qualifying service rendered by the deceased employee at the time of his/her death. Prior to 1.1.1986, only permanent Government employees were entitled to gratuity. But on the recommendations of Fourth CPC, death gratuity has been made admissible with effect from 1.1.1986 at the following scale irrespective of whether the deceased employee was permanent, temporary or quasi-permanent:

	Qualifying service	Amount of death gratuity
(a)	Less than one year	Two times the pay
(b)	One year and above but less than five years	Six times the pay
(c)	Five years and above but less than 20 years	Twelve times the pay
(d)	Twenty years and above	Half of the pay for each completed six monthly period of service subject to a maximum of 33 times the pay and monetary ceiling of Rs.2.5 Lakhs.

Demands

134.34 It has been submitted that the family of a Government servant who dies in harness with a service of five years or more but less than 20 years, is paid 12 times the emoluments as death gratuity, whereas the family of another Government servant who dies after rendering service of 20 years or more is paid gratuity at the rate of half the emoluments for each completed six monthly period of service which works out to one month's emoluments for each year of service. In the event of a Government servant dying just before completing 20 years of service, his family is put to a loss because of the restriction of 12 times the emoluments. It has, therefore, been urged that this anomaly may be rectified.

Our recommendations

134.35 We have considered the submission and taken note of the fact that prior to Fourth CPC, there were three slabs namely, (a) Less than one year, (b) one year or more but less than five years, and (c) five years and above. On the recommendations of Fourth CPC, the third slab was modified to 'five years and above but less than 20 years' and the fourth slab of '20 years and above' was introduced on the ground that the family of an employee who died after completion of 20 years or more service was at a disadvantage as compared to the family of an employee who died after taking voluntary retirement. We have noted that in the existing scheme, the family of an employee who dies with service just short of 20 years is placed at par with the family of an employee who dies after more than five years service, which does not seem to be appropriate. We are, therefore, convinced of the need to revise the existing slabs which may be modified as under:-

	Qualifying service	Amount of death gratuity
(a)	Less than one year	Two times the emoluments
(b)	One year or more but less than five years	Six times the emoluments
(c)	Five years and more but up to 12 years	Twelve times the emoluments
(d)	Above twelve years	Half of emoluments for each completed six monthly period of qualifying service subject to a maximum of 33 times the emoluments.

OTHER BENEFITS

134.36 Apart from family pension and death gratuity, the families of the deceased employees also get other benefits such as the insurance cover available under the Central Government Employees' Group Insurance Scheme (CGEGIS) and Deposit Linked Insurance Scheme. We have separately recommended in the relevant chapter doubling of the rate of contribution and corresponding increase in the insurance cover in case of death. We have also recommended in the chapter on General Provident Fund for raising the benefit under Deposit Linked insurance Scheme from the existing Rs.30,000 to Rs. one Lakh. We have tried our best to

improve the condition of family pensioners within the available resources by making suitable recommendations in this chapter with the hope that they would be able to lead a more decent life.

CONCLUSION

134.37 The principles enunciated by the Commission for future revision of pension are contained in our chapter on Pension Structure. Those principles shall apply equally for revision of family pensions in future.

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Special Benefits in case of Death and Disability

PRESENT PROVISIONS

Death due to natural causes

135.1 Cases of death of Central Government employees dying in harness due to natural causes not attributable to government service are covered under the Central Civil Services (Pension) Rules, 1972, and their families are entitled to the normal family pension and death gratuity, in addition to the accumulations in the Provident Fund accounts, compensation admissible under the Central Government Employees Group Insurance Scheme and the Deposit-linked Insurance Scheme.

Death and disability attributable to service

135.2 Employees who sustain injuries or contract diseases or die or are disabled or incapacitated on account of causes which are accepted as attributable to or aggravated by government service are, however, eligible for certain special benefits under the Central Civil Services (Extraordinary Pension) Rules. The benefits available under these rules, which are applicable to all persons paid from Civil Estimates, other than those to whom the Workmen's Compensation Act applies, have been amended and liberalised from time to time. In terms of the rules currently in force, apart from the death gratuity and other entitlements under the Provident Fund Rules and Group Insurance Scheme, a consolidated Extraordinary Family Pension is admissible to the extent indicated below, in the event of death of an employee who holds a pensionable post, irrespective of whether the deceased employee had completed seven years' service or not:

Basic Pay of employee at time of death	Monthly Extraordinary Family Pension
Government servant holding a pensionable post	
a) If the widow of the deceased employee is childless:	

Not exceeding Rs.1,500	50% of basic pay
Exceeding Rs.1,500 but not exceeding Rs.3,000	40% of basic pay subject to a minimum of Rs.750
Exceeding Rs.3,000	30% of basic pay, subject to a minimum of Rs.1,200 and maximum of Rs.2,500

b) If the widow of the deceased employee has a child or children:

In all cases	60% of basic pay, subject to a minimum of Rs.750 and maximum of Rs.2,500

Employees not holding a pensionable post and dying in harness are also entitled to the Extraordinary Family Pension under these Rules, but at reduced rates ranging from 15 per cent to 30 per cent of the basic pay depending on the pay drawn by them at the time of death if the surviving widows are childless and at a fixed rate of 40 per cent of the basic pay if the surviving widows have children, subject to a minimum of Rs.500 and maximum of Rs.1,500.

Disability benefits

135.3 Similarly, employees who are disabled or incapacitated due to causes not attributable to government service and are discharged from service are covered under the Central Civil Services (Pension) Rules, 1972, and are entitled to service pension for the actual service rendered up to the date of invalidation. If such service is less than ten years, service gratuity is paid in lieu of pension at the rate of half a month's emoluments for every completed half-yearly period of service. If, however, the disability leading to discharge is established as attributable to government service, the provisions contained in the Central Civil Services (Extraordinary Pension) Rules apply, and a Disability Pension at the prescribed rates is admissible. This consists of two elements, the service element and the disability element. The former compensates for the service rendered up to the date of invalidation and the latter for the functional incapacity suffered by the employee as assessed by a medical board. In the case of cent per cent disability, the Disability Pension admissible is equal to the normal rates of family pension, i.e. 30%, 20% or 15% depending on the basic pay drawn by the employee at the time of his invalidation. For lower percentages of disability, the monthly disability pension is proportionately lower, subject to the conditions prescribed in this regard. If, however, the employee is retained in service notwithstanding his disability, he is entitled to receive the capitalised value of the disability element calculated on the basis of the commutation table.

Death in air accidents

135.4 Death of a government servant as a result of an accident, while travelling by air on duty, is also treated as being due to special risk of office' for the purpose of the Central Civil Services (Extraordinary Pension) Rules. If the death occurs while travelling on duty by commercial flights operated by Indian Airlines and other carriers, compensation would be payable by the airline concerned in terms of international conventions. If, however, the journey on duty is performed by service aircraft, the family of the deceased employee would also be entitled to an ex gratia payment equal to the compensation available to families

of similar personnel travelling by Indian Airlines as fare paying passengers. However, the compensation, which is presently Rs. 5 lakhs, has to be approved and sanctioned, in each individual case, with the concurrence of the Finance Ministry.

Liberalised pensionary awards

135.5 Separate orders have been issued by Government to provide for the grant of Liberalised Pensionary Awards in cases of death or disability arising as a result of (a) attack by or during action against extremists, anti-social elements, etc. and (b) enemy action in international war or border skirmishes. The benefits admissible to the family in the event of death of an employee are as follows:-

a) If the employee is survived by his widow, she will be entitled to family pension, for life or until her remarriage, equal to the pay last drawn by him.

b) In the event of remarriage of the widow, the family pension will be reduced and will be equal to that admissible normally under the Central Civil Services (Pension) Rules, 1972.

c) If there is no surviving widow, but the employee has left behind a child or children, all children together shall be entitled to family pension at rates ranging from 30 to 50 per cent prescribed in this regard with reference to the basic pay of the employee at the time of death. The family pension to the children is to be regulated as in the case of normal family pension admissible under the Central Civil Services (Pension) Rules, 1972.

d) On remarriage of the surviving widow or when there is no surviving widow and the family pension is paid only to the children, each child shall also be entitled to receive, in addition, a Children's Allowance of Rs.100 p.m. in cases where the deceased employee was in receipt of pay less than Rs.2,200 and of Rs.150 p.m. in cases where the pay at the time of death was Rs.2,200 and above.

e) If the government servant dies as a bachelor or widower without children, a dependant pension equal to 75% or 56.25% of the pay last drawn depending on whether both the parents are alive or only one of them, is admissible to the parents without reference to the pecuniary circumstances.

f) Where family pension or dependant pension is paid in terms of these orders, no other family pension or dependant pension will be admissible under any other orders or rules in consideration of the death of the same deceased government servant.

Disability benefits

135.6 If the government servant is discharged from service on account of injuries sustained in these operations, he will be paid a disability pension, which will consist of a service element and a disability element. The former will be equal to an amount of the retiring pension, including the pension equivalent of retirement gratuity which he would have been entitled to on the basis of his pay on the date of injury but counting service up to the date on which he would have retired in the

normal course. The disability element for 100 per cent disability will be equal in amount to the pay last drawn by the government servant minus the service element, and be subject to a maximum of Rs.1,000 p.m . The disability element will be proportionately reduced for lower percentages of disability.

Ex gratia payments

135.7 In the absence of specific provisions in the rules for payment of compensation to families of Central Government employees killed in acts of terrorist violence, various departments had adopted different schemes for compensating their employees. Whereas some of them paid compensation under Workmen's Compensation Act, certain others had resorted to ex gratia payments on a case by case basis. On consideration of this question by the Committee of Secretaries in the context of escalating terrorist activities in Punjab, orders were issued in November 1988 to the effect that, while the then existing procedures followed by different departments might be continued, they should, however, ensure that an amount of at least Rs.50,000 was paid to the families, after excluding any payments ordinarily made in cases of death not attributable to service but including any amount payable in cases of death attributable to service. All such cases of ex gratia payments were also to be referred to the Department of Pension and Pensioners' Welfare for prior clearance to ensure consistency in approach in deciding the quantum of compensation. Subsequently in May 1990, these orders were also extended to the families of Central Government employees killed in terrorist violence in Jammu & Kashmir.

Position in Central Police Organisations

135.8 On the other hand, families of personnel of the Central Police Organisations killed in the course of performance of their duties due to violence by armed hostiles, extremists, terrorists, etc. are paid ex gratia grants in terms of separate orders issued by the Ministry of Home Affairs, which have also been reviewed and amended from time to time. The ex gratia payment presently admissible is Rs. 2 lakhs and any compensation payable under the Central Government Employees' Group Insurance Scheme or ex gratia payments made by the State Governments concerned (which were taken into account in computing the net compensation prior to 1993) are to be excluded.

Armed Forces Personnel

135.9 Families of members of the Armed Forces killed in similar circumstances are, however, not entitled to any ex gratia payments, but only to the liberalised pensionary benefits similar to those admissible to civilian employees in terms of the Liberalised Pensionary Awards. In addition, they are also covered by the contributory Army Group Insurance Scheme, which provides death benefit of Rs.3.85 lakhs for Officers and Rs.1.65 lakhs for personnel Below Officers Ranks.

Ministry of Information and Broadcasting

135.10 Subsequent to May 1990, Government also separately approved the (a) enhancement of ceiling on ex gratia payment to families of employees killed as a result of terrorist acts or encounters with anti-social elements to Rs. 5 lakhs; and (b) payment of further compensation of up to Rs.5 lakhs, on a case by case basis from sundry government sources, such as Prime Minister's Relief Fund, Chief Minister's Relief Fund, etc., the total compensation and ex gratia being restricted to Rs.10 lakhs, only in respect of the employees of the Ministry of Information and Broadcasting.

DEMANDS AND SUGGESTIONS RECEIVED

Liberalisation of benefits

135.11 We have received a large number of demands and suggestions, particularly from the Central Police Organisations, that the benefits admissible under the schemes for the payment of extraordinary pension, Liberalised Pensionary Awards and ex gratia should be substantially liberalised. These mainly relate to increase in the quantum of benefits, removal of present distinctions and disparities in payment of extraordinary pension to the surviving dependants of different categories of employees, payment of full pension to employees discharged from duty without reference to the actual service rendered by him, payment of disability pension equal to the pay last drawn, removal of disparities in the rates of Children's Allowance under the Liberalised Pensionary Awards scheme, removal of restriction on grant of liberalised pensionary awards to disabled personnel who seek voluntary retirement, enlargement of the scope of Liberalised Pensionary Awards, extension of the provisions of the Liberalised Pensionary Awards scheme to personnel who are killed in accidents while performing official duties, extension of the scheme of ex gratia payments even to those who suffer cent per cent disability in actual operations at par with those who are killed, etc.

Reference from Government

135.12 Apart from these demands and suggestions, the Department of Pension and Pensioners' Welfare has also made a separate reference to us requesting recommendations on a comprehensive policy that could be adopted in regard to ex gratia payments in cases of death in various circumstances in any part of the country, which could replace all isolated decisions that might have been taken in the past by various individual ministries or by government for different disturbed regions in the country.

OUR VIEWS AND SUGGESTIONS

Principle of Attributability

135.13 We have considered these demands and suggestions very carefully. As a general rule, it would be appropriate to retain the present distinction in the benefits admissible to employees who sustain injuries or contract diseases or die or are disabled or incapacitated on account of causes which are accepted as attributable to or aggravated by government service and to those who die in harness only due to natural causes not attributable to government service. In the context, however, of the perceptible increase in violence-related incidents over the years, involving the use of explosive devices in public places, kidnapping for ransom resulting in the death of the victim, etc. government employees could become unwitting victims of such incidents, though they may strictly not be on government duty or business at the relevant time. Considering the fact that the employees are in no way responsible for the death or injuries suffered in such incidents, we are of the view that it may not be inappropriate, from a humanitarian angle, to make an exception only in such cases though there may be no causal connection, as prescribed in the rules, between the death or disability and government service so that the principle of attributability could be conceded. We recommend accordingly.

Results of our examination

135.14 We observe that benefits in the event of death, disability or discharge from service are presently regulated in terms of three different sets of rules or administrative instructions, depending on the circumstances. Certain ministries and departments like the Ministry of Information and Broadcasting have

also secured additional benefits which have not been extended uniformly to all employees. Whereas the rules and orders relating to Extraordinary Family Pension and Liberalised Pensionary Awards are fairly explicit, though complex, it would appear that decisions on the question of ex gratia payments had been arrived at in the past only in isolation as and when certain situations arose, and this fact has also been accepted by the Department of Pension and Pensioners' Welfare themselves. There is, therefore, the likelihood of an element of ad-hocism and even of decisions being influenced by subjective considerations, particularly when these are taken on a case to case basis. Regulation of benefits under different sets of rules or instructions could also result in avoidable confusion. There is, therefore, clearly a need for a comprehensive policy and a single set of rules to regulate the quantum of compensation in cases of death or disability under different circumstances, which should be clearly spelt out so as to remove any confusion which might lead to delays in disbursement of the admissible benefits. This would also ensure rationalisation and simplification.

135.15 Further, as has been pointed by the Department of Pension and Pensioners' Welfare, there is always an unfortunate possibility that acts of terrorism can take place or disturbed conditions prevail in any part of the country. Central Government employees could also be unwitting victims of such acts even if they may not be actively engaged in the discharge of their official duties at the relevant time. There is, therefore, also a case for enlarging the scope and applicability of various benefits presently available under the three different schemes, so as to cater to certain other unnatural situations not presently envisaged.

Our recommendations

135.16 **For determining the compensation payable for death or disability under different circumstances, these could be broadly categorised as follows:-**

Category 'A' **Death or disability due to natural causes not attributable to government service. Examples would be chronic ailments like heart and renal diseases, prolonged illness, accidents while not on duty, etc.**

Category 'B' **Death or disability due to causes which are accepted as attributable to or aggravated by government service. Diseases contracted because of continued exposure to a hostile work environment, subjected to extreme weather conditions or occupational hazards resulting in death or disability would be examples.**

Category 'C' **Death or disability due to accidents in the performance of duties. Some examples are accidents while travelling on duty in government vehicles or public transport, a journey on duty is performed by service aircraft, mishaps at sea, electrocution while on duty, etc.**

Category 'D' **Death or disability attributable to acts of violence by terrorists, anti-social elements, etc., whether in the performance of duties or otherwise. Apart from cases of death or injury sustained by personnel of the Central Police**

Organisations while employed in aid of the civil administration in quelling agitation, riots or revolt by demonstrators, other public servants, including police personnel, etc., bomb blasts in public places or transport, indiscriminate shooting incidents in public, etc. would be covered under this category.

Category `E' **Death or disability arising as a result of (a) attack by or during action against extremists, anti-social elements, etc. and (b) enemy action in international war or border skirmishes and war-like situations, including cases which are attributable to (i) extremist acts, exploding mines, etc. while on way to an operational area; (ii) kidnapping by extremists; and (iii) battle inoculation as part of training exercises with live ammunition.**

135.17 **As a measure of rationalisation, and based on our recommendations on Family Pensions, we recommend that compensation for death and disability under the different circumstances enumerated above may be regulated as follows:-**

Category	Benefit/Compensation recommended
I	Cases of Death
	A) Normal Family Pension admissible under the Central Civil Services (Pension) Rules, 1972, equal to 30% of the basic pay of the deceased employee.
	B) Extraordinary Family Pension admissible under the Central Civil Services (Extraordinary Pension) Rules, equal to 60% of the basic pay of the deceased employee.
	C) Extraordinary Family Pension admissible under the Central Civil Services (Extraordinary Pension) Rules, equal to 60% of the basic pay of the deceased employee plus ex gratia of Rs.5 lakhs.
	D) Family Pension admissible under the Liberalised Pensionary Awards Scheme, equal to the pay last drawn by the deceased employee plus ex gratia of Rs.5 lakhs.
	E) Family Pension admissible under the Liberalised Pensionary Awards Scheme, equal to the pay last drawn by the deceased employee plus ex gratia of Rs.7.5 lakhs.
II.	Cases of Disability (100%) resulting in discharge from service
	A) **Normal Retiring Pension and gratuity admissible for the actual service rendered under the Central Civil Services**

(Pension) Rules, 1972 equal to 50% of the average emoluments during the last six months.

B) **Normal pension and gratuity admissible under the Central Civil Services (Pension) Rules, 1972, without insisting on the requirement of minimum service of ten years plus Disability Pension equal to the normal Family Pension, i.e. 30% of the basic pay.**

C) **Normal Pension and gratuity admissible under the Central Civil Services (Pension) Rules,1972, without insisting on the requirement of minimum service of ten years plus Disability Pension equal to the normal Family Pension, i.e. 30% of the basic pay.**

D) **Disability pension, comprising a service element equal to the retiring pension and gratuity to which the employee would have been entitled to on the basis of his pay on the date of invalidation but counting service up to the date on which he would have retired in the normal course and a disability element equal in amount to normal family pension, subject to the condition that the aggregate of the service and disability elements shall not be less than 80% of the pay last drawn.**

E) **Disability pension, comprising a service element equal to the retiring pension and gratuity to which the employee would have been entitled to on the basis of his pay on the date of invalidation but counting service upto the date on which he would have retired in the normal course and a disability element equal in amount to the pay last drawn subject to the condition that the aggregate of the service and disability elements shall not exceed the pay last drawn.**

135.18 A graded structure of compensation has been proposed by us keeping in view the hardships and risks involved in certain assignments, the intensity and magnitude of the tragedy and deprivation that families of government employees experience on the demise of the bread-winner in different circumstances, the expectations of the employer from the employees to work in extreme circumstances, etc. **The benefits now proposed will provide an additional security and insurance to employees who are required to function under trying circumstances and are exposed to different kinds of risks in the performance of their duties and will be mutually exclusive of such other benefits as may be admissible under other schemes, such as the Group Insurance Scheme, General Provident Fund, etc. It is also only appropriate that such compensation as has been now recommended should be financed wholly by the Government without any contribution from the employees.**

Determination of extent of disability

135.19 The benefits proposed in cases of invalidation from service relate to 100 per cent disability. For lower percentages of disability, the benefits shall be

proportionately lower as at present. **We, however recommend, as a measure of further rationalisation and simplification, that the extent of disability or functional incapacity may be determined in the following manner for purposes of computing the disability element forming part of the benefits:**

Percentage of Disability as assessed by Medical Board	**Percentage to be reckoned for computation of Disability Element**
Less than 50	**50**
Between 50 and 75	**75**
Between 76 and 100	**100**

Benefits to employees retained in service

135.20 **We do not recommend any changes in the benefits admissible to those employees who are disabled or incapacitated but nevertheless continue to be retained in government service.**

135.21 On consideration of the other demands submitted to us, we recommend the following:-

Removal of certain distinctions

a) In consideration of the fact that family pension at a uniform rate is admissible to all widows in terms of the Central Civil Services (Pension) Rules regardless of whether they have children or not, **the present distinction between widows without children and those with children for determining the quantum of Extraordinary Family Pension may be removed.**

b) Benefits at higher rates are presently admissible to employees holding pensionable posts in relation to the holders of non-pensionable posts, who are covered under the Contributory Provident Fund Scheme. The Fourth CPC had recommended that all employees who were in service as on January 1, 1986 and were governed by the Contributory Provident Fund Scheme should be deemed to have come over to the pension scheme, unless they specifically opted to continue under the Contributory Provident Fund Scheme. There is also an increasing trend towards introduction of pension schemes for their employees even by organisations and enterprises where the Contributory Provident Fund Scheme is presently applicable. In the circumstances, and also given the fact that there may not be many employees in government who may still be governed by the Contributory Provident Fund Scheme, **the present distinction between holders of pensionable and non-pensionable posts may be removed and families of holders of non-pensionable posts who die in harness may be extended the same benefits**

as have now been recommended, subject to the condition that the employer's contribution to the Provident Fund is surrendered to Government.

Benefits to parents

c) **The Central Civil Services (Extraordinary Pension) Rules presently provide that if a deceased government servant leaves behind neither a widow nor a child, the award under the Rules may be made to the father and mother individually or jointly and in the absence of the father and mother to minor brothers and sisters, individually or collectively, if they are largely dependent on the government servant for support and are in pecuniary need. The Extraordinary Family Pension shall now, however, exceed half of the pension that would have been admissible to a childless widow. On the other hand, in terms of the Liberalised Pension Awards Scheme,** if the government servant dies as a bachelor or widower without children, a dependant pension equal to 75 per cent or 56.25 per cent of the pay last drawn is admissible to the parents without reference to their pecuniary circumstances, depending on whether both of them are or only one of them is alive. **In order to bring about a measure of uniformity between these two sets of rules and orders, the Dependant Pension may be paid at the rate of 75 per cent of the pay last drawn if both parents are alive and at the rate of 60 per cent if only one of them is alive.**

Children's allowance

d) In the context of the proposed enhancement of the rate of family pension admissible under the Liberalised Pensionary Awards to 60 per cent of the basic pay, **the present practice of payment of a Children's Allowance in addition to the admissible family pension to the children on the remarriage of the surviving widow or when there is no surviving widow may be discontinued.**

Benefits in cases of voluntary retirement

e) **We are unable to accept the demand that there should be no restriction on grant of liberalised pensionary awards to disabled personnel who seek voluntary retirement** having regard to the fact that the emphasis of government is on rehabilitation of disabled employees and providing them suitable employment.

Modification of findings of Medical Boards

135.22 It has been brought to our notice that findings of medical boards constituted to determine the extent of disability are often modified by sanctioning authorities on the advice of non-medical functionaries. It has, therefore, been urged that if there are any reservations in accepting the recommendations of medical boards, another board should be constituted for a final determination of the extent of disability, which should be binding. **We are of the view that the findings of medical boards on the extent of disability should be treated as final and binding unless the employee himself seeks a review, by preferring an appeal to an authority immediately superior to the one which constituted the board. In case the appeal is accepted and a review medical board is constituted, the findings of that board should be binding on all parties. Further, the extent of**

disability as determined and accepted should be treated as final and the employee should not be required, as at present, to appear before medical boards periodically merely for the purpose of obtaining a certificate that the disability continues to persist to the same extent as initially assessed to enable the continued drawal of the disability pension.

Delegation of Powers

135.23 The Border Security Force have suggested that the Director General of the Force should be delegated powers to issue sanctions under the Liberalised Pensionary Awards in consultation with the Financial Adviser in respect of his personnel. **Now that we have rationalised the benefits admissible under different schemes, which would be uniformly applicable to all employees, and in order to ensure timely relief to the bereaved families and employees who may be invalidated from service, detailed guidelines and instructions based on our recommendations may be issued by Government and powers to grant all kinds of pensions in terms of these instructions delegated to the Heads of Departments and Offices to be exercised, where necessary, in consultation with the Financial Advisers.**

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Commutation of Pension

INTRODUCTION

136.1 The provisions in the Pension Rules permitting Central Government employees to commute a portion of their pension and receive a lump sum amount equivalent to the commuted value at the time of superannuation have been in force for a long time, though these have been modified from time to time. Commutation of pension enables employees to meet major commitments arising at the twilight of their career, such as acquisition of a house, marriage of children, etc.

EXTENT OF COMMUTATION

Present position

136.2 The commuted value of pension is calculated with reference to a commutation table based on the mortality rates among government pensioners and a concessional rate of interest of 4.75 per cent per annum. The table, which has been revised on three occasions in November 1963, November 1967 and March 1971 after the promulgation of the Liberalised Pension Rules, indicates the commutation values for a pension of Rupee one per annum expressed as the number of years' purchase with reference to the age of the pensioner on his next birthday. Based on the commutation table currently in force, the commuted value of pension receivable by an employee retiring at the normal age of 58 years is equal to 10.46 years' purchase. The commuted value decreases as the age of the pensioner increases. The maximum portion of the pension that can be commuted has been revised periodically and a government servant can presently commute, in exchange for a lump sum payment, a fraction not exceeding one-third of the pension. Based on the portion actually commuted, his monthly pension is correspondingly reduced.

Demands received

136.3 We have received a large number of suggestions that (a) commutation of up to 50 per cent of one's pension may be permitted; (b) the percentage of pension to be commuted may be related to an employee's length of

service, those with longer years of service being permitted to commute a proportionately higher portion of their pension; and (c) the facility of commutation may not be extended to those employees who retire after having rendered less than twenty years' service.

Our recommendations

136.4 Apart from enabling employees to meet their major domestic commitments, returns from the investment of the lump sum amount received on commutation of a portion of the pension supplement the income of those employees who retire on superannuation or invalid pension after having rendered lesser years of qualifying service and are, therefore, not entitled to full pension. In our view, withdrawal of the facility of commutation in respect of such employees would be a harsh measure and even a retrograde step. Commutation has also been traditionally linked to the quantum of pension, which is determined with reference to the length of qualifying service rendered by an employee. Consequently, the length of service rendered by an employee is already reflected in the amount of pension to which he is entitled. **In the circumstances, we are unable to accept the suggestions that the facility of commutation should not be extended to those employees who retire after having rendered less than twenty years' service and that those with longer years of service should be permitted to commute a proportionately higher portion of their pension.**

Maximum percentage

136.5 Prior to April 1950, the maximum pension that could be commuted by a civilian Central Government employee was 50 per cent. This was reduced to one-third of the pension with effect from April 17, 1950 following the incorporation of provisions in the Liberalised Pension Rules for the payment of Death-cum-Retirement Gratuity. We have been informed by the Department of Pension and Pensioners' Welfare that Government had also received representations from time to time for raising the ceiling on commutation to 50 per cent, and that no changes in the existing scheme of commutation were contemplated at present. Considering the present trends of late marriages and the fact that opportunities are presently available for entry into government service at a comparatively higher age than was the position earlier, major responsibilities remain to be discharged even after retirement in many cases. Even at present, Officers and Personnel Below Officers Ranks in the Armed Forces are permitted to commute up to 43 per cent and 45 per cent of their pension respectively. Judges of the Supreme Court and High Courts have also been provided the facility to commute up to 50 per cent of their pension. In the circumstances, and also having regard to the fact that the ceiling on commutation has remained unchanged for nearly five decades now, there is, unarguably, a case for a review of the present provisions in this regard.

Our recommendations

136.6 We are, however, not in favour of increasing the ceiling to 50 per cent, as suggested. Apart from the fact that the pensionary benefits of Central Government employees, including the commuted value of their pension, would increase substantially on acceptance of our recommendations on revised scales of pay, it would also be necessary to ensure that retired government servants receive a regular and reasonable amount as pension for their sustenance. This would be particularly essential in the context of the break-up of the joint family system, the trend towards dispersal of families and the disquieting changes in social mores and attitudes. **After taking all relevant factors into account, we recommend that civilian employees in Central Government may be permitted to commute up to 40 per cent of their pension.**

RESTORATION

Present position

136.7 Till April 1985, the reduction in the monthly pension on account of commutation was a lifetime commitment and a pensioner was entitled to draw only the reduced pension during his entire retired life. In 1983, writ petitions (nos. 3958-61 of 1983) were filed in the Supreme Court by "Common Cause", a registered society espousing issues of public interest, and three retired government servants praying, inter alia, for issue of a direction that an appropriate scheme rationalising the provisions relating to commutation to facilitate the restoration of the commuted value of pension after the commutation amount paid in lump sum, along with the interest element was fully adjusted by that portion of pension which was not drawn monthly, be brought into force. In pursuance of the judgement (December 1986) of the Supreme Court on these writ petitions, orders were issued, to be effective from April 1, 1985, providing for the restoration of that portion of pension commuted by civilian and defence pensioners after a period of 15 years. The decision was based, inter alia, on the consideration that several State Governments had amended the rules relating to commutation to enable restoration, after a similar period of 15 years, the full pension of those who had commuted a part of their pension. It has been represented to us by a large section of employees that the full pension should instead be restored after a period of ten to twelve years. Other suggestions are that the commuted portion of pension should be restored (a) after a shorter period of seven years as recommended by the Fourth CPC, (b) progressively in three equated instalments after the lapse of 5, 10 and 15 years; and (c) on the pensioner attaining the average age of survival assumed in the computations and not after the entire lump sum amount paid as the commuted value along with interest thereon is fully recovered, as at present.

Recommendations of Fourth CPC

136.8 We find that the Fourth CPC had not specifically recommended the restoration of the commuted portion after seven years. It had only suggested that government may examine the feasibility of introducing a scheme which would enable restoration after a short period of seven years or so, both for civilian and defence pensioners. We have been informed by the Department of Pension and Pensioners' Welfare that, in pursuance of this recommendation, two commutation plans, providing for restoration after 7 years and 14 years, were proposed to be offered to the employees. The scheme is stated to have been shelved and a decision taken to maintain the status quo because application of the revised commutation factors resulted in a loss to the civilian personnel other than those in Group 'D' as well as the defence personnel, this being more pronounced and of the order of 2 to 28 per cent in the case of Defence Officers and of 12 to 40 per cent in respect of Personnel Below officers' Ranks.

Our recommendations

136.9 We are also unable to accept the suggestions that the commuted portion of the pension should be progressively restored in three equated instalments spread over 15 years or on a pensioner attaining the average age of survival assumed in the computations because it would be contrary to the basic principles governing the scheme of commutation. Apart from the fact that the commuted value is not fully adjusted in five or ten years, it would be incorrect, in our view, to restore the commuted portion without taking into account the element of interest, which, in any case, is levied only at the concessional rate of 4.75 per cent per

annum. The following observation of the Supreme Court in the Common Cause case would also be of relevance in this context.

> ".....in dealing with a matter of this nature, it is not appropriate to be guided by the example of life insurance, equally unjust it would be to adopt the interest basis. On the other hand, the conclusion should be evolved by relating it to the 'years of purchase' basis and an addition of two years necessary for the recovery of interest".

136.10 As mentioned earlier, the commuted value of pension receivable currently by an employee retiring at the normal age of 58 years is equal to 10.46 years' purchase. We have, however, separately recommended that the age of superannuation be raised from 58 to 60 years. Consequently, the commutation value in respect of employees superannuating at the age of 60 years and commuting a portion of pension within a period of one year would be equal to 9.81 years' purchase. After adding thereto a further period of two years for recovery of interest in terms of the observations of the Supreme Court, **it would be reasonable to restore the commuted portion of the pension after 12 years, instead of 15 years as at present. We recommend accordingly**. In arriving at this decision, we have also taken note of the fact that several State Governments, such as Kerala, Madhya Pradesh, Orissa and Punjab, now permit restoration after a similar period of 12 years.

Reckoning of period for restoration

136.11 A related issue is whether the period on expiry of which the commuted portion should be restored is to be reckoned from the date (a) of retirement in terms of the judgement of the Supreme Court, (b) of submission of the application, or (c) from which the commutation commences after processing the application. It has been submitted that it would be more appropriate to reckon the period from the date of submission of the application because the commutation becomes absolute and the pensioner becomes entitled to receive the commuted value as soon as this is done. Yet another suggestion received by us is that, because the payment of commuted value is delayed on account of administrative reasons, the commuted amount payable for the period of such delay should be deducted from the lump sum amount due to the pensioner, and the full pension restored on expiry of the prescribed period reckoned from the date of retirement.

Our recommendations

136.12 We have carefully considered these suggestions. The decision of the Supreme Court that the commuted portion should be restored 15 years after the date of retirement was based on the assumption that commutation is applied for at the time of retirement itself and not subsequently. Apart from the fact that commutation can be applied for any time after one's retirement, a pensioner continues to draw the full pension till such time as the commuted value is disbursed to him and the reduction in pension commences only on payment thereof. In the circumstances, it is but logical that, when the commutation itself is applied for only subsequent to retirement, the period for restoration should be reckoned from actual date of commutation and not from the date of retirement. Besides since the commutation value is computed with reference to the age of the pensioner on his next birthday, the commutation factor remains constant for a year and changes only after the birth anniversary. In the context of our general emphasis on simplifying and rationalising procedures, we are also unable to accept the suggestion that the commuted amount payable for the period of any administrative delays should be

deducted from the lump sum amount due to the pensioner and the full pension restored on expiry of the prescribed period reckoned from the date of retirement. **Having regard to all relevant factors, we recommend that the commuted portion of pension should be restored after a period of 12 years reckoned from the actual date of commutation. We would, however, urge Government to ensure that the commuted value is disbursed promptly to the pensioners, and in any case not later than 90 days from the date of submission of the necessary application.**

COMMUTATION TABLE

Revison of Commutation Table

136.13 The commutation table having been last revised more than two decades ago in March 1971, it has been represented that it should be reviewed and revised, taking into account factors such as increase in longevity, improvements in pay structure, rise in consumer price index and devaluation of the rupee. It has also been suggested that the table should be revised to enable payment of the commuted value at twice the present number of years of purchase without levying any notional interest on the commuted value. While improvements in the pay structure suggested by us, inter alia, take into account the changes in the consumer price index during the period intervening between two pay revisions, their impact would in any case be reflected in the commuted value payable with reference to the revised scales of pay suggested by us. The suggestion that the commuted value should be paid at twice the number of years of purchase, waiving the interest element, would not also appear to be logical. The rate of interest assumed for the purpose is also substantially lower than the rate of interest of 12 per cent paid by Government on employees' subscriptions to the Provident Fund and that paid on its own borrowings.

136.14 we have been informed by the Department of Pension and Pensioners' Welfare that the question of revision of the current commutation table was considered on three occasions in the years 1975, 1978 and 1982. The reviews then undertaken revealed that whereas there had been little improvement in the mortality rates, the rates of interest had increased significantly and the former was found to be not adequate enough to compensate for the latter. According to the Department, revision of the commutation table would consequently have resulted in a net reduction in the commutation value, which would have put pensioners to loss. The Department has further informed us that determination of the commuted value with reference to variable multiplier factors had ceased to be relevant after the Supreme Court judgement providing for restoration of the commuted portion after 15 years and because of the commutation factors were no longer linked to the prevailing interest rates. They have therefore, suggested adoption of a common multiplier of 10 or 12 for all civilian Central Government employees irrespective of their age at the time of submission of the application for commutation and exclusion of members of the Armed Forces from this dispensation.

Our recommendations

136.15 On careful consideration, we are unable to accept the suggestion because it is not based on any actuarial studies and can best be considered to be an ad hoc solution. Besides, the exclusion of the Armed Forces personnel, as proposed, would be contrary to the views expressed by the Apex Court in the Common Cause case that the same benefits as were applicable to the civilian pensioners should also be extended to the members of the Armed Forces. As we

have pointed out earlier in the chapter on "Central Government Employees' Group Insurance Scheme", based on various studies and such statistics of life expectancy and mortality as are available as well as the improvements in health delivery systems, it would not be unreasonable for us to assume that life expectancy would have improved further during the Eighties and early Nineties, with a corresponding decline in mortality rate. **The question of revision of the commutation table having been last considered as early as 1982, there would appear to be a case for a detailed review of the mortality rates with a view to devising a commutation scheme based on current data, which would be more representative and closer to ground realities. Till such time as this is done, we would recommend that the status quo may be maintained.**

FAMILY PENSION

Commutation of Family Pension

136.16 It has also been urged that commutation of family pension should be permitted. We feel that a clear distinction ought to be made between pension and family pension. Pension is considered to be a property and deferred wage, and the basic concept of the commutation scheme is that the amount paid as lump sum should be recovered over a period of time by a reduction in the monthly pension. On the other hand, family pension is essentially a social security scheme devised by government for the welfare of the families of deceased government servants and pensioners. The right to receive family pension also passes from the spouse to the children, all of whom have an interest in the family pension. **We do not, therefore, recommend commutation of family pension.**

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Pension Structure

INTRODUCTION

Terms of reference

137.1 We are required to examine the existing pension structure for pensioners including death-cum-retirement benefits. Though the words "past pensioners" have not been mentioned in para 2(c) of our Terms of Reference, yet we have included them in the scope of our enquiry because we are of the opinion that pensioners both past and future are a homogeneous class. This view has also been held by the Supreme Court in its judgement dated 17.12.1982 in the case of D.S. Nakara and others versus Union of India. The death-cum-retirement benefits for civilian employees have been considered by the previous four CPCs. For the personnel of the armed forces, these benefits were considered for the first time by the Third CPC, followed by the Fourth CPC.

POPULATION OF PENSIONERS

Distribution of pensioners

137.2 According to the information contained in the brochure of the Central Pension Accounting Office entitled "CPAO Highlights 1994-95", there were 32.33 lakh pensioners, including family pensioners, as on April 1,1995, of which 16.66 lakhs were defence pensioners. The number of family pensioners in the year 1993-94 as intimated by the Department of Pension and Pensioners' Welfare was estimated to be 4.5 Lakhs (both civil and defence). The Ministry/Department-wise break-up of pensioners for the period 1990-91 to 1994-95 is given in the following Table.

Department-wise Distribution of Pensioners (including Family Pensioners)

(Number in Lakhs)

Ministry/ Department	1990-91	1991-92	1992-93	1993-94	1994-95
Defence (including the armed forces)	15.74	15.85	16.00	16.13	16.66
Railways	06.86	07.26	08.19	08.63	09.00

Department-wise Distribution of Pensioners (including Family Pensioners)

(Number in Lakhs)

Postal	01.51	01.58	01.65	01.72	02.09
Telecom	00.43	00.47	00.51	00.58	00.66
Other Civil Departments*	02.79	03.06	03.37	03.64	03.92
Total	**27.33**	**28.22**	**29.72**	**30.70**	**32.33**

* Includes Freedom Fighters numbering 1.62 Lakhs (approximately) upto the year 1994-95.

137.3 Slab-wise break-up of those civil pensioners who retired during the financial years 1993-94 and 1994-95 is given in the following Table.

Slabwise Distribution of Pensioners (including Family Pensioners) who retired during the financial years 1993-94 and 1994-95

Basic pension	Superannuation pension		Family pension	
	1993-94	1994-95	1993-94	1994-95
Upto Rs 500	5,374	3,976	1,562	1,705
501-1,000	9,763	9,477	2,051	2,456
1,001-1,500	4,502	4,558	350	336
1,501-2,000	2,332	2,207	12	21
2,001-2,500	792	808	5	7
2,501-3,500	298	353	-	-
3,501-4,500	117	122	-	-
Total	**23,178**	**21,501**	**3,980**	**4,525**

PENSION EXPENDITURE

Department-wise break-up

137.4 The expenditure on pensions has been increasing over the years. The details of Central Government pension expenditure as per appropriation accounts and as contained in the brochure of Central Pension Accounting Office "CPAO Highlights 1994-95" for the period 1990-91 to 1995-96 are as under.

Department-wise Break-up of Expenditure on all Pensioners, 1990-1996						
Ministry/ Department	**1990-91**	**1991-92**	**1992-93**	**1993-94**	**1994-95**	**1995-96 (RE)**
	(Expenditure in crores of Rupees)					
Defence	1,670.12	1,840.07	2,312.77	2,530.76	2,730.83	3,200.00
Railways	902.10	1,050 71	1,260 96	1,487.85	1,686.00	2,090.00
Civil #	533.70	662.97	785.24	908.42	1,037.77	1,108 65
Postal	150.27	182.23	203.59	227.43	253.41	313.84
Telecom	60.46	72.27	85.66	105.02	156.27	199.44
Total	**3,316.65**	**3,808.25**	**4,648.22**	**5,259.48**	**5,864.28**	**6,911.93**

Includes Rs.103.86 crores towards pension to Freedom Fighters

LANDMARKS IN DEVELOPMENT

Nakara case

137.5 The general practice in the past was to give the benefit of improvements in pension structure from a prospective date. A major change in the rules governing grant of pension was the introduction of the slab system for calculation of pension with effect from March 31, 1979. This liberalisation came up for consideration before the Supreme Court. The Apex Court in its judgement dated 17.12.1982 in the case of D.S. Nakara versus Union of India (AIR 1983, SC 130) held that all Central Government pensioners were entitled to pension w.e.f. 1.4.1979 as computed under the slab system, irrespective of the date of their retirement. **This was the first time that the benefit of improvements in the pension structure was extended to pensioners who had retired prior to the date from which improvements became effective**. The following improvements in pensionary benefits were extended to past pensioners in terms of Nakara judgement:-

(a) Application of slab system for calculation of pension;

(b) Calculation of average emoluments over the preceding ten months instead of thirty six months;

(c) Benefit of qualifying service up to 33 years instead of 30 years;

(d) Raising the ceiling on pension to Rs.1,500 per mensem;

(e) Extension of benefit of minimum pension.

RECOMMENDATIONS OF FOURTH PAY COMMISSION

137.6 On the recommendations of Fourth Pay Commission, the benefit of the following improvements in pensionary benefits was also extended to all existing pensioners:

i) Additional relief ranging between 10% and 15% of the amount of pension plus graded relief to those in receipt of pension upto Rs.500 per mensem;

ii) Stepping up of graded relief to about 75% of pensioners in receipt of pension above Rs.500 per mensem without any ceiling;

iii) Difference between amount of pension calculated at 50% of average emoluments and the slab system;

iv) Consolidation of pension by merging basic pension, graded relief, additional relief and difference between pension calculated at 50% and slab system and treating the consolidated amount of pension as the basis for the grant of relief in future;

v) Extension of benefit of minimum pension;

vi) Payment of Dearness Relief at the same rates as admissible to serving employees after index average 608.

CONCEPT OF PARITY IN PENSION/EQUALISATION OF PENSION/ONE RANK ONE PENSION

The Concept

137.7 The concept of parity, which is also known by the term Equalisation of Pension, means that past pensioners should get the same amount of pension which their counterparts retiring on or after 1.1.1996 from the same post will get irrespective of the date of retirement or the emoluments drawn at the time of retirement of the past pensioners. The concept of parity in pension pre-supposes the existence of a universally acceptable system by which comparison can be drawn between past and current retirees. The only possible manner in which this can be made possible is by introducing the system of Rank Pension or one pension for one grade. At present the system of Rank Pension is in vogue only for personnel below officer rank in the armed forces. Under this system, if the person has held the rank, from which he retires for ten months or more, his pension is calculated with reference to emoluments at the maximum of the scale of pay attached to the rank irrespective of the actual pay drawn by him. If he has not held the said rank for the minimum period of ten months, his pension is computed with reference to maximum pay of the next lower rank which he held for ten months.

Defence Minister's Committee

137.8 The demand for One Rank One Pension for the Ex-Servicemen was considered by the high-level empowered Committee under the Chairmanship of Defence Minister, with which some Members of Parliament and retired armed forces officers were also associated. **The Committee did not recommend**

acceptance of the demand of One-Rank-One-Pension. However, on its recommendations, the Government sanctioned One Time Increase in pension to pre-1.1.1986 ex-servicemen.

REASONS FOR DISPARITY IN PENSIONS

137.9 Apart from making ad hoc improvements in pensionary benefits, there has also been a practice of merging the full dearness allowance or a part thereof in the pay, for working out the reckonable emoluments for computation of pension. The merger of DA has been done from time to time since the pay scales recommended by the First Pay Commission came into force. Government servants who retire after revision of pay scales get more pensionary benefits. This is due to the reason that revised pay scales are higher than the pre-revised scales on account of merger of DA in pay and also other benefits in fixation of pay in the revised scales of pay. The other reasons responsible for disparity in pensions are:

i) Lack of a regular scheme of DA to serving employees or DR to pensioners prior to 1.1.1973. They were granted DA/DR on ad hoc basis from time to time and these were also confined to low-paid employees/pensioners only.

ii) Latent anomalies created by the scheme of D.A. itself introduced on the recommendations of Third Pay Commission.

iii) Lack of corelation between DA to serving employees and DR to pensioners.

iv) Grant of Interim Relief to serving employees at various points and these were counted as emoluments for pension.

v) Grant of DR on additional pension which became admissible on the merger of DA at index averages 272, 320 and 568, resulting in over compensation against rise in the cost of living.

PRESENT POSITION

Extent of disparity

37.10 Mainly because of the reasons mentioned in the preceding paragraph, past pensioners are in receipt of varying amounts of pension though they had retired from broadly comparable posts with the same length of qualifying service. **The difference in the amount of basic pension alone between pre-1.1.1986 and post 1.1.1986 retirees up to the level of Director works out to Rs.500 and more, whereas in respect of officers of the rank of Joint Secretary and above, the difference ranges between Rs.850 and Rs.1240**. If the dearness relief and interim reliefs are added to the basic pension, the difference would range between more than two-and-a-half times and more than two times of the above amounts respectively, because of varying percentages of neutralisation.

Parity demanded

137.11 All the pensioners' associations and unions of employees which appeared before us to tender oral evidence made a forceful plea to grant absolute parity in pensions of past and future retirees on the ground that such a principle had

already been conceded in the case of Judges of Supreme Court, High Courts, Comptroller and Auditor General of India and to a great extent in respect of personnel of armed forces up to certain levels by the grant of One Time Increase (OTI).

Position in armed forces

137.12 We have given our most sympathetic consideration to the submissions made and also taken note of the fact that at the time of grant of OTI, pension of all the pre-1973 defence pensioners was brought up to the level of post-1.1.1973 retirees. In the case of Sepoy pensioners, pension of pre-1986 retirees was stepped up to 95% differential with reference to pension of post-1.1.1986 retirees. In the case of the other personnel below officer rank, their pension was stepped up with reference to the pension admissible on 1.1.1986 but with a slight reduction in a graded manner by Rs.10 per month if the length of service was 15 years and by an additional Rs.2 p.m. for every additional year of service up to 24 years of service. It is thus clear that the principle of near parity in pension has already been accepted between pre and post-1986 retirees for ranks up to N/Subedar with 24 years of service, but pension of officers has been depressed considerably. There is complete parity in pension among Judges of the Supreme Court, High Court and Comptroller and Auditor General of India, irrespective of the date of their retirement.

Our view

137.13 While it is desirable to grant complete parity in pension to all past pensioners irrespective of the date of their retirement, this may not be feasible straightaway as the financial implications would be considerable. The process of bridging the gap in pension of past pensioners has already been set in motion by the Fourth CPC when past pensioners were granted additional relief in addition to consolidation of their pension. This process of attainment of reasonable parity needs to be continued so as to achieve complete parity over a period of time.

Our Recommend-ations

137.14 **As a follow up of our basic objective of parity, we would recommend that the pension of all the pre-1986 retirees may be updated by notional fixation of their pay as on 1.1.1986 by adopting the same formula as for the serving employees. This step would bring all the past pensioners to a common platform or on to the Fourth CPC pay scales as on 1.1.1986. Thereafter, all the pensioners who have been brought on to the Fourth CPC pay scales by notional fixation of their pay and those who have retired on or after 1.1.1986 can be treated alike in regard to consolidation of their pension as on 1.1.1996 by allowing the same fitment weightage as may be allowed to the serving employees. However, the consolidated pension shall be not less than 50% of the minimum pay of the post, as revised by Fifth CPC, held by the pensioner at the time of retirement. This consolidated amount of pension should be the basis for grant of dearness relief in future. The additions to pension as a result of our recommendations in this chapter shall not, however, qualify for any additional commutation for existing pensioners.**

Immediate relief to pensioners

137.15 While the work relating to revision of pension of pre 1.1.1986 retirees by notional fixation of their pay shall have to be undertaken by the pension sanctioning authorities to be completed in a time-bound manner, **we suggest that the pensioners should be provided some relief immediately on implementation of our recommendations. The pension disbursing authorities may be authorised to consolidate the pension by adding (a) basic pension; (b) personal pension, wherever admissible; (c) dearness relief as on 1.1.1996 on**

basic pension only; (d) Interim Relief (I and II) and (e) 20% of basic pension. The consolidated pension shall be not less than 50% of the minimum pay, as revised by the Fifth CPC, of the post held by the pensioner at the time of retirement. This may be stepped up by the pension disbursing authorities, wherever feasible, to the level of 50% of the minimum pay of the post held by the pensioner at the time of retirement.

Procedure for very old cases

137.16 There may be cases where it may not be possible for the pension sanctioning authorities to fix the pay of the very old retirees notionally because of non-availability of records due to such records having been weeded out or other administrative problems. In such cases the pension may be revised with reference to the minimum pay of the post held by the pensioner, as revised by the Government on our recommendations.

ONE-RANK-ONE-PENSION

Demands

137.17 It has been suggested that the principle of one-rank-one-pension, irrespective of the date of retirement, should be implemented in respect of all Central Government employees.

Our Recommendations

137.18 We have considered the suggestion and find that the system of rank pension is in vogue only for personnel below officer rank in the armed forces. We have also noticed that the concept of one-rank-one-pension is being used by the defence pensioners as a slogan for bringing about parity in pensions of past and future retirees. In the case of civilian pensioners, the concept of rank is not very well defined, as there has been a large number of pay scales and hence designations. Moreover, pension of civilian employees has always been a function of emoluments drawn and qualifying service rendered at the time of retirement. As such grant of one pension for all those who retired in a particular pay scale is not considered justified. **We do not find any merit in the suggestion and recommend continuance of the existing procedure of determining pension on the basis of emoluments and qualifying service.**

REVISION OF PENSION WITH REFERENCE TO MINIMUM/MAXIMUM OF THE REVISED PAY SCALES

Demands

137.19 Some of the pensioners' associations have suggested that pension of past retirees should be revised with reference to the maximum pay of the post held by the pensioner at the time of retirement, as revised by the Fifth CPC on the ground that pension of personnel below officers rank is determined with reference to the maximum pay of rank held by them for a minimum period of ten months before retirement. Some other association has suggested revision of pension of past pensioners by following the same formula as applied for revision of pay of the serving employees subject to the condition that the pension should not be less than that admissible on the minimum pay of the post, as revised by Fifth CPC, held by the pensioner at the time of retirement.

Modified parity conceded

137.20 We have given our careful consideration to the suggestions. While we do not find any merit in the suggestion to revise the pension of past retirees with reference to maximum pay of the post held at the time of retirement, as revised by

the Fifth CPC, there is force in the argument that the revised pension should be not less than that admissible on the minimum pay of the post held by the retiree at the time of retirement, as revised by the Fifth CPC. **We have no hesitation in conceding the argument advanced by pensioners that they should receive a pension at least based on the minimum pay of the post as revised by Fifth Pay Commission in the same way as an employee normally gets the minimum revised pay of the post he holds. We recommend acceptance of this principle which is based on reasonable considerations.**

Principle enunciated

137.21 The Commission has decided to enunciate a principle for the future revision of pensions to the effect that **complete parity should normally be conceded up to the date of last pay revision and modified parity (with pension equated at least to the minimum of the revised pay scale) be accepted at the time of each fresh pay revision**. This guiding principle which we have accepted would assure that past pensioners will obtain complete parity between the pre-'86 and post-'86 pensioners but there will be only a modified parity between the pre-'96 and post-'96 pensioners. The enunciation of the principle would imply that at the time of the next pay revision, say, in the year 2006, complete parity should be given to past pensioners as between pre-1996 and post-1996 and modified parity be given between the pre-2006 and post-2006 pensioners.

RETROSPECTIVE EFFECT TO THE PRINCIPLE FOR REMOVAL OF DISPARITY IN PENSION OF PRE-1986 AND POST-1986 PENSIONERS/FAMILY PENSIONERS

Demands

137.22 The All India Central Services Pensioners' Association, Thiruvananthapuram has requested the Commission for giving retrospective effect to the formula which may be recommended by us for removal of disparity in pension/family pension of pre-1986 and post-1986 pensioners/family pensioners. The Association has also requested that pension/family pension of past pensioners/family pensioners may be revised in such a way that it is not less than the pension/family pension based on the minimum pay of the post held by the pensioner, as revised by the Fifth CPC.

Observations of Supreme Court

137.23 We have considered the prayers made by the Association and taken note of the observations of the Supreme Court made in its order dated 19.9.95 in Writ Petition No.1026 of 1988. The Apex Court directed the Association to represent before the Government, in case the recommendations of the Commission were in favour of the Association, for making those recommendations applicable with reasonable retrospectivity. The Apex Court said so because the Writ Petitions were pending in the Court for the last about one decade.

Our stand

137.24 The Commission would invite the attention of the Government to its Demi-official communication No.50/4/94-PC(Coord) dated 17.1.1996 addressed to all the Secretaries and Heads of Departments clarifying that the Fifth CPC had no intention of re-opening past cases or in making any recommendation with respect to rectification of anomalies with retrospective effect and that all our recommendations will have prospective effect from our recommended date only. The Administrative Ministries were requested to settle the past cases at their level and clarify to the concerned judicial authorities the restriction on the scope of jurisdiction of the Commission whenever such matters came up for hearing. In this

view of the matter, **it would not be desirable for us to make any recommendation for giving retrospective effect to the formula for removal of disparity in pension/family pension of pre-1986 pensioners/family pensioners now recommended by us**. This aspect of the matter may be decided by the Government.

Demand conceded

137.25 As for the other part of the prayer made by the Association, we have already made in this Chapter a suitable recommendation that the revised pension/family pension shall be not less than that admissible on the minimum pay of the post held by the pensioner at the time of retirement or death, as the case may be, as revised by the Government on our recommendations.

MINIMUM PENSION

Basis in the past

137.26 We have not been able to obtain the basis for fixing the minimum pension from time to time. The minimum pension fixed from time to time was as under:

Date of effect	Rupees per mensem
January 1, 1964	25
March 1, 1970	40
March 1, 1980	60
April 1, 1982	Pension plus relief to be not less than Rs.150.
April 1, 1983	Pension plus relief to be not less than Rs.160.
January 1, 1986	375

The benefit of minimum pension fixed from March 1, 1970 and onwards was extended to past pensioners also.

Our recommendations

137.27 As on 1.1.1996, the minimum pension plus Dearness Relief plus Interim Reliefs I and II works out to Rs.1030. We are of the view that minimum pension needs to be raised. We have separately recommended the minimum salary of Rs.2,440 for the lowest post in the Government. We feel that 50% of minimum salary would be a reasonable amount to be fixed as minimum pension. **We accordingly recommend that wherever the existing pension together with dearness relief admissible at index average 1510, first two interim reliefs and the fitment weightage recommended by us works out to less than Rs.1,220, the same should be raised to Rs.1,220 per mensem. This minimum shall also apply to future pensioners.**

BENIFITS TO EMPLOYEES NOT GOVERNED BY PENSION SCHEME

Introduction

137.28 With the exception of a few specified categories of employees in certain departments, Central Government employees are, by and large, governed by the Pension Scheme. Persons appointed on contract for specified periods,

superannuated employees who are reemployed in government, and some of the personnel in scientific and technical organisations who entered service at a comparatively advanced age were earlier entitled instead to the benefits of the Contributory Provident Fund (CPF) Scheme. In pursuance, however, of the recommendations of the Fourth CPC, all CPF beneficiaries still in service on January 1,1986 were deemed to have come over to the Pension Scheme on that date unless they specifically exercised an option to continue to be governed only by the provisions of the CPF Scheme.

137.29 Prior to November 16, 1957, Railway employees were also not covered by the Pension Scheme but by the State Railways Provident Fund (SRPF) Scheme, similar in scope and content to the CPF Scheme. Following the extension of the Pension Scheme applicable to other Central Government employees to them with effect from November 16, 1957, only such of those employees as did not opt to switch over to the Pension Scheme continued to be covered by the SRPF Scheme.

Present position

137.30 The present position, therefore, is that the large majority of Central Government employees are governed only by the provisions of the Central Civil Services (Pension) Rules, 1972. Apart from those who superannuated prior to January 1, 1986 and opted to continue to be governed either by the CPF Scheme or the SRPF Scheme, the provisions of these schemes are now applicable only to those appointed on contract for specified periods, superannuated employees who are reemployed in government, and those employees in regular service as on January 1, 1986 who had specifically opted to continue under the contributory scheme.

Difference in benefits

137.31 The Pension Scheme has been periodically liberalised conferring additional benefits on Central Government pensioners. Those covered by the contributory provident fund schemes, however, are entitled to receive from Government at the time of their superannuation only the matching contribution of 8.33 per cent along with interest at the applicable rate, which has progressively increased from 7 per cent in 1974 to 12 per cent during 1985-86. Dearness Relief sanctioned to pensioners from time to time is also not extended to them. It has, therefore, been a long-standing demand of the CPF/SRPF beneficiaries that the benefits which had accrued to the pensioners as a result of the periodical liberalisation of the Pension Scheme should also be appropriately extended to them.

Fourth CPC's Recommend-ations

137.32 The Fourth CPC had considered this question in some detail and had observed that since the pension and contributory provident fund schemes were structurally different, equality of benefits under the two schemes was not feasible. Recognising, however, that the CPF/SRPF beneficiaries who had superannuated on comparatively lower scales of pay deserved some relief, the Commission had recommended, inter alia, that (a) all CPF/SRPF beneficiaries who had retired prior to March 31, 1985 on a basic pay of up to Rs. 500 per month may be paid an ex gratia of Rs.300 per month, which would be in addition to the benefits already received by them under the contributory scheme, and of Rs. 150 per month to the widows and dependant children of deceased beneficiaries; (b) the ex gratia amount may be reviewed as and when dearness relief is sanctioned to pensioners; (c) those who opted to continue to be governed by the contributory scheme even after January 1, 1986, should not be eligible on their superannuation to the ex gratia payment recommended for the retired CPF/SRPF beneficiaries; and (d)

Government may consider the feasibility of giving an option to all other CPF/SRPF beneficiaries to come over to the Pension Scheme with effect from January 1, 1986, subject to their refunding the entire Government contribution received by them at the time of superannuation, inclusive of interest thereon. Government, however, accepted only the recommendation in regard to payment of ex gratia of Rs. 150 per month to the widows and dependant children of deceased beneficiaries.

Gist of demands

137.33 We have received a very large number of representations from individuals (particularly Railway employees), the All India Retired Railwaymen's Federation, the All India Retired Railwaymen (PF Terms) Association and a host of other associations urging that the recommendation of the Fourth CPC on payment of ex gratia to the surviving CPF/SRPF beneficiaries should be implemented retrospectively with effect from January 1, 1986 and that its quantum should also be increased so as to be equal to the minimum pension. Other demands are that the ex gratia amount admissible to the widows and dependent children of deceased employees should be enhanced and CPF/SRPF beneficiaries should be given another option to switch over to the Pension Scheme on their refunding the contribution made by Government. Some beneficiaries have also suggested that the fresh option should be extended without insisting upon the refund of the Government contribution but subject to adjustment of the ex gratia that should have been paid to them with effect from January 1, 1986 in terms of the recommendation of the Fourth CPC.

Reasons for non-acceptance of Fourth CPC's Recommend-ations

137.34 We have been informed by the Department of Pension and Pensioners' Welfare that the recommendations of the Fourth CPC relating to the payment of ex gratia to the surviving CPF/SRPF beneficiaries and extension of a fresh option to them to switch over to the pension scheme were not accepted by Government, mainly in consideration of the additional financial burden that this would entail and the likely repercussions in other sectors which had adopted the CPF Scheme.

Judgement of Supreme Court

137.35 In 1986 and 1989, a batch of writ petitions and a special leave petition had also been filed in the Supreme Court by the All India Retired Railwaymen (PF Terms) Association and a number of other individuals praying for relief on this account. In their submissions, the petitioners had largely relied upon decision of the court in the Nakara Case on treatment of past and future pensioners alike, whenever the pensionary benefits were liberalised leading to the pension structure itself being altered. Dismissing this analogous cluster of petitions, in its judgement of July 1990 {(1990) 4 SCC 207}, the Supreme Court had held inter alia that those who did not opt for the Pension Scheme had ample opportunity to choose between this scheme and the SRPF scheme and that the cut-off dates prescribed from time to time for exercising an option were not arbitrarily chosen but had a nexus with the purpose for which the option was given. The Court had observed that those who retired on a pension alone were treated as a homogeneous class in the Nakara case, and it was never held that those who were governed by the Contributory Provident Fund scheme also formed a homogeneous class along with those governed by the Pension Scheme.

137.36 According to the Apex Court, the government's legal obligation under the Railway Contributory Provident Fund ended on the retirement of an employee, whereas it began on retirement under the Pension Scheme. The rules governing the Provident Fund Scheme being entirely different from those governing

the Pension Scheme, the legal position enunciated by the Court was that the rights of each individual employee governed by the former finally crystallised on his retirement whereafter no continuing obligation remained while, on the other hand, the obligation continued till the death of employees governed by the latter. The Court had, therefore, held that it would not be reasonable to argue that what was applicable to those covered by the Pension Scheme must also be equally applicable to those governed by the Provident Funds Scheme and that to say legally that the State's obligation towards employees governed by the CPF Scheme is the same as that towards those who retired on a pension would amount to legislation by enlarging the circumference of the obligation and converting a moral obligation into a legal one. Referring to the view of the Fourth CPC in recommending only ex gratia benefits to the CPF/SRPF beneficiaries was that the pension and provident fund schemes were structurally different, the Apex Court had, however, observed that the ex gratia may be suitably increased.

Proposal of Ministry of Railways

137.37 According to the information made available to us by the Ministry of Railways, a proposal initiated by them in 1992 for the grant of ex gratia pension to the pre-1986 SRPF beneficiaries on a graded scale ranging from Rs.375 to Rs.750 per month had been under consideration since then in consultation with the Department of Pension and Pensioners' Welfare and the Department of Expenditure and a decision had been taken recently by the Prime Minister that our recommendations on this question should be awaited. We have also been informed that, apart from the option given to them in 1957 to switch over to the Pension Scheme, the SRPF beneficiaries were extended similar options whenever substantial changes were effected in the pension structure for Central Government employees. In all, such options were made available on twelve occasions in the past, the last being in May, 1987.

Views of Nodal Ministry

137.38 While agreeing with the proposal submitted by the Ministry of Railways in this regard in 1992, the Department of Pension and Pensioners' Welfare had, however, suggested that (a) the payment proposed being ex gratia in nature, it should not be described as pension so as to avoid possible legal complications; (b) it should be only prospective; (c) the benefit should be confined only to those who had completed at least twenty years of continuous service prior to superannuation so as to avoid any discrimination against temporary employees in the pensionable establishment who had retired without any pension; (d) the ex gratia may be sanctioned at a flat rate instead of on a graded scale.

137.39 In so far as the question of enhancement of the quantum of ex gratia payment to the widows and dependants of deceased CPF/SRPF beneficiaries is concerned, the Department is of the view that though there is no correlation between the quantum of ex gratia payment and the minimum family pension admissible to the families of those deceased employees governed by the Pension Scheme, some relativity between the two shall have to be maintained. Any increase in the minimum family pension should, therefore, be reflected in the ex gratia payment as well. According to the Department, in the context of the fact that the outgo on account of ex gratia payments would decrease progressively over a period of time because the Contributory Provident Fund Scheme has been abolished for Central Government employees with effect from January 1, 1986 and that the families of those employees who opted to continue under the scheme even after this date are in any case not entitled to the ex gratia payments, there may not be a strong case, even from the budgetary angle, to maintain too much of a differential between

the ex gratia payment to the widows and dependant children of CPF/SRPF beneficiaries and the minimum family pension.

Reservations of Finance Ministry

137.40 The proposal of the Ministry of Railways had not, however, found favour with the Ministry of Finance (Department of Expenditure) primarily on the ground that the financial implications of payment of ex gratia ranging from Rs. 375 to Rs. 750 per month to the 1.20 lakh CPF/SRPF beneficiaries would be in the region of about Rs.125 crores per annum and that acceptance of the proposal would also lead to similar demands from the CPF beneficiaries in the public sector undertakings and autonomous bodies.

Results of our examination

137.41 We have considered this question carefully. In terms of the unambiguous judgement of the Supreme Court, the CPF/SRPF beneficiaries, being a distinct category, cannot obviously claim, legally and technically, such benefits as have been extended to the pensioners. Further, an option having been given to the SRPF beneficiaries on as many as twelve occasions to switch over to the Pension Scheme, it cannot also be argued that they were not given a reasonable opportunity to do so. It is, however, a fact that employees governed by the Pension Scheme, including past pensioners, have been extended substantial benefits in pursuance of the recommendations of successive Pay Commissions and in the light of the judgement of the Supreme Court in the Nakara case. On the other hand, those covered by the CPF Scheme have had to remain content with the lumpsum amounts received by them at the time of superannuation. The gap between the CPF/SRPF beneficiaries and the employees covered by the Pension Scheme would widen further and the differences would be accentuated as a result of the substantial improvements that we have proposed in the pension structure. It is also somewhat anachronistic that while the payment of an ex gratia has been agreed to in the case of families of deceased CPF/SRPF beneficiaries, this should have been denied to the surviving employees who are exposed as much to the impact of inflation. In the circumstances, we are of the considered view that a sympathetic and humanitarian approach is called for in this case. Though it would be inappropriate to accept the principle of parity between the surviving CPF/SRPF beneficiaries and pensioners, ex gratia payments could, however, be extended to the former.

137.42 We have also taken note of the reservations of the Department of Expenditure on the Railway Ministry's proposal. The financial implications of the proposal computed by the Department are based on the assumption that there are about 1.20 lakh CPF/SRPF beneficiaries. This was, however, an estimation made by the Fourth CPC as far back as in 1986. A decade having elapsed since then, the number of beneficiaries would not have remained static and is likely to be significantly lower. According to an assessment made by the Ministry of Railways, the number of surviving SRPF beneficiaries in 1991 was only 60,000 and this is likely to have dwindled further between 1991 and 1996. While data on the number of surviving CPF beneficiaries is not readily available, it would not be unreasonable to assume that there would have been a corresponding reduction in their numbers as well since 1986. As regards the apprehension of the Department that acceptance of the proposal would lead to similar demands from the CPF beneficiaries in the public enterprises and autonomous bodies, the present trend in the public, and even in the private, sector is to introduce pension schemes for the employees in replacement of the CPF Scheme and, following the launching of the Employees' Pension Scheme in November 1995, a large number of public sector employees have switched over to the Pension Scheme, which has the inherent

advantage of providing an assured and regular monthly income. In the changed circumstances, therefore, the impact, if any, in other sectors would be considerably minimised.

Our Recommend-ations

137.43 After careful consideration of all relevant factors, we make the following recommendations :-

(a) **Having due regard to the fact that the pension scheme and the contributory provident fund scheme were structurally different, we do not concede the demand of the CPF/SRPF beneficiaries for total parity with employees governed by the pension scheme. The Apex court has also held (1990) 4 SCC 207) that the rules governing the provident fund and its contribution are entirely different from the rules governing pension. It would not therefore, be reasonable to argue that what is applicable to the pension retirees must also equally be applicable to PF retirees.**

(b) **The ex gratia may be sanctioned at a flat rate because more than 98 per cent of CPF/SRPF retirees who are sought to be extended the benefit of ex gratia payment belong to Groups `C' and `D' who had retired on comparatively lower scales of pay.**

(c) **The benefit may be confined only to those who had rendered at least twenty years of continuous service prior to their superannuation, so as to avoid any discrimination against temporary employees in the pensionable establishments who had retired without any pension.**

(d) **An ex gratia amount may be sanctioned @ Rs. 600 per month, which is approximately 50% of the amount of minimum pension recommended by us separately for those covered by Pension Rules. Dearness Relief payable from time to time shall also be admissible.**

(e) **The ex gratia payment, Dearness Relief and Interim Reliefs I and II already received by those who had retired on pay of upto Rs. 500 per month may be so adjusted that the total ex gratia amount is not less than Rs. 600 per month.**

(f) **With a view to maintaining some relativity between family pension and ex gratia to the widows and dependants of the CPF/SRPF retirees, we recommend that the ex gratia payment to the surviving widows and dependant children of CPF/SRPF beneficiaries may be enhanced to Rs. 600 per month plus Dearness Relief as admissible from time to time.**

(g) **The benefits now proposed will not be admissible to those CPF/SRPF beneficiaries who were in service on January, 1986 and specifically opted to continue to be governed by the CPF/SRPF scheme.**

(h) **In view of the fact that CPF/SRPF retirees had already been given adequate number of options to switch over to the pension scheme as and when substantial improvements were made in the pension scheme**

and the practical difficulties involved in retrieval of records and adjustments to be made, the demands for another option to switch over to the pension scheme on their refunding the contribution made by the Government or without insisting upon the refund of the Government contribution subject to adjustment of the ex gratia that should have been paid to them with effect from January 1, 1986 in terms of recommendation of the Fourth CPC, are not accepted.

(i) The payment proposed being ex gratia in nature, it should not be described as "pension".

(j) All our recommendations shall have prospective effect.

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Dearness Relief / Interim Relief to Pensioners

DEARNESS RELIEF

Historical background

138.1 Prior to August 1, 1973, there was no regular scheme for compensating pensioners for erosion in the real value of their pensions due to increase in prices. However, on four occasions between April 1, 1958 and January, 1973, certain temporary/ad hoc increases were sanctioned by the Government as a compensation against price rise which was considered to be a temporary phenomenon, as the prices were expected to stabilise. Having this aspect in mind, the various Commissions and Committees appointed by the Government recommended compensation mainly to low paid employees/pensioners, who according to them were likely to be more affected by the price rise.

Ad hoc increases in pension

138.2 The first temporary increase, ranging between Rs.10 and Rs.12.50, was sanctioned in April, 1958. The second ad hoc increase ranging between Rs.5 and Rs.10 was sanctioned in October, 1963. The third adhoc increase @ Rs.10 per mensem with an overall ceiling of Rs.220 on pension plus ad hoc increase was sanctioned in September, 1969. The fourth ad hoc relief ranging between Rs.15 and Rs.35 was sanctioned in January, 1973.

138.3 The Third CPC conceded the demand of pensioners for protecting their pension from erosion on account of possible increases in the cost of living. It however, did not accept the suggestion that relief to the pensioners should be allowed at the same rate as was applicable to the serving employees, as the family and other responsibilities of a pensioner were not considered to be of the same order as of a serving employee. Having regard to the above considerations, they recommended that all future pensioners, irrespective of the amount of pension drawn by them should be given a relief at the rate of 5% of their pension subject to a minimum of Rs.5 and a maximum of Rs.25 per mensem for every 16 point rise in the 12 monthly average of the All India Working Class Consumer Price Index (1960=100).

138.4 The above recommendation of the Third CPC was implemented by the Government. A modification in the scheme was made from December 1, 1980 when Government decided to give Dearness Relief (DR) to pensioners for every 8 point increase in index average @ 2.5% of pension subject to a minimum of Rs.2.50 and a maximum of Rs.12.50 per mensem.

Merger of DA with pay for pensionary benefits

138.5 The above scheme provided for neutralisation of about 62 per cent to pensioners drawing pension upto Rs. 500 per mensem. With the merger of DA up to index average 272 with pay for pensionary benefits with effect from September 30, 1977, the neutralisation went up to 85 percent for the pensioners who retired thereafter because no change was made in the formula for the grant of DR in the case of those retiring on or after September 30, 1977 and they got the benefit of DR even on additional pension which became admissible on the merged DA. Two more mergers of DA with pay upto index average 320 and 568 took place on January 31, 1982 and March 31, 1985, raising the neutralisation to 100 and 178 per cent respectively because of no change in the formula for the grant of DR. It would thus be seen that pensioners drawing pension up to Rs. 500 and retiring on or after the dates of merger were over-compensated with every merger of DA with pay for the purpose of pensionary benefits ranging between 85 and 178 per cent, whereas the DR to pensioners drawing pension above Rs. 500 per mensem was pegged to Rs.12.50 for every 8 point increase in index average providing a neutralisation of 62 per cent.

Quantum of rationalisation

138.6 Between 1.1.1973 and 31.12.1985 (the intervening period between Third and Fourth Central Pay Commissions), the index average rose from 200 to 608 points resulting in the grant of 51 instalment of DA to the serving employees and an equal number of instalments of DR to pensioners. While the serving employees drawing pay upto Rs. 400 got 4% of their pay for every 8 point increase (total 51x4=204%), the pensioners irrespective of the amount of pension got 2.5% for every 8 point increase (total 51x2.5=127.5%). Thus, there was a gap of 76.5% in the quantum of neutralisation, thereby eroding the real value of the pension. The percentage of neutralisation provided to the serving employees vis-a-vis pensioners as per scheme of the Third Central Pay Commission is indicated below :-

Serving Employees		**Pensioners**	
Pay(Rs)	**percentage of neutra-lisation**	**Pension**	**Percentage of neutralisation**
(a) Upto Rs. 400	100	(a) upto Rs.500	62(before merger)
(b) Rs. 401-1000	75	upto Rs.500	85(After merger upto Index Average 272)

Serving Employees		Pensioners	
Pay(Rs)	**percentage of neutra-lisation**	**Pension**	**Percentage of neutralisation**
(c) Rs. 1001-2750	45	upto Rs.500	100 (After merger up to Index Average 320)
(d) Rs. 2751-3500	35	upto Rs.500	178 (After merger up to Index Average 568)
		(b)Above Rs.500	62

Anomalies discussed

138.7 Prior to 1.1.1986, there was no correlation between the scheme of DA to serving employees and the scheme of DR to pensioners, resulting in many anomalies in as much as progressive merger of DA in pay for computation of retirement benefits not only brought in uneven benefits between past and future pensioners but also resulted in some cases in future pensioners drawing less pension as compared to their counterparts who had retired earlier. To reduce the impact of such anomalous situations, the Fourth CPC while recommending additional relief for past pensioners, aimed at reducing the gap in amount of pension of past and future pensioners, also recommended upgradation of DR to the level of 75% for those who were in receipt of pension above Rs.500 per mensem.

Introduction of personal pension

138.8 Another methodology followed by the Government to lessen the impact of uneven benefits between past and future pensioners was to allow the pensioners retiring on or after 30.9.1977 and 31.1.1982 to exercise an option to avail themselves of the merger at index average 272 and 320. At the time of merger of DA at index average 568 with effect from 31.3.1985, no option was allowed but a new system of grant of personal pension representing the difference between pension calculated at CPI 320 plus DR between CPI 320 and 568 on the one hand and pension calculated at CPI 568 on the other was introduced.

Rationalisation of Scheme of Dearness Relief

138.9 To overcome further anomalies, the Fourth CPC rationalised the scheme of DR to pensioners and related the same to the scheme of DA to serving employees. It recommended adoption of slabs for regulating DR to pensioners at 50% of the slabs prescribed for regulating DA to serving employees and calculation of DR/DA at the same percentage. This was done with a view to ensuring that while pension was 50% of pay, pension plus DR thereon should be 50% of pay plus DA. This system ensured that in the event of any portion of DA being treated as Dearness Pay in future, the pension of future retirees with reference to pay plus DP would be exactly equal to the pension plus DR of a pensioner who retired before merger.

Graded/Dearness Relief to

138.10 All pensioners' associations which appeared before us have urged that the concept of cent per cent neutralisation against increase in prices should be

Pensioners

recommended, because price increase affects them much more than serving employees. The income of pensioners is already less than 50% of what they drew at the time of retirement and all perquisites such as subsidised residential accommodation, residential telephone, leave travel concession, medical facilities, transportation, news papers/magazines etc. have also disappeared.

Full neutralisation of cost of living

138.11 We have considered the submissions and taken note of the fact that while recommending the grant of DA to serving employees, the First and Second CPCs generally proceeded on the assumption that DA was an expedient intended to deal with a temporary phenomenon of rising prices. Subsequent events have shown a continuous upward trend in prices leading to the recommendation of a regular scheme of DA to serving employees and DR to pensioners by the Third CPC. From the very beginning, the employees in higher pay brackets and pensioners drawing pension above Rs.500 have received the benefit of only partial neutralisation, resulting in tremendous erosion of their pay/pension. It would be unrealistic to assume that the personnel in higher pay brackets have any cushion left in their salaries in the face of continued sharp rise in prices. Similar is the case of pensioners who are being deprived of cent per cent neutralisation against rise in prices for no substantive reason. The erosion in the value of pension of past pensioners has been a matter of great concern and a large number of pensioners have urged us to fully protect the purchasing power of their pension by accepting the concept of cent per cent neutralisation. Having regard to the fact that the long term aim of a pension policy should be to provide a reasonable standard of living which could be deemed to be satisfactory, **we recommend that the pensioners/family pensioners should be given relief against price rise on the same scale as is being recommended for serving employees. In other words, they should receive the benefit of full neutralisation of cost of living.**

ADDITIONAL RELIEF TO PAST PENSIONERS

138.12 With a view to equalising their pension with reference to the pension of post-1.1.1986 retirees, pre-1986 pensioners have suggested the grant of graded relief on the pattern of Tamil Nadu Government, which has sanctioned varying percentages of graded relief for pensioners who retired at different points of time. **Since we have conceded the demand for complete parity in pension of past retirees with reference to pension of post-1.1.1986 retirees by notional fixation of their pay, the need for grant of graded relief has become unnecessary.**

MERGER OF PERSONAL PENSION WITH PENSION FOR DR

138.13 Pensioners who retired between 31.3.1985 and 31.12.1985 and who were granted personal pension have requested for merger of their personal pension with pension so as to become entitled for drawal of Dearness Relief which is presently being paid on basic pension only. **We have given our sympathetic consideration to the demand made by this section of pensioners who retired between 31.3.1985 and 31.12.1985. We have taken note of the fact that personal pension was granted to the above retirees whose pension plus D.R. between CPI 320 and 568 worked out to be more than pension at CPI 568. This was done to ensure that future retirees drawing the same emoluments and having rendered the same length of service did not draw pension which was less than**

that of their counterparts who had retired earlier. Though the Fourth CPC had recommended the payment of a lump sum amount in lieu of personal pension so that this did not continue as a separate element in the rationalised pension structure, the Government decided not to accept the recommendation on the ground of financial implications and the personal pension continues to be paid as a separate element without any D.R. thereon.

CAT reference

138.14 The Department of Pension and Pensioners' Welfare have referred this matter to the Commission vide their D.O. No.38/4/96-P&PW(A) dated 21.5.1996 in pursuance of an order dated 15.3.1996 made by the Bombay Bench of the Central Administrative Tribunal in O.A. No.643/95 in the case of L.G. Vaishampayan versus UOI.

Our recommend-ations

138.15 **Since we have conceded the principle of complete parity in pension** of past pensioners up to 1.1.1986 and modified/reasonable parity thereafter, the pension of all the past pensioners who retired up to 31.12.1985 shall be refixed by notional fixation of their pay without taking into account the element of D.A. which was treated as D.P. **and the element of personal pension would automatically go away**. All the past pensioners shall get the same amount of pension as admissible to a post-1.1.1986 retiree, provided they had the same length of qualifying service and emoluments.

FUTURE MERGER OF DEARNESS RELIEF WITH PENSION

Demands

138.16 Suggestions have been made for removal of anomalies arising out of merger of DA with pay after the recommendations of the Third CPC and also due to its restriction to low paid employees. Another suggestion made relates to maintenance of complete parity between pensioners and serving employees in regard to merger of DA or a portion thereof with basic pay and merger of DR and corresponding portion thereof with pension.

Our recommend-ations

138.17 We have given our careful consideration to the suggestions. Since we have recommended recomputation of pension of past pensioners by notional fixation of their pay in the revised scales of pay as on 1.1.1986, in the same way as was done for serving employees, the anomalies which had crept in due to (a) adoption of different rates of neutralisation for serving employees and pensioners, (b) merger of DA with pay for the purpose of computation of pensionary benefits without changing the formula for grant of D.R., etc., would be removed. **As for the other submission, in view of the correlation established between DA and DR, we would recommend that DR on pension should be merged with pension simultaneously, whenever DA is merged with pay for the purpose of computation of retirement benefits for serving employees and further DR allowed on the consolidated pension (pension plus merged DR).**

PERIODICITY OF PAYMENT OF DEARNESS RELIEF

Demands

138.18 It has been urged before us that the periodicity for grant of DR should be reduced from the existing six months to two months and the 12-monthly index average should also be reduced to six months.

Our recommend-ations

138.19 Having regard to the fact that there is a correlation between the

scheme of DA for serving employees and DR for pensioners, **we would recommend that whatever changes are made in future in time and points factors in sanction of DA, the same should equally apply to DR. No special dispensation is considered necessary for pensioners alone.**

DR TO RE-EMPLOYED PENSIONERS/FAMILY PENSIONERS

Demands

138.20 Suggestions have been made that DR should continue to be paid to re-employed pensioners and employed family pensioners so as to maintain the real value of pension.

Our Recommendations

138.21 **We have considered the suggestions and are of the view that D.R. should be paid to employed family pensioners and re-employed pensioners, where their pay is fixed at the minimum of the pay scale of the post of re-employment, ignoring the entire pension. In other cases of re-employment, DR shall be payable on pay plus non-ignorable portion of pension as is the case at present and we recommend accordingly.**

INTERIM RELIEF TO PENSIONERS

Historical background

138.22 The practice of sanctioning Interim Relief to serving employees has been in vogue since 1957. The Second CPC had recommended Interim Relief of Rs.5 per month w.e.f. 1st July, 1957 to all employees drawing basic pay not exceeding Rs.250 per month. The Third CPC had also recommended three instalments of Interim Relief w.e.f. 1.3.1970, 1.10.1971 and 1.8.1972. The amount of all the three instalments of Interim Relief ranged between Rs.29 and Rs.70 and its payment was restricted to employees drawing basic pay not exceeding Rs.1250. In the case of the Fourth CPC, Government sanctioned the first instalment of Interim Relief ranging between Rs.50 per month and Rs.100 per month w.e.f. 1.6.1983. Another instalment of Interim Relief equal to 10% of basic pay, subject to a minimum of Rs.50 per month, was sanctioned w.e.f. 1.3.1985. Before the appointment of the Fifth CPC, Central Government employees were sanctioned Interim Relief at a uniform rate of Rs.100 per month w.e.f. September 16, 1993. On an interim recommendation by us, another instalment of relief equal to 10% of basic pay subject to a minimum of Rs.100 was sanctioned w.e.f. 1.4.1995. The third instalment of relief equal to 10% of basic pay subject to a minimum of Rs.100 was sanctioned w.e.f. 1.4.1996 on our recommendations.

Our recommendations

138.23 While the practice of granting Interim Relief to serving employees has been in existence for about four decades, it was for the first time that we recommended the grant of Interim Relief to pensioners in October, 1994 at a uniform rate of Rs.50 per month in the light of Interim Relief of Rs.100 per month sanctioned to serving employees w.e.f. 16.9.93. On the same analogy, we recommended a further instalment of Interim Relief equal to 10% of the basic pension/family pension, subject to a minimum of Rs.50 per month, for the pensioners/family pensioners. The pensioners were actually granted the first and second instalment by the Government with effect from 1.4.1995. On our recommendation made in the Third Interim Report, the third instalment of Interim Relief equal to 10% of basic pension subject to a minimum of Rs.100 per month

was also sanctioned to all the pensioners and family pensioners with effect from 1.4.1996.

Nature of IR

138.24 The nature and scope of Interim Relief was considered in detail by the Third CPC which held that it would be inappropriate to treat Interim Relief as though it were a Dearness Allowance because the two concepts differed. While the Dearness Allowance was determined almost solely by the cost of living, it could not be treated as pay also. The CPC was of the view that Interim Relief should be treated sui generis and it would be termed neither as pay nor allowance nor as wage.

Our views

138.25 In para 7 of our second Interim Report, **we had also held that Interim Relief only represented a provisional arrangement during an intervening period and was primarily intended to provide some relief to employees pending a comprehensive determination of their salary structure and other benefits**. It was, therefore, necessarily ad hoc in character. The same analogy which was applicable for serving employees was applied to pensioners as well and recommendations were made to the Government accordingly.

DATE OF EFFECT

Demands

138.26 We received several thousand representations from individual pensioners and their associations urging us to make an interim recommendation to the Government to modify the date of effect of grant of first instalment of interim relief to pensioners at a uniform rate of Rs.50 per month from 16.9.1993, as also for maintaining the rationality of the formula for sanction of DA/DR which is necessary to avoid anomalies in the pension of retirees retiring at different points of time.

Our Recommend-ations

138.27 The rationalisation in regard to payment of Dearness Relief on pension based on the same formula as evolved for the payment of Dearness Allowance to serving employees after 1.1.1986 de-facto established the nexus between wages and pension in the context of the general feeling and persistent demand by pensioners that disparities in the pensions of the retirees retiring at different points of time needed to be minimised. In the circumstances and in order to avoid any anomalies that may result, once it was accepted that payment of Interim Relief to pensioners was justified, it would not be appropriate to extend this from a date different from that applicable to serving employees. However, in view of the fact that the first instalment of I.R. was sanctioned suo motto by the Government to serving employees w.e.f. 16.9.1993 prior to the appointment of the Commission, we had, while recommending in October, 1994 an interim relief of Rs.50 per month for pensioners/family pensioners, taken a conscious decision not to specify the date from which this was to be paid but decided to leave this to the Government. **In the circumstances, we do not consider it desirable to re-open the issue at this stage**. We are also of the view that it would not be appropriate for us to make a suo motto recommendation on this issue. **We would, however, urge upon the Government to ensure in future that benefits intended both for serving employees and pensioners are extended uniformly from a common date**. We hope and trust that the nexus between serving employees and pensioners with regard to grant of I.R. is now firmly established and shall subsist.

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Pension Procedure

INTRODUCTION

Position of Rules

139.1 The pension cases of Central Government Civilian employees are processed in accordance with the instructions contained in Central Civil Services (Pension) Rules, 1972, which stipulate that preparation of pension papers should start two years before the date of retirement on attaining the age of superannuation The work is undertaken in three stages. The first stage covers verification of service, the second involves making good of omissions in the service book and the third consists of obtaining the application form for pension from the Government employee. In order to ensure that a retiree gets his pension as early as possible, Government of India has evolved a simplified pension payment procedure and the Central Pension Accounting Office has been created by relieving Comptroller and Auditor General of India of the responsibility of payment and accounting of central civil pensions. A data-bank on computer has also been created to enable post-payment check of pension payments.

Payment through Banks

139.2 The scheme for payment of pension to Central Government Civil Pensioners through Public Sector Banks is already in operation since 1977. Supervision over pension disbursement in a district is carried out by one nominated branch of a bank, which is known as the Link Branch. The Pension Payment Order (PPO) is despatched to Central Pension Accounting Office (CPAO), on the last working day of the month preceding the month of retirement of an employee. After countersigning, CPAO despatches it to the Link Branch by 20th of the month and by 23rd of the month, it reaches the paying branch. The pensioners who are not covered under the scheme of payment of pension through banks can switch over to this scheme and an elaborate procedure for this purpose has been laid down.

Certificates required for payments

139.3 For receiving payment of pension, a pensioner/family pensioner is required to furnish three certificates namely (i) non-employment/re-employment certificate, (ii) life certificate and (iii) remarriage/marriage certificate. These certificates are required to be furnished each year and crediting of pension is discontinued for the month of November and onwards in the cases of non-production of certificates. Only basic pension is paid and payment of DR on

pension is withheld if only life certificate is furnished but non-employment/re-employment certificate is not furnished. **Although demands were made that life certificate should not be insisted upon, and a certificate issued by a Registered Medical Practitioner or an office bearer of a pensioners' association should be accepted for the purpose, but we feel that the existing procedure is reasonable.**

Transfer of Pension

139.4 Facilities exist and procedure has also been laid down for expeditious transfer of pension payment from one branch/bank to another. Such applications fall under three categories, namely (i) transfer from one branch to another of the same bank at same station or at different station, (ii) transfer from one bank to another at the same station and (iii) transfer from one bank to another at different stations. CPAO has already streamlined the procedure, concerning transfer of PPOs, in 1994 and in cases where transfers involve two branches of the same public sector bank, a mere intimation to CPAO now suffices. The CPAO is also streamlining the procedure of transfer where it is sought from one pension disbursing branch to another branch of a different Public Sector Bank. It is contemplated that even in such cases, the transfer may be effected by the paying branch, without waiting for the prior approval of CPAO. Since for the purpose of accounting and reimbursement of commission, sanction of CPAO for such transfer will be necessary, the process is proposed to be completed within a period of three months. **The proposed changes will meet the problem of delays in transfer of pension.**

EXPEDITIOUS SETTLEMENT OF PENSIONARY BENEFITS

On Superannuation

139.5 If existing provisions are followed scrupulously by the pension sanctioning authorities, there can be no occasion for any delay in the sanction of a pension. Since we have received memoranda complaining about delay requesting for settlement of pension within three months of retirement, **there is a need to reiterate the existing instructions to pension sanctioning authorities, CPAO and Pension Disbursing Authorities.**

Interest on Delayed Payment

139.6 In spite of adequate provisions for timely finalisation of final/provisional pension, complaints about delay in finalisation of pension continue. **The Government should, therefore, not only hold the Heads of Offices personally accountable for any delay in the sanction of pensions, but should also make provisions for payment of interest on delayed payments. This interest should be paid when the delay caused is not attributable to the retired employee and in cases where some period of delay is attributable to the retired employee himself, that period could be deducted from the total period of delay on which interest is to be paid. Where delay is attributable to the negligence of some government employee, the interest paid to the pensioner should be deductible from the salary of such employee(s).**

For Retirement other than Superannuation

139.7 Detailed procedure has not been formulated in cases of retirement other than on superannuation, in the absence of which it becomes difficult to pinpoint delay on a particular authority. A need has, therefore, been felt that in other cases of retirement like voluntary retirement, detailed procedure should be laid down by the Government so that pension is finalised within a reasonable time. In case of voluntary retirement, the processing of pension papers could be started

immediately on receipt of the notice for voluntary retirement. Initiating the pension sanctioning procedure only after the actual date of voluntary retirement delays the entire process. Even if an employee subsequently withdraws his notice for voluntary retirement, the work done for processing his pension papers will not be a waste. **We recommend that the process of sanctioning of pension should commence immediately when the notice for voluntary retirement is accepted by the competent authority**. The Department of Pension and Pensioners' Welfare should also prepare a time frame for processing pension papers in such cases, as has been done in case of retirements on superannuation.

Disciplinary Proceedings at retirement

139.8 A demand has been made that disciplinary proceedings against retiring Government servants should be completed expeditiously within a period of six months. **While we feel that it may not be possible to complete disciplinary proceedings within six months of retirement in all cases, but all out efforts need to be made to complete such proceedings within this period.**

PENSION PAYMENTS

Pension Payment Order

139.9 It has been represented that PPO should contain the names of the children also, so that family pension could be commenced on the death of the family member We have examined the format of the PPO prescribed at present. The PPOs issued prior to 1.1.90 did not contain many details which are considered essential for sanction of Family Pension to children and also for revision of pension when necessary. **The Department of Pension and Pensioners' Welfare and CPAO should take initiative to have all such pre-1.1.90 PPOs revised. Even in case of post-1.1.90 PPOs, the scale of post last held by the pensioner needs to be indicated. The existing column in the present PPO form which shows "post/grade/rank last held---------" needs to be modified to provide for a specific mention of scale of pay.**

DR to Pensioners on News report

139.10 It has been demanded that Dearness Relief (DR) to pensioners should be sanctioned on the basis of announcement in the newspapers, without waiting for a copy of the orders. It has been brought to our notice that Indian Banks Association issues an advertisement through newspapers, whenever Dearness Relief is sanctioned to pensioners and this gives full details about DR to be paid to different types of pensioners in different pension ranges. The demand that DR should be paid without waiting for a copy of the orders indicates that paying branches do not always act on the basis of this advertisement. **This situation can be improved if the copy of the orders of the Government on DR and its rates is printed in the newspaper directly by the Government, with a clear direction to paying branches that DR should be sanctioned without awaiting further official communications. We recommend accordingly.**

Special Treatment to Pensioners' Accounts

139.11 A special treatment by the banks has been demanded by pensioners in the shape of higher rate of interest, removing the requirement of minimum balance, etc. However, we feel that such demands cannot be considered because for the banks, a pensioner's account is like any other saving bank account. As such, **all the rules and regulations applicable in the case of Saving Bank accounts will equally apply to pensioners**. The facilities that banks normally give to its Saving bank account holders e.g. cheque book, minimum amount, multiple withdrawal, withdrawal by messengers, etc. are also available to

pensioners. There is no case for a higher rate of interest.

Withholding Payments on Non-vacating of accommodation

139.12 CCS(Pension) Rules provide for withholding of 10% of DCRG subject to a maximum of Rs.1000 out of the gratuity amount and four months' advance licence fee for the official accommodation of a retiring Government servant. Normally, retention of Government accommodation is permitted for a period of four months from the date of retirement. Licence Fee is also recoverable out of DR on pension. Inspite of these provisions, Government has been facing a lot of difficulty in getting the official accommodation vacated by the retired employees. Railways have, therefore, prescribed other measures like withholding of DCRG and Complimentary Passes, imposition of penal rent etc. to ensure that the accommodation is vacated within the stipulated time. **Since these measures have been very useful, it is felt that similar provisions need to be made for other departments of Government as well, to ensure prompt vacation of the official accommodation immediately after completion of the prescribed period after retirement.**

MISCELLANEOUS DEMANDS

Payment through Post Offices

139.13 It has been demanded that definition of 'Disbursing Authority' should include Post Offices as well. In this regard, we feel that the procedure for payment of pension through banks has been streamlined and delay in payment of pension eliminated. Switching back to Post Offices or Treasuries may not be advisable in the interest of the smooth payment of pension. It will increase the paper work, accounting difficulties will be tremendous and it will involve a greater cost to the Government as the service charges of the Department of Posts for disbursement are considerably higher in comparison to the Banks. **The proposal is, therefore, not favoured.**

Through Service Money Orders

139.14 Pensioners, who are unable to be present at the treasury, Bank or Post Office to collect their pension are paid their pension through service money orders, but a ceiling of Rs.500 per month as pension is prescribed for this purpose. A demand has been made to increase this ceiling. The ceiling was fixed long back and even the minimum pension including DR has risen to around Rs.1130 which is likely to be increased further after implementation of our recommendations. **The ceiling should, therefore, be revised so as to cover those employees who are in receipt of minimum pension and are living in remote rural areas which are inaccessible to Banks. A ceiling of Rs.1500 would be justified.**

Nominations for Arrears of Family Pension

139.15 As per payment of Arrears of Pension (Nomination) Rules, 1983, a pensioner, to whom any pension is payable by the Government may nominate any person to receive the life-time arrears of his pension after his death. **A suggestion has been made that such nomination facility should also be extended in case of family pensioners. We do not consider the demand to be justified.**

Pension Adalats

139.16 A demand has been made for establishment of Pension Adalat in each State or constitution of separate benches in all the administrative tribunals and High Courts and in the Supreme Court to deal with cases of pensioners. The Department of Pension and Pensioners' Welfare, however, feel that service grievances of Central Government pensioners are already being looked into by benches of the CAT who are pronouncing their judgement, within a reasonable

time. The establishment of separate benches for pensioners has, therefore, not been favoured.

139.17 **We feel that the system of Pension Adalat is very effective in finalising disputed cases of pensions and should be introduced for Central Civil Pensioners as well. Existence of CAT to deal with pension disputes is not considered as a substitute for Pension Adalats. The Pension Adalats should be constituted as an effective measure for redressal of the grievances of pensioners. Such Adalats should also function for settling the cases of field formations and meet at least once in a quarter. Pensioners should be allowed to present their cases before such Adalats through any other person/representative of Pension Association, as they themselves may not be conversant with the rules.**

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Medical and Other Facilities for Pensioners

MEDICAL FACILITIES

Introduction

140.1 All Central Government Pensioners are extended CGHS facilities through its dispensaries. Even those pensioners who are residing in areas/cities not covered by CGHS are allowed to select any dispensary for availing themselves of OPD facilities. In case of indoor treatment, they are referred to Central Government hospitals, recognised private hospitals/CGHS-referral hospitals and the expenditure incurred on their indoor treatment is reimbursed by the CGHS. Pensioners are allowed to make a onetime lump sum payment equal to 10 years' contribution for getting a CGHS card issued for their whole life. Senior citizens of the age group of 60 and above are allowed to take treatment in the dispensaries on out-of-turn basis.

Rate of Contribution

140.2 The rate of contribution for the pensioners is the same as in case of serving employees. However, pensioners have an option to pay contribution based on the last pay drawn at the time of retirement or the amount of their pension. In case they opt for the latter, certain facilities like direct consultation by Specialists, Nursing Home, etc. are regulated in accordance with their pension and not on their pre-retirement pay.

Non-availability of benefits under CS(MA) Rules

140.3 Pensioners are, however, not covered under Central Services (Medical Attendance) Rules, 1944 and All India Services (Medical) Rules, 1954. Thus, pensioners who are not living in a CGHS covered area/city face tremendous difficulties in getting proper medical attendance. Fourth CPC had considered this difficulty and recommended that medical facilities, including domiciliary treatment, be made available to all pensioners. It suggested that the Government may examine the modalities of introducing a special comprehensive medicare scheme for pensioners, which should provide facilities similar to those available under CGHS.

Follow up to Fourth CPC's Recommendations

140.4 In an attempt to implement the recommendations of the Fourth CPC, the Department of Pension and Pensioners' Welfare constituted a committee to review the medicare facilities available to pensioners. The committee, inter alia, examined a tentative scheme prepared by General Insurance Corporation of India. However, the scheme was not recommended for adoption due to the high rate of premium, non-coverage of domiciliary out-door treatment, exclusion of existing pensioners, possibility of misuse, etc. The committee recommended a cash allowance of Rs.50 p.m. to cover the cost of medicines for the treatment of minor ailments, along with payment of 50% of the annual premium to be paid by pensioners for obtaining a medical insurance policy for themselves and the members of their families.

Proposal of the Ministry of Health

140.5 The Ministry of Health and Family Welfare proposed a fixed medical allowance of Rs.50 p.m. to pensioners for taking care of their day-to-day expenditure on medicines and consultations for out-door treatment.

Suggestion by SCOVA

140.6 The Standing Committee of Voluntary Agencies (SCOVA) also constituted a sub-committee for considering the question of medical facilities to pensioners. The report of the sub-committee was discussed in the meetings of SCOVA held in December, 1993 and September, 1994. The considered view of the sub-committee was that the CGHS facilities were the best and should be extended to cover more areas. It made the following important recommendations:-

i. There should be a compulsory linkage of pensioners living in areas not covered by CGHS facilities, with the CGHS. They should have themselves registered with the nearest CGHS dispensary for treatment requiring hospitalisation for major surgeries. For domiciliary treatment of pensioners living in areas not covered by CGHS, a fixed medical allowance should be considered.

ii. Extension of the Central Services (Medical Attendance) Rules to pensioners would involve administrative and financial problems. An analogy with the State Governments may not be applicable because of the diversity in distribution of the pensioners' population.

iii. The possibility of pooling of medical facilities in various Departments of the Government such as Railways, Defence and Telecommunications should be considered.

iv. The Government should explore the possibility of utilisation of the medical facilities made available by the State Governments to their pensioners and vice-versa on a reciprocal basis.

140.7 Government of India in the Ministry of Finance, considered various recommendations including payment of medical allowance and reimbursement of a portion (50%) of the premium paid on medical policy, but could not come to any conclusion. Department of Pension and Pensioners' Welfare, therefore, referred the matter to us.

Position in State Governments

140.8 Various State Governments in the country have already taken steps to improve medical facilities to pensioners. Monthly medical allowance at varying rates has been sanctioned by the State Governments of Kerala, Tamil Nadu and West Bengal. The State Government of Rajasthan has evolved a Pensioners' Medical Concession Scheme. Under the scheme, out-patient and indoor treatment facilities are provided in Government hospitals and clinics. In case of outdoor treatment, allopathic medicines, vaccines etc. which are ordinarily not available in Government hospitals, are provided to the pensioners free of charge from the medical shops or stores recognised under the scheme. The supply of medicines is however, restricted to Rs.1500 in a financial year, but this may be increased up to Rs.3000 under special circumstances.

Position in PSUs

140.9 Various Public Enterprises have already introduced schemes of medical care for employees retiring from their organisations. One such scheme introduced by the Minerals and Metals Trading Corporation Limited provides medical facilities to all categories of employees (and their spouses) retired from the organisation, provided they are not gainfully employed after their retirement. The scheme is extended on the basis of annual contribution at varying rates for different categories of employees ranging from Rs.30 for employees retired on last basic pay less than Rs.500, to Rs.150 for those who retired with last basic pay of Rs.3000 or more. Reimbursement of both indoor and outpatient treatment is given by the organisation on production of bills, receipts/cash memos etc. For OPD treatment, the employee is required to nominate the Medical Practitioner from where the medical treatment is proposed to be taken on a regular basis. A total annual ceiling of Rs.1200 is imposed on outdoor treatment, which is reduced to Rs.600 on the death of the retired employee or the spouse. For indoor treatment, full reimbursement is given if the treatment is obtained from Government hospital/Public Sector Undertaking hospital. If the treatment is received in private nursing homes, the reimbursement is restricted to the rate applicable in a local Government hospital.

Demands

140.10 A large number of demands have been made and these can be grouped into three broad categories: (i) pensioners covered under CGHS (ii) Pensioners not covered under CGHS and (iii) Pensioners covered under the Railway Employees Health Scheme.

PENSIONERS COVERED UNDER CGHS

Extension of CGHS Network

140.11 Demands have been made for a massive expansion of the CGHS network, so as to cover all district headquarters in the country and be able to extend CGHS facilities to all pensioners not covered by the scheme. The Ministry of Health have indicated that large scale expansion may not be possible due to resource constraints, but have agreed to cover all the State Capitals in a phased manner. While realising the difficulties of the government, **we recommend that expansion of CGHS facilities should ensure coverage of all State Capitals in a very short period. Since CGHS is already recognising more and more private hospitals and nursing homes for indoor treatment, such recognition should not be confined to cities where CGHS exists, but should cover all State Headquarters and gradually all the District Headquarters. Such recognised hospitals should be authorised by CGHS to directly accept the pensioners enrolled with CGHS for indoor treatment/hospitalisation.**

Rate of Contribution to CGHS

140.12 It has been represented that the subscription under CGHS is on the high side and that it should be completely waived off in the case of pensioners. A demand has also been made that a life-long CGHS card should be provided on payment of 7 years' contribution instead of 10 years. **However, considering the fact that the rate of CGHS subscription has been revised from 1st April,1994 after a gap of 40 years and taking into account the rising cost of medicare, we do not feel that any change in the rate of contribution for pensioners is necessary. Similarly, no reduction in quantum of contribution for a life long CGHS card is recommended.**

Facility to choose a CGHS dispensary

140.13 Pensioners would like to be allowed to take treatment in any of the CGHS dispensaries of their choice and convenience, irrespective of their place of residence. **Although pensioners should be given a choice to register themselves in any one of the CGHS dispensaries depending on their convenience, they should, therefore, be entitled to visit only that dispensary in the country, as has been demanded.**

Regular Medical Check-up

140.14 A demand has been made for regular medical check-ups and supply of medicines at the residence of the pensioner, once he attains the age of 68 years. It has also been demanded that CGHS doctors should respond to emergency calls on telephone in such cases. Pensioners are already being given priority in CGHS dispensaries and the card provided to them is of a different type/colour. This may be more of a hindrance than help. **We feel that pensioners should not be provided a card of different colour. All required information about the entitlements of a pensioner should be indicated on his CGHS card, so that he does not face any difficulty about his entitlements like nursing home facility, direct consultation with specialists, etc.**

P&T Dispensaries

140.15 P&T pensioners are not being provided indoor treatment facilities, as is the case with those covered by CGHS. P&T pensioners registered with a P&T dispensary are not able to avail themselves of indoor facilities as the P&T department has decided not to extend indoor treatment facilities in their dispensaries. P&T Pensioners are, however, given an option in the beginning itself to register themselves with CGHS. Once they enrol themselves with P&T dispensaries, no shifting to CGHS is allowed. **We feel that the facilities provided to pensioners under P&T dispensaries should be at par with those provided in a CGHS dispensary. In case it is not possible for the P&T department to do so, its dispensaries should not register the P&T pensioners from the beginning itself and the CGHS dispensaries should take care of P&T pensioners in the same manner as in case of other civil pensioners.**

PENSIONERS NOT COVERED UNDER CGHS

Present Position

140.16 At present a pensioner can have himself enrolled with the CGHS dispensary even if he is not residing in an area covered by one. However, this facility is not beneficial to them, as it is not possible for a pensioner to take OPD facilities from such a dispensary on day-to-day basis, if he is not residing in the vicinity. This facility is beneficial only in case of indoor treatment, as the pensioner registered with a CGHS dispensary is entitled to take indoor treatment in any Government hospital or private hospital recognised by CGHS for this

purpose. Delegations are already available to CMO Incharge of the dispensary to accord permission for hospitalisation in such cases. Reimbursement cases of such hospitalisation are referred to CGHS headquarters. Still, pensioners feel difficulty in getting indoor treatment through a CGHS dispensary, if the dispensary to which he is registered is situated at a different station. Difficulties are also being faced by the pensioners in settlement of their reimbursement claims from CGHS.

Demand

140.17 In view of the difficulties experienced by pensioners in getting appropriate medical attention and care, as it is restricted at present through CGHS network alone, the question of giving a fixed medical allowance to the pensioners and to provide facilities for indoor treatment to them has been under consideration of the Government for a long time. The Ministry of Health and Family Welfare had proposed a fixed medical allowance of Rs.50 p.m. to pensioners for day-to-day expenses on medicines and consultation for OPD treatment. Department of Pension and Pensioners' Welfare recommended a lump sum payment of Rs.250 p.m. for ailments not requiring hospitalisation in case of those pensioners who were residing in a non-CGHS area. They also recommended the reimbursement of Rs.3,000 per person (pensioner and his/her dependants) subject to an upper ceiling of Rs.7,000 per year towards cost of insurance for covering hospitalisation. Various suggestions have also been received by the Commission for payment of medical allowance to pensioners as a percentage of the pension subject to minimum of Rs.50 for each dependant and further subject to a maximum of Rs.250.

Our recommendations

140.18 **We have given due consideration to the various suggestions made to us in this regard and recommend that pensioners residing in an area not covered by CGHS, should be given a fixed amount of medical allowance @ Rs.100 p.m. for meeting the expenditure on day-to-day medical expenses that do not require hospitalisation. In addition, CS(MA) Rules, 1944 should be extended to pensioners, in a restricted manner so as to facilitate reimbursement of expenditure on hospitalisation in a Government hospital/private hospital recognised under CGHS or under CS(MA) Rules for the purpose. Such reimbursement claim should be settled in full by the respective Ministry/department of the pensioner under the provisions of CS(MA) Rules.**

HEALTH SCHEME FOR RAILWAY PENSIONERS

Provisons

140.19 A liberalised health scheme for retired railway employees has been introduced in September, 1988. Under this scheme, retired railway employees can avail themselves of medicare facilities from 122 Railway hospitals and 670 Health Units throughout the country. Free outdoor and indoor treatment in any of the railway hospitals/health units is provided to the retired employee, his/her spouse and dependent parents on the same scale and terms and conditions as are applicable to serving employees. However, in case of indoor treatment and special investigation for dependent children, a charge equal to 10% of the prescribed schedule charges for outsiders is levied. Reimbursement to pensioners is restricted to the extent of 50% of the expenditure incurred on admissible items by the pensioners. Retiring railwaymen are required to pay a one-time contribution equal to the basic pay last drawn by them in order to avail themselves of the liberalised medical facilities.

Demands

140.20 We have received a number of demands about the inadequacy of the Railway Employees' Health Scheme. The scheme is limited to railway hospitals and health units, which are not available at all stations. The demand has been made that railway pensioners should be allowed to avail themselves of medical aid from any railway hospital in any part of the country on production of medical card. They also want Railway Travel Passes to the nearest railway hospital/unit for availing themselves of medical facilities if they are living at a place where no hospital/unit exists. **We, do not recommend any concessional travelling facilities to railway pensioners for getting medical facilities of primary nature in dispensaries/units on a day-to-day basis. Passes can be given to pensioners only in cases where a reference is made by the Doctor of the local unit for inpatient treatment/hospitalisation or for any specialised treatment of a chronic ailment. The facility of passes to pensioners for this purpose should be at par with serving railwaymen.**

Beneficiaries' contribution

140.21 A demand has been made for removal of the differences in the rates of contribution between CGHS and Liberalised Pension Scheme for retired railway employees. It has been suggested that since serving railwaymen are exempted from making any contribution for availing themselves of the medical facilities in railways, ex-railwaymen should also be given similar exemption from making any contribution for the medical facilities provided to them. **We have considered this demand and feel that since serving railwaymen are not required to pay any contribution, it has become a source of grievance for other Central Government employees and even retired railwaymen. We, therefore, strongly recommend that the serving railwaymen should be asked to pay contribution at the same rate at which it is charged under the Central Government Health Scheme. In case of Railway pensioners, the contribution under Liberalised Health Scheme is slightly lower in comparison to the rates in case of CGHS. We recommend that a uniform rate of contribution at par with CGHS rates be enforced. With such enforcement of a uniform rate of contribution for all serving railwaymen and ex-railwaymen, the differences in the facilities provided to the two categories should also be removed. Thus, reimbursement in case of ex-railwaymen which is restricted to 50% of the expenditure on admissible items should be raised to 100% reimbursement, as in case of serving railwaymen.**

Option to Family Pensioners to join

140.22 Better facilities have been demanded in railway medical units/hospitals. It has been suggested that family pensioners should be allowed to avail themselves of all medical facilities in railway hospitals in the event of death of the pensioner. **We recommend the extension of medical facilities to family pensioners after the death of the pensioners. This should be allowed even in cases where the pensioner had not joined the health scheme during his lifetime.**

POOLING OF EXISTING MEDICAL FACILITIES

Demand

140.23 Apart from CGHS, Railways and P&T medical schemes, facilities are also being provided by the Armed Forces, Ordnance Factories, Central Police Organisations etc. A demand about the pooling of these facilities for Central Government employees has been made. Central Government pensioners have also been demanding pooling of these facilities for pensioners. None of the

Departments is willing to extend the medical facilities available in their departments to employees or pensioners of other departments.

Our recommendation

140.24 In this regard, **we recommend that pooling of the facilities provided by different Central Government departments can be considered for the restricted purpose of providing health care to Central Government pensioners alone.** Once the medical allowance recommended by us is sanctioned, pressure on existing infrastructure for day to day ailments will not be there. However, for the purpose of reference for hospitalisation and reimbursement of medical expenditure thereon, **it is felt that the doctors/Medical Officers working in dispensaries of different Central Government departments should be recognised as Authorised Medical Attendants (AMAs)** under the CS(MA) Rules, in addition to the existing AMAs already recognised under the said Rules. These AMAs can work as referral doctors for hospitalisation/in-door treatment. Moreover payment of medical reimbursement bills for such hospitalisation can be made by the respective departments on the referral recommendations and scrutiny of bills by these AMAs. Thus, medical officers of all the Central Government departments including those in CPOs, Armed Forces, Railways, etc. shall need to be directed and authorised to accept this additional responsibility for the sake of Central Government pensioners.

OTHER FACILITIES

Pensioners' Welfare

140.25 A large number of demands have been received by us on different welfare aspects of Central Government pensioners like establishment of a Pensioners' Welfare Fund, provision of old age homes, library and Reading Room facilities, Travel concessions, HRA/CCA, etc. **We recommend that pensioners should be encouraged to form voluntary organisations of their own and then avail themselves of benefits under existing welfare schemes of the Ministry of Welfare and other departments.** Establishment of Old Age Homes, opening of libraries/reading rooms, etc. are facilities that can be created in this manner. Membership of the Central Government Libraries which is exclusively restricted to serving Central Government Employees should also be opened up to pensioners.

Travel Concessions

140.26 We have received representations for increasing the extent of concession available to senior citizens in railway fares from the existing 25% to 50%. Similarly, extension of this concession to all pensioners or at least those who are of the age of 60 years and above has also been demanded. There is a suggestion that LTC be extended to pensioners. In the case of Railway pensioners, there is a demand for increasing the number of PTOs and redefining the term 'Attendant'.

Our Recommendations

140.27 We do not find any merit in the demand for extending travel concessions to pensioners. **We, however, feel that the age of 65 years currently used to define a senior citizen seems to be arbitrary. Now that Government is likely to approve of 60 years as the age of superannuation, that could be taken as the cut off point for defining old age. The existing 25% concession in railway fare should, therefore, be allowed to persons above 60 years of age, instead of 65 years as at present.**

HRA/CCA to Pensioners

140.28 The demand for payment of HRA and CCA to pensioners, was considered by Department of Pension and Pensioners' Welfare who did not agree to the demand in principle and also in view of the huge expenditure involved. We endorse this view. Since pensioners are free to stay in any part of the country and Government have no right to utilize their services, they have no claim for payment of HRA/CCA.

Housing

140.29 A demand has been made for a "National Housing Policy for Pensioners", including provisions for subsidized housing schemes and out-of-turn allotment of houses to superannuating employees on hire purchase basis. Based on the recommendation of Fourth CPC, Ministry of Urban Affairs and Employment issued directions to States/UTs for protecting the interests of pensioners while allotting plots/flats through Housing Boards, etc. In this regard, we feel that governmental efforts should be directed to ensure that a government servant acquires a house during his service period itself. For this purpose, we have recommended simplification of procedure for grant of HBA, increasing the quantum of advance and linking it with the cost of construction. We, therefore, do not feel any need for a separate housing policy for pensioners.

Vacation of Pensioner's House

140.30 A demand has been made for effective legal provisions to ensure vacation of houses of pensioners occupied by tenants. Rent and tenancy being a state subject, the Ministry of Urban Affairs and Employment has formulated a Model Rent Control Legislation (MRCL), which inter alia incorporates a provision for recovery and immediate possession to certain specified categories of people. The Department of Pension and Pensioners' Welfare should take up the matter with the State Government to ensure that each State passes a legislation on the lines of MRCL. **Immediate possession of the residential accommodation of a retiring employee should be ensured by prompt summary action within a stipulated time frame.**

MISCELLANEOUS DEMANDS

Continued social involvement of pensioner with the department

140.31 A demand has been made for permitting pensioners in Departmental meets at par with serving employees. **We recommend that wherever possible, the retirees should be encouraged to participate in the socio-cultural activities of the department. In fact, Departments should themselves devise certain programmes like sports events, veterans' meets etc. especially for old retirees of the department.**

Children's Education Facilities

140.32 Extension of Children Education Allowance to pensioners' children has been demanded. At present, the payment of the Allowance is admissible only up to the end of the academic session in which the event of retirement takes place. We do not regard it as a general problem of pensioners, as those retiring on attaining the age of superannuation will not generally have children in the age group of 5-20 years. In so far as voluntary retirement cases are concerned, the Government servants themselves opt for it knowing fully well the details of benefits available under the scheme. **We, therefore, do not find any merit in the demand.**

Warm send-off at retirement

140.33 A demand has been made that pensioners should be given a parting gift up to a cost of Rs.1,000. We feel that **retiring employees should**

always be given a warm send-off, even if it entails some contingent expenditure on the part of the department. A suitable farewell function should be organised and it should be presided over by the Head of the Department/office. The retiring employee should be given an opportunity to express his sentiments at that crucial moment of his life. The occasion should also be used to reiterate the continued concern of the department towards its retiring employees.

Other demands

140.34 Demands have also been made for payment of loans, special pay for adopting small family norms and funeral grant, age relaxation to children of pensioners in matter of employment, allotment of gas agencies, ration shops, petrol pumps, public telephone booths etc. to pensioners, provision of telephone connections on priority basis, car allowance, etc. We do not find merit behind such demands and, therefore, do not recommend these for consideration by the government.

Brochure on Pensioners

140.35 **In conclusion, we recommend that the Department of Pension and Pensioners' Welfare should print a brochure every year, incorporating all the changes brought in the rules about pensions and pensioners' welfare. Such a brochure should be given wide circulation and may be priced reasonably.**

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Other matters Concerning Pensioners

141.1 Central Government pensioners have raised several issues for consideration of the Commission which can appropriately be discussed in this chapter.

Removal of restrictions on commercial employment

141.2 Suggestions have been made for removal of restrictions on acceptance of commercial employment within two years of retirement. It has been urged that instead of requiring all Group 'A' officers to obtain prior permission, sensitive posts could be identified in each Ministry/Department and that mere intimation of acceptance of employment should suffice in other cases. Instances of any violation could instead be appropriately dealt with under the enabling provisions of the Pension Rules.

Views of Fourth CPC

141.3 This question was also considered by the Fourth CPC, which suggested a review of the existing rules and procedures. No changes were, however, made in the relevant rules by government in pursuance of this recommendation.

Our Recommendations

141.4 The suggestion that Rule 10 of the CCS (Pension) Rules, 1972 should be repealed has been considered by us in the context of the Voluntary Retirement Scheme. Our recommendations made in the aforesaid Chapter would be equally applicable in cases of retirement on superannuation.

Deduction of Pension from last pay drawn

141.5 It has been urged that pension should not be deducted from the pay fixed on re-employment since this is paid for services rendered in the past by the employee and that the pay last drawn before retirement should be protected. We have considered the suggestion carefully and do not find any merit in the suggestion that on re-employment of a pensioner pay last drawn before retirement should be protected and pension should also be allowed to be drawn separately. **The existing instructions regulating pay fixation on re-employment appear to to be quite satisfactory** and may be continued. However, **ignorable portion** of pension for

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pay fixation, wherever applicable, **may be raised to Rs.l,500 from the existing amount of Rs.500**. Similarly, the existing ceiling of Rs.8,000 p.m. on pay and gross pension/pension equivalent of retirement benefits may be revised to the maximum salary payable to a Secretary to the Government of India in the revised pay scales, recommended by us.

Bar on extension in service

141.6 The practice of granting extension in service to persons who have attained the age of superannuation creates a class of public servants who are prepared to compromise their integrity to any extent for the purpose of earning an extension in service. Since the extensions are granted in short spells, the official concerned works essentially "on daily wages" and is willing to do anything to please his superiors. Such behavior is especially pernicious at very senior levels where the entire bureaucracy can be manipulated by a clever politician by keeping every crucial official on extension. No fearless and independent advice can be rendered by such civil servants. In order to restore the dignity of the officers and to prevent the abuse of their high office, **it is recommended that the provision relating to grant of extension in service be deleted from the Rules. No one in Government should have the power to grant such extension under any circumstances whatsoever. This single recommendation will, more than anything else, build up the morale of the civil services to a high point. We recommend it in the strongest terms possible for Government's consideration**.

Re-employment as Consultants

141.7 Re-employment of pensioners as Consultants only may be considered for a period not exceeding one year, for work which is considered to be of a time-bound nature, such as review and revision of manuals, departmental inquiries, etc. on which adequate and undivided attention cannot be paid by the serving officers because of their other preoccupations. No other kind of re-employment should be permitted, except that of ex-servicemen, for which the status-quo may continue.

Utilisation of pensioners for specific tasks

141.8 Suggestions have been made for gainful utilisation by Government of services of experienced pensioners on payment of honorarium and provision of incentives, such as preferential allotment of petrol pumps, gas agencies, fair price shops etc. to them. It is an admitted fact that pensioners have rich and varied experience and are very talented in various spheres because of their exposure to diverse and complex problems dealt with in Government Departments. **Their experience should be utilised to the extent possible by enlisting their services in handling court cases, departmental enquiries, adult education programmes,etc**. Because of their intimate knowledge about the department's functions, pensioners can better project a department's case before a judicial body than a standing counsel who is always hard pressed for time and may not always appreciate the complexities involved. Similarly, pensioners can, if they are properly organised, motivated and financed, launch a major offensive against illiteracy especially in the rural areas where most of them tend to settle down. **But we are not in favour of preferential allotment of petrol pumps, gas agencies, fair price shops, etc. to them**.

Government employees permanently absorbed in public enterprises

141.9 Central Government employees are often sent on deputation in public interest to Central Public Sector Undertakings, on their own volition applying in response to advertisements, and get permanently absorbed there. Such employees are deemed to have retired from service from the date of absorption.

Restoration of full pension after 15 years

141.10 Suggestions have been made for restoration of full pension after 15 years from the date of absorption and grant of Dearness Relief, Interim Relief etc., on restoration of pension.

Restoration of 1/3rd portion of fully commuted pension

141.11 The question of restoration of 1/3rd portion of the fully commuted pension was considered by the Supreme Court in Writ Petition (C) No.11855 of 1985. The Apex Court in its judgement dated 15th December, 1995 held that a clear-cut distinction was made in Rule 37-A of the CCS (Pension) Rules itself between 1/3rd portion of pension to be commuted without any condition attached and 2/3rd portion to be received as terminal benefits subject to the condition that the Government servant will surrender his right of drawing 2/3rd of his pension. The Court held that in so far as commutation of 1/3rd of pension was concerned, the petitioners as well as the petitioners in the Common Cause case stood on a similar footing with no difference. That being the position, the denial of benefit given to the Common Cause petitioners to the present petitioners (absorbed employees) violated Articles 14 and 16 of the Constitution. The reasoning for restoration of 1/3rd commuted portion in the case of Common Cause petitioners equally applied to the restoration of 1/3rd commuted pension in the case of absorbed employees as well. In view of the fact that the absorbed employees had received the commuted value (terminal benefits) on the condition of surrendering of their right of drawing 2/3rd of their pension, there was no justification for restoring the full commuted pension. **The judgement of the Apex Court has been implemented by the Government** by issue of O.M. No.4/3/86-P&PW(D) dated 30.9.1996.

Payment of Dearness Relief to re-employed pensioners

141.12 The payment of Dearness Relief is suspended if the pensioner/family pensioner is employed/re-employed under the Central/State Government or re-employed/employed/permanently absorbed in a Central or State Government company, corporation, undertaking or autonomous body or in the RBI or any public sector bank or in GIC, LIC etc. Dearness Relief is revived after the spell of such re-employment/employment. Having regard to the fact that Dearness Relief on pension is paid to restore the pension to its original value which is eroded by the rise in the cost of living, the demand appears to be logical. If the Dearness Relief is not paid, the person concerned gets a diminished pension in terms of real value. In the case of absorbed employees who had commuted their full pension, only 1/3rd will be restored in implementation of the Judgement of the Apex Court dated December 15, 1995. In their case, 1/3rd of their pension will be treated as full pension which should be taken into account for payment of Dearness Relief. **With a view to maintaining the original value of the pension, we are of the view that payment of DR/IR should not be suspended where pay is fixed at the minimum of the pay scale during employment/re-employment of a pensioner/family pensioner.**

Giving of option to absorbed employees to come over to pension scheme

141 13 It has also been urged that the absorbed employees may be given an option to come over to the pension scheme, subject to their refunding the 2/3rd commuted value of pension with simple interest at the rate of 6% per annum. The Fourth CPC had recommended that the feasibility of giving such an option to the absorbed employees may be considered. A similar recommendation was made by the Commission for the CPF retirees in Chapter 9 of its Report. The CPF beneficiaries who were still in service on 1.1.1986 were deemed to have come over to the pension scheme on that day unless they specifically opted to continue under the CPF scheme. The Government did not accept the recommendation of the Commission because of administrative problems. **In view of the practical difficulties involved in allowing an option to switch over to the pension scheme at such a distant date, we are not inclined to recommend giving an option to CPF retirees and the absorbed employees to switch over to pension scheme.**

Taking past service into account for pensionary benefits

141.14 Suggestions have been made that the past service rendered in a PSU prior to appointment in the Central Government should be taken into account for pensionary benefits, which should be determined on the basis of the combined service rendered in the PSU and the Government.

Mobility between Sectors

141.15 After liberalisation of the economy, there is a greater need for exchange of experience among Government, private and public sectors. **We are of the considered view that mobility between various sectors needs to be encouraged** despite wide disparities in pay and pension structures between Government and Public Sector Undertakings and among different PSUs themselves. With a view to attracting suitable manpower from the PSUs, **we feel that such of the public sector employees who opt to be absorbed permanently in Central Government departments may be allowed to count their past service rendered** in the PSU before absorption for the purpose of computation of pensionary benefits on their retirement on superannuation from Government service, provided the concerned PSU discharges its liability of pension and other pensionary benefits for the services rendered in the PSU. We, however, do not recommend reopening of past cases.

141.16 **On the same analogy, Government employees who join PSUs should also be allowed to have their past service in Government counted in the PSUs** for the purpose of computation of retirement benefits. For this purpose, Government could enter into a reciprocal agreement with its PSUs.

Permission to retain Government accommodation

141.17 Suggestions have been made to permit a retiring officer to retain Government accommodation for a period of 2 years or till such time as he is able to make alternative arrangements.

Our Recommend-ations

141.18 In view of the fact that the present concession of retention of residential accommodation has been extended as a welfare measure and that there is already an acute shortage of government accommodation for allotment to eligible and serving employees, acceptance of the suggestion would only further aggravate

the existing shortages. The date of retirement on superannuation is known to every Government employee well in advance and it is desirable that he finalises his plans well in time so that he does not continue in the accommodation allotted by Government while in service. **We do not find any merit in the suggestion and do not recommend any change in the existing practice being followed.**

Eligibility for memberships of Housing Organisations

141.19 Suggestions have also been made to relax Rule 3 of the Central Government Employees Welfare Housing Organisation,in terms of which pensioners who had retired not more than 5 years earlier than the date of announcement of a scheme are also eligible to be considered for allotment of houses/flats along with those about to superannuate. It has been suggested that pensioners should be eligible for allotment regardless of the date of their superannuation and of the fact whether they were already in possession of residential accommodation allotted by the Delhi Development Authority and other similar housing bodies.

141.20 Army Welfare Housing Organisation and Indian Railway Welfare Organisation, which construct houses for the Armed Forces personnel and railway employees respectively, enrol the serving employees and pensioners as members irrespective of the date of their retirement subject to fulfillment of other eligibility conditions such as not owning a house at a place where dwelling units are proposed to be constructed. In the case of IRWO, a minimum of 20 years' service before retirement is insisted upon. Since CGEWHO is also patterned on the lines of AWHO and IRWO which confer membership on a pensioner irrespective of his date of retirement, there is no justification for restricting the membership only to pensioners who retired not more than five years earlier. **It would, therefore, be desirable to remove the restriction of 5 years for conferment of membership in case of CGEWHO. We are, however, not in favour of removing or relaxing the other conditions of eligibility.**

Special savings/deposit scheme for pensioners

141.21 A deposit scheme for retiring employees of Government and Public Sector undertakings was introduced in the year 1989. Under this scheme, a retired employee can deposit a minimum amount of Rs.1,000 and thereafter in multiples thereof which should not exceed the total amount received as retiral benefits. Interest is paid half-yearly on 30th June and 31st December at the rate of 10% per annum which is totally exempt from Income Tax The account under the scheme can be opened within 3 months of receipt of retirement benefits. Part or full withdrawal in multiples of Rs.1,000, and on a single occasion in a calendar year is permissible 3 years after opening the account. Premature withdrawal on completion of one year but before the expiry of 3 years is also permissible; interest in such an event is payable at the rate of 4%. If interest has already been paid @ 10%, the difference is adjustable.

Demand and recommendation

141.22 Suggestions have been made to revise the rate of interest under this scheme to at least 24%. We have given careful consideration to the suggestion made by pensioners and their associations. We have also taken note of the fact that serving employees who subscribe to the General Provident Fund are paid interest @ 12% per annum which is totally exempt from Income-Tax. They are also

allowed withdrawals liberally from the fund. With a view to ensuring that the retired employees are freed from the botheration of obtaining certificates of interest accrued on their investments from different agencies and claiming refunds of the tax deducted at source, **we feel that the rate of interest on special savings/deposit scheme for retiring employees of the Government needs to be raised to the same rate which is allowed on General Provident Fund**. No other change is recommended in the scheme.

Creation of Pensioners' Welfare Fund

141.23 Suggestions have been made for creation of a Pensioners' Welfare Fund on the pattern of the Compassionate Fund of the Government of India under which relief is provided to the surviving families for financing welfare schemes for pensioners. In view of the Government's precarious financial position, **it is proposed that whatever facilities already exist for the serving employees may be allowed to be shared by the pensioners, without creating a separate welfare fund for the pensioners**.

Facilities for Pensioners' Associations

141.24 It has been urged that pensioners' associations should be allowed the same facilities as are allowed to associations of serving employees. We have considered the suggestion and **feel that the number of associations representing pensioners needs to be reduced drastically** so that they can function effectively. Unless this is done it may not be possible for the Government to extend facilities to thousands of associations. We are, therefore, of the view that **a mechanism needs to be evolved to grant some sort of a recognition to the pensioners' associations** who are capable of espousing their cause. Such of the associations which are granted recognition may be **provided facilities to the extent possible, including provision of accommodation for housing their offices**.

Implementation of judgement/ awards relating to pensioners

141.25 Suggestions have been made by various associations of pensioners that the judgements granting relief in individual cases should be extended to other similarly placed pensioners without requiring them to approach the courts for similar relief. It has also been suggested that the Government should be restrained from filing appeals against judgements pronounced in favour of pensioners.

Our Recommend-ations

141.26 While we do not endorse the idea of placing fetters on the discretion of the Government to file appeals before the appropriate Court, we feel there is some scope for avoiding litigation by a judicious application of mind. We are of the view that court judgements, when delivered on merits, should not only be implemented invariably but their **benefits should also be extended to similarly placed persons without requiring them to resort to litigation**. However, in those cases where judgements have been delivered in favour of an aggrieved party on technical grounds but not on merits, and the Government is of the opinion that the judgement is against the pronounced policy of the Government or its implementation would have adverse effect on the economy of the country because of enormous financial implications which the public exchequer cannot absorb, it should have the discretion to file an appeal before the appropriate Court. The above recommendations are being made keeping in view the limited resources which are at the disposal of the Government.

Forum for pensioners

141.27 A Standing Committee of Voluntary Agencies (SCOVA) was constituted in July 1986 under the Department of Pension & Pensioners' Welfare with the following objectives:-

1) To provide a feedback on programme implementation of the Department;

2) to discuss and critically examine new policy initiatives; and

3) to mobilise voluntary effort to supplement the Government action.

141.28 The Additional Secretary in the Department of Pension & Pensioners' Welfare functions as the Convener and Member Secretary of SCOVA. The Fourth CPC had suggested broad-basing of the objectives listed at Sl.No. (2) and (3) above so as to highlight various problems of pensioners.

141.29 The pensioners' associations which appeared before the Commission expressed their satisfaction at the functioning of the SCOVA but felt that it should meet more frequently than at present to discuss problems afflicting the pensioners. The Commission had received the maximum number of memoranda from the pensioners and their associations and it became difficult for it to decide which associations should be called to tender oral evidence. With a view to providing an effective forum to the pensioners and their associations for redressal of their grievances, we feel that **SCOVA should meet more frequently and at least once in three months. We are also of the view that SCOVA should be a multi-tier institution and it should have the same machinery for implementation of the decisions taken as in the case of JCM including that of reference to Board of Arbitration wherever a disagreement is recorded**, and the requirement of going to Parliament where a particular Award is not to be implemented by Government. **Unless the SCOVA becomes an effective institution for providing redressal of disputes and complaints with respect to pensionary matters, courts would continue to be flooded with petitions**. The Department of Pension and Pensioners' Welfare may evolve a suitable mechanism to regulate the number of pensioners' associations and identify effective ones which should only be consulted on policy matters concerning the pensioner community.

Representation of pensioners on Committees

141.30 There should also be a well-considered **policy for nominating representatives of pensioners on various committees** and other fora of Government where issues relating to the welfare of pensioners are likely to be discussed and debated. This will give them a feeling of involvement in decision making.

Applicability of recommendations of the Commission to pensioners of State Governments/RBI / Autonomous Bodies

153.31 While most of the State Governments adopt the recommendations of the Central Pay Commissions in regard to pensionary benefits, others set up their own Pay Commissions for determination of the pensionary benefits of their employees. Suggestions have been made by a number of pensioners' associations that there should be complete parity in retiral benefits among employees of Central and State Governments and autonomous organisations which are financed wholly or partly by the Central or State Governments. While there can be little doubt about the usefulness and advantage of having a uniform pattern of retirement benefits for the employees of Central and State Governments and autonomous

organisations, **we feel it would not be appropriate for us to put fetters on the discretion and authority of State Governments or autonomous organisations** to determine the conditions of service and quantum of pensionary benefits to their employees, taking into account their own financial position and the peculiar circumstances of each State.

Part VII

Armed Forces Personnel : Pay Scales and Allowances

The leader must have infectious optimism

Field Marshall Bernard Montgomery

Section I

Introduction

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Introduction

GENERAL

Our Terms of Reference

142.1 Our terms of reference in respect of the Armed Forces personnel are identical to the terms of reference for other Central Government employees. As brought out elsewhere, our terms of reference with regard to Armed Forces personnel represent a major departure from the terms of reference of the Third and Fourth CPCs. While these CPCs were not required to examine the terms and conditions of service of the Armed Forces personnel, we have been entrusted with the task of studying and making recommendations also on the various conditions of service of the Armed Forces Personnel like their terms of engagement, service tenure, age of retirement, qualifying service for promotion etc. as for other Central Government employees.

PROCEDURE OF WORK

Setting up of Cells

142.2 To enable the services to formulate their proposals in respect of service personnel, the Government set up special pay cells in the three Service Hqrs. under an officer of the rank of Major General and equivalent. Following the procedure adopted by earlier Pay Commissions, a cell was also set up by the government in the Ministry of Defence for handling of these matters in the Ministry.

Joint proposals

142.3 The Armed Forces submitted a joint memorandum containing their proposals on pay and allowances, and conditions of service and pensions. We are happy to note that it was for the first time that a joint memorandum on such issues was submitted to a CPC by the three Services. On receipt of the memorandum, we obtained the views of the Ministry of Defence on the proposals made by the Armed Forces. We also received supplementary demands from the Armed Forces in the form of addenda to the joint memorandum.

Consideration of proposals

142.4 In order to consider the proposals in detail, we had several discussions with the representatives of the Armed Forces Pay Commission Cells and officers of the Ministry of Defence. A substantial amount of supplementary

comprehensive presentation of their proposals which also provided us an opportunity to clarify the position with regard to many service matters.

Discussions held

142.5 As per normal practice we had discussions with the three Service Chiefs to obtain their specific views on the proposals and other connected matters. Useful discussions were also conducted with the Financial Adviser (Defence Services), two retired Chiefs of Naval and Air Staff and a retired Army Commander which enabled us to gain a broader understanding of the issues involved.

Studies Commissioned

142.6 On two major issues, we felt the need for a more detailed examination and requested the Institute of Defence Studies and Analyses (IDSA) to conduct a study on 'Manpower Optimisation in the Armed Forces' and the National Institute of Nutrition (NIN) to conduct a review of Ration Scales for Personnel of the Armed Forces. These studies were useful in formulating our proposals on the above mentioned aspects.

Visits undertaken

142.7 To see the conditions under which Service personnel have to operate, we visited some of the forward areas and also witnessed exercises arranged by the three services. These visits also enabled us to interact with a cross-section of Service personnel and identify their specific concerns.

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Role and Operating Scenario

INTRODUCTION

General Introduction

143.1 India has land and maritime boundaries with eleven countries. The Government is responsible for ensuring the defence of the country and maintaining its territorial integrity. The main objective of our defence policy is to promote and sustain durable peace. Towards this end, our Defence Forces have to be kept adequately equipped to counter any attempt to challenge the country's territorial integrity and sovereignty. The role of our Armed Forces is consequently guided by our geographical situation, past experiences, contemporary concerns and constraints and our world view as a nation-state.

Strategic Background

143.2 The four wars that the country has fought have had their effect in shaping the growth and evolution of our Armed Forces. In fact, the 1962 war with China and 1971 war with Pakistan were watersheds in our military history and determined the force levels required to be maintained. Though we have not fought a full-fledged war since 1971, we have had to contend with many a covert and overt threat to our security. Since the late eighties, we have been battling a low intensity war through trans-border terrorism and insurgencies. The present strategic environment around us has eased a bit after the end of the cold war and improvement of our relations with China but it still poses challenges and the Armed Forces have to be kept in a state of readiness to meet all threats and eventualities.

Defence Preparedness

143.3 Our preparedness to meet the real and potential threats to our security is not only vital to our territorial integrity, it is also a necessary adjunct to the unhindered socio-economic development of our people. But given our commitment to international peace and security and the on-going resource constraints before us, we can not overpitch our defence preparedness. What we really need is a credible, cost-effective and affordable defence.

143.4 It is in the context of this scenario that the structure and role of our Armed Forces and the requirements of a well defined and clear defence policy are to be examined.

STRUCTURE AND ROLE OF THE INDIAN ARMY

Organisational Structure

143.5 The Indian Army, a volunteer force of around one million, is the fourth largest Army in the world. It is organised into five operational commands; Southern, Western, Eastern, Central and Northern; and one Training command responsible for evolving military doctrines for operations. Operational commands are responsible for all operations of war within their geographical limits. Each command controls three operational Corps, which in turn control operations of three to five Divisions. Apart from these, each Command controls a number of static formations like Areas, Sub-Areas, Training Establishments and logistic installations. The above structure is controlled by the Chief of Army Staff through Army Headquarters. He is assisted by the Vice Chief of Army Staff and seven Principal Staff Officers.

Role

143.6 The primary task assigned to the Army is to safeguard the territorial integrity of the nation against external threats. In addition, when specifically asked to do so, the Army has to assist the civil administration to quell internal disturbances and in the maintenance of law and order, in organising relief operations during natural calamities and in the maintenance of essential services.

STRUCTURE AND ROLE OF THE INDIAN NAVY

Organisational Structure

143.7 The Indian Navy is organised into two operational commands: Western and Eastern; and one training command: the Southern Command. The Chief of Naval Staff exercises both operational and administrative control on the Navy from Naval Headquarters. In discharging his functions, he is assisted by the Vice Chief of Naval Staff and three Principal Staff Officers.

Role

143.8 The defence of India's maritime interests is the primary responsibility of the Indian Navy. During war, it is tasked to defend the mainland and our island territories from seaborne attack, safeguard our sealines of communication, ports and harbours, prevent the enemy from using the seas for its purposes, launch attacks on the enemy from the sea and protect our offshore resources and safeguard the Exclusive Economic Zone. The peace-time role of the Navy includes fisheries protection, search and rescue of ships in distress, marine survey and oceanography. The Navy is also called upon to assist the Coast Guard and Indian Customs in anti-smuggling activities.

STRUCTURE AND ROLE OF THE INDIAN AIR FORCE

Organisation

143.9 The Indian Air Force is organised into seven commands on functional-cum-geographical basis. The five operational commands: Western, Eastern, Central, Southern and South-Western, are responsible for the planning and execution of all types of air operations within their respective geographical limits. The two functional commands: Training Command and Maintenance Command; are responsible for flying and ground training and for logistics and maintenance respectively. The Chief of the Air staff exercises both operational and administrative control of the Air Force from Air Headquarters. In discharging his

functions he is assisted by the Vice Chief of Air Staff and five Principal Staff Officers.

Role

143.10 The primary role of the Indian Air Force is the defence of our national territory and essential communications against outside air attack and application of direct pressure during war on the enemy's power of resistance by attacks on vital military, industrial and economic centres across the borders. It also has a major responsibility to assist the other two services in the pursuit of their respective operational objectives even in areas of direct combat like Offensive Air Support and Maritime Strike, in addition to providing paradrop, troop lift, air maintenance, reconnaissance and communication assistance to the Army and Navy. The Air Force is also called upon to provide aid to civil authorities during natural calamities.

REDEFINING THE ROLE

Changing Threat Scenario

143.11 The far-reaching changes and technological developments that have taken place since the beginning of the nineties, both at the global level and in our immediate neighbourhood, have brought about a qualitative change in our security environment. While the end of the cold war and the on-going Sino-Indian rapprochement are positive developments from the angle of our national security, the worrying points are the developments on the issues of nuclear non-proliferation and Missile Technology Control Regime, and Pakistan's attempt to embroil us in a low-cost proxy war and its nuclear designs. Though the emerging threat scenario precludes the possibility of a direct military confrontation with our adversaries, the possibility of non-military threats and pressures on us because of our forthright stand on the issues relating to indefinite extension of the Non-proliferation Treaty (NPT), the conclusion of Comprehensive Test Ban Treaty (CTBT) and indigenous missile development programme can not be ruled out.

Need for Reassessment

143.12 In the emerging threat scenario, we feel there is an urgent need to reassess both the country-specific and non-country specific challenges to our national security and to restructure our defence preparedness based on such assessment. Such an exercise should also be dovetailed to the need for modernisation of the Armed Forces and optimisation of defence expenditure in view of the ongoing resource constraints.

National Security Council

143.13 To this end, **we recommend immediate constitution of a Cabinet Committee on National Security and re-constitution of the National Security Council.** In our opinion, the National Security Council should be a broad-based institution having representation from Government, media, academia and independent strategic analysts and thinkers. It would serve as a think-tank on defence and national security matters as well as a forum for brain-storming on all issues impinging on national security, so as to provide necessary inputs to the Cabinet Committee on National Security on a continuing basis.

Involvement of the Army in internal Security Duties

143.14 The primary task of the Army is to defend our territorial integrity against external aggression and war and to remain ever prepared to meet any eventuality of war and external aggression. The current trends indicate that, the Army has been increasingly involved in internal security duties, which has not only put aviodable strain on the Army but is also affecting the ethos and morale of its

personnel. **We strongly feel that though the Army should be available, it should not be routinely involved in internal security problems, the primary responsibility of which is that of the Ministry of Home Affairs. We have separately made recommendations elsewhere on reorganisation of Police Forces for counter-insurgency and internal security purposes.**

Rashtriya Rifles

143.15 In this context we feel that the need for having Rashtriya Rifles-a regular outfit of the Army-for internal security duties should be reviewed. **We recommend that the Government should immediately disband the outfit** and revert the engaged personnel to the main cadres of the Army, which is purportedly facing shortfalls at critical levels.

Modernisation

143.16 We have also gone into the initiatives taken by the Armed Forces in the context of the continuing rapid advancements in combat technology which require a commensurate pace of modernisation in the Armed Forces. We feel that heavier investment in modernisation is a must to sustain this pace. Considering that the cost of maintaining Defence manpower is high and that a sizeable portion of defence expenditure is spent on manpower and manpower related costs, it is imperative that these costs be reduced drastically so that the funds released can be used for acquisition of modern equipment. **We suggest that a comprehensive modernisation plan in the backdrop of existing resource constraints be drawn up on an inter-service basis** along with a manpower-optimisation plan with a view to adding more teeth to our defence preparedness.

Conclusion

143.17 Some suggestions have also been made by us with regard to the changing role of the Armed Forces and approach towards manpower optimisation. We think that suggestions made here and elsewhere would ultimately result in a more cost-effective and credible approach towards defence preparedness.

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Morale and Quality of Armed Forces Personnel

GENERAL INTRODUCTION

Background

144.1 One of the major concerns governing our appreciation of the Armed Forces salary structure has been the need to provide a compensation package geared to enhance the morale and quality of both officers and men. While 'morale' in our opinion would basically pertain to serving personnel, 'quality' has a bearing on current and future intake.

Shortfall of Intake

144.2 Central to the question of quality is the question of the attractiveness of the military career, specially in the context of the voluntary character of our Armed Forces. While no serious shortfall has been reported in recruitment of PBOR and in the officers' cadre of Navy and Air Force, a shortage of over 12,000 officers has been intimated in the Army. It has been stated by the Armed Forces Headquarters that the shortage can be ascribed to the inability of potential recruits to clear prescribed selection tests. The Indian Air Force has expressed concern over the disconcertingly low marks obtained by candidates selected through Services Selection Boards. The Navy has pointed out that materialistic priorities are becoming more important than the honour and prestige of serving in the Armed Forces. We observe that the shortfall of intake into the Army has also invited adverse comment from the Comptroller and Auditor General in their Report on Defence Services for the year ended 31 March 1995.

The MARG Report

144.3 In order to formulate their proposals, the Armed Forces carried out studies with the help of consultants for ascertaining the expectations of potential recruits and the aspirations of existing personnel. They commissioned Marketing and Research Group (MARG) to carry out a study to assess career preferences and position of Armed Forces in the set of career options as well as to identify the factors contributing towards their unattractiveness.

The CDM Study

144.4 Further, to evaluate the aspirations of existing personnel, the College of Defence Management (CDM), Hyderabad was asked to conduct an opinion poll to establish major concerns of serving Armed Forces personnel relating to the structure of their emoluments and terms and conditions of service.

Study by ABC

144.5 The Armed Forces also commissioned M/s ABC Consultants to conduct a comparative study of remuneration packages in various sectors of

Consultants

employment/profession, analyze compensation practices for defence services in other countries and carry out a pilot job evaluation study to determine the relative worth of jobs in officer cadre of Armed Forces with other Govt. services. The Armed Forces have based their proposals on these three studies.

SERVICES PROPOSALS

Major Demands

144.6 The Services have suggested two options for restoring the attractiveness of the Armed Forces -the first to improve the psychic factor and the second to improve the emoluments structure. The 'psychic' factor is stated to flow from a sense of possessing authority and power, status and prestige, distinction in society at large and feeling of involvement in the governance of the country. It has been stated that the adverse changes in the relativity established through the Warrant of Precedence has been a major contributor to the deteriorating psychic factor and restoration of the position prevailing as per Warrants of Precedence before 1950 has been demanded. Besides this, the Armed Forces have emphasised the need to give special consideration to the constraints of their organizational and functional hierarchy which prevents creation of posts at higher levels and therefore results in limited career prospects with the accompanying psychological pressure of possible supersession. The long term solution in their opinion lies in a lean regular cadre and a wide Short Service Commission participation. As regards emoluments structure, the Armed Forces have suggested delinking of pay structure from rank structure on the lines of the present integrated pay scales both for officers and PBOR with relativities vis-a-vis civilians being based on pay rather than rank. In addition, compensation for turbulence, provision of housing and education of children have also been cited as major concerns. Another proposal is to provide an assured career upto the universal age of retirement through lateral induction for a second career option or as an alternative to provide adequate compensation in pensions.

OUR APPROACH TO MORALE AND QUALITY

Specific Areas of Shortfall in Intake

144.7 We have examined the issue of unattractiveness and **find that no significant shortage has been reported in the case of Personnel Below Officer Rank**. As regards officers, the data submitted by the Armed Forces on the intake into the Armed Forces shows that although the NDA and IMA entry have suffered a slight setback, **significant shortfalls exist mainly in the Short Service Commission and the Technical Entry streams** the recruitment to which is done directly through the Services Selection Boards (SSBs). The Defence Ministry have also reiterated this position.

Views of the Ministry

144.8 In the opinion of the Ministry of Defence, the reason for youngsters passing out of Universities, Schools etc. not having first preference for Armed Forces is because of the psychological shift in favour of doing soft jobs and the answer is to inculcate a shift in their attitudes. The Ministry has also stated that the number of applicants for the posts of officers in the Armed Forces is increasing every year. Therefore, while there is no shortage of applicants, there is a shortage of candidates clearing the induction tests.

C&AG Report

144.9 The C&AG Report has mentioned the low intake from among students from Sainik Schools and Military Schools, which are primarily meant for preparing students for entry into Defence Services and involve considerable expenditure to the Govt.

Our Approach

144.10 In our view, the shortfall in the regular entry could be attributed to the liberalised economic scenario and the removal of ceiling in private sector salaries, which have had an all round impact on the attractiveness of the Government Sector in general and have been discussed elsewhere. As regards the Short Service Commission, the uncertainty of resettlement after the prescribed tenure could be a dissuading factor for potential recruits. The MARG Report has indicated a high degree of sensitivity to the compensation package and has brought out that an additional 13% bright students would be willing to join the Armed Forces if the take home packet is increased to Rs.7000/- p.m. We find that the Third CPC, while considering the issue of shortfall in the intake of the officer cadre had held that "the quality of recruitment to the Armed Forces will be satisfactory only if service pays are comparable to levels of remuneration in civilian employment." Considering all these factors, **we have recommended a starting salary of Rs.8250/- p.m. for Commissioned Officers of the Armed Forces giving them an edge over the Civil Services**. We have also separately recommended that **cadets during the period of training in Service Academies may be given a stipend of Rs.8000/- per month against the existing stipend of Rs.1500/- p.m.** granted in the last six months of training. We feel that the higher starting salary coupled with the other benefits recommended specially for the Armed Forces would make them more attractive and lead to better response from the youth.

Our Suggestions

144.11 In addition, in order to attract the youth as also to influence perceptions, we suggest that **purposive efforts may be made by the Armed Forces to give wide publicity through the media highlighting the advantages and special benefits available in a career in the Armed Forces**. The constant refrain of the statements ascribed to the highest leadership in the Armed Forces only brings out the negative features of the present disenchantment of the youth with a military career. Such an attitude is bound to be counter-productive as it may dissuade even those young men who may otherwise be willing to join the Armed Forces for reasons of patriotism, love of adventure or a nationalistic sentiment.

144.12 Further, in order to overcome the existing shortfall of officers, **students from Military Schools and Sainik Schools may be considered for direct entry into the Armed Forces** on the basis of the results of Class XII examination coupled with special test, without having to go through the NDA entrance examination. Alternatively, students in these schools may be compulsorily required to serve in the Armed Forces for a period of 5 years on the lines of the Armed Forces Medical College, keeping in view the fact that expenditure is incurred by the Government on training these students. We also suggest that the **Armed Forces may conduct a review of the strength of Service officers on deputation and permanent secondment to other organizations**. We are of the view that through progressive civilianisation of those organizations, service officers could be withdrawn from them and deployed within the Armed Forces to overcome the shortages.

Short Service Commission

144.13 With the uncertain career of the Short Service Commissioned Officers in mind, **we have recommended an increase in the reservation quota for ex-service personnel at the level of Assistant Commandants in CPOs from 10% to 25%** . As a long-term measure **we have suggested a Joint Recruitment Board to recruit personnel who would be required to serve for the first few years with the Armed Forces and would subsequently be laterally shifted to the Central Police Organizations**. This scheme would also ensure protection of seniority and in our opinion make the Short Service Commission more stable and attractive.

Existing Package of Benefits

144.14 We have also looked into the total package of benefits available to service personnel as compared to civilian employees. A large number of concessions and facilities are not available to civilian Gp. 'A' Officers which are available to service officers even in peace areas. These include free rations, subsidised license fees, electricity and water charges, free medical facilities, more liberal leave entitlements,

travel concessions, CSD facilities, weightage in qualifying service for pensions etc. Similarly PBOR are entitled to free food, accommodation, clothing, free medical facilities, concession vouchers for travel, liberal leave entitlements and compensation in pensions. Therefore, **the total package of compensation available is tilted in favour of the Servicemen**. The Ministry of Defence have further pointed out that the cadre reviews undertaken for officers from time to time have provided a substantial number of posts at higher levels and many posts earlier held by Colonels are now being held by Brigadiers or Major Generals. The provision of granting acting or officiating rank also results in higher monetary compensation to Defence Officers. Moreover, the provision of free food, accommodation and allied services to PBOR insulates them from inflationary trends and service in Armed Forces enables them to acquire at Government cost technical and other skills which are marketable in the civilian world. Besides, several schemes for rehabilitation of ex-servicemen have also been formulated by the Government and since 1992 near parity in pensions of past and present pensioners has also been provided.

Our Recommendations

144.15 We consider that all the existing additional benefits are morale-boosting measures and have made our recommendations elsewhere on the continuance of these special privileges. **In addition, the following new provisions have also been suggested by us under the relevant Chapters**:

1. **Grant of Assured Career Promotion Scheme to officers and PBOR to provide financial upgradation delinked from vacancies**
2. ***Abolition of rank of Second Lieutenant***
3. **Reduction in time taken for substantive promotion of Service Officers.**
4. **Increase in weightage in qualifying service for pension.**
5. **Substantial increase in rates of CILQ.**
6. **Increase in rates of risk related and other allowances.**
7. **Introduction of a scheme of lateral entry into CPOs to provide a fuller career.**
8. **Introduction of liberal ex-gratia payment for casualties**.
9. **Scheme to grant near parity in pensions.**
10. **Enhanced percentages of reservation of posts in Government, and**
11. **Rationalisation of rules governing disability pension**.

Status as related to Warrant of Precedence

144.16 As regards the concern expressed by the Armed Forces regarding status as related to Warrant of Precedence, we feel it is not within our purview to suggest any changes in the Warrant of Precedence which is published after the approval of the President. The Ministry feels that the existing table is well balanced and does not require any change.

Conclusion

144.17 Taking into account the privileges already available to Armed Forces personnel and the new features suggested by us, we feel that the overall package of benefits would be such as to attract and motivate personnel of the right calibre to join the Armed Forces. We are also confident that it would help in maintaining the morale and dedication of the existing Service personnel.

145

Principles of Pay Determination

HISTORICAL PRESPECTIVE

General

145.1 The pay structure of Armed Forces personnel has evolved over the years in pursuance of recommendations made by various Committees/Pay Commissions. The Third CPC had, for the first time, considered the emoluments structure of Armed Forces personnel. Prior to that, different Committees, namely the Post War Pay Committee, 1947 and the Raghuramiah Committee 1960, had recommended consequential changes in the Armed Forces salaries structure, based on recommendations made by the First CPC and Second CPC for civilians.

Post War Committee

145.2 The Post-War Pay Committee, which laid the foundation for the structure of emoluments of Armed Forces personnel of independent India considerably simplified the pay structure and abolished a number of allowances which had relevance only to war conditions or which could be merged in the pay The basic principle followed by the Post War Pay Committee was one of "comparability" with civilian rates of pay under the Government and of an `all inclusive nature of pay.'

Raghuramaiah Committee, 1960

145.3 The Raghuramaiah Committee did not make any changes in the pay structure and equivalence established by the Post War Pay Committee. For officers, the Committee considered that the accepted parallel between Defence Service Officers and Class I Services of the Central Govt., particularly the Indian Police Service should be continued. For the soldier also the accepted parallel with the semi- skilled industrial worker was not disturbed. In addition, the Committee recommended continuance of special allowances and concessions granted in the intervening period.

Third CPC's views

145.4 The Third CPC continued the principle of formulation of salaries on comparability with civilian rates of pay and based their recommendations using this yardstick. They felt that any comparison would necessarily have to be done in very broad terms as the service conditions were really not comparable. They examined the various conditions of service in the Armed Forces and felt that there were important features of military life which could be considered unique and not measurable by standards taken from civilian life.

Approach followed by Third CPC

145.5 The Third CPC also considered that the concept of an 'all inclusive military salary may not be feasible in the Indian context as the service personnel had got accustomed to the system of allowances and concessions in kind and any withdrawal of these would lead to resistance. With regard to allowances the Third CPC were therefore of the view that any element of service life which was a constant factor for bulk of the personnel should be compensated in pay itself and where the element varies considerably based on nature of work and place of posting or specially hazardous assignments, separate allowances may be granted.

Principles followed by Fourth CPC

145.6 The Fourth CPC took note of the conditions of service while determining the compensation package and due consideration was given to the truncated career, rigid disciplinary code, frequent moves etc. For Personnel Below Officer Rank, the Fourth CPC opined that the duties and responsibilities of an infantry soldier were such that he could not be compared with any other category of employee. As regards officers, the Fourth CPC felt that the pay structure should be such that it made the armed forces attractive as a career and provided a reasonable pay progression to the officers of the services.

ARMED FORCES PROPOSALS

Proposals on Principles of Pay Determination

145.7 The Armed Forces have emphasised the aspect of inadequacy of remuneration in the context of the prevailing wage environment in the country. It has been suggested that the recommended structure should enable each member of the Armed Forces to lead life at a standard appropriate to his image and status in society. For determination of pay scales they have suggested that fair and valid comparison with civilians should provide the basis for formulation of pay scales. It has been suggested that the pay scales of Service Officers should in no way be inferior to what the Central Govt. offers to its top most Civil Services. The physical structuring of the pay scales must recognise the difference in the conditions of service between the Armed Forces and the Civil Services. It must take note of the organizational and the cadre structure, career progression and retirement ages on both sides. For PBOR, it has been proposed that norms for structuring of pay scales for Group 'B' and 'C' civilians must also be made applicable to them. The conditions of service such as entry qualifications, promotion, engagement periods etc. also need to be taken into account. Provision of substantial difference for merit and responsibility of higher rank has also been proposed.

Additional Compensation proposed

145.8 The Armed Forces have demanded that there should be adequate additional compensation for the unique conditions of service in the Armed Forces in the form of allowances, compensations and military service pay. The adverse impact of truncated career and the inescapable risk to life have been sought to be compensated. The exacting standards of military discipline and the liability for recall have similarly been identified as features requiring additional compensation. Hardships such as separation from family, unsettled life, high order of physical fitness required, hardships in field areas, are some of the other aspects highlighted by them.

OUR APPROACH TO PAY DETERMINATION

Existing Package of Benefits

145.9 We have examined the proposals made by the Armed Forces in the context of the total package of benefits presently available. We find that for officers, the present pay structure is designed to grant equal compensation for the rank held and total number of years of service rendered, irrespective of the arm or service to which the officer may belong. An edge in the starting pay scale has also been provided vis-a-vis the civilian Group A officers on account of the special and unique conditions of service. Besides, additional compensation is also available in the pay scales, which take into account the pyramidal structure and the constraints of command and control. After the Fourth CPC higher replacement scales as compared to corresponding civilian scales have also been granted. For PBOR, the pay structure is determined on the basis of perceived relativities between occupational groups within the Armed Forces with some relativity being maintained with civilian pay scales. An edge has also been provided to the infantry soldier over the CPO constable. Besides, the deduction on account of 'home savings element' which existed prior to Fourth CPC has been done away with, thereby resulting in higher compensation.

Additional Compensation available

145.10 As far as compensation for other peculiar features like early retirement, risk to life, hardships and privations is concerned, it has been granted through special concessions and benefits as well as through allowances for particular locational hardships or for risks associated with specific duties. We find that special benefits available uniformly to all officers of the Armed Forces include provision of accommodation, license fee payable at half the rates as compared to civilians, electricity and water charges at half the All India recovery rates, free rations in peace and field areas, weightage in qualifying service for pension and higher percentage of commutation of pension, higher leave entitlement, travel concessions like 'D' Forms which entitle them to travel at 60% of fare, etc. For PBOR, uniform additional compensation for special features is provided through grant of free accommodation, electricity and water, free rations, free uniforms, washing allowance, hair cutting/cleaning allowance, rum and cigarette allowance, annual free warrant for visiting home town, concession vouchers at 50% of fare while travelling at own expense, higher entitlement of leave, pension after 15 years of service, weightage in qualifying service for calculation of pension, higher commutation of pension etc. Reservation of vacancies in Government jobs has also been provided and several schemes for resettlement of ex-servicemen initiated.

Compensation for specific hardships

145.11 In addition to the above compensations which are not generally available to civilian employees, for specific hardships and hazards associated with place of posting, field allowances have been provided and for risky nature of jobs such as flying, duty on submarines, paratrooping, diving, etc. special allowances have been granted.

Our General approach

145.12 We have gone into the issue of determination of the salary structure keeping in view the proposals made by the Armed Forces. Government being the employer for both civilian employees and Armed Forces personnel, our major concern has been to provide just and equitable compensation to both the categories with no category of employee remunerated incongruously high or low. While our approach to adequacy of remuneration, the impact of inflation and socio-economic changes including the effect of private sector salaries has already been

outlined in our general chapter on principles of pay determination after taking into account the proposals made by Armed Forces personnel, the examination of duties and responsibilities of service personnel and their distinctive conditions of service merit separate appraisal.

Comparison with Civilians

145.13 We have studied and seen for ourselves the conditions under which Servicemen operate, the complexity of weaponry they are required to handle and the nature of duties and responsibilities they have to carry out. We feel that the nature of duties and the organisational and hierarchical structure of the Armed Forces is such that no direct one to one equation with civilians can be established Grant of identical pay scales to civilians and service personnel may also not be feasible in view of the distinct differences in rank structure and conditions of service. **The pay structure is, therefore, required to be evolved on the basis of broad comparability with civilian pay scales so as to ensure that the scheme of remuneration for the two categories is not very dissimilar.** This is particularly relevant if we expect recruitment from the same pool of manpower for the Government as a whole.

Additional Compensation in Pay Structure

145.14 Having established this broad principle, in our opinion, some distinctive features of military life should find compensation in the pay structure itself. We have carefully considered this aspect and feel that the **most prominent feature of service in Armed Forces is the requirement of young and physically fit personnel which results in shorter terms of engagement as compared to civilians. We feel that in view of the nature of duties carried out by the Services, any compromise on this requirement would have a deleterious impact.** Secondly, the organisation is structured in such a manner that a large proportion of jobs are accounted for at lower levels, thereby preventing career progression in the manner available to civilian employees. Thirdly, there is an element of risk and turbulence which is inherent in service life. In our opinion, the steps taken to counter the constraints of cadre structure should find reflection in the pay scales itself and the aspect of turbulence and extra risk which is distinct from the nature of job of the civilians should similarly be apparent. **We also feel that reasonable pay progression should be provided by delinking the progression from availability of vacancies both in the case of officers and PBOR. We have therefore formulated a scheme of assured career progression for these personnel** also, which has been discussed under the relevant chapters. We have also kept these broad principles in mind while formulating the pay scales.

Compensation other than in Pay

145.15 We generally agree with the approach followed by the Third CPC that an 'all inclusive salary' may not be workable in the Indian context in view of the numerous concessions in kind and allowances available to service personnel. Besides, provision of food, accommodation and clothing in kind also insulates these personnel from inflationary trends. In view of this, our general approach is that the existing concessions on accommodation, electricity and water charges, travel and leave concessions and benefits granted in pensions should continue to be uniformly applicable to all personnel in view of the unique conditions of service. However, **we have suggested some rationalisation of certain commonly available allowances.** We have also recommended that specially hazardous nature of duties and hardships not common to all and occasioned either due to nature of deployment or specific type of job may be continued to be compensated in the form of separate allowances as at present. For service in field areas distinctly higher compensation for the specific duration of such employment should be available, for

Section II

Pay Scales

which reason we have substantially raised the rates of such allowances. **In addition, to cover the contingency of death during operations, compensation in terms of ex-gratia awards has also suggested.**

MILITARY SERVICE PAY

Services' Proposals

145.16 The Armed Forces have suggested that the disadvantages of service life such as risk to life and limb, turbulence and trauma, commitment and dedication to service justify the introduction of an additional element in their salary. They have *therefore proposed* grant of a military service pay to service personnel.

Our recommendations

145.17 We have examined the issue in the context of the existing compensations available to service personnel and feel that grant of military service pay would imply that the special features of military life be compensated by grant of a single identifiable element. We have already listed the additional benefits which are available to service personnel and feel that their replacement by a separate Military Service pay would be to the detriment of the Armed Forces. In view of this and keeping in view the possible repercussions on other categories of employees engaged in onerous nature of duties or in specialised jobs, we do not recommend grant of military service pay. However, **we have recommended continuance of all the existing concessions and have also recommended an edge in the starting scale to compensate for the special features of military life.**

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Pay Structure: Personnel Below Officer Rank

INTRODUCTION

General

146.1 The pay structure of PBOR in the Armed Forces has been devised keeping in view the nature of military employment and combat requirements of command and control which necessitate a sharp pyramidal organization so as to ensure a youthful profile. These compulsions have the impact of restricting career growth and lead to early discharge of personnel. Increasing complexity of modern warfare and induction of sophisticated equipment and weapons are accompanied with the process of upgradation of skills and appropriate classification of PBOR. Keeping in view these considerations, PBOR of the Armed Forces are remunerated according to trade groups which represent varying skill requirements.

RECRUITMENT AND TRAINING

Recruitment

146.2 While recruitment of PBOR in the Army and Navy has been clubbed together, and is made by Zonal Recruiting Offices and Branch Recruiting Offices, recruitment of airmen in the Air Force is carried out separately through the Central Airmen Selection Board and its branches. Keeping in view the service requirements, the general age of recruitment of PBOR is between 17 to 27 years. With the enhancement of recruitment qualifications of combat trades in the Army to matriculation, bulk of the personnel are matric recruits, although higher qualifications are also prescribed where required. We find that specific trade qualifications are not generally insisted upon at the time of recruitment, but are provided in-house.

Position on Intake

146.3 We understand that there has been no serious shortfall in recruitment in the case of Army PBOR. It has however been pointed out that shortages exist in the Navy, particularly in the artificer cadre, due to high level of

skills required and better job opportunities in the civil market. Problems are also experienced in the retention of sailors after initial engagement in view of the considerable expansion of shipping and other services consequent on liberalisation of the economy. Lack of volunteers for the submarine and marine commando cadre has also been reported. The problem of retention of trained manpower has been expressed as a common one by the three services.

Training Pattern in Army, Navy and Air Force

146.4 Examining the pattern of training, we find that training is divided into phases consisting of general service training followed by professional and specialised training in trades. Various professional and promotional courses are included as part of inservice training at various stages in the career. The duration of training varies from 6 months to 2 years, depending on the requirement.

RANK AND GROUP STRUCTURE

Equivalence of Ranks

146.5 The existing authorised strength of PBOR in the Army is 9,98,000 personnel, in the Navy it is 45197 men and in the Air Force it is 1,19,940 men. Each service has its own rank structure and for interservice comparisons the following equivalence of ranks is adopted:

RANK STRUCTURE

Army	% of posts	Navy	Air Force
Sub Maj	(0.45)	MCPO I (2.93)	MWO (2.24)
Sub	(3.06)	MCPO II (4.72)	WPO (4.30)
Nb/Sub	(3.45)	CPO (8.78)	JWO (9.80)
Hav	(18.26)	PO (23.65)	Sgt (28.64)
Naik	(18.78)	LS (50.92)	Cpl (35.60)
Sepoy	(56.00)	Sea I |	LAC|
		Sea II |	AC |(19.42)

Trade Distribution

146.6 PBOR in the Armed Forces are presently paid on the basis of the group pay system. In the Army, there are 205 trades, in Air Force there are 43 trades while the Navy has 50 trades. These trades are grouped into 5 pay groups in the Army, 4 in the Navy and 4 in the Air Force. Each group follows the same rank structure but has a different pay structure, although there are number of common pay scales. In the Army, at the time of entry into service, every soldier according to entry qualification and tests is allotted a trade from one of the categories, viz., Soldier (General Duty), Soldier (Technical), Soldier (Clerk/Skilled Tradesman) and Soldier (Tradesman). Subsequently, based on aptitude, choice and vacancies, as an inhouse exercise, 'Trade Allocation Group' in various Arms allocates one of the trades. Till the period that the training is completed and the soldier allotted to his particular group, he draws recruits pay which is based on entry qualifications. A similar pattern exists for the Navy and Air Force also.

Army Trade Groups

146.7 There are differences in the entry qualifications, training periods, terms of engagement, qualifying service for promotions etc. for PBOR in the three

services. In the Army the Group A comprises artificers, gunnery instructors, etc. and consists mainly of trades remustered from other groups, Group B includes the clerks, storekeepers, artisans who join as matriculates, Group C comprises armourers, vehicle mechanics and operators who are also matriculates; Group 'D' has the largest concentration of personnel and includes the combat trades including the infantry soldier, specialist drivers and except for 6 trades, the rest are matriculate trades. The infantry soldier who is in Group 'D' has been considered as the nodal point to establish relativities with civilian employees. Group 'E' is the non-matric group comprising drivers, cooks and erstwhile non-combatised groups. However, a few matric-entry trades also find a place in this Group.

Groups in the Air Force

146.8 In the Air Force, Group I consists of highly skilled technical trades, most of whom are directly recruited with qualifications of 10+2 with Physics, Chemistry and Mathematics as compulsory subjects. Group II has technicians, meteorological assistants, education instructors etc. consisting matriculates with some prescription on minimum marks. Group III has matriculates employed as clerks, storekeepers, medical assistants etc, and Group IV has general duty aircraft hands, drivers, catering assistants etc., with the only non-matric trade being that of a musician.

Groups in Navy

146.9 The Navy has basically three types of entry-the diploma entry, who are recruited as artificers in Group A; the matric entry like submarine and aviation personnel in the Special Group and the seamen, electrical mechanics, radio operators and other trades in Group B, and the non-matric entry consisting of cooks, stewards, musicians etc. in Group 'C'. In addition, there is an Apprentice Entry Scheme under which matriculates with mathematics and general science as subjects are recruited through an All India Examination for induction into the Artificer Cadre.

Relaxation in Recruiting Standards

146.10 Recruiting rules provide for relaxation in respect of educational and physical standards to the candidates from certain specified backward, remote, border, hilly and tribal regions to give them due representation in the Army. Relaxation in physical standards is also given to one son and one grandson each of serving soldiers, ex-Servicemen and widows of battle casualties.

Equivalence of Trades

146.11 The maximum concentration of personnel in the Army is in Group 'D', in the Navy in Group 'B' and in the Air Force in Group I. The table below indicates the equivalence of the trade groups among the services and percentage of population in the trade groups:

TRADE STRUCTURE								
ARMY			NAVY			AIR FORCE		
Gp.No.of trades	% of Popu-lation		Gp. No.of trades	% of Popu-lation		Gp. No.of trades	% of Popu-lation	
-	-	-	A	10	12	I	18	46.8
A	23	0.9	Spl	19	18	II	12	13.7
B	52	12.0	B	16	60	III	9	27.5
C	41	9.1	-	-	-	-	--	
D	60	54.5	C	5	10	IV	4	12.0
E	29	23 5	-	-	-	-	-	-

TERMS OF ENGAGEMENT

Existing Position

146.12 The requirement of physical fitness and the sharp pyramidal organizational structure has resulted in imposition of the concept of initial engagement extendable in short steps, which results in differential ages of retirement. The terms of engagement of personnel in the three services are based on the specific requirement of personnel in the three services. In the Army, the initial terms of engagement for Sepoys of the general category is 17 years with a reserve liability of 2 years and for technical trades it is 20 years with a reserve liability of 3 years. Terms of engagement for Naiks, Havildars, Naib Subedars and Subedars are 22 years, 24 years, 26 years and 28 years respectively. In the case of Subedar Majors, the terms are 32 years of service or 4 years service in the rank whichever is earlier. In addition, these terms of engagement are further subject to prescribed age limits which vary from 40 years for the lower ranks to 52 years for Subedar Majors. In the Air Force, the period of initial engagement is 20 years followed by a six-year extension and further extensions of three years at a time Superannuation is at 55 years for all ranks but airmen who do not obtain the rank of Corporal within 15 years are discharged from service. The Navy initially engages personnel for 15 years and thereafter service is extended in steps of 5 years with Leading Seamen serving for 25 years, Chief Petty Officers and Petty Officers serving till 50 years of age and Master Chiefs serving upto 55 years of age.

PROMOTION PROSPECTS

Career Progression

146.13 The percentage of posts available in various ranks has already been illustrated in the table on Rank Structure. We have also been informed that there is considerable variation in the career progression in the three services as well as across trades in the same service. In the Air Force and the Navy, promotions upto the rank of Corporal and Leading Seaman are by time scale, subject to passing of prescribed examinations. In the Army, all promotions are by selection and based on vacancies in view of the distinct nature of the role of each rank in a combat situation. However, there is also a requirement of passing trade tests. Promotions for PBOR are, therefore, highly competitive and avenues for career progression limited. It has been brought out that in the Army, due to organizational constraints a large percentage of soldiers do not achieve even the first rung of promotion to Naiks and the overall percentage of superseded personnel at any point of time is 37.10%. The actual time taken for promotions is also stated to be much above the minimum eligibility period required for promotion and a great deal of variation in time taken for promotion exists between trade groups.

Promotion Prospects in Air Force

146.14 In the Air Force, after completion of training and passing of trade test, an airman is posted to the unit as Aircraftsman. There is also provision for direct reclassification to Leading Aircraftsman (LAC). Promotion above Corporal upto Junior Warrant Officer is subject to passing trade/educational tests and availability of vacancies. Promotion above JWO is on the basis of fitness, merit and availability of vacancies. It has been brought out that there is wide variation between actual time taken for promotion and the eligibility period and while the eligibility for promotion to JWO is 12 years, actual time taken varies between 16 - 31 years. Similar time lag exists for promotion to higher ranks also

Problems of the Navy

146.15 With regard to promotion prospects, the Navy has also brought out that in the Artificer cadre promotion to Chief Artificer takes 7-9 years, against the stipulated 7 years, and some delay takes place on promotion from Chief Artificer to MCPO-I also. In the non-artificer cadre, available data indicates that promotion to the rank of Petty Officer takes 10-12 years, against the eligibility of 7 years service and promotion to MCPO-I takes on an average 26 years of service against the eligibility of 16 years.

ARMED FORCES PROPOSALS ON PAY STRUCTURE

Problems Due to Cadre Structure

146.16 It has been stated by the Armed Forces that the problems arising due to the constraints of the cadre structure which require attention are the truncated nature of the career, the long time taken for promotions vis-a-vis the stipulated eligibility period, differences in career progression between trades and from service to service, and the problem of retention of highly skilled personnel in view of opportunities in other sectors. While no change in the cadre structure itself has been suggested, the problem of variable progression of trades is sought to be resolved by evolving a suitable pay structure and running integrated pay scales have therefore been suggested so as to ensure that on attaining the same rank even at different lengths of service, personnel coming together at that point of time draw the same pay.

Linkage with Civilians

146.17 It has also been suggested that unlike the single point linkage of infantry soldier with industrial worker, the linkage should be established at various cardinal points throughout the career progression and pay determined on point to point basis giving due weightage to combat and leadership skills, medical fitness requirements etc.

Linkage with Entry Qualifications

146.18 The Armed Forces have urged that the pay structure should be evolved on entry qualifications as applicable to Civilian Central Govt. employees. It has been suggested that the pay scales for matric entry should be the main scale for the purpose of relativity. Where the entry qualifi- cations are a Diploma in technical subject/Engg. or in-service training is recognised as a Diploma/ equivalent qualification or for graduate entry, pay scales should be equated to scales with the same entry qualification in Central Govt. Two separate integrated scales of pay, one from Sepoy to Havildar and another for JCOs have been recommended for both diploma entry and matric entry soldiers. For non matric entry, a pay scale covering 3 years and ultimately meeting the integrated pay scale for matric entry personnel has been proposed.

We have considered the various suggestions made by the Armed Forces in the succeeding paragraphs.

REVIEW OF TERMS OF ENGAGEMENT

Services' Proposal

146.19 We have earlier in the Chapter indicated the existing terms of engagement of PBOR of the three services. In order to overcome the problems created by a truncated career, the Armed Forces have suggested a review of the terms of engagement of Army personnel to meet the dual objectives of maintaining

a youthful profile and providing a fuller career. **We have dealt with this proposal in our Chapter on optimising the size of the Armed Forces and recommendations made therein will apply.**

DELINKING OF TRADE STRUCTURE FROM PAY STRUCTURE

Services' Proposal

146.20 At present remuneration for PBOR is linked to the trade group they belong to and the pattern of progression and pay scales available to that trade group. It has been suggested that the pay structure should be delinked from the trade structure in view of the inherent disadvantages of variable progression and the need for compensation for leadership and combat skills.

Background of Trade Groups

146.21 We have gone into the issue and find that the existing structure based on trade groups has evolved over a period of time. The Post-War Pay Committee grouped the then trades into 8 groups of the Army, 5 groups of the Air Force and 4 groups of the Navy. The Third CPC considered the issue of classification of trades in the context of the Armed Forces' demand to equate the infantry soldier with the skilled worker. They took note of the technological changes both in the factories and workshops as well in the infantryman's role, which demanded higher technological knowledge due to increasing complexity of weapons over the years. In the case of infantry soldiers and several service trades, no formal pre-entry qualifications were prescribed and fairly intensive in-service training had to be imparted to recruits. Keeping all these factors in view they felt it would be more appropriate to place the infantry soldier between a semi-skilled and a skilled workman. Infantry soldiers who were in Group F as a result of this reclassification got elevated to Group D. They also considered that the Group E soldiers had passed trade tests after induction as semi-skilled workers and in view of the small pay differential between Group E & F, they were also elevated to Group D. No change was made to the Navy groups and for the Air Force, Groups III and IV were merged. The Third CPC also considered that a further reduction of pay groups would be difficult, as such a measure could only follow comprehensive job evaluation studies.

Fourth CPC's Recommend-ations

146.22 On the issue of reclassification of existing trades, the Fourth Pay Commission recommended that cases of dissimilar remuneration for similar trades may be examined by the Army Trade Qualification Committee (ATQC) or any other expert body to bring about uniformity. Until then they suggested that the existing pay groups in the three services may continue with the present distribution of trades in these groups.

Our Recommen-dations

146.23 We have studied the existing distribution of trades and find that there are disparities in the pattern of grouping and remuneration of seemingly identical trades in the three services. There is also no uniformity in the educational qualifications prescribed for a particular trade group. We find that reallocation of trades on achieving either higher qualifications or on improvement of skills has been an ongoing exercise in the Armed Forces. Considering all the relevant factors **we are of the opinion that without a comprehensive exercise to group trades on an inter-service basis based on skills, it may not be possible to do away with the trade groupings related pay structure.** The Ministry of Defence are

also not in favour of doing away with the existing structure without a trade rationalisation exercise, since the existing trade groups indicate functional requirements and abolition of this old age system may lead to inter/intra service dissatisfaction. We observe that although the Armed Forces in their memorandum have arrived at a common approach regarding a uniform structure, the proposals are not based on any job evaluation as such but are basically based on consensus. The Armed Forces have also contended that every job in the Armed Forces has the components of a) Combat element b) Trade element c) Sub-cadre element and d) Leadership element and that successive Pay Commissions have only looked at the trade element for comparison and ignored other elements. While we are not in agreement with the contention that other elements have not been considered, we agree that combat and leadership elements are important components of service jobs and unless the trades are evaluated and a weightage given for each of these elements, it may not be possible to arrive at a rational structure based solely on entry qualifications nor is it possible to establish interservice equations. It is relevant to mention here that civilian industrial trades in the Ministry of Defence were also classified on the basis of a point rating system by an Expert Classification Committee. In view of these factors, we do not recommend any change in the present system of trade groups based pay structure. However we consider that appropriate weightage to combat and leadership skills must be given and **recommend setting up of an Inter Services Committee to evolve a system of rating of skills and classifying trades on a point rating system so that the pay structure could be rationalised**. This would enable a more rational approach towards grant of common pay to the three Services and subsequent to the trade rationalisation exercise, a common pay structure for the three services can be devised. **We also feel that the pay of the Group `D' infantry soldier of the Army requires some upgradation especially keeping in view the recruitment qualification of matriculation. We therefore suggest that personnel in Group `D' of the Army may be paid as per Group `C' pay scales without changing the existing system of trade groups.**

PROBLEM OF STAGNATION AND DIFFERENCE IN TIME TAKEN FOR PROMOTIONS

Our Approach

146.24 We have already indicated the variation between the actual time taken for promotions and the prescribed eligibility periods for such promotions. While we have suggested setting up of a Committee in order to evaluate and group comparable trades, we feel that the problem of stagnation and variable progression across trades are also required to be addressed separately by us. In this context, the Armed Forces have suggested that time scale promotion to the rank of Naik be granted in the Army after 10 years of service in order to achieve some measure of inter-service parity. While we feel that promotion to higher ranks in the Armed Forces can only be based on functional justification in view of the organisational structure and command and control requirements, and certain differences are inescapable, delinking of promotion from availability of vacancies by providing financial benefit of promotion without concurrently granting the rank or functional promotion could be justified. We also find that the maximum variation in promotion time between trade groups exists in the Army and in the Air Force and Navy promotions upto the rank of Corporal and equivalent are by time-scale. For promotions above that rank in the Navy and Air Force, variations between trades

and branches are not as significant as in the case of the Army, except for promotion from Sgt. to Junior Warrant officers in the Air Force. Therefore, while we are not in favour of substantive time scale promotion to the rank of Naik in the Army in view of the distinct level of responsibility shouldered by Naiks and in view of the existing differentials in the terms of engagements of Sepoys and Naiks, we feel that financial upgradation could be granted. For civilian employees, we have already suggested a scheme of assured career progression whereby the next higher scale in the hierarchy would be granted after prescribed number of years subject to fitness to be determined by a screening board. For Personnel Below Officer Rank of the Armed Forces also **we recommend that the ACP upgradation to the scale of Naik and equivalent may be granted after 10 years of service and the second ACP upgradation to the scale of Havildar and equivalent may be granted after 20 years of service**. The second ACP would therefore be available to those who have been granted substantive promotion to the rank of Naik and equivalent. In our opinion, this method would render greater benefits in pay and pension and would also take care of the differences in promotion time to some extent.

LINKAGE WITH CIVILIANS

Background

146.25 On the issue of relativity with civilians, we find that prior to the Fourth CPC a single point linkage was established between the industrial worker and the Group 'D' infantry soldier. The Post-War Pay Committee had equated the infantry soldier with three years' service after training with the semi-skilled worker. The Third CPC considered the issue of relativity in detail and while they were doubtful if any specific equations could be established between the Serviceman and civilians, in view of the progress in technology and taking note of entry qualifications, they suggested that the infantry soldier be placed between the 'Semi-skilled' and 'skilled' workman. They, therefore, based their recommendations about the pay of the soldier on the pay granted to such workmen, added an 'X' factor element for the disadvantages inherent in service life and made deductions on account of the home savings element, finally arriving at a pay scale of Rs.175-2-195 for the infantry Sepoy. The scale finally granted by the Government was Rs.200-5-260 which gave the soldier an edge over the CPO constable. The Fourth CPC had averred that the nature of duties of infantry soldiers was such that he could not really be compared with any other category of employee. We find that the pay finally granted after the Fourth CPC not only did away with the deduction on account of the home-savings element, but has been formulated in a manner to provide an edge after 3 years' service over the skilled worker.

Our recommendations

146.26 We find that the existing scale of pay of the infantry soldier is Rs.900-15-960-20-1120 and he actually starts at Rs.930 in the scale. We have gone into the issue of comparisons and after witnessing for ourselves the multifarious nature of duties carried out by infantry soldiers are inclined to agree with the Fourth CPC that the duties and responsibilities of infantry soldiers are not really comparable with any other category of employee. As regards comparison at other levels, there are substantial differences in the rank and cadre structure of service personnel and civilians which cannot really be reconciled. A point to point comparison is therefore not possible unless a scientific enquiry in the form of job evaluation is undertaken. We have already suggested setting up of an Inter-Service Committee to rate skills and classify service trades. However, in the existing scenario, we feel that the personnel in the Central Police Organizations such as the

BSF are required to carry out duties which could perhaps be categorised as broadly similar to the Armed Forces, although the job of an infantry soldier definitely is more demanding. However, we have in doing so not suggested any change if the existing relation-ship with the skilled worker as established by the Fourth CPC in the pay scales recommended by them. **We, therefore, suggest that the infantry soldier may continue to have an edge at the start over the CPO Constable. In view of this, we have suggested a starting pay of Rs.3000 for the infantry soldier vis-a-vis Rs.2860 suggested for the CPO constable.**

PAY STRUCTURE AND ENTRY QUALIFICATIONS

Our Views

146.27 With regard to the demand that the pay structure be devised on the basis of entry qualifications, we agree that the pay structure can be evolved on the basis of entry qualifications to the extent of linkage with the minimum pay scale fixed for a particular educational qualification on the civilian side. We have kept this in mind while suggesting matriculate and non-matric salaries for Armed Forces personnel. As far as the diploma entry are concerned, it is seen that in majority of cases in the Armed Forces, diploma equivalent qualifications are acquired in service and at Government expense. We find that the exact position in this regard is as follows:

a) In the Air Force, the recruitment qualifications for the Gp I trades which are Diploma trades are 10 + 2 with Physics Chemistry and Maths, and training is provided in house. Out of 18 trades in this group, 10 trades have been equated to Diploma in Engineering.

b) In the Army, most of the Gp A trades which have been stated to be Diploma trades are remustered trades and personnel in these trades do not join with diploma qualifications. There is also a great deal of variation in the residency period in various trades before the diploma qualification is acquired.

c) It is only in the Artificer cadre of the Navy that there is direct entry of Diploma holders from Polytechnics. These Artificers are recruited in the rank of Acting Artificer Class IV with a pay scale of Rs.1180-1205.

Our Recommendations

146.28 In view of the above, **a common approach to diploma trades as suggested by the Armed Forces does not seem possible** unless there is uniformity in recruitment qualifications. However, **for the matric entry recruit we have suggested a pay scale keeping in mind the scales prescribed for similar qualification on the civil side.** As regards Artificers, we have improved their pay scales and in view of their fast progression which enables them to reach a scale of Rs.1880 in a period of 7-9 years, we are unable to grant total parity with civilian diploma holders.

RECOMMENDED PAY SCALES

General

146.29 We have already gone into the various issues concerning the

Approach

formulation of the pay structure of PBOR in the context of the specific demands made by the Armed Forces. Since we have not suggested any change with regard to the trade groups, the existing differences in pay structure are inescapable. Moreover we do not think that differences in progression between trades in the three services can be fully neutralised, functional requirements being different. We are also not convinced if grant of integrated pay scales to PBOR would render any significant benefit in view of their shorter terms of engagement due to which a large proportion of personnel would exit from the system in the middle of the integrated pay scale and would not be able to derive any benefit of integrated scales. In any case, we have recommended that service officers too be brought on to regular scales of pay. In our opinion, the ACP scheme would be more beneficial to PBOR especially keeping in view the fact that their pension would continue to be calculated on the basis of maximum of the pay scales. We have already outlined the ACP scheme which would be available to PBOR of the Armed Forces and this would considerably neutralise the variable progression in trades without any impact on the youthful profile of the Armed Forces.

Pay Scales for Army PBOR

146.30 Keeping in view all relevant factors and within the overall frame-work outlined above, **we recommend the following pay scales for the personnel below officer rank of the Armed Forces.**

	ARMY			
Rank	**Gp.A**	**Gp.B**	**Gp.C and D**	**Gp.E**
Subedar Major	**7250-200-10050**	**6750-200-9550**	**6750-200-9550**	**6600-200-9400**
Subedar	**6170-175-8970**	**5770-155-8250**	**5620-155-8100**	**5395-155-7875**
Naib Subedar	**5200-125-7450**	**4800-125-7050**	**4650-125-6900**	**4400-125-6650**
Havildar	**4150-85-5425**	**3600-85-4875**	**3425-85-4700**	**3250-85-4525**
Naik	**3700-70-4750**	**3250-70-4300**	**3150-70-4200**	**2975-70-4025**
Sepoy	**3500-55-4160**	**3050-55-3875**	**2945-55-3825**	**2900-55-3725**

Sepoys in Group 'C' and 'D' will be granted a starting pay of Rs.3000 in the scale, keeping in view the present position where the Group 'C' starts after one increment.

PAY SCALES OF DSC PERSONNEL

Our Recommend-ations

146 31 Personnel in the Defence Security Corps (DSC) who are engaged in protecting valuable and strategically important defence installations and depots are presently paid on the basis of Group 'B' and Group 'E' pay scales of the Army applied to the clerical cadre and General Duties cadre respectively. It has been suggested that they may be granted pay scales based on ranks and rank pay may be paid in addition as incentive for merit and responsibility. In our recommendations for PBOR of the Army, we have not made any changes in the present pay structure and the system of remuneration based on trade groups will continue. In view of this, **we recommend that DSC personnel belonging to the clerical cadre may be continued to be paid on the basis of Group 'B' pay scales recommended for the Army and the General Duties Cadre may be paid as per the Group 'E' pay scales of the Army**

CLASSIFICATION PAY IN THE ARMY

Existing Scheme and Services Proposal

146.32 The concept of classification pay is applicable to Army personnel only. It is provided as an incentive for improving skills in their respective trades. At present, a soldier must achieve class III, class II and class I level of proficiency for promotion to rank of Naik, Havildar and Naib Subedar respectively. In the context of the integrated pay scales proposed by them, the Armed Forces have suggested that:

a) Every soldier should attain class 3 level of proficiency in his trade on completion of training.

b) On attaining class 2 a soldier will be eligible for promotion to Naik which will qualify him for rank pay of Naik.

c) On attainment of Class 1 level, classification pay of Rs. 100/-per month may be granted.

Existing Rates

146.33 The existing rates of classification pay are as follows:

	Existing Rates		
Group	**Class 4 to Class 3**	**Class 3 to Class 2**	**Class 2 to Class 1**
A	-	Rs.30/-	Rs.30/-
B	Rs.25/-	Rs.25/-	Rs.25/-
C	Rs.20/-	Rs.20/-	Rs.20/-
D	Rs.15/-	Rs.15/-	Rs.15/-
E	-	Rs.10/-	Rs.10/-

Our Recommen-dations

146 34 We have considered the proposal made by the Armed Forces and since the basic pay structure is not being changed, **we recommend that the classification Pay may be renamed as Classification Allowance and the**

existing rates may be doubled. However, since common pay scales for Gp. 'C' and Group 'D' have been recommended, classification pay for Group 'D' may also be enhanced to Group 'C' levels.

APPOINTMENT PAY IN THE ARMY

Existing Position

146.35 In addition to regular ranks of Naik and Havildar, the Army is authorised certain appointments in peace and war establishments, which are granted incentive for additional responsibility and administrative work. Individuals deployed on these appointments which are available only upto the rank of Havildar, are entitled to Appointment Pay.

Services' Proposal

146.36 It has been suggested that the rates of Appointment Pay may be enhanced to Rs.100/- per month for all appointments presently in receipt of appointment pay. Introduction of appointment pay for some JCO level appointments in the Army and some appointments in Navy and Air Force have also been proposed.

Our Recommend-ations

146.37 We find that appointment pay is granted for appointments other than regular ranks of the Army and is linked to some additional administrative duties to be carried out. Appointment Pay also compensates to an extent for lack of promotion avenues in the Army. Keeping all relevant factors in mind **we suggest that the existing appointment pay may be renamed as 'Extra Duty Allowance' and revised as follows**:

Appointment	Existing Rate (in Rs. per month)	Revised Rate
1. Lance Naik, Lance Havildar, Coy Havildar, Major, Coy Quarter Master Havildar	24	50
2. Regiment QM/Battalion QM Havildar	36	75
3. Battalion Havildar Major	40	80

Other Suggestions

146.38 **We, however, do not recommend extension of Appointment Pay to JCOs** since they have already had the benefit of better promotion avenues. **We also do not suggest grant of the allowance to Naval and Air Force personnel.**

AIR FORCE PAY SCALES

Our Recommendations

146.39 For personnel belonging to the Air Force, who are distributed in four pay groups, **we recommend the following pay scales**:

	AIR FORCE			
	Group I	**Group II**	**Group III**	**Group IV**
Master Warrant Officer	**7400-200-10200**	**6750-200-9550**	**6600-200-9400**	**6600-200-9400**
Warrant Officer	**6495-175-9295**	**6170-175-8970**	**5620-155-8100**	**5620-155-8100**
Junior Warrant Officer	**5530-125-7780**	**5200-125-7450**	**4650-125-6900**	**4650-125-6900**
Sergeant	**4670-85-5945**	**4320-85-5595**	**3775-85-5050**	**3775-85-5050**
Corporal	**4150-70-5200**	**3900-70-4950**	**3320-70-4370**	**3200-70-4250**
Leading Aircraftsman	**4025-60-4925**	**3650-60-4550**	**3200-60-4100**	**3080-60-3980**
Air Craftsman	**3675**	**3200**	**3050**	**2975**

PAY STRUCTURE FOR NON-COMBATANTS (ENROLLED)

Existing Position and Demand

146.40 In the Air force, a scheme of enrolling Non-combatants was started in 1968 in view of increasing difficulties experienced in moving Group 'D' civilians to forward air bases. Recruitment is made as lascars, cooks, dhobis, safaiwala, tailors, painters etc. with age limit for entry being 17-35 years and no minimum educational qualification prescribed for recruitment. These NCs(E) who number 9,996 against an authorization of 11,118 are presently in the pay scale of Rs.750-12-870-EB-14-940 and have no promotion avenues. It has been suggested that in order to provide at least two opportunities for career advancement, posts of Tindals may be created in the ratio of one tindal for every 9 NCs(E) and one post of Head Tindal for every 9 Tindals. In order to restrict additional expenditure on account of creation of these posts, surrender of 614 posts of NCs(E) has been proposed.

Recommended Pay Structure

146.41 We have gone into the issue and feel that in view of the ACP scheme suggested by us for Group 'D' employees, higher grades can be provided under the 'dynamic' ACP Scheme without creation of posts. **We therefore suggest that the two higher scales of Rs.775-1025 and Rs.800-1150 may be made available to NCs(E) after 12 and 24 years' service** respectively under the provisions of the Assured Career Progression Scheme. However, **the proposed**

reduction in the establishment to the extent of 614 posts may be implemented, as these posts appear to be surplus to requirement.

NAVAL ARTIFICERS-RESTRUCTURING & PAY SCALES

Present Position

146.42 Naval Artificers who constitute Group A of the Navy are highly skilled personnel engaged in maintenance and repair work in the Marine Engineering Branch, Electrical Branch and Naval Aviation Branch. There are two types of entry for Artificers, namely, Apprentice Entry and Direct (Diploma Holder) Entry. For Apprentice Entry, an All-India examination is conducted by the Navy. The educational qualification required for the Apprentice Entry is minimum of matriculation with mathematics and general science as primary subjects. All apprentices are required to undergo a 4-year apprenticeship training. On successful completion of this training, these apprentices are equated to a diploma awarded by a Government Polytechnic and are rated as Artificer V class. At this stage, on-the-job training is granted for another year to enable personnel to be rated as Acting Artificer IV class. Thereafter the sailor is required to appear in departmental examinations in the form of Fleet Boards, which finally clear him for effective manning of ships. This process takes about a year at the end of which the sailor is rated as Artificer IV class equivalent to a Petty Officer.

Direct Entry Artificers

146.43 Under the direct entry artificer scheme, diploma holders in specific disciplines from various Polytechnics are recruited directly by the Navy. These sailors enter the service as Acting, Artificer IV and are thereafter given 18 months training which brings them up to the level of Artificer IV class.

Equation with Naval Ranks

146.44 The Artificers of Navy are graded according to their level of technical competence, experience and responsibility. Each grade in Artificer cadre is equated to a particular service rank, starting from equation of Artificer V Class with Leading Seaman, Acting Art IV Class and Art IV Class with Petty officer and Art III Class, IInd Class, Ist Class and Chief Artificer being equated to Chief Petty Officers. Master Chief Art II Class and Master Chief Art Ist Class are equated to MCPO II and I respectively.

Equation with Naval Ranks

146.45 We understand that Artificers III class, who qualify a specific examination called the "Charge Board", become Chief Artificer, which entitles them to a markedly higher pay scale. Only sailors designated as Chief Artificers are considered for promotion to MCPO II and MCPO I. Artificers II class and I class are those who have not been able to qualify the 'Charge Board' and therefore are not considered for selection to the ranks of MCPO II and I.

Services' Proposal

146.46 The following suggestions with regard to the restructuring of the Artificer cadre have been made by the Armed Forces:

a) Abolition of Artificer II and Artificer I, as their utility to the service is marginal, especially after the introduction of the ranks of MCPO II & I.

b) Redesignation of remaining grades on the lines of regular Navy ranks with Artificer II Class and Chief Artificer to continue to

remain equated to Chief Petty Officer, and Acting Art. IV Class to be equated to Acting Petty Officer.

Our Recommend-ations

146.47 We have gone into the suggestions with regard to restructuring and feel that although there is no need to provide two promotion grades to Artificers III Class who have not qualified 'Charge Board' examination and are not going to assume any higher responsibilities, in view of the existing position where they can attain higher scales, at least one more promotion avenue should remain open for them. **We, therefore, recommend merger of the grades of Artificer II Class and Artificer I Class into a single grade instead of their abolition.**

Proposed Scales

146.48 We also recommend merger of the grades of Acting Artificer IV Class and Artificer IV Class into a single grade of Artificer IV Class as this would provide improvement in the pay scale of diploma holders. In view of this proposed restructuring, **we recommend the following revised pay scales for Artificers of the Navy.**

ARTIFICERS

Artificers/Mechanicians (in Rs.)	**Proposed Scales (in Rs.)**
a) Apprentice Ist year (800)	**2650**
b) Apprentice 2nd year (825)	**2750**
c) Apprentice 3rd year (850)	**2850**
d) Apprentice 4th year (875)	**2875**
e) Artificer Vth Class (1000-20-1020)	**Artificer IVth Class 3200-60-3260**
f) Acting Artificer IVth Class) (1180-25-1205))	**Artificer IIIrd Class 4150-70-4360**
g) Artificer/Mechanician IVth Class) (1300-25-1350))	
h) Artificer/Mechanician IIIrd Class (1425-25-1550-40-2070)	**Artificer IInd Class 4550-100-6350**
i) Artificer/Mechanician IInd Class) (1600-25-1725-40-2085-50-2285))	**Artificer Ist Class 5120-100-7120**
j) Artificer/Mechanician Ist Class) (1690-25-1815-40-2095-50-2395)	
l) Chief Artificer/Mechanician (1880-40-2080-50-2730)	**6000-125-8250**

m) Master Chief Petty Officer II (1930-50-2280-60-2580-75-2955) — **6495-175-9295**

n) Master Chief Petty Officer I (2250-60-2490-75-3240) — **7400-200-10200**

For Artificers of the Aviation Cadre, **we recommend the following revised pay scales**:

Flight Engineer (in Rs.)	**Proposed Scales (in Rs.)**
a) Aircraft Artificer/Mechanician III (1460-25-1660-40-2080-50-2130)	**Artificer/Mechanician II 4675-100-6475**
b) Aircraft Artificer/Mechanician II) (1645-25-1720-40-2080-50-2400)) c) Aircraft Artificer/Mechanician I) (1700-25-1850-40-2050-50-2400))	**Artificer/Mechanician I 5250-100-7250**
d) Chief Aircraft Artificer/Mechanician (1920-40-2080-50-2780)	**6150-125-8400**
e) Master Chief Aircraft Artificer Mechanician II (1930-50-2280-60-2580-75-2955)	**6495-175-9295**
f) Master Chief Aircraft Artificer Mechanician I (2250-50-2490-75-3240)	**7400-200-10200**

With regard to pay scales of flight signallers in the Navy, we recommend that they may continue to be paid on the basis of Group I scales of the Air Force as per the existing relativities.

PAY SCALES OF OTHER NAVAL PERSONNEL

Recommended Pay Scales

146.49 With regard to other naval personnel, **we recommend the following pay scales**:

	NAVY		
	Special Group Aviation/Submarine	**Group B**	**Group C**
Master Chief Petty Officer I	**6750-200-9550**	**6600-200-9400**	**6600-200-9400**
Master Chief Petty Officer II	**6170-175-8970**	**5620-155-8100**	**5620-155-8100**
Chief Petty Officer	**5200-125-7450**	***4650-125-6900***	***4650-125-6900***
Petty Officer	**4320-85-5595**	**3775-85-5050**	**3775-85-5050**

Leading Seaman	**3900-70-4950**	**3320-70-4370**	**3200-70-4250**
Seaman I	**3650-60-4550**	**3200-60-4100**	**3080-60-3980**
Seaman II	**3325-60-3445**	**3080-60-3200**	**2865-55-3140**

The Seaman II in Gp. C may, however, be granted the starting pay of Rs.2975/-.

PAY OF RECRUITS

Services Proposal

146.50 As the service of a soldier is counted from the day of enrolment, the Armed Forces have proposed to make the proposed integrated pay scale applicable to him from the recruits stage itself. It has been suggested that this would ensure parity with the civil side where a person starts drawing the pay of his scale from joining and skills are acquired on the job itself.

Our Recommendations

146.51 Since we have not recommended any change in the basic pay structure of Armed Forces personnel and since the trade group is allotted after training, recruits cannot be granted the pay of the rank and group. In view of this, we suggest the following replacement scales for recruits in the Armed Forces:

	Existing (Rs. p.m)	Proposed
Army		
Matric entry	850	2850
Normal entry	750	2440
Navy		
Avn/Sub Gp	1000	3200
Gp. B	900	2900
Gp. C	825	2750
Air Force		
Gp. I,II & III	850	2850
Gp. IV	800	2650

STATUS OF JCOS

Demand

146.52 The Armed Forces have proposed that in view of the important functional role of JCOs and equivalent they should be granted financial and administrative powers at par with Group 'B' gazetted officers in the Central Government. They also recommend that their pay should not only find parity with Gp. B Gazetted Civilian Officers, but have an edge in view of the unique characteristics of military service.

Our Recommendations

146 53 **The system of Groups is proposed to be done away with for civilians and the gazetted/non-gazetted classification is also proposed to be abolished. In view of this, we are unable to consider the demand.**

PAY SCALES OF HONORARY COMMISSIONED OFFICERS

Recommended Pay Structure

146.54 Serving JCOs and equivalent of the Armed Forces, who have rendered specially distinguished service, are granted commissions in the last year of service as Honorary officers in the rank of Captain or Lieutenants by the Service Chiefs. The grant of Honorary Commission entitles these personnel to higher pay. It has been suggested that these personnel may be granted enhanced pay and military service and rank pay in addition.

146.55 We have considered the existing terms and conditions of grant of Honorary Commission and **recommend the following revised pay for these personnel**:

	Existing Pay (Rs. per month)	Revised Pay
1. Honorary Lieutenant & Equiv	**3300**	**10500**
2. Honorary Captain & Equiv.	**3400**	**10850**

PROVISION RELATING TO ACTING PROMOTION

Present Position

146.56 The Armed forces have a system of granting acting ranks to Junior Commissioned Officers and Non Commissioned Officers to fill the vacancies in authorised establishment. The acting rank remains unpaid until an unbroken period of 28 days has been served in that rank. After completion of this period, the unpaid acting rank is converted into a paid acting rank and the pay is admissible with retrospective effect.

Demand

146.57 The Armed Forces have demanded that the condition of holding unpaid acting rank for 28 consecutive days for NCOs and JCOs should be abolished and the paid acting rank should be effective from the date of assumption of the rank.

Our Recommendations

146.58 We have considered the suggestion and since the paid acting rank is granted with retrospective effect, **we do not recommend any change**. Besides, there is a logic in ensuring that a reasonable period is spent in the rank before it is converted into a paid rank.

Pay Structure - Officers

INTRODUCTION

General

147.1 The imperatives of a youthful profile and high standard of physical fitness which govern the recruitment of PBOR are equally applicable to the officer cadre of the Armed Forces. Due to the command and rank oriented nature of the officer cadre, a major proportion of jobs are accounted for by the junior and middle levels. The cadre strengths in turn are based on force levels required to fulfil operational and support roles. However, unlike the PBOR, officers of the Armed Forces are paid on the basis of common pay scales for the three services.

RANK STRUCTURE

Existing Position

147.2 The existing authorised strength of service officers and the equivalence of ranks in the three services is indicated below:

Army		Navy		Air Force	
Rank	**Strength**	**Rank**	**Strength**	**Rank**	**Strength**
General	1	Admiral	1	Air Chief Marshal	01
Lt.General	57	Vice Admiral)		Air Marshal	23
		)	52		
Maj. Gen	196	Rear Admiral)		Air Vice Marshal	48

Army		Navy		Air Force	
Rank	**Strength**	**Rank**	**Strength**	**Rank**	**Strength**
Brigadier	796	Cmde)	) 371	Air Cmde	152
Colonel	3310	Captain)		Group Captain	587
Lt. Col.	3794	Commander	1191	Wing Commander	1791
Major	13889	Lt. Commander and Below	5577	Sqn.Leader	3645
Capt. & Subaltern	22604			Flt.Lt.& Below	4622
Total	44643		7192		10869

CADRE CONFIGURATION

Officer Cadre of Army

147.3 In the Army, the Artillery, Mechanised Infantry, Infantry, Engineers, Signals and Army Aviation Corps comprise the arms or the fighting elements. The Army Service Corps, Army Ordnance Corps, Corps of Electrical and Mechanical Engineers, Army Postal Service Corps and the Pioneer Corps comprise the logistic support and maintenance element, while Intelligence Corps, Army Medical Corps, Army Dental Corps, Military Nursing Service, Remount and Veterinary Corps, Army Education Corps, Judge Advocate General's Branch, Army Physical Training Corps, Corps of Military Police and Military Farms comprise the specialist cadres.

Officer Cadre of the Navy

147.4 The Navy has a General List Cadre, which includes officers of all branches, namely, Executive, Engineering, Electrical and Education. In addition, there is the Special Duties List comprising officers promoted from the ranks. The General List cadre has two distinct special cadres superimposed, namely, the Aviation and Submarine cadres.

Officer Cadre of the Air Force

147.5 The Officer cadre in the IAF consists of Flying Branch and Ground Duties Branches. The Ground Duties Branches comprise the technical branch, administrative branch, logistics branch, accounts branch, meteorological branch, education branch etc.

RECRUITMENT

Entry into Armed Forces

147.6 Recruitment to the Armed Forces is done mainly through the UPSC. The UPSC holds an all India competitive examination, known as the Combined

Defence Services Examination (CDSE), twice a year. University graduates are eligible to take this examination and the qualified candidates join the respective training academies, namely the Indian Military Academy (IMA) for the Army, the Naval Academy for the Navy and the Air Force Academy for the Air Force. The UPSC also holds, twice a year, an examination for entry into the National Defence Academy (NDA). Candidates on completion of 10+2 Examination are eligible to take this examination. The successful candidates join the NDA and on completion of the NDA Course are sent to the respective Service Academies for their pre-commission training. For Technical Branches as well as Law and certain other branches, the recruitment is made directly through the Services Selection Boards in the case of the Army and the Navy, and through the Air Force Selection Board for the Air Force.

AMC and ADC

147.7 Entry to the Army Medical Corps is through the Armed Forces' Medical College in case of Permanent Commission Officers and from the open market for Short Service Commission Officers. All entrants to the Army Dental Corps come from civil institutions after completing BDS Course and a one-year internship course from dental colleges.

Other Schemes

147.8 All the three services have schemes of promoting personnel from the ranks. In addition, a scheme to grant Short Service Commission for a period of 5 years, extendable to 10 years, also exists. Since 1992, induction of women in specified Arms and Services on Short Service Commission basis has been started.

TRAINING

Existing Position

147.9 For NDA/Naval Academy cadets, the training covers 3 years after which the 10+2 entry cadets are granted a graduation degree in Humanities/ Science/Engineering (for 10+2 technical entry in the Navy). These cadets are not entitled to any emoluments during this period of training. All graduates from NDA/Naval Academy along with Direct entry graduate recruits undergo a 12-month training (18 months for Direct Entry) at the Indian Military Academy/Air Force Academy in the case of Army and Air Force and at sea in the case of the Navy. During this period of training, no pay is admissible but during last six months of this training a stipend is paid. These Cadets/Midshipmen are granted Commission and are entitled to their first pay and allowances only on successful completion of their training. However, Technical Graduates, Meteorological Branch Officers of Air Force, certain specialised categories like Law and Short Service Commission Officers of the Army and Navy are granted commission into the service from the date of joining.

POSITION OF INTAKE AND PROMOTION PROSPECTS

Position on Intake

147.10 The Armed Forces have emphasized before us the aspect of shortfall in the intake of officers. The Army has specifically mentioned the constraints due to the shortage of over 12000 officers. Specific data on annual planned and actual intake under the various entry schemes has also been provided to us. We have

already highlighted the aspect of shortage in our chapter on the Morale and Quality of service personnel. We are given to understand that the Armed Forces are facing considerable problems due to decline in the quality of intake and lack of optants for the fighting arms. It has been stated that due to poor compensation for highly disturbed and turbulent life, the number of officers seeking premature retirement is increasing. The poor attractiveness of the Short Service Commission is also cited as one of the major concerns.

Promotion Prospects

147.11 Promotion upto the rank of Major and equivalent are time based and subject to qualifying the prescribed examinations. Promotion to higher ranks is by selection and depends on the number of available vacancies. We have been informed that the scope for advancement in select ranks is limited due to the command and control structure. It has been stated that the distribution of posts in the Armed Forces is such that 92.2% of posts are accounted for upto the rank of Lt. Col and equivalent. The percentage of posts at higher levels has been stated to be as follows:

	Upto Lt.Col.& Equivalent	Col/Brig.& Equivalent	Maj Gen.& Equivalent	Lt Gen.& Equivalent
Army	90.4	9.1	0.4	0.16
Navy	93.7	5.4	0.49	0.24
Air Force	92.2	7.1	0.5	0.2

Comparisons have been drawn with the percentages available to the civil services. However, it has been urged that cadre reviews in the Armed Forces are likely to create imbalances and run contrary to the requirement of maintaining a youthful profile as well as lead to dilution of ranks. One of the known fallouts of cadre reviews carried out in the past has been to increase the average age of battalion commanders, which has a direct bearing on the fighting efficiency of the Armed Forces.

EXISTING PAY STRUCTURE

Present Position

147.12 Armed Forces officers upto the rank of Brigadier are presently paid on the basis of an integrated pay scale introduced on the recommendations of the Fourth CPC so as to provide reasonable career progression to service officers. To compensate for ranks attained, rank pay is also granted which attracts dearness allowance and is reckoned for pensionary benefits. The integrated pay scale has a fixed minimum pay for each rank linked to number of years taken to achieve such rank. The resultant effect is that personnel belonging to a particular rank with equal number of years of service are remunerated equally. Major Generals and above and their equivalents have been kept outside the integrated scale to equal their pay with other Civil Services.

Existing Pay Scales

147.13 The existing pay scales applicable to service officers are:

2nd Lt. to Brig. - Rs.2300-100-3900-150-4200-EB-150-5100

Rank Pay (Rs. per month)

Capt.	200
Major	600
Lt. Col.(S)	800
Colonel	1000
Brig.	1200

Major General and Equiv. - Rs.5900-200-6700

Lt. Gen. and Equiv. - Rs.7300-100-7600

Army Cdr. and Equiv. - Rs.8000

Service Chiefs - Rs.9000

PROVISIONAL COMMISSION AND GRANT OF STIPEND

Armed Forces Proposals

147.14 The Armed Forces have suggested provisional commission in the rank of 2nd Lieut/Midshipman/ Pilot Officers during last year of training in the Service Academies/Sea training with grant of pay and allowances and attendant benefits and counting of this period towards service, pension etc. on the analogy of Gp A civilians who draw pay from date of joining. It has been suggested that the order of merit on successful completion of training would be considered for inter-se seniority within the same course. Technical graduates who are at present granted ante-dated seniority be granted provisional commission in the rank of Lieut/Sub Lt/flying officer and be authorised pay with two additional increments. Grant of stipend at pre graduate training academies i.e.NDA and Naval Academies and for period preceding provisional commission for direct entry graduate entrants has also been recommended.

Existing Position

147.15 We find that at present in the last six months of training before commissioning a stipend of Rs.1500 per month is granted. In the case of technical graduates, Law graduates, Met. Branch in Air Force, SSCOs in Navy and Air Force, entrants are granted commission from the date of joining and are thus entitled to pay and allowances from that date.

Our Recommendations

147.16 We understand that in the Armed Forces an officer is commissioned only on successful completion of training and free accommodation, boarding and other facilities are available to the trainees. Keeping in view the fact that completion of training is a pre-requisite for grant of commission and the fact that grant of provisional commission may interfere with the existing training methods, we find ourselves unable to accede to the proposal for grant of provisional commission. However, we do feel that the existing stipend granted in the last six months of training is inadequate and not likely to attract potential recruits. **We therefore recommend a steep rise in the stipend from Rs.1500 to Rs.8000/- per month to be granted to all cadets for the entire duration of training in the Service Academies i.e. the full period of training at Indian Military Academy and OTA for the Army, period of training after NDA/NAVAC and full period of training for Direct Entry or Short Service Entry for the Navy and post**

NDA training period and full duration of training for direct entrants to the Air Force. This would also ensure a better relationship vis-a-vis the civilian Group A Officers although the stipend would be a consolidated one. With the enhancement of stipend, it is recommended that cadets in Service Academies may also pay for the messing, accommodation and allied services which are presently free. We are however, unable to agree to the proposal to grant a stipend in the pre-graduate training academies since all expenditure relating to these cadets is borne by the Government.

Abolition of Rank of 2nd Lieut. and Equiv.

147.17 With regard to regular commission in the rank of Lieutenant and equivalent, commenting on the number of ranks prevailing in the Armed Forces, the Institute of Defence Studies and Analyses in their consultancy report have suggested that the use of the rank of Second Lieutenant and equivalent may be discontinued in view of there being no specific authorization of appointments in this rank. Considering the exceedingly hierarchical structure of the officers cadre and the large number of levels/ranks as compared to civilians we feel that this recommendation is worth considering and would have the advantage of ensuring faster promotions. Therefore, while we are not in favour of grant of provisional commission in the training academies, **we recommend that the rank of Second Lieutenant and equivalent may be abolished and all officers on commissioning may be granted the rank of Lieutenant and equivalent**.

PROVISIONS RELATING TO PROMOTIONS

Conditions on Holding of Acting Rank

147.18 The Armed Forces have a system of granting acting rank in field and peace establishments. The acting rank is converted to a paid acting rank and entitles the officer to higher rank pay after he holds the rank for 21 consecutive days. The Armed Forces have suggested abolition of the condition of holding acting unpaid rank for 21 consecutive days before converting it to paid acting rank. We have considered the proposal, and, in view of the fact that on fulfilling the condition, paid acting rank is granted with retrospective effect, do not find sufficient justification for suggesting any change.

Acting Rank When Proceeding on Course of Instruction

147.19 It has also been suggested that the condition of holding acting rank for 3 months before proceeding on a course of instruction for continuing to hold paid acting rank may be removed. We have considered the issue and **suggest abolition of the condition of holding acting rank for three months or more before proceeding on a course of instruction** subject to the condition of 21 days continuing to be applied. We are however, unable to accede to the Armed Forces proposal that acting rank should be granted on Corps/Service roster basis, irrespective of location and appointment.

Qualifying Service for Substantive Promotion

147.20 In order to mitigate the difficulties of slow career progression, deficiency of officers in junior ranks and to reduce stagnation, substantial reductions in the qualifying period for time based/time scale promotions have been suggested by the Services. We have considered the issue and understand that the provisions available with regard to acting promotions ensure much faster promotion specially upto the rank of Major. We have also been informed that the existing qualifying periods for substantive promotion have been laid down for a graded progression in service career and reduction would not reduce actual

deficiency in junior ranks. However we have analyzed the issue in the context of the Armed Forces suggestion to grant provisional commission in the training academy during the last one year of training.

Our Recommendations

147.21 In view of our proposal to abolish the rank of Second Lieutenant and considering all relevant factors, we feel that only a one year reduction in qualifying service can be justified and **accordingly recommend reduction of one year in periods specified for substantive promotions**. In our opinion, any further reduction may compromise on the experience requirements for each rank. The following revised qualifying periods for substantive promotions are, therefore, suggested:

Corps	Lt.& Equiv.	Capt.& Equiv. (Yrs.)	Major & Equiv. (Yrs.)	Lt.Col(TS) & Equiv. (Yrs.)
I) Officers of 3 services other than AMC,MNS, RVC,Dental,MF, SL Officers, SD list Officers (Navy) & Br. Commission Officers (AF)	On Completion of Trg.	4	10	20
ii) AMC				
a) AFMC	Date of Joining	1	5	14
b) Direct Entry	-	Date of Joining	4	13
iii) Army Dental Corps	Date of Joining	1	6	14.5
iv) MNS	On Completion of Trg.	5	12	20
v) RVC	Date of Joining	1	7	17
vi) Military Farms	On Completion of Trg.	5	12	23
vii) SL Officers	-do-	5	12	20
viii) RCOs	-do-	3		

ix) SD List Officers(Navy)	-do-	4	10
x) Branch Commission Officers (AF)	2 years	5	12

Antedate Seniority to Women Technical Officers

147.22 At present, technical officers in the Armed Forces are granted two years' antedate seniority for the purpose of promotions due to the higher qualifications required to be possessed by them. The provision of antedate seniority is not extended to women officers commissioned in the technical corps/services. It has been suggested that this discrimination should be removed and antedate seniority of 2 years should also be provided to women technical officers.

Our Recommendations

147.23 We have considered the demand and **recommend grant of antedate seniority only in cases where recruitment takes place with essential technical qualifications as part of the recruitment** regulations against specified vacancies of technical officers.

Rank of Commodore

147.24 The IDSA report on manpower optimisation in the Armed Forces has suggested reduction of one more rank in the hierarchy i.e. either the Lt. Col. or the Colonel. We find that the Navy has made a proposal that the rank of Commodore in the Navy should be made a substantive rank to be filled by selection. At present the rank of the Commodore in the Navy is a non-substantive administrative rank involving no selection process and there are no sanctioned appointments specifically for Commodores. All vacancies are tenable by Captain/Commodore. We have gone into the issue but in view of the considerable merit of the suggestion made by IDSA that number of service ranks should be reduced, we feel that no change in the existing position should be made. In fact, we suggest that the issue of reduction of one more rank other than that of the Second Lieutenant may be examined by the Ministry.

ACP Scheme for Service Officers

147.25 We have already outlined the constraints of the cadre structure which results in supersession. We have for civilian employees formulated an Assured Career Progression Scheme whereby financial upgradation to the next higher scale would be granted by delinking promotion from availability of vacancies but subject to fitness for promotion. We find that the integrated pay scale has ensured career progression without ensuring selectivity and the existing mechanism of the efficiency bar which was intended to weed out personnel constituting the non-select stream has not been able to achieve the desired objective. **We, therefore, suggest that the ACP scheme also be applied to Service Officers**. The ACP upgradation to the scale of Captain be granted after 4 years' service, the second to the scale of Major after 10 years service and the third to the scale of Lt.Colonel be granted after 16 years of service. The scheme would also correspond to the proposed eligibility period for substantive promotion to these ranks and it is expected that upto the rank of Major, ACP promotion would coincide with functional promotion and its attendant benefits, especially in the context of the rank based structure of the Armed Forces.

PAY STRUCTURE FOR OFFICERS

Armed Forces' Proposals

147.26 The Armed Forces proposals with regard to formulation of pay scales of officers include fair comparison with top Civil Services, year to year parity in pay of service officers and civil service officers, compensation for special conditions, peculiarities and ethos of military life and the need to attract talent of requisite calibre and to retain experienced personnel. It has been urged that the pay structure should be so devised as to provide motivation for those passed over due to cadre constraints as well as to compensate merit, responsibility and accountability in higher ranks. The erosion in the value of the rupee and the erosion of higher salaries due to incomplete neutralisation of dearness allowance leading to narrowing of gap between the lowest and highest rank of officers and erosion due to income tax liability have also been highlighted. The Armed Forces have also compared the full career aggregate pay of Armed Forces officers with the civil services and differences in life-time earnings of corresponding levels has been brought out. Two separate integrated pay scales, one from 2nd Lieutenant to Colonel and the other from Brigadier to Lieutenant General have been proposed. In addition, a military service and rank pay has been demanded.

147.27 While the general issue of erosion of salaries at higher levels has been considered in our general chapter on the subject, we have considered the other proposals made with regard to pay scales in the succeeding paragraphs.

Comparison with Civilians

147.28 In order to properly appreciate the demands relating to the pay structure, we thought it worthwhile to go into the principles adopted by earlier Pay Commissions with regard to formulation of pay scales of service officers. At the time of the Post-War Pay Committee, Service pays generally equalled civilian class-I pays and a specific equation was established with the officers of the Indian Police Service. The Raghuramaiah Committee which was appointed after the Second Pay Commission continued the accepted parallel between Defence Service officers and class I service of the Central Government, particularly the IPS. While stating that the IPS was perhaps the closest civilian analogue to officers of the infantry, the Third CPC, considering the demand of the Armed Forces to be equated to the IAS, noted the multifunctional character of the officer cadre and diversity of functions of various occupational groups and felt that to equate them with a single service would be a defective approach. In their opinion, a comparison with the conglomerate of Class-I Civil Services was more reasonable. The Fourth CPC, accepting that the organisational structure and requirements of services are different, provided compensation in the nature of the pay scales itself.

Our Views

147.29 We have considered the issue and feel that the terms and conditions, rank structure and organisational structure of Armed Forces are different and no direct equation with civilians is possible. In addition, the service requirement of maintaining a high standard of physical fitness do not really find a parallel in the civil services. However, from the point of view of granting equitable compensation and in order to attract personnel, broad comparability with civilian scales has to be established although we would not like to venture into direct comparisons with any particular service.

Compensation

147.30 As regards the issue of compensation for peculiar features of service

for Peculiar Features

career, we have already elsewhere indicated the special concessions and benefits available as compensation for additional hardships but in our opinion compensation for the organisational structure and the lack of availability of posts at higher levels should be built into the pay structure itself. As far as the aspect of turbulence in service life is concerned, the Third CPC had converted the then existing special disturbance allowance, translating it into an edge in the starting pay scale vis-a-vis the civilian Group A officers which was continued by the Fourth CPC. We have, while formulating the pay scales, recommended a similar edge in the starting pay of the service officer and suggested that the newly commissioned Lieutenant may start at Rs.8250 against a start of Rs.8000 recommended for the civilian Gp. A Officer.

Parity with Civil Services

147.31 The Armed Forces have demanded year to year parity with officers of the civil services keeping in view the rigidity of the cadre structure which prevents proliferation of posts at higher ranks. We find that the promotion prospects, time taken and eligibility criteria for promotion of civil service personnel and Armed Forces are not comparable. The Fourth CPC taking cognisance of the peculiar pyramidal structure had, through the mechanism of integrated pay scales, ensured a certain minimum level of progression delinked from the cadre structure. Consequently, higher replacement scales as compared to replacement scales for corresponding civilian scales were granted by them. We have also considered this aspect while formulating the pay scales and have endeavoured to ensure that professionally competent service officers do not suffer due to the organizational constraints. Secondly, keeping in view the ACP scheme proposed for civilian employees and the minimum progression we have proposed for them we have improved the prospects of service officers by granting parity with civilian Gp. A Officers in the 5th year and from 17th year onwards in the ACP scales. Keeping in view the prescribed ages of retirement of service officers and the fact that a large number of personnel would be discharged after reaching the maximum of the last ACP scale, we have recommended a higher maximum as compared to similarly placed civilians. In our opinion, further compensation for organizational constraints would not be desirable keeping in view the stringent promotion criteria and high degree of selectivity for attaining higher ranks which would justify a higher remuneration for select ranks on functional grounds. With the ACP scheme, we have continued the established principle of equal remuneration for specified length of service relating to the rank.

Integrated Scales Demanded

147.32 As replacement for the existing integrated pay scale from 2nd Lieutenant to Brigadier and the pay scales at higher ranks, the Armed Forces have suggested two separate integrated pay scales, the first from Second Lieutenant to Colonel and the second from Brigadier to Lieutenant General. This has been proposed with the purpose of restricting the salary progression of lower ranks to reasonable levels as well as to delink the pay progression of higher ranks from availability of vacancies at higher levels.

Our Views

147.33 We have gone into the issue of formulation of officers pay scales in detail and keeping in view the career progression pattern obtaining for Gp. A officers across various organizations of the Government of India and a similar need to provide progression in many other organizations, have come to the conclusion that having a separate dispensation for Armed Forces personnel in terms of nature of pay scales has repercussions on civilian employees and a better method would be to provide explicit compensation in regular pay scales. Secondly,another defect

in the system of integrated pay scale is that it allows progression in pay without adequate selectivity, especially in the case of the Major who is allowed to reach a pay of Rs.5700/- per month only on the basis of years of service and passing prescribed examinations. While we fully agree that competent Majors who could not get promotion to the rank of Lt. Colonel due to lack of vacancies should be allowed pay progression, the existing system does not weed out unfit personnel effectively. In view of these considerations, **we recommend that the integrated pay scales be replaced by regular pay scales but the progression in pay may be provided through the mechanism of the ACP scheme**. With the introduction of ACP scheme screening may be done before grant of the next ACP scale. With regard to the pay of the Major we feel that it should be so designed as to discourage continuance in service of the officers beyond 20 years of service if he has not been found fit to be granted the ACP scale of the Lieutenant Colonel. We have accordingly adjusted the span of the pay scale of the Major. As regards grant of integrated pay scales at higher levels, we find that similar problems of inadequate vacancies exists in many organizations. Our effort should be to provide a reasonable pay package while not necessarily equalling the progression which is accompanied with distinctly higher responsibilities. We have, however, improved the span of scales at higher levels which will provide relief from stagnation.

Principles for Fixing Pay on Promotion

147.34 Based on the above broad framework, the basic principles followed by us for formulation of Armed Forces pay scales have been that compensations presently provided in pay progression and the concept of equal renumeration for each rank based on number of years of service put in should continue to remain applicable. Secondly, we also felt that the benefits afforded due to common pay scales for all categories of officers should be continued in the scheme of regular pay scales also, unlike the provisions prevailing prior to Fourth CPC where flying branch and specialist branches like AMC and ADC etc. were on separate set of pay scales. The third aspect considered by us was regarding the remuneration for acting ranks. Regarding this principle, in the light of available provisions for grant of acting rank, we considered the various options available to us of either extending the scales backwards or providing compensation for acting rank through some other means. After deliberating over it at length, we felt that the problem could be taken care of through the mechanism of the rank pay. We have therefore retained the existing concept of rank pay as a means to provide the additional increase on promotions. In case of grant of acting promotion, since we have not extended the scales backwards, we suggest that the officer may continue to draw pay in the lower scale but may be allowed the rank pay of the rank in which he is officiating till he has completed the prescribed number of years for grant of substantive promotion. In case of substantive promotions and where acting rank has been granted after completing qualifying service for grant of substantive promotion, pay may be fixed at the same stage in the higher scale or at the next higher stage if no identical stage exists, and the rank pay of the higher rank may be paid in addition. We feel that this method is also in keeping with the existing arrangement whereby the minimum pay of the higher rank is not granted unless prescribed number of years have been completed, but higher Rank Pay is allowed. However, for promotion to the rank of Major General and above, the existing provisions on pay fixation may continue to be applicable.

Recommended Pay Scales

147.35 Keeping the above considerations in view and in the light of the abolition of the rank of 2nd Lieutenant proposed by us, **we recommend the following pay scales for service officers upto the rank of Brigadier**:

	(Rs.)
Lieutenant	8250-300-10050
Captain	9600-300-11400
Major	11600-325-14850
Lt. Colonel	13500-400-17100
Colonel	15100-450-17350
Brigadier	15350-450-17600

In addition, the following rank pay may be granted:

Rank Pay

	(Rs.)
Captain	400
Major	1200
Lt. Col.	1600
Col.	2000
Brig.	2400

Starting Pay for AMC Officers

147.36 For officers of the AMC we recommend the following revised starting pay keeping in view the existing position:

For Those Commissioned as	AMC	ADC (in Rs.)	RVC
Lieutenants	9150	9150	9150
Captains	9450	-	-

Other Pay Scales

147.37 As regards the pay scales at higher levels, in view of the existing relativities we suggest that the Major Generals may be granted the pay scale of 18400-500-22400 and Lieutenant Generals and equivalent be granted the pay scale of Rs.22400-525-24500. For Vice Chiefs and Army Commander and equivalent we recommend a pay of Rs.26000 (fixed) per month.

Pay of Service Chiefs

147.38 As regards the pay of Service Chiefs, we recommend a **revised pay of Rs.30000 (fixed)** corresponding to their existing scale of Rs.9,000 (fixed).

PAY STRUCTURE OF MNS OFFICERS

Background

147.39 The Fourth Pay Commission had not accepted the Armed Forces proposal of granting same pay scales to MNS as for other Service Officers and had proposed rank-based pay to MNS Officers for various ranks. However, in consonance with the integrated pay scale for officers upto the rank of Brig., an integrated pay scale was accepted by Government upto the rank of Col. in the MNS Cadre starting from Rs.2200/- to Rs.4500/-. The Brigadier's pay scale was suggested at Rs.4600-100-5000 and that of the Maj. Gen. at Rs.5100-150-5700 against General list cadre Maj. Gen.'s scale of Rs.5900-150-6700.

Services

147.40 The Armed Forces have made the following proposals with regard to

Proposal

pay of MNS Officers:

a) There should be two integrated pay scales one upto rank of Col. and other from Brig. to Maj. Gen.

b) The start of scale of Lt. to Col. should be one increment below the start of general list cadre.

c) B.Sc.(Nursing) entrants to MNS cadre should continue to have one year ante-date seniority over Diploma entrants.

d) To compensate for merit and responsibility of higher ranks, rank pay should be introduced.

Our recommendations

147.41 We have considered the demands keeping in view the approach followed by earlier commissions and the compensation available to civilian nurses. **We are of the opinion that it would not be fair to evolve their pay structure totally in line with civil nurses keeping in view the all India liability and military service element**. In the case of MNS officers, we therefore suggest that the parities evolved by Fourth CPC may be maintained and MNS officers may continue to be paid at a starting pay scale equal to the Gp A civilian starting scale.

Recommended Pay Scales

147.42 Keeping in view the existing pay scales, the minimum pay prescribed for each rank and the proposals made for General List Service Officers, **the following revised scales are recommended for MNS Officers**:

	(Rs.)
Lieutenant	8000-300-9500
Captain	9400-300-12100
Major	11200-300-14800
Lt. Colonel	12800-300-15200
Colonel	13400-300-15500
Brigadier	14700-300-16200
Maj. General	16400-450-20000

ACP Scheme

147.43 As regards the ACP scheme for MNS Officers, we suggest that the first ACP upgradation to the scale of Captain may be granted after 5 years service, the second ACP upgradation to the scale of Major after 12 years' service and the third to the scale of Lt. Col. after 18 years' service. Pay on promotion may be fixed in the same manner as suggested for service officers.

148

Fixation of Pay in Proposed Scales

Background

148.1 We have made recommendations with regard to fixation of pay in the proposed scales in respect of civilian employees in the relevant chapter. The method of pay fixation on revision of pay adopted by earlier Pay Commissions for civilians and service personnel was more or less identical. The Fourth CPC while following a similar dispensation for civilian and Service Personnel had given specific illustrations of the manner in which pay for service personnel should be fixed especially in the context of the introduction of integrated pay scales for Service Officers.

Our Recommen-dations

148.2 We have deliberated over the manner in which service pays should be fixed and in order to ensure equality of treatment **suggest that the method of fixation of pay on revision recommended for civilian employees may also be adopted for service personnel**. For Service Officers upto the rank of Brigadier who are to be brought on to regular scales of pay from the existing integrated scale, we suggest that for fixation of pay the existing rank pay may be taken into account but pay in revised scales be fixed after deducting the revised amount of rank pay. While the method of fixation and illustrations given for civilians would apply mutatis mutandis to PBOR and Service Officers of the rank of Major General and above, the following illustrations indicate the manner in which pay should be fixed for armed forces officers upto the rank of Brigadier:

Illustration No. 1

1. Rank		Major
2. Pay + Rank Pay(Rs.3400+600)		Rs.4,000
3. Stage in the scale		1st stage
4. D.A. at index avg. 1510 + Interim Relief		Rs. 5,680
5. Existing Emoluments		Rs. 9,680
6. Add 20% of (Pay +Rank Pay)		Rs. 800
7.	Total	Rs.10,480

8. Pay after deducting revised Rank Pay of Rs. 1200	Rs. 9,280
9. Pay in the revised scale	Rs. 11,600 + 1,200 Rank Pay

Illustration No. 2

1. Rank	Lt. Colonel
2. Pay + Rank Pay(Rs.4500+800)	Rs. 5,300
3. Stage in the Pay of Lt. Colonel	7th Stage
4. Dearness Allowance at index avg. 1510+Interim Relief	Rs. 6,513
5. Existing Emoluments	Rs.11,813
6. Add 20% of (Pay +Rank Pay)	Rs. 1,060
7. Total	Rs.12,873
8. Amount after deducting revised Rank Pay of Rs. 1600	Rs.11,273
9. Pay in the revised scale after adding one increment	Rs.13,900+Rs.1,600 Rank Pay

Illustration No. 3

1. Rank	Colonel
2. Pay + Rank Pay (Rs.5100+1000)	Rs. 6,100
3. Stage in existing scale	5th stage
4. DA at index avg. 1510 + Interim relief	Rs. 7,370
5. Existing emoluments	Rs.13,470
6. Add 20% of (Pay+Rank pay)	Rs. 1,220
7. Total	Rs.14,690
8. Amount after deducting Rank Pay of Rs. 2000	Rs.12,690
9. Pay in the revised scale after adding one increment	Rs.15,550+Rs.2,000 Rank Pay

Section III

Allowances

149

Applicability of Compensatory Allowances to the Armed Forces

149.1 Certain allowances like Dearness Allowance, City Compensatory Allowance, Deputation Allowance etc. are common to both Armed Forces and civilian employees. While some of these allowances are granted under identical conditions to both, there are some differences in applicability conditions in case of some allowances. We have discussed the Armed Forces proposals with regard to these allowances mainly with regard to specific suggestions in applicabiltiy conditions made by Armed Forces in this chapter.

DA & CCA

149.2 Prior to the Third CPC, Dearness Allowance and City Compensatory Allowance at 80% of the civilian rates were applicable to the PBOR in the Armed Forces, though the officers were entitled to rates applicable to civilians. With the implementation of the Third CPC recommendations, the rates of DA and CCA for the PBOR in the Armed Forces were brought at par with the civilian rates. At present, there is no distinction between the rates of Dearness Allowance and City Compensatory Allowance for Civilians and Armed Forces Personnel.

149.3 We have considered the specific suggestions of the Armed Forces on D.A. and CCA while formulating our recommendations on them. **Our general recommendations on dearness allowance and city compensatory allowance will equally apply to the Armed Forces personnel.**

Special Compensatory Allowance

149.4 The Armed Forces have suggested that Island Special Allowance, which is admissible to civilians but not to the Armed Forces, should also be made applicable to them and Special Compensatory Allowance (Remote Locality), which is available to civilians as well as the Naval and Air Force personnel should also apply to the Army personnel not in receipt of field service concessions.

149.5 We have examined the Armed Forces suggestion regarding applicability of Island special allowance to them in the context of the relative levels of deprivation and compensation for civilians and Armed Forces personnel and find ourselves unable to accede to the demand.

149.6 Special Compensatory Allowance (Remote Locality), which was earlier available to the Army personnel, was discontinued after introduction of field service concessions with effect from January, 1993. The Government orders, while enlisting the areas entitled for field service concessions, had specified that the list of areas should be modified from time to time. In view of these provisions, **we do not recommend any change in this regard.**

Bhutan Compensatory Allowance

149.7 Bhutan Compensatory Allowance (BCA) is admissible to the Armed Forces personnel posted to IMTRAT (Bhutan) at a depression of 22.5% for service officers and 10% for JCOs/ORs in the standard rate of BCA promulgated by the Ministry of External Affairs. This depression is on account of certain service concessions provided to the Armed Forces personnel while in Bhutan.

149.8 The Armed Forces have suggested that the existing depression in BCA for them be removed and if required, they can be charged for the free facilities available to them.

149.9 We have considered the Armed Forces suggestion and **we do not feel any need for change** in the existing arrangement.

Deputation (Duty) Allowance

149.10 The Armed Forces personnel on deputation to other Central Government Departments are entitled to Deputation (Duty) Allowance at half the rates admissible to civilians, with other conditions of grant being same as for civilians. The reduced rate of deputation (duty) allowance for the Armed Forces are on account of the service concessions which service officers continue to enjoy while on deputation.

149.11 The Armed Forces have suggested that they should be granted deputation (duty) allowance at the same rates as for civilians and the allowance be extended to the service officers posted to the DRDO and Rashtriya Rifles. They have also suggested that the Service officers be considered for deputation on the basis of equivalent pay rather then by rank (as deputation allowance is related to the pay of the post) or else the regulatory provision of basic pay plus deputation allowance not exceeding maximum of the scale of the deputation post be done away with for them.

149.12 The Fourth CPC had considered the issue of deputation (duty) allowance for the Armed Forces and did not recommend any change in the rates of the allowance, in view of service concessions which the service officers continue to enjoy while on deputation. **We also do not see any need for change,** as the rationale for lower rates still holds good. We are also unable to agree to the Armed Forces suggestion regarding extension of this allowance to Armed Forces personnel posted to the DRDO and Rashtriya Rifles, as these postings are not out of the regular line for them. However,

our general recommendation to remove the ceiling on the amount of deputation allowance per month as well as the regulatory provision of basic pay plus deputation allowance not exceeding maximum of the scale of the deputation post, will also apply to the Armed Forces.

149.13 **Our general recommendations on incentives for small family norms and Non-Practising Allowance for Medical, Dental and Veterinary personnel will equally apply to the Armed Forces personnel.**

Transport Allowance

149.14 With regard to transport allowance for Armed Forces personnel, rates recommended by us for executives elsewhere in the Report would apply to all Commissioned Officers. Similarly rates suggested for Supervisory Staff would apply to all JCOs, for Supporting Staff to all NCOs, Other Ranks and for Auxiliary Staff to Non-combatants (enrolled) of the Air Force.

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Risk Related and Compensatory Allowances

INTRODUCTION

General

150.1 The Armed Forces are granted certain allowances as special compensation for additional hardships or exposure to risks and hazards. These include flying pay, submarine pay, para commando pay, diving allowance, field area allowance etc., which are intended to cover the additional hardships faced either due to nature of duties or place of posting. In the proposals received from the Armed Forces, the continuance and enhancement of all these allowances has been proposed and suggestions have been made for introduction of certain new allowances. We have considered each of these allowances related to compensation for additional risks keeping in mind the proposals received from the Services.

FLYING PAY

Background

150.2 Flying pay is granted to officers of the Flying Branch and technical officers and airmen performing air crew duties in the Indian Air Force and equivalent personnel in the Army and Navy. Flying Pay was earlier called Flying Bounty, and was introduced in 1948 to serve as an incentive to persons of the right calibre to join the flying branch for undertaking military flying with its attendant risks. Prior to the Third CPC, Flying Bounty was granted on completion of prescribed number of flying hours per year. The Air Headquarters had represented before the Third CPC that this condition interfered with optimum utilisation of limited facilities available in a flying unit. Proper flying practice was also difficult to be provided to officers assigned to non-flying duties. Besides, due to the sophisticated nature of modern combat aircraft, the duration of a sortie was much less as compared to older aircraft and Government had to incur substantial expenditure in order to ensure completion of flying hours. In view of these arguments, the Third CPC recommended waiver of the condition of flying a

minimum number of hours. After the Third CPC, Flying Bounty was renamed as flying pay and was admitted monthly.

Existing Position

150.3 The existing rates of flying pay, which were last revised in 1987 on the recommendations of the Fourth CPC, are as follows:

(Rs. per month)

1. Upto Group Captain and equivalent	1200/-
2. Above Group Captain and equivalent	900/-
3. Airmen Aircrew	900/-

150.4 While the Air Force/Naval Aviation pilot continues to remain eligible for flying pay even on non flying duties, the Army Aviation pilot is not entitled to flying pay when posted out of Aviation Squadron.

Armed Forces Proposals

150.5 According to the Armed Forces' proposal it is only the officers of the Flying Branch who go into actual combat in the event of war. The data submitted by the Armed Forces indicates that the cost of a MIRAGE - 2000 aircraft is over Rs.100 Crores with per hour cost of flying being Rs.9.8 Lakhs and a Jaguar aircraft costs Rs.26.36 Crores with per hour flying cost being Rs.2.6 Lakhs. The training cost of a fully operational fighter pilot has been estimated to be between Rs.23 to Rs.45 Crores. The high cost of modern combat aircraft and the prohibitive costs of training a fully operational fighter pilot necessitate that personnel of higher intelligence quotient are attracted to the Air Force. It has been stated that military flying is far more exacting and bears a far greater risk than civil aviation. Based on the compensation packages available to similar jobs in the country and flying pay in other countries, considerable enhancement of flying pay has been sought by the Armed Forces. Grant of dearness allowance on flying pay has also been suggested. It has also been suggested that Army Aviation Corps Pilots be made entitled to flying pay on similar terms and conditions as the Air Force and Navy.

Fighter Flying Allowance

150.6 It has further been suggested that in addition to flying pay, medically fit and active fighter pilots may be authorised a fighter flying allowance in view of the exceptionally high degree of risk in fighter flying, the high rate of accidents and the physical, physiological and psychological stress involved in military flying.

Our Views

150.7 We have gone into the issue in detail and agree that there is a definite need to attract better quality individuals in view of the high costs of aircraft and long and expensive duration of training. The Gulf war has also emphasized the critical role of air power in any future combat and the need to achieve commensurate expertise and technology. We have also taken note of the substantial increases in flying related compensation available to similar personnel in the private and public sector. We feel that introduction of a linkage with flying hours may not be desirable and feasible in the case of the Indian Air Force. In the context of enhancement of rates, we are also conscious of the fact that flying is inherent in the nature of duties of the Air Force and that the high cost of flying

training is borne entirely by the Government. The training so imparted also results in highly marketable skills in the private/ public sector after discharge. While we are convinced of the requirement to enhance flying related compensation, in our opinion a special dispensation for fighter flying is called for. We have taken cognisance of the high degree of risk involved in fighter flying and the tremendous pressure on the pilot who has to operate with a high degree of motivation and precision and are convinced that fighter flying deserves a higher compensation.

Our Recommendations

150.8 Keeping all the above aspects in view, we propose to keep a distinction between fighter pilots and other flying personnel. We therefore **recommend that the existing Flying Pay may be renamed as "Flying Allowance" and be enhanced in the following manner:**

		(Rs. per month)
1. Fighter pilots		**3000/-**
2. Other pilots and technical officers - upto the rank of Gp. Captain		**2400/-**
3. Airmen Aircrew	-	**1800/-**

150.9 In our opinion, grant of flying allowance should only be restricted upto the rank of Group Captain and equivalent who are actually expected to do active flying in combat. No change in the existing conditions applicable to Army Aviation Corps Pilots is recommended. We are also unable to agree with the proposal to grant dearness allowance on flying allowance.

TEST PILOT ALLOWANCE

Background

150.10 Test Pilot Allowance was first introduced in 1981 at Rs.250/- per month and is admissible to all qualified Test Pilots in addition to Flying Pay, while they are on posted strength or on attachment to any unit for carrying out test flying duties. The present rate of this allowance as enhanced after Fourth CPC's recommendations is Rs.400/- per month. It is admissible only to Test Pilots and not to Flight Test Engineers and Flight Test Instrumentation Engineers who along with Test Pilots form a flight testing crew on transport and other twin/multiseater aircraft. The Armed Forces have demanded a substantial increase in the allowance in view of the high degree of risk and lack of volunteers. Extension of the allowance to flight testing instrumentation engineers has also been suggested. This allowance is presently paid at the rates of 1/3rd of Flying Pay.

Our Recommendations

150.11 Keeping in view the rates we have suggested in respect of Flying Allowance **we recommend that the rate of test pilot allowance may be doubled to Rs.800/-per month**. We are of the view that the allowance need not be extended to other categories of personnel.

SUBMARINE PAY

Background

150.12 Submarine Pay was introduced in 1967 for officers and sailors qualified for and appointed as crew for service on submarines, keeping in view the additional risks and arduous conditions of work. The existing rates of submarine pay are at par with flying pay, in view of the recommendations made in this regard by the Fourth CPC.

Armed Forces Proposals

150.13 The Armed Forces have suggested continuance of the parity with flying pay and similar enhancement as flying pay. Extension of the allowance to flag ranks and introduction of an allowance for all submariners qualified in submarine escape training tests have also been suggested.

Our Recommendations

150.14 We have examined the issue and find that while the Third CPC had not found adequate justification for establishing an equation between personnel of the submarine cadre and the flying branch, the Fourth CPC had agreed to the suggestion of parity. We have during our visits also observed the extra risk, discomfort and possible detriment to health inherent in service on submarines. We have also been informed of the lack of volunteers for the submarine arm and the resultant shortages in the cadre. We agree that the conditions on board a submarine are such as would justify an equation with the flying pay recommended by us for fighter pilots and **accordingly recommend revision as under**:

	Existing Rate	Recommended Rate
	(in Rs.p.m.)	
1. **Captain (with more than 3 years service in rank)**	**900**	**2200**
2. **Officers upto Captain**	**1200**	**3000**
3. **Sailors**	**900**	**1800**

150.15 We also suggest that Submarine Pay may be renamed as Submarine Allowance. For the reason that higher ranks are not normally required to sail in submarines, we do not recommend further extension of the allowance. As regards grant of submarine escape training allowance, we find ourselves unable to agree to the proposal.

SUBMARINE ALLOWANCE

Present Position

150.16 Submarine Allowance is granted to personnel other than qualified submariners who embark on a submarine for training, passage and trials. It is granted at a rate of Rs.15 per day to officers and Rs.5 per day to PBOR. The Armed Forces have suggested that since personnel temporarily on board for official purposes are equally subject to risk, hazard and discomfort the rates may be revised

to Rs.90/- per day for officers and Rs.30/- per day for PBOR.

Revised Rates

150.17 We have examined the issue and **recommend that submarine allowance may be enhanced to Rs.45/-per day for officers and Rs.15/- per day for sailors**. Since submarine pay is proposed to be renamed as submarine allowance, the existing submarine allowance may be renamed as "Submarine Duty Allowance"

DIVING ALLOWANCE AND DIP MONEY

Background

150.18 There are at present two categories of divers in the Navy i.e. clearance/deep divers and ships' divers. Ships' divers dive upto a depth of 35 metres and are employed on routine underwater tasks. Clearance diving requires much greater intensive training and entails diving upto a depth of 160 metres and assignment on hazardous/arduous underwater tasks and salvage operations. The complement of sailors undertaking clearance diving is divided into classes based on proficiency obtained after undergoing specified courses. All Naval personnel on the authorised cadre are entitled to diving allowance at monthly rates. In addition, dip money is also admissible at prescribed rates depending on depth and on time spent under water. An attendant allowance is paid at 1/5th of Dip Money admissible to divers' attendants, who are also required to be qualified divers.

Existing Rates

150.19 The existing rates of diving allowance and dip money are:

Diving Allowance

Officers

i) Clearance/Deep Diving Officer	Rs.200/- p.m.
ii) Ship Diving Officer	Rs.100/- p.m.

Sailors

1. Clearance Diver Class I	Rs.150 p.m.
2. Clearance Diver Class II	Rs.130 p.m.
3. Clearance Diver Class III	Rs.110 p.m.
4. Ship Diver	Rs.100 p.m.

Dip Money is paid at normal rates to ships' divers and at twice the rates to clearance/deep divers, the existing normal rates being as follows:

Depth (in Fathoms)	Existing Rates Per Minute (in Rs.)
Upto 20	0.30
20-30	0.45
30-40	0.60

40-50	0.90
50-60	1.20
60-75	1.70
75-100	1.90

Services Proposals

150.20 On the ground that divers are engaged in specialised and hazardous operations and in view of enlargement in their scope of activities, the Armed Forces have suggested that the existing rates of diving allowance and dip money may be enhanced four times and extended to Army and Air Force personnel qualified in diving.

Our Recommendations

150.21 We find that the rates of the diving allowance and dip money have been enhanced by earlier Pay Commissions keeping in view the high risk and hazard and the psychological strain imposed. We are inclined to agree that there is a high degree of risk involved in undertaking underwater operations and **recommend that the existing rates of the diving allowance and dip money, which were sanctioned in 1986 may be doubled**. However, we do not recommend extension to any other category of personnel.

SPECIAL FORCES ALLOWANCE

Present Position

150.22 The erstwhile Para Commando battalions of the Army have been restructured and redesignated as Special Forces for conducting specialised operations. These forces are at present entitled to para commando allowance. The existing rates of Para Commando Allowance are:

a) Officers - Rs.350 per month
b) JCOs - Rs.250 per month
c) ORs - Rs.175 per month

Services Proposals

150.23 The Armed Forces have stated that the Special Forces are specialised troops and carry out covert and limited overt strategic and technical military operations in war and in low intensity conflicts. There is considerable risk to life and limb in these operations as well as in day to day training. Keeping in view the high rate of casualties during operations and the hazardous nature of duties, the Armed Forces have suggested considerable enhancement in the rates of Para Commando or Special Forces Allowance. It has also been suggested that Para Pay as authorised to paratroopers may be made applicable to Special Forces personnel in addition. For those of the personnel who are trained in free fall parachuting and in underwater diving and demolition, introduction of Free Fall Allowance and Diving Allowance/Dip Money have been suggested.

Our Recommendations

150.24 We have considered the various suggestions made by the Armed Forces and recognising the additional risks undertaken by these personnel **recommend that the present Para Commando Pay may be redesignated as**

'**Special Forces Allowance**' without any change in the scope of its application **and the rates be enhanced as follows**:

1. **Officers** - **Rs.700 per month**
2. **JCOs** - **Rs.500 per month**
3. **Ors** - **Rs.350 per month**

150.25 However, we do not recommend introduction of para pay, free fall allowance or diving allowance/dip money for these personnel.

Air Force Commandoes

150.26 At present, no para commando allowance is paid to Air Force Commandos who are trained in anti-hijacking operations. **We recommend that the allowance may be extended to Air Force Commando personnel also.**

MARINE COMMANDOS AND CHARIOT PAY

Background

150.27 The Marine Commando cadre was created in 1987 with a complement of 38 officers and 373 sailors. These personnel were selected from clearance and ships divers of the Navy for meeting the threat to national offshore areas. The Chariot cadre personnel are required to operate the submersible crafts (CHARIOTS) during preemptive strikes in enemy harbours.

Existing Rates

150.28 In view of the risky nature of their duties, personnel of the cadre are entitled to Marine Commando and Chariot Pay at the following rates:

	(Rs. per month)
1. Capt.(with more than 3 yrs. service in rank)	900
2. Other officers upto Captain	1200
3. Sailors	900

Armed Forces Proposals

150.29 The Armed Forces have suggested continuance of the existing parity of the Marine Commandos and Chariot Pay with Submarine Pay in view of the increasing frequency with which they are called upon to perform and have suggested revised rates of Rs.7000 p.m. for officers and Rs.5500 for sailors.

Our Recommendations

150.30 We have considered the issue and feel that the differences in duration of deployment, and in the roles warrant a separate treatment for submariner and these personnel. Taking into account the multifaceted training and professionalism of the Marcos Cadre and the risks involved in operating the Chariots, both of which we had occasion to observe, **we recommend that the existing rates of Marine Commando and Chariot Pay may be doubled.**

PARA PAY AND PARA RESERVE PAY

General

150.31 Parachute Pay is granted to officers and men of the Army holding appointments of operational parachutists authorised in the War/Peace establishment of their units. These paratroopers are required to be dropped behind enemy lines and carry out operations independently or in conjunction with follow up ground forces. On landing, they operate like normal infantrymen. For continuance of grant of para pay in each year, a parachute refresher course including a minimum of two jumps is to be attended. Parachute Pay ceases from the day a person vacates his operational parachutist appointment or from the date on which he is struck off the strength of a parachute unit on permanent posting to his Regimental or Corps Centre.

Para Reserve Pay

150.32 Individuals posted as parachute reservists to nonparachute units are entitled to Para Reserve Pay from the date of posting as reservist at half the rates of Para Pay. For transfer of trained parachutists to para reserve, an individual should have a minimum of three years' service in a para unit as a trained parachutist and should be less than 35 years of age. For grant of Para Reserve Pay also, parachute refresher course is required to be attended.

Existing Rates

150.33 The existing rates of para pay are:

a) Officers Rs.150 per month
b) JCOs/ORs Rs.100 per month

Armed Forces Proposals

150.34 The Armed Forces have suggested substantial increases in the rates of Para Pay and have suggested its extension to entitled Air Force and Naval personnel.

Our Suggestions

150.35 Considering the various factors, **we recommend that the Para Pay and Para Reserve Pay may be renamed as Para Allowance and Para Reserve Allowance and may be paid at the following rates**:

	Para Allowance	Para Reserve Allowance (in Rs. per month)
a) **Officers**	**300**	**150**
b) **JCOs/ORs**	**200**	**100**

150.36 We, however, do not find sufficient justification for extending the allowance to Naval and Air Force personnel.

PARA JUMP INSTRUCTOR PAY

Present Position

150.37 Indian Air Force Officers and personnel who are employed as parachute jumping instructors are granted Para Jump Instructor Pay of Rs.300 per month for Officers and Rs.200 per month for Airmen. These instructors are volunteers from Ground Duty Branches and have to undergo stiff medical tests for selection.

Demand

150.38 The Armed Forces have suggested enhancement of Para Jump Instructor Pay to Rs.1200/- per month for officers and Rs.900/- per month for airmen in order to motivate personnel to volunteer for the job. Introduction of Free Fall Jump Instructor Pay has also been suggested.

Our Recommendations

150.39 We have considered these suggestions and **recommend that Para Jump Instructor Pay be renamed as Para Jump Instructor Allowance and doubled**. We are, however, unable to agree with the suggestion to introduce Free Fall Jump Instructor Pay.

COMBAT HAZARD ALLOWANCE

Armed Forces Proposal

150.40 The Armed Forces have suggested that a Combat Hazard Allowance be introduced for troops in field areas, high altitude areas and Siachen, special forces of the three services and for personnel serving in areas which may in future be declared field areas on the ground that a distinction is required to be maintained between these troops and those otherwise deployed.

Our Recommendations

150.41 In our opinion, combat hazard is inherent in military duties and the various concessions and allowances available to Armed Forces take into account this hazard. We therefore do not recommend introduction of a separate Combat Hazard Allowance.

COUNTER INSURGENCY OPERATIONS ALLOWANCE

Existing Position

150.42 Since 1994, troops deployed on Counter Insurgency operations have been treated on par with troops deployed in field areas and granted Counter Insurgency Operations Allowance (CI Ops. Allowance) at field area allowance rates. Troops operating away from their permanent locations for over 30 days qualify for grant of the allowance. No other monetary allowance is admissible to troops on deployment. The existing rates of counter insurgency operations allowance are:

	Rate/month (in Rs.)
Lt. Col. & Above	975
Lt. Col.(TS) & Major	895
Captain	820
2nd Lt./Lt.	780
JCOs/Hony. Commissioned Officers	650
Havildar	450
Sep/Naik incl Ncs(E)	375

Armed Forces Proposals

150.43 It has been suggested by the Armed Forces that CI Ops. Allowance should continue to be equated to field area allowance but should be admissible in addition to field area allowance/modified field area allowance/high altitude allowance. Extension of the allowance to troops permanently located in CI Ops area and engaged in CI Operations and to Static Establishments/Headquarters in the area of operations has also been proposed. It has also been urged that Navy and Air Force when engaged in Counter Insurgency Operations may also be made entitled to grant of the allowance.

Our Recommendations

150.44 After careful consideration of all the suggestions made, **we recommend that the existing parity with field area allowance may continue and rates suggested by us for field area allowance in the subsequent paragraphs may be made applicable to these personnel also**. We, however, do not suggest any expansion in the scope of application of the allowance.

FIELD SERVICE CONCESSIONS

Background

150.45 Prior to Fourth Pay Commission, field service concessions were granted in the form of free rations, free single accommodation including allied services and some minor concessions like free postage. A married officer was entitled to Rs.140/- in addition as separation allowance on account of separation from his family. However, high altitude allowance, uncongenial climate allowance were also granted where applicable. For personnel below officer rank, for service in field areas, besides concessions like free postage and free replacement of uniform, special compensatory allowance was admissible as compensation for hard life and lack of amenities in field areas.

Present Position

150.46 The Fourth CPC had recommended that classification of areas for grant of field service concessions be reviewed by Govt. and the concessions decided keeping in view special compensatory allowances recommended for civilians. Based on that recommendation, field service concessions for the Armed Forces have been rationalised. Field areas have been classified as field areas and modified field areas and separate compensation based on operational readiness and availability of facilities introduced in 1993.

150.47 In addition, high altitude areas have been categorised as:

i) areas between 9000 ft. and 15000 ft. including uncongenial climate areas below 9000 feet, and

ii) areas above 15000 feet in height for the purpose of grant of high altitude allowance.

For Siachen area which is permanently snow-bound Siachen allowance has been introduced. We have considered the proposals made by the Armed Forces regarding field service concessions in the succeeding paragraphs.

FIELD AREA ALLOWANCE

Definition

150.48 Field area is an area where troops are deployed near the borders for operational requirements and where imminence of hostilities and associated risk to life exists. Troops in such areas are located for reasons of operational considerations alone and are not living in cantonments.

Applicability

150.49 Field Area Allowance has been made admissible to personnel serving in detachments, units and formations in these areas. No field area allowance is granted to static formations, NCC directorates, TA Units, Record Offices etc.

Demand

150.50 The Armed Forces have suggested substantial enhancements in the rates field area allowance in view of the difficult conditions of service in these areas. Combat Hazard Allowance has been proposed to be paid in addition.

Our Recommendations

150.51 We have considered the suggestions and find that the rates of field area allowance have been fixed recently in April 1993. In view of this, **we recommend that rates of field area allowance be increased in the following manner**:

Rank	Existing (in Rs. per month)	Proposed Rates
Lt.Col. & above	**975**	**1300**
Major	**895**	**1200**
Captain	**820**	**1100**
Subaltern	**780**	**1050**

Rank	Existing (in Rs. per month)	Proposed Rates
JCO	**650**	**900**
Havildar	**450**	**600**
Sep/NK	**375**	**500**

MODIFIED FIELD AREA ALLOWANCE

Definition

150.52 Modified field area is an area where troops are deployed in support of combat troops in an operational support role. Degree of operational readiness is slightly lower than that in field area but sustained surveillance continues.

Our Recommendations

150.53 The Armed Forces have suggested upward revision of the rates of modified field area allowance keeping in mind the fair degree of deprivation and hardship in these areas. However, keeping in view the fact that rates of the allowance have also been fixed in 1993, **we recommend enhancement of the rates in the following manner**:

Rank	Existing Rates (in Rs. p.m)	Proposed Rates
a) Lt.Col. & above	**375**	**500**
b) Major	**350**	**465**
c) Capt.	**325**	**430**
d) Subaltern	**300**	**400**
e) JCOs	**225**	**300**
f) Havildar	**175**	**230**
g) Sep/NK	**150**	**200**

HIGH ALTITUDE ALLOWANCE

Present Position

150.54 High Altitude Allowance is admissible in addition to field area allowance. The existing rates of high altitude allowance are:

	Category I (Ht.from 9000 ft.to 15000 ft including uncongenial climate areas below 9000 ft.)	Category II (Above 15,000 feet)
	(Rs. per month)	
a) Lt.Col.& above	400	600
b) Major	350	525
c) Capt.	250	375
d) Subaltern	200	300
e) JCOs	180	270
f) Havildar	140	210
g) Sep/NK	100	150

Services' Proposal

150.55 The Armed Forces have proposed recategorisation of height brackets suggesting that higher rate of allowance be made admissible for heights

above 12000 ft., instead of the existing 15000 feet, in order to compensate maximum number of troops and in view of harsh living conditions and pronounced effect of high altitude beyond this height. Payment of Combat Hazard element in addition has also been suggested.

Our Recommendations

150.56 Since the rationalisation of field service concessions has taken place only in 1993, we feel it would not be appropriate to disturb the existing classification of high altitude areas. As regards the rates of the allowance, consistent with increases suggested for field area and modified field area allowance, **we recommend the following revised rates for High Altitude Area Allowance**:

	Category I	Category II
	(in Rs. per month)	
a) Lt.Col.& above	**530**	**800**
b) Major	**465**	**700**
c) Capt.	**330**	**500**
d) Subaltern	**265**	**400**
e) JCOs	**240**	**360**
f) Havildar	**185**	**280**
g) Sep/NK	**135**	**200**

SIACHEN ALLOWANCE

Background

150.57 Siachen Allowance is paid to troops serving in the Siachen region. The allowance is payable in addition to field area allowance. Units are deployed in the area for a 6 month tenure. Due to the contemperative and difficult conditions in the area, personnel are subjected to a very high level of physical and mental fatigue with a pronounced degradation in mental faculties and reactions. High degree of casualties have also been reported from troops in this area due to harsh climatic conditions.

Proposal

150.58 In their proposal, the Armed Forces have suggested that rates of Siachen Allowance may be enhanced from the existing Rs.1200 per month for Officers to Rs.7000 per month and for PBOR from Rs.800 per month to Rs.4500 per month. In addition, payment of Combat Hazard Allowance has also been proposed.

Our recommendations

150.59 While the rates of Siachen Allowance have also been fixed in 1993, we feel that the extremely harsh conditions in the area deserve special consideration and a substantial revision in rates is called for. **Keeping in view the high incidence of casualties, the harsh environmental conditions and inadequate facilities in the area, we recommend that the rates of Siachen Allowance may be enhanced as follows**:

Officers	**Rs.3000 per month**
JCO/ORs	**Rs.2000 per month**

REVIEW OF AREAS

Our Views

150.60 The Armed Forces have also suggested a review of the areas qualifying for grant of field service concessions and inclusion of certain areas. We find that provision already exists whereby classification of areas is to be reviewed every three years. We, therefore, feel that **the task is best left to the Ministry of Defence** in keeping with the present Government Orders.

SEA SERVICE CONCESSIONS

Present Position

150.61 The existing sea service concessions available as compensation for hardships at sea include:

I) Hardlying money,
ii) Separation allowance for officers, and
iii) Sea duty allowance for sailors.

Hardlying Money

150.62 Hardlying money is in the nature of compensation for extra discomforts of service inherent on smaller ships for periods during which Naval personnel actually live and sleep on board specified classes of ships. It is, therefore, not paid for duty in larger ships. In the smaller ships like mine sweepers, ocean-going tugs, patrol crafts and submarines, hardlying money is paid at full rates and in the relatively more comfortable vessels like the destroyers, petya class ships and certain tankers it is paid at half rates.

Present Rates

150.63 The existing 'full' rates of hardlying money are as follows:

Officers	Rs.100 per month
Sailors	Rs.70 per month

Our Recommendations

150.64 The Armed Forces have proposed substantial enhancements in the rates of hardlying money based on tonnage of ships while suggesting retention of the existing applicability conditions. We have studied the existing provisions with regard to hardlying money and **recommend that the existing rates of hardlying money may be doubled** but the existing classification of ships and applicability conditions may be retained.

SEPARATION ALLOWANCE AND SEA DUTY ALLOWANCE

Services Proposals

150.65 As regards the existing separation allowance for officers and sea duty allowance for sailors, the Armed Forces have contended that since the separation allowance and special compensatory allowance earlier available to the Army and Air Force personnel whilst serving in field areas, have been replaced by a new set of allowances, the same may be done for the Navy. They have therefore suggested that a sea going allowance may be introduced in lieu of separation allowance and special compensatory allowance be admissible when the ship leaves her base port for more than 12 hours for ships of 5000 tons and above and four hours for ships of less than 5000 tons. The revision has been sought keeping in mind the linkage with allowances available earlier in field areas.

Background

150.66 We find that the Fourth CPC had considered the suggestion of Naval Headquarters for grant of separate compensation to officers and sailors posted on ships but had not found adequate justification for the payment of a separate sea service concession. The Armed Forces have stated that when field service concessions were taken up for rationalisation by the Ministry of Defence in 1992, the concessions available to the Navy were not considered. As a consequence, separation allowance and sea duty allowance for the navy remained unaltered.

Existing Position

150.67 The existing rate of separation allowance for officers is Rs.140 per month calculated on a daily basis on the condition that the ship should have been outside home port for 12 hours or more. The existing rates of sea duty allowance which is also calculated in a similar manner are:

Rank	Existing Rate (Rs. p.m)
Hony. Commissioned/MCPO/CPO	53/-
PO	38/-
Ldg	33/-
SEA I/II	30/-

Our recommendations

150.68 We have carefully examined the demands made with regard to sea service concessions and feel that compensation for sea service should only be restricted to number of days actually spent at sea. As regards the nature and amount of compensation, we feel that in view of rationalisation of field service concessions for Army and Air Force, there is some justification for rationalising sea going allowances. However, in our opinion, stay at sea for Naval personnel is for a less prolonged duration on each occasion as compared to stay in field areas for the Army. Besides, going to sea is inherent in the nature of duties of the Navy. Keeping in view all these factors, **we recommend that the present separation allowance may also be redesignated as 'Sea Duty Allowance'. The revised rates should be as under**:

Rank	(Rs. p.m)
1. Commanders and above	**335**
2. Lieut Commander	**300**
3. Lieutenant	**280**
4. Sub Lt./Acting Sub Lt.	**265**
5. MCPO I, II and CPO	**200**
6. Petty Officer	**150**
7. Leading Seaman and Below	**130**

EXPATRIATION ALLOWANCE

Present Position

150.69 Personnel in the Navy are entitled to an expatriation allowance when operating in specified international waters. The allowance is not admissible in conjunction with daily allowance. While the rates of this allowance for Air Force and Navy personnel have been linked to the foreign allowance of the country of deployment, in the Navy it has not been possible to relate the rates to any specific country while operating in international waters.

Services Proposals

150.70 The existing rates of expatriation allowance vary from Rs.10 per month for Seaman I and II to Rs.250 per month for Rear Admirals. The Armed Forces have proposed considerable enhancement in the rates of the allowance and expansion in the scope of application of the allowance.

Our Recommendations

150.71 We have examined the conditions of grant of the allowance in the context of other compensations available while at sea. We feel that while sailing in international waters no extra financial burden is imposed on the Naval personnel. We have already recommended enhancement in the rates of sea duty allowance and hardlying money and since these compensations would be available in all maritime areas, we do not see any justification for continuance of expatriation allowance. We therefore recommend that expatriation allowance may be discontinued.

EXPLOSIVE CLEARANCE ALLOWANCE

Our Recommendations

150.72 An explosive clearance allowance has been demanded by the Armed Forces for personnel involved in clearance of bombs, explosive devices and mines during counter insurgency operations and low intensity conflicts. We have not recommended any such allowance for personnel in other organizations engaged in similar duties. Moreover, substantial ex-gratia payments have been recommended by us for casualties in such operations. We are, therefore, unable to agree with the proposal for a separate Explosive Clearance Allowance.

151

Functional Related Allowances

INTRODUCTION

General

151.1 At present, three functional related allowances -entertainment allowance, special allowance to catering assistants employed as air stewards and air despatch pay - are admissible to Armed Forces Personnel. The Armed Forces have proposed enhancement of the existing allowances and introduction of three new functional related allowances.

ENTERTAINMENT ALLOWANCE

Present Position

151.2 Entertainment allowance is admissible to Service Officers holding specified appointments in order to enable them to meet expenses on mandatory official entertainment. The existing rates of the allowance range from Rs. 6600 p.a. for Service Chiefs to Rs. 100 p.m. for sector Commanders/Naval Officers in-charge of a ship/Air Officer Commanding, station. It has been suggested that this allowance be renamed as "Official Hospitality Grant" and certain other appointments such as commanding officers of units/establishments and heads of training institutions be included within its purview. Further the rates of this allowance be enhanced by 4 to 12 times.

Our recommendations

151.3 We feel that the existing list of specified appointments entitled to this allowance is adequate. **We recommend that the grant of this allowance be rationalised and its rates revised in the following manner :-**

Appointment	Proposed Rate p.m.
Service Chiefs and Vice Chiefs/Army Commanders and equivalent	**Rs.1000**
Other appointments in the rank of Lt. Genl. and equivalent presently in receipt of entertainment allowance	**Rs.800**

Appointments in the rank of Major Genl. and equivalent presently granted entertainment allowance	**Rs.600**
Appointments in the rank of Brigadier and equivalent presently entitled to entertainment allowance	**Rs.500**
CO of a ship of Capt. rank and equivalent presently in receipt of entertainment allowance	**Rs.400**
Naval Officer incharge/CO upto Cdr. rank presently in receipt of entertainment allowance	**Rs.200**

We also endorse the suggestion of the Armed Forces that the existing entertainment allowance be renamed as "Official Hospitality Grant".

SPECIAL ALLOWANCE TO CATERING ASSISTANTS

Armed Forces Proposal

151.4 A special allowance of Rs. 200/- p.m. is paid to airmen of the catering assistant trade employed as air stewards in Air Headquarters Communication squadron, which is responsible for transportation of high ranking Indian and foreign dignitaries within and outside India. It has been suggested in the Armed Forces memorandum that this allowance be enhanced to Rs. 500 p.m and extended to catering assistants performing duties of air stewards in the communication flights of the IAF commands and to Stewards of Navy and Army when performing similar duties.

Our recommendations

151.5 The rate of this special allowance was fixed in 1991. **We recommend that the rate be enhanced to Rs. 300 p.m.** We, however, do not agree to the suggestion to extend this allowance to other categories of personnel.

AIR DESPATCH PAY

Our recommendations

151.6 Air Despatch pay at the rate of Rs. 60 p.m is admissible to JCOs and other ranks who are employed on airdropping of supplies in forward areas. Air Despatch pay is linked to a minimum of 24 sorties per year. In view of the hazardous nature of duties involved in Air Despatch, **we recommend that Air Despatch Pay may be enhanced to Rs. 120 p.m.**

NEW ALLOWANCES

Our Views

151.7 We have considered in detail the proposal of the Armed Forces for introduction of new allowances, viz., instructional allowance, headquarters allowance and scout allowance, but find ourselves unable to accede to this demand.

152

Qualification Related Allowances

INTRODUCTION

152.1 The Armed Forces are granted certain qualification related allowances based on their acquiring certain qualifications or on performing specialised duties after obtaining some qualifications. It has been suggested in the Armed Forces memorandum that the rates of the existing qualification related allowances be enhanced and the scope of some of them broadened. Introduction of certain new qualification related allowances has also been proposed.

QUALIFICATION PAY AND QUALIFICATION GRANT

General

152.2 Qualification pay on a monthly basis is granted for certain flying qualifications which are required to be updated periodically. It is also granted to Military Nurisng Service officers for undergoing prescribed courses. Qualification grant - a lump-sum one-time grant - is sanctioned to officers for undergoing courses which have a one-time qualification.

Background

152.3 The system of monthly qualification pay for Armed Forces Officers was introduced in 1948 as an incentive for acquiring certain qualifications. Subsequently, in 1962, the system of qualification grant was introduced for specified courses. The Third CPC, besides finding many anomalies in the system of grant of qualification pay, observed that most of the qualifications and courses for which monthly qualification pay was granted on a continuous basis involved only one-time effort. Accordingly, it recommended that except for certain flying qualifications and courses for MNS officers which would continue to be covered by qualification pay, all other qualifications and courses should be covered by a one-time qualification grant. The Fourth CPC continued with the same classification.

QUALIFICATION GRANT

Our recommendations

152.4 The one-time Qualification grant is admissible to Service Officers at four different rates linked to four categories of specified courses. The Fourth CPC had recommended an enhancement of 25% in the rates of qualification grant. Keeping this factor in mind, **we recommend that the rates of qualification grant be revised as follows** :-

Courses	Existing	Proposed
Category I Courses	**Rs. 7,500/-**	**Rs. 10,000/-**
CategoryIICourses	**Rs. 5,625/-**	**Rs. 7,500/-**
CategoryIIICources	**Rs. 3,000/-**	**Rs. 4,500/-**
Category IVCourses	**Rs. 2,000/-**	**Rs. 3,000/-**

152.5 We understand that the Armed Forces have submitted a proposal to the Ministry of Defence for revision of courses eligible for qualification grant. We suggest that **the Ministry of Defence may finalise the revised list of courses** at the earliest. While doing so, it may be ensured that there is scope for utilising the qualifications obtained by officers, and courses which are part of the recruitment rules or are considered necessary for grant of promotion or which entitle them to any additional allowance, are not included. Till such time that the list of courses is revised, we recommend that the existing list may continue to be operative.

QUALIFICATION PAY FOR MNS OFFICERS

Our recommendations

152.6 At present qualification pay at the rate of Rs. 45 p.m is admissible to MNS Officers for undergoing prescribed courses. We find that these courses offer only a one-time qualification and should be covered under qualification grant. Accordingly, **we recommend that the existing qualification pay for MNS officers may be converted into a lump sum qualification grant of Rs. 3,000/-**, which is the rate we have recommended for qualification grant under category IV courses. The Ministry of Defence may review the list of prescribed courses for MNS Officers following the same criteria we have laid down for revising the courses admissible for qualification grant. Till such time the review is done, the existing list will continue to be operative.

QUALIFICATION PAY FOR FLYING QUALIFICATIONS

Existing position

152.7 Qualification pay is granted to Air Force, Naval and Army Aviation officers who are required to obtain certain flying qualifications, which are to be updated periodically by appearing in tests/ examinations conducted by an appropriate board. There are three monthly rates of qualification pay viz. Rs. 125, Rs. 100 and Rs. 70 for three categories of personnel (the categorization either denotes instrument rating or proficiency in flying duties).

Armed Forces Suggestion

152.8 The Armed Forces have suggested an eight-fold increase in the existing rates of qualification pay and its extension to airmen aircrew and their counterparts in the Army and Navy, though at reduced rates.

Our recommendations

152.9 **We recommend that the existing rates of this allowance be doubled** and it may be called 'qualification allowance' instead of 'qualification pay'. However, we do not find adequate justification for extending the qualification pay to airmen aircrew in view of possible repercussions on other PBOR acquiring specialised skills.

TECHNICAL PAY

Existing Position

152.10 Technical pay is admissible to officers of the technical branches or arms for possessing or acquiring higher technical qualifications after joining the service. It was introduced in 1951 as an incentive in order to overcome the consistent shortfalls in induction to technical branches. It is granted on a graded basis depending on the type of the qualification or duration of the course. This allowance ranges from Rs.75 p.m. to Rs.375 p.m.

Armed Forces Suggestion

152.11 The Armed Forces have suggested a nine-fold increase in the rates of technical pay and have separately submitted a proposal to the MOD for revision of the list of courses eligible for grant of technical pay. The Fourth CPC had recommended, among other things, an increase of 50% in the rates of Technical Pay.

Our recommendations

152.12 We find that the qualifications and courses, for which technical pay is granted, involve only a one-time effort. For civilian employees, we have separately recommended a lump-sum incentive for acquiring higher qualifications. In order to ensure uniformity, **we recommend that the existing monthly technical pay may be converted into a lump-sum one-time grant** and be known as 'Technical grant'. **The following rates for the grant are suggested** :-

For specified post-graduate/ diploma courses	**Rs. 20,000/-**
For specified technical courses of more than 6 months' duration	**Rs. 15,000/-**
For technical courses of 3-6 months' duration	**Rs. 9,000/-**

152.13 The list of courses eligible for getting the grant may be finalised by the MOD in a time-bound manner. Till such time the revised list is finalised, the present list may continue to be operative.

SURVEY PAY

Background

152.14 Survey pay is granted to Naval officers and sailors employed on survey duties, as a consideration for the specialised knowledge required, long periods of stay at sea and also as an incentive to attract volunteers for survey duties. Before the Third CPC, officers employed on survey duties were entitled to an annual survey bounty and a monthly survey allowance, whereas sailors were authorised only the annual survey bounty. The Third CPC found no justification in having a monthly survey allowance over and above the Annual Survey Bounty and recommended the discontinuance of the monthly survey allowance for officers. The Fourth CPC recommended replacement of Survey bounty by a monthly survey pay.

Existing position

152.15 At present, there are five rates of survey pay for survey officers, ranging from Rs. 200 p.m to Rs. 350 p.m. The rates are related to the classification of the survey personnel. The non-survey officers on board ships are granted 50% of the lowest rate of survey pay for survey officers. For the sailors, there are four rates of Survey pay ranging from Rs. 50 p.m to Rs. 125 p.m. The rates are again related to the classification of survey personnel. Non-survey sailors on board ships are granted 50% of the lowest rate of Survey pay for Survey sailors.

Our recommendations

152.16 We have considered the Armed Forces suggestions regarding revision of the rates of Survey pay. **We recommend that the present rates may be doubled** and the existing survey pay be renamed as 'Hydrographic Survey Allowance'.

Armed Forces' suggestion for introduction of new allowances

152.17 The Armed Forces have suggested introduction of a new allowance to be named as 'Aerial Survey Allowance' for officers and airmen aircrew of the Strategic reconnaissance Squadron in the Air Force and a Military Survey Allowance for army personnel engaged in Military Survey work.

Our Views

152.18 We have considered the Armed Forces suggestion with reference to the existing hydrographic survey pay for the Naval personnel and we feel that while the grant of hydrographic survey is connected with the hardships associated with long periods of stay at sea, similar justification for the Air Force and the Army does not exist. In view of this, we are unable to recommend introduction of these allowances.

SPECIALIST PAY

Existing position

152.19 At present, specialist pay is admissible to the officers of the Army Medical Corps and Army Dental Corps who fulfil the necessary qualification criteria and who form a part of the specialist pool or hold certain appointments authorised for specialists. The existing rates of Specialist pay are as under:

Graded specialist	- Rs. 400 p.m.
Classified specialist	- Rs. 500 p.m.
Consultant/Advisor	- Rs. 600 p.m.

Our recommendations

152.20 The Armed Forces in their joint memorandum have suggested a substantial increase in the rates of specialist pay. We have carefully examined their suggestions, keeping in mind the existing provision of two years antedated seniority and higher initial pay for the AMC/ADC officers. **We recommend that the existing rates of Specialist pay may be doubled**. Further, Specialist pay may be renamed as specialist allowance.

Armed Forces' suggestion for introduction of new allowance

152.21 The Armed Forces have also suggested introduction of Post-Graduate Allowance for Medical Corps., Dental Corps and Veterinary Corps officers in possession of Post-Graduate degree/diploma and not in receipt of specialist pay.

Our Views

152.22 At present, Veterinary Corps officers undergoing courses of higher specialisation are entitled to qualification grant. We are, therefore, unable to recommend introduction of Post Graduate allowance for Veterinary Corps officers. However, for Medical corps and Dental Corps officers who are outside the specialist pool and who do not get any benefit for possessing higher qualifications, **we recommend introduction of post-graduate allowance at the same rates as for Civilian Medical officers under the CHS**, i.e Rs. 500/- p.m. for post-graduate degree holders and Rs. 300/-p.m for post graduate Diploma holders. The Post Graduate allowance would be payable for the period that they are not eligible for grant of specialist pay.

SUBMARINE TECHNICAL PAY

Existing position

152.23 Submarine Technical pay at the rate of Rs. 50/-p.m is admissible to Naval Artificers and Mechanicians for the period they are deployed on submarine maintenance duties. This allowance ceases to be paid when they revert to the general service.

Armed Forces' suggestion

152.24 The Armed Forces have suggested introduction of Aeronautical/Submarine Technical Pay at the rate of Rs. 500/- p.m., which while subsuming the existing Submarine Technical pay, will also be admissible to Aircraft tradesmen of Group - I in the Air Force, Air Artificers/Mechanicians in the Navy and equivalent tradesmen in the Army.

Our recommendations

152.25 We have carefully considered the Armed Forces suggestion in the context of existing intra-as well as inter-Service trade relativities and do not find adequate justification for introduction of the allowance for any new category of personnel. However, **we recommend that the rates of the existing Submarine Technical Pay may be doubled** and it be renamed as Submarine Technical Allowance.

LANGUAGE AWARDS

Existing position

152.26 Language Awards are given to the Service officers and PBOR to

encourage them to learn foreign languages to enable them to carry out instructional translations and interpretership duties as and when required. The existing provisions and rates of language Awards are as under:

(a) The first three defence personnel in order of merit who pass Advance Diploma Part-II in each language, obtaining 65% marks or above, get one-time Language Awards at the following rates:

Category of Foreign Language	Rates for sponsored Candidates	Rates for non-sponsored Candidates
Category I	Rs. 500/-	Rs.750/-
Category II	Rs. 350/-	Rs.500/-
Category III	Rs. 250/-	Rs.350/-

(b) The first three defence personnel in order of merit, who pass interpretership examination in each language with 70% marks and above, get one-time Language Awards at the following rates.

Category of Foreign Language	Rates for sponsored Candidates	Rates for non-sponsored Candidates
Category I	Rs. 1000/-	Rs. 1500/-
Category II	Rs. 750/-	Rs. 1000/-
Category III	Rs. 500/-	Rs. 750/-

Armed Forces' Suggestions

152.27 The Armed Forces have suggested a four fold increase in the rates of Language Awards and introduction of incentive Awards for Indian Languages.

Our recommendations

152.28 **We recommend that the existing rates of Language Awards may be doubled**. However, we do not find sufficient justification to recommend introduction of incentive awards for Indian Languages.

LANGUAGE ALLOWANCE

Existing position

152.29 Language Allowance is granted to Service personnel for the period they are actually performing the instructional/translation/ interpretation duties involving the use of any of the specified foreign languages. Continuance of this allowance is subject to the recipient passing the proficiency test to be conducted every year. The existing rates of Language Allowance are as under:

Category of Foreign language	Rates of Language Allowance
Category I	Rs. 150/- p.m.
Category II	Rs. 125/- p.m.
Category III	Rs. 100/- p.m.

152.30 The Armed Forces have suggested that the rates of Language Allowance may be enhanced 4 times and the yearly qualifying proficiency test may be held every alternate year. They have also suggested introduction of proficiency pay at 50% of the rates of Language Allowance for qualified personnel not performing instructional/translation/ interpretation duties involving the use of foreign language.

Our recommendations

152.31 **We recommend that the existing rates of Language Allowance may be doubled**. However, we are not in favour of changing the periodicity of qualifying proficiency test. We also do not find justification to introduce the suggested Proficiency pay.

SHORTHAND ALLOWANCE

Existing position

152.32 Shorthand Allowance at the rate of Rs. 60/-p.m. is granted to Writer Branch Sailors of the Navy and Airmen clerks of the Air Force when they are performing duties of Stenographer and are attached to specified appointments. In the case of the Army, no such allowance is given to Personal Assistants, as they are remustered from Group 'B' to Group 'A' on becoming Personal Assistants.

Armed Forces' Suggestion

152.33 The Armed Forces have suggested that the existing rates of Shorthand Allowance may be enhanced to Rs. 300/- p.m and the allowance be admissible to all qualified personnel performing duties of a stenographer irrespective of their attachment to specified appointments. They have recommended that the allowance may be extended to qualified Stenographers of the Army in view of the new integrated pay structure for PBOR proposed by them.

Our recommendations

152.34 We have considered the Armed Forces suggestions and **recommend that the existing rates of Shorthand Allowance for the Navy and Air Force may be doubled** without any change in the present conditions of grant of the allowance. As we have not recommended integrated pay scales for any category and the existing group system with provision for remustering in the case of Army will continue, the question of extending shorthand allowance to qualified Stenographers of the Army does not arise.

UNIT CERTIFICATE & CHARGE CERTIFICATE ALLOWANCE

Existing position

152.35 Artificers and Mechanicians of the Navy who have passed the prescribed examinations are granted Unit Certificate and Charge Certificate Allowance, on being certified by a designated competent board/authority. The Unit Certificate authorises the artificer to take independent charge of operating

machinery during a watch at sea. The Charge Certificate authorises the artificer to take overall charge of machinery at sea. Both the allowances are not admissible concurrently. The existing rates of Unit Certificate and Charge Certificate Allowances are as under:

UNIT CERTIFICATE ALLOWANCE

Lower Rate	-	Rs. 38/- p.m.
Higher Rate	-	Rs. 75/- p.m.

CHARGE CERTIFICATE ALLOWANCE

Lower Rate	-	Rs. 75/- p.m.
Higher Rate	-	Rs.113/- p.m.
Special Rate	-	Rs.135/- p.m.

Armed Forces' suggestions

152.36 The Armed Forces have suggested a ten-fold increase in the rates of Unit Certificate and Charge Certificate Allowances, stating that the rates have not been revised since 1968.

Our recommendations

152.37 As per Government orders, the rates of these two allowances were last revised in 1983. Taking all relevant factors into account, **we recommend the following revised rates** for Unit Certificate and Charge Certificate Allowances.

UNIT CERTIFICATE ALLOWANCE

Lower Rate	**-**	**Rs. 75 p.m.**
Higher Rate	**-**	**Rs. 150 p.m.**

CHARGE CERTIFICATE ALLOWANCE

Lower Rate	**-**	**Rs. 150 p.m.**
Higher Rate	**-**	**Rs. 225 p.m.**
Special Rate	**-**	**Rs. 270 p.m.**

FLIGHT CHARGE CERTIFICATE ALLOWANCE

Existing position

152.38 Flight Charge Certificate Allowance was introduced in 1982 in the Navy to compensate qualified Senior Air Artificers/Mechanicians on a ship-borne helicopter flight for discharging higher responsibilities of maintaining and clearing the aircraft for air worthiness in the absence of an Air Technical officer. These Naval Air Artificers/ Mechanicians are examined by a board of specialist Air Technical Officers to ensure that they possess the required skills and competence. The Flight Charge Certificate is valid for one year and the personnel are re-examined every year. The allowance was revised in 1993 and has been renamed as Aircraft Charge Allowance. The existing rates of the allowance are as under :

Chief Air Artificer/Mechanician and above	- Rs.150 p.m.

Air Artificer/Mechanician I, II and III	- Rs.100 p.m

Armed Forces Suggestions

152.39 The Armed Forces have suggested enhancement of the rates of the allowance and its extension to Gr. I trade of Air Force and equivalent Army Aviation trades, when they are certified to be competent to undertake the same responsibilities as that of Air Artificers of the Navy.

Our recommendations

152.40 This allowance is primarily to compensate the Naval Air Artificers for higher responsibilities discharged on ship-borne helicopter flights where no Air Technical officer is available. A similar situation does not exist in the Air Force and Army and thus we find no justification to extend the allowance to the Air Force and Army. Since the rates of Aircraft Charge Allowance were last revised in 1993, **we recommend that they may now be revised as under:**

Chief Air Artificer/Mechanician and above	**- Rs. 200/- p.m.**
Air Artificer/Mechanician I,II and III	**- Rs. 125/-p.m.**

Our Views on Armed Forces suggestion for introduction of new allowance

152.41 The Armed Forces have suggested introduction of an Air Worthiness Certificate Allowance for Group I (and equivalent) air craft technicians in the three services as compensation for the higher responsibility involved in airworthiness certification. We are unable to accede to this suggestion since the work involved is a part of the normal duties of aircraft technicians.

JUDGE ADVOCATE GENERAL'S DEPARTMENT EXAMINATION REWARD

Existing position

152.42 Officers of the three services who pass the Judge Advocate General's Departmental Examination (the qualifying examination for transfer to JAG branch) are entitled to a reward. The existing amount of the reward is Rs. 1600/- in the case of the Army and Navy and Rs 2400 in the case of the Air Force.

Armed Forces Suggestions

152.43 The Armed Forces have suggested enhancement of the reward to Rs. 6000/- in the case of Army and Navy and Rs. 9000 in the case of Air Force.

Our recommendations

152.44 We have examined the issue in its entirety. In place of the existing rates of JAG Departmental Examination Reward, **we recommend a revised Reward of Rs. 3200 for the three services.**

153

Personnel Related Allowances

INTRODUCTION

General

153.1 The Armed Forces have categorised certain allowances as "Personnel Related Allowances". The allowances which have been considered under this classification are uniform related allowances, hair cutting/cleaning allowance, washing allowance, soap toilet allowance, spectacles allowance etc Proposals have been made by the Armed Forces for upward revision of these allowances and some rationalisation has also been suggested. We have considered each of these allowances in the succeeding paragraphs.

UNIFORM ALLOWANCE - P B.O.R

Background

153.2 Personnel Below Officer Rank in the Armed Forces have been in receipt of uniforms free of cost in field areas from the days of the Post-War Pay Committee. In field areas, replacements were also free of cost. However, in peace areas, a monthly clothing allowance used to be paid to cover the cost of maintenance and replacement of kit and clothing which were priced at concessional rates called "Special recovery/frozen rates". In 1982, with the switchover from cotton fabric to synthetic material, free issue of clothing in peace areas was also authorised based on a life cycle concept with replacements being issued after expiry of stipulated life. With grant of free clothing, the monthly clothing allowance was discontinued. It was replaced by an annual clothing maintenance allowance meant for upkeep of kit/clothing.

Existing position

153.3 While free issue of uniform items is made to PBOR, on grant of Honorary Commission, Junior Commissioned Officers continue to be entitled to a one-time outfit allowance equal to actual cost of additional kit with which they are required to equip themselves, subject to maximum ceilings. Similarly, Non-Commissioned officers on promotion as JCOs are entitled to an outfit allowance. Apart from these, recruits on enrolment are entitled to a Mufti Allowance of Rs.100/- as payment for purchase of civilian clothing.

Outfit Allowance for JCOs granted Hony. Commission

153.4 The existing maximum ceiling for one-time allowance for JCOs granted Honorary Commission is Rs.1600/- for the Army and Air Force and Rs.2000/-for the Navy, based on recommendations made by the Fourth CPC. The Armed Forces have suggested enhancement of the ceilings to Rs.4800/- and Rs.6000/- respectively. We have gone through the list of additional items of kit for which the allowance is intended to cater and **recommend that the ceilings be enhanced to Rs.3200/- for the Army and Air Force and Rs.4000/- for the Navy**.

Outfit Allowance for NCOs

153.5 Non-Commissioned Officers promoted as JCOs are entitled to a one-time allowance of Rs.250. The Armed Forces have suggested that the rate of this allowance be increased to Rs.2000. We find that the Fourth CPC had recommended a 25% enhancement of the allowance from Rs.200 to Rs.250 and had suggested extension of the allowance to NCOs of all the three services. Taking all relevant factors into account, **we suggest that the existing rate of the allowance may be doubled to Rs.500.**

Mufti Allowance

153.6 The existing rate of mufti allowance granted to recruits as an initial grant for purchase of civilian clothing is Rs.100/-. Considering that it is a token grant to enable recruits to equip themselves with some items of personal clothing, **we recommend that the rates of mufti allowance be increased to Rs.200/-**.

UNIFORM ALLOWANCE - COMMISSIONED OFFICERS

Background

153.7 Officers in the Armed Forces, including Lady Medical Officers/Dental Officers and MNS Officers, are given an initial outfit allowance at the time of commissioning, as a grant-in-aid for meeting a portion of the cost of purchase of authorised uniforms and a renewal outfit allowance after completion of every seven years. The initial outfit allowance is placed at the disposal of the training academy for disbursal to officers on commissioning, after adjusting the value of items already issued by the Academy. While the Lady Medical Officers/Dental Officers are paid the allowance at the same rates as other service officers, Military Nursing Service Officers are entitled to lower rates since expenditure likely to be incurred by MNS Officers on their service kit is less. MNS Officers are entitled to a distinctive uniform allowance on transfer from one service to another, as also to a special allowance on appointment at Command and Army Headquarters.

Existing Rates of Uniform Allowance

153.8 The existing rates of the initial and renewal outfit allowance for officers are Rs.3000/-for officers of the Army and Air Force and Rs.3500/- for Naval Officers. MNS Officers are entitled to an initial and renewal outfit allowance of Rs.1000/-. Rates of distinctive uniform allowance and special allowance for MNS Officers are Rs.100/- and Rs.600/- respectively.

Armed Forces Proposals

153.9 The Armed Forces have made two alternative proposals with regard to provision of uniforms for officers. The proposals are based on reimbursement of full cost of uniforms. The first alternative suggests extension of

provision of uniforms in kind to officers by allowing procurement of uniforms from the private sector and making the uniforms available at specified retail outlets from which service personnel may draw their requirements. This would delink the supply of uniforms from the Ordnance Clothing Factory. In addition, a substantial one-time adhoc grant has also been asked for.

Alternative Proposal

153.10 In their alternative proposal, the Armed Forces have suggested that the cost of the kit during training be borne by the Govt. and existing system of parents' contribution towards cost of personal clothing be discontinued. For items issued during training, 50% of the cost of residual value during training be deducted from the initial outfit allowance. The initial outfit allowance proposed is Rs.25,000/- for the Army and Air Force, Rs.28,000/- for the Navy and Rs.14,000/- for the MNS officers. Renewal outfit allowance at the rate of Rs.10,500 for Army and Air Force, Rs.12,000/- for the Navy and Rs.6,000/- for MNS Officers, to be paid in a cycle of 3 years against the existing cycle of seven years, has been proposed.

Our recommendations

153.11 We have considered the two alternative proposals made by the services and have come to the conclusion that it may not be feasible for the Govt. to take up provisioning of uniforms in kind to officers as the number of officers is too small to generate enough competition in the trade and achieve viable rates. Besides, till such time that Ordnance Factories continue as dedicated departmental undertakings, there is an obligation on the Armed Forces to procure these items from them.

Revised Rates

153.12 As regards the demand for full reimbursement of cost of uniforms to officers, we feel that while there is an expected life span for each item of uniform, the need for replacement is dependent on actual wear and tear which in turn depends on nature of postings and consequent usage. The existing system therefore provides the officer the flexibility to replace only the required items while also ensuring careful use of uniform. We also notice a great deal of variation in the expected life of uniform items suggested for officers vis-a-vis existing life for those items for PBOR. Besides, even civilian employees though not in uniform incur some expenditure on clothes for office wear and if full cost of uniforms is reimbursed to service officers, it would be difficult to deny a similar benefit to civilian employees also. Keeping all these factors in mind, **we recommend that the existing rates of uniform allowance for service officers (including MNS officers) be doubled**.

Other Suggestions

153.13 Regarding the expenditure incurred by parents on uniform items of cadets during training, since this is for items of personal clothing we do not recommend any change. No change is also recommended with regard to the existing position on reduction of cost of items issued during training from the initial outfit allowance.

Distinctive Uniform allowance

153.14 The Armed Forces have proposed enhancement of Distinctive Uniform Allowance for MNS Officers from Rs.100/- to Rs.500/-. This allowance is presently admissible upto the rank of Major. Extension of the allowance upto the rank of Brigadier has also been suggested in view of upgradation of ranks after cadre reviews. **We recommend that the rates of the allowance be doubled and the allowance be extended to all officers of the MNS up to the rank of Brigadier** when transferred from one service to another.

Special Uniform Allowance

153.15 As regards the special allowance payable to MNS Officers on appointment at Command and Army Headquarters, the Armed Forces have recommended discontinuance of the allowance as it was granted to meet the cost of winter uniform which has been now included as winter ceremonial uniform for all MNS Officers. In view of this, we recommend that the special allowance for MNS Officers on appointment at Command and Army Headquarters be discontinued.

KIT MAINTENANCE ALLOWANCE

Background

153.16 Kit Maintenance Allowance was sanctioned in 1950 at the rate of Rs.30/- per month to Armed Forces officers upto the rank of Brigadier, having regard to the fact that officers are normally required to maintain these types of kit, namely, service kit, civilian kit and kit for ceremonial occasions. The rate was enhanced to Rs.40/- in 1967 and Rs.50/- in 1970. The existing rate of kit maintenance allowance, which is exempted from income tax, is Rs.50/- per month for MNS Officers and Rs.100/- for all other Service officers.

Armed Forces Proposals

153.17 The Armed Forces have proposed enhancement of the kit maintenance allowance for officers to Rs.500/- per month and for MNS officers to Rs.250/-per month.

Our recommendations

153.18 **We recommend that the rate of Kit Maintenance allowance for Armed Forces Officers (other than MNS) be increased to Rs.200/- per month** and for MNS Officers to Rs.100/- per month.

PERSONAL MAINTENANCE ALLOWANCE

General

153.19 In addition to uniform related allowance, Personnel Below Officer Rank in the Armed Forces are also entitled to certain allowances granted for personal maintenance. These include hair cutting/ cleaning allowance, washing allowance, soap toilet allowance and clothing maintenance allowance. In addition a Rum and Cigarette Allowance is also admissible.

Hair cutting/Cleaning Allowance

153.20 Hair cutting allowance is granted to PBOR when services of a barber are not provided and during leave. For Sikh personnel a hair cleaning allowance at the same rate is granted. The rate of this allowance was last revised from Rs.3/- per month to Rs.5/- per month on the recommendations of the Fourth CPC.

Washing Allowance

153.21 Where washing services are not provided in kind, PBOR in the Army and Air Force are granted washing allowance at the rate of Rs.15/- per month.

Provisions for Navy

153.22 In the Navy, since services are not provided in kind, hair cutting/cleaning allowance and washing allowance are paid at a composite rate of Rs.20/- per month to sailors when ashore and Rs.25/- per month when afloat.

Soap Toilet Allowance

153.23 Personnel Below Officer Rank in the Navy and Air Force are entitled to one toilet soap (100 gm.) in kind per month. However, Army personnel are paid an allowance of Rs. 8.80/- per month.

Rum and Cigarette Allowance

153.24 Prior to 1985, free issue of rum was made to troops in all areas and cigarettes were issued in field and high altitude areas. In 1985, the free issue of rum and cigarettes was replaced by a cash allowance to wean them away from the habit of smoking and drinking and protect them from the hazardous effects of alcohol and nicotine. In 1992, Government took a decision that the rates of the allowance would not be enhanced further. The existing rates of the allowance are:

Areas	Rum	Cigarette
	(in Rs. per month)	
1. Peace Areas	13.25	-
2. Field areas below 3000 ft.	13.25	18.80
3. Field areas between 3000-4999 ft.	29.40	18.80
4. Field areas between 5000 -8999 ft.	35.30	18.80
5. High altitude areas	58.80	18.80

Conditions

153.25 The allowance is paid on monthly basis for the period a person is physically present in the above areas.

Clothing Maintenance Allowance

153.26 As already brought out in para 153.2, an annual clothing maintenance allowance was sanctioned to PBOR in 1986 on introduction of terycot uniforms. The existing rates of the clothing maintenance allowance are Rs.50/- p.a. for the Army and Air Force and Rs.75/- per annum for the Navy.

Armed Forces Proposals on allowances related to personal maintenance

153.27 The Armed Forces have suggested enhancement in the rates of Hair Cutting/Cleaning Allowance, Washing Allowance, Soap Toilet Allowance, Clothing Maintenance Allowance and Rum and Cigarette Allowances. They have also proposed clubbing together of these allowances to be paid at a monthly rate of Rs.200/-, roughly a four-fold enhancement. It has been suggested that the composite allowance may be renamed as 'Personal Maintenance Allowance' and the present practice of issue of toilet soap in kind to the Navy and Air Force may be discontinued.

Recent Developments

153.28 We have examined the existing rates and conditions of grant of these allowances. We find that Ministry of Defence have issued orders in March 1996 clubbing the hair cutting/cleaning allowance, washing allowance, soap toilet allowance and the clothing maintenance allowance and renaming it as Personal Maintenance (Hygiene) Allowance to be granted at a monthly rate of Rs.32/- where services are not provided in kind.

Rum and Cigarette Allowance

153 29 While the Ministry of Defence have not clubbed the Rum and Cigarette Allowance in the Personal Maintenance Allowance, the Armed Forces proposal envisages inclusion of this allowance also in the consolidation. While we have no objection to clubbing of this allowance, we are not really convinced of the necessity to continue these two allowances. It may not be possible to discontinue the rum allowance as it may lead to some resentment. We are, however, convinced that there is enough justification to discontinue the cigarette allowance altogether, in the light of medical findings on the confirmed damaging effects of nicotine.

Revised Rates

153.30 Keeping in view the Govt. decision not to revise the allowance further and in accordance with our recommendation on discontinuing the cigarette allowance, **we suggest the following rationalisation in the rates of 'Rum Allowance':**

1)	**Peace Areas**	**- Rs.15 p.m.**
2)	**Field Areas below 3000 ft.**	**- Rs.35 p.m.**
3)	**Field Areas between 3000 - 4999 ft.**	**- Rs.50 p.m.**
4)	**Field Areas between 5000 - 8999 ft.**	**- Rs.55 p.m.**
5)	**High Altitude Areas**	**- Rs.80 p.m.**

Clubbing of Allowances

153.31 As regards the other allowances, we feel that clubbing together of these allowances and granting these at a uniform rate for the three services would reduce paperwork. We accordingly **agree with the suggestion that the allowance be renamed as 'Composite Personal Maintenance Allowance'**. The individual and composite rates for peace areas where services are not provided in kind **may be fixed as under:**

Allowance	**Suggested Rates**
1. Hair Cutting Allowance	**- Rs.10 p.m.**
2. Washing Allowance	**- Rs.30 p.m.**
3. Rum allowance	**- Rs.15 p.m.**
4. Soap Toilet Allowance	**- Rs.10 p.m.**
5. Clothing Maintenance Allowance	**- Rs.10 p.m.**
Composite Personal Maintenance Allowance	**- Rs.75 p.m.**

153.32 Where services are provided in kind and for the Rum Allowance component in field areas and in high altitude areas, the rates of the allowance may be adjusted suitably. With this rationalisation, the distinction between sailors afloat and ashore would also be done away with.

SPECTACLES ALLOWANCE

Existing Position

153.33 Armed Forces personnel are supplied with spectacles at public expense, provided the impairment of vision is attributable to service. In addition, spectacles are also supplied to PBOR provided that while serving in the Armed Forces their sight is so defective that it materially interferes with their efficiency and vision can be improved to render them efficient. Ex-servicemen discharged due to ophthalmic disability are also entitled to the facility. The existing rates of reimbursement on account of purchase of spectacles are:

a)	For spectacles with normal lenses	- Rs.25/-
b)	For spectacles with bifocal lenses	- Rs.49/-
c)	For repair of spectacles/frames/ replacement of lenses - actual expenses subject to a ceiling of	- Rs.15/-

Our recommendations

153.34 The Armed Forces have suggested considerable enhancement in the reimbursement made on this account. We have considered the issue and agree that the present rates of reimbursement are inadequate. **We therefore recommend that the rates of spectacles allowances for normal lenses may be revised to Rs.65/- and for bifocal lenses to Rs.125/-**. These rates would include amounts needed for repairs from time to time and no separate allowance need be paid for repairs. The present procedure of reimbursement for repair on case to case basis may, therefore, be dispensed with.

ACTING ALLOWANCE

Existing position

153.35 An acting allowance is admissible to Junior Commissioned Officers appointed in officers' vacancies arising as a result of shortage of officers but not caused due to the officer proceeding on leave, temporary duty or course of instruction. The allowance is admissible only so long as the JCO performs the duties of an officer and no consequential promotions/appointments are made in place of JCOs appointed in lieu of officers.

Acting Allowance for JCOs

153.36 The existing rate of acting allowance for holding appointments tenable by Captain and equivalent is Rs.150/- per month and for holding appointments tenable by Majors and equivalent is Rs.200/- per month. These rates have been in force since 1986. Keeping in view the additional responsibilities discharged by JCOs while holding appointments of officers, **we recommend that the existing rates may be doubled**.

Commissioned Officers

153.37 Commissioned Officers who hold acting rank are at present entitled to the rank pay of the officiating rank. Prior to the introduction of the integrated pay scale, if an acting rank was held for a continuous period of more than 21 days, the officer became entitled to the pay scale of the acting rank. Since we have separately recommended that service officers may be brought on to regular

scales of pay, our recommendations in the chapter on Pay Structure of Officers as to how the pay for acting rank is to be regulated will apply.

FUNERAL ALLOWANCE

Existing position

153.38 ' The actual funeral expenses of Armed Forces personnel whose death occurs while on active field service or serving in a mission/post abroad is a charge against the state if the funeral is carried out by military authorities. When funeral is carried out by relatives or friends, or when death occurs in a peace station, grant-in-aid in the form of funeral allowance is paid. The present rate of funeral allowance, which was last revised in 1993, is Rs.750/-.

Mortuary Charges

153.39 In cases where it becomes necessary to preserve dead bodies of Army personnel in a mortuary awaiting arrival of next of kin to take part in the funeral, mortuary charges incurred are reimbursed upto a ceiling of Rs.35/- per day for a maximum period of three days.

Armed Forces Proposals

153.40 The Armed Forces have proposed that rates of funeral allowance may be increased to Rs.4000/-and that of mortuary charges to Rs.100/- per day. It has been suggested that cost of coffins, transportation and embalming of bodies may be borne by the Govt. where dead bodies have to be transported to far flung areas of the country. Requirement of pre-audit of claims have also been urged to be dispensed with.

Our recommendations

153.41 We have examined the proposals and find that there is full justification for the full cost of a funeral being reimbursed where death takes place while on active field service. **We, therefore, recommend that in all cases where death occurs while on active field service or serving in a mission/post abroad, the entire funeral expenses including cost of transportation, embalming and coffins may be a charge against the state,** irrespective of whether the funeral is carried out by military authorities or relatives. **When death occurs in peace areas, funeral allowance at a rate of Rs.1000/- may be granted**. We also recommend that in all cases mortuary charges may be reimbursed as per actuals without any ceiling. As regards procedure for payment, it is recommended that requirement of pre-audit of claims may be dispensed with and the Commanding Officer may make advance payment on the spot.

CONSERVANCY AND WATER CARRIER ALLOWANCE

Background

153.42 Where Junior Commissioned Officers (JCOs) and Other Ranks (ORs) of the Armed Forces are entitled to quarters, they are also allowed free conservancy which includes provision of services of sweeper and water carrier. Where these services cannot be provided in kind, an allowance in lieu is granted. The element of water carrier is not admissible if piped water supply exists in quarters where personnel are living. The allowance is fixed by the station commander after ascertaining the rate at which such services are obtained by civilians of equivalent status subject to maximum rates being fixed by the Govt.

Proposals

153.43 The Armed Forces have stated that due to piped water supply being available in almost all areas, water carrier allowance is no longer relevant. They have suggested renaming of the allowance as conservancy allowance and revision of its rate to Rs.75/- p.m. for all PBOR against the existing rates of Rs.20/- p.m. for JCOs and Rs.15/-per month for Other Ranks.

Our recommendations

153.44 In view of the position brought out by Armed Forces, we agree that water carrier allowance may be discontinued. With regard to enhancement of conservancy allowance, our approach is that in municipal areas conservancy services are looked after by the municipality and in cantonments they should be looked after by the Cantonment Boards. In view of this and since we have separately recommended considerable enhancement of accommodation related compensation, we do not see justification for the continuance of a separate conservancy allowance. We, therefore, recommend that the existing Conservancy and Water Carrier Allowance may be discontinued.

NEW ALLOWANCES

Our View

153.45 The Armed Forces have separately recommended introduction of a camp kit maintenance allowance for officers. We have gone into the matter but find ourselves unable to agree the proposal.

154

Travel Entitlements

INTRODUCTION

Background

154.1 The rules governing travel entitlements of Armed Forces personnel are by and large similar to those applicable to civilian personnel. However, the entitlements for class of travel are based on rank unlike civilian employees where the pay drawn determines the class of travel. While on temporary duty, variations in the entitlements exist mainly in the grant of daily allowance, such allowance for service personnel being restricted by the nature of duty depending on whether free board and lodging is provided. For permanent duty moves, unlike civilians, the entitlements make a distinction between single personnel and married personnel, and PBOR are entitled to a cash allowance instead of the transfer grant admissible to civilians.

CLASS OF TRAVEL

Present Position

154.2 The existing entitlement of Armed Forces Personnel for class of travel for both temporary duty moves and permanent duty moves is as follows:

Rank	By Rail	By Air
Lt. Generals & above	Ist Class AC	Executive Class
Col. to Maj.Gen.	Ist Class AC	Economy class
2nd Lieut. to Lt. Colonel.	AC 2 tier	-
JCOs	Ist Class/AC Chair Car	-
ORs	IInd Class Sleeper	-

Armed Forces Proposals

154 3 The Armed Forces have suggested that entitlement to class of travel for both service and civilian personnel should be determined on the basis of basic pay. Upgradations in class of rail travel for NCOs, JCOs and other ranks have been suggested. For JCOs and above entitlement has ben sought to travel by air in India.

Our recommendations

154.4 We have examined the issue in the context of the existing position and the proposed revisions for civilian employees, who are also being brought on to a level wise classification for purpose of travel entitlement. Keeping in view our recommendations for Civilian employees **we recommend the following revised entitlement for Armed Forces personnel:**

Lt. Genl and above	-	**Air (J) Class in domestic flights & 1st Class in international flights/AC I Class train**
Col. to Maj. Gen.	-	**Air economy (Y) class in case of domestic flights and business/ club class in case of foreign flights/AC I class train**
2nd Lt. to Lt.Col.	-	**Air economy Class/AC II Tier train**
JCOs	-	**AC II Tier train**
ORs	-	**IInd Class Sleeper**
NcsE	-	**IInd Class Sleeper**

Travel on first appointment and by road

154.5 Consequent to upgradation in class of travel of JCOs by rail, **we suggest that entitlement of service officers on first appointment may also be upgraded** from Ist class to AC-II tier. No air travel may however be authorised. With regard to travel by road, our recommendations made for civilian employees will apply.

Other Suggestions

154.6 Other suggestions made by Armed Forces relate to grant of permission of travel by air on flights operated by private airlines and not Indian Airlines alone, delegation of powers for authorising air travel to non-entitled personnel to Vice Chiefs and GOC-in-C and equivalent and extension of provisions for use of railway saloons to Naval and Air Force counterparts of Army Commanders while on duty within their commands.

Our recommendations

154.7 We have considered each of these suggestions and are of the view that the decision regarding travel by private airlines may be left to the Government. As regards delegation of powers, in view of the liberalisation recommended in the rules with regard to air travel, the present provisions may continue. We also do not find justification to extend the use of railway saloons to Naval and Air Force counterparts of Army Commanders.

PERMANENT TRANSFER ENTITLEMENTS

Introduction

154.8 Permanent transfer entitlements of Armed Forces Officers who are married are the same as those for civilian personnel. For officers who do not possess a family, while the transfer grant is paid at the same rates as admissible to married officers, the packing allowance and baggage entitlement are one-third of the entitlement of married personnel. PBOR are entitled to conveyance of self and of baggage on warrant. Conveyance of family and baggage at married rates is determined by whether or not the soldier is on the authorised married establishment. Instead of the transfer grant, a cash allowance is paid to PBOR provided they are on the authorised married establishment.

Existing entitlement

154.9 The existing rates of transfer grant/cash allowance, packing allowance and entitlement to transport baggage are as follows :

TABLE : ENTITLEMENTS OF OFFICERS ON PERMANENT TRANSFER

CATEGORY	Tranfer Grant (Rs.)	Packing Allowance (Rs.)	Baggage Allowance (Kgs.)
A. Officers having pay of Rs.5100/- and above			
i) Having family	4000	1500	6000 kgs
ii) Not possessing family	4000	500	2000 kgs
B. Officers drawing pay between Rs. 2800-5099including Hony. Commissioned Officers			
i) Possessing family	3000	1200	6000 kgs.
ii) Not possessing family	3000	400	2000 kgs.
C. Officers having pay of less than Rs. 2800/-p.m			
i) Possessing family	1500	900	3000 kgs
ii) Not possessing family	1500	300	1000 kgs
iii) Midshipman of the Navy	1000	300	1000 kgs

TABLE : ENTITLEMENTS OF PBOR ON PERMANENT TRANSFER

CATEGORY	Cash Allowance	Baggage Entitlement		Packing Allowance	
		Married	Single	Married	Single
	(in Rs.)	(in kgs)		(in Rs.)	
I) JCOs	300	3000	500	900	150
ii) NCOs	225	1500	250	600	100
iii) Ors	200	1000	250	450	100

Proposals made by Armed Forces

154.10 The Armed Forces have proposed that the existing flat rates of transfer grant be changed to one month's basic pay for married personnel and half month's basic pay for single personnel. It has been demanded that cash allowance admissible to PBOR be also replaced by transfer grant. Packing allowance has been suggested to be revised to 50% and 25% of basic pay for married and single personnel respectively. As regards baggage entitlement, the following modifications have been suggested.

1. Personnel entitled to move by air may be made entitled to transfer baggage by air, the reimbursement being limited to entitlement by rail+80% thereof.

2. Baggage entitlement for transportation by road be increased to rail entitlement + 40% thereof.

3. Baggage entitlement for course of instruction upto 180 days be revised from the existing raliway free allowance and additional 20 kgs. available to Officers.

(I) Officers	-	150 Kgs. + two wheeler
(ii) JCOs/ORs	-	100 Kgs. + two wheeler

4. Baggage entitlement to and from field areas be revised to 150 Kgs. for officers and 100 Kgs. for PBOR.

Our recommendations

154.11 We have in our chapter on Travelling Allowance for civilian employees recommended a composite transfer grant of one month's basic pay subsuming the existing transfer grant and packing allowance. The Armed Forces in their proposals have not recommended any change in the basic distinction in travel entitlements between married and single personnel. Keeping in view the existing relationship between rates of transfer grant and packing allowance for married and single personnel and considering the decision made for civilian employees, **we recommend the following "composite transfer grant" for officers of the Armed Forces:-**

	Married	**Single**
Officers	**1 months's basic pay**	**80% of basic pay for a month.**

154.12 The issue of converting the cash allowance for PBOR into a transfer grant was considered by earlier Pay Commissions also. The Third CPC had expressed the view that it was not desirable to apply civil TA/DA provisions to PBOR regardless of differences in conditions of service. Besides, pay scales had been prescribed by them taking into account the frequent changes of station. The Fourth CPC suggested that Government may go into the issue taking into account the conditions under which PBOR move on transfer. We have examined the issue and find that PBOR have been made entitled to journey DA on transfer and are entitled to transfer baggage on free railway warrants. Free accommodation and rations are also provided on joining the new duty station. Considering all these factors, provision of transfer grant at civilian rates to PBOR may not be justified. In view of the free accommodation and transport provided at government expense and keeping in view the relativity the cash allowance bears with pay, **we**

recommend the following 'composite transfer grant' for PBOR

	Married	Single
JCO/OR	**50% of basic pay**	**25% of basic pay**

We however recommend no change with regard to the applicability conditions.

Transfers within same station

154.13 For transfers within the same station where a change of residence in nesessitated solely on account of the transfer we have recommended a 'Composite Transfer Grant' equal to one third of monthly basic pay to be paid in the case of civilian employees . While applying it to Armed Forces personnel, **we recommend that for transfers within the same station one third of the entitled composite rate as proposed by us in para 154.11 may be paid.**

Baggage Entitlements

154.14 With regard to baggage entitlements, as for civilian employees, **we recommend that full reimbursement of actual expenditure in case of transport of personal effects by road may be made.** We are, however not in favour of transportation of baggage by air. No change in the existing position on transportation of baggage for undergoing courses of instruction is suggested. However, baggage entitlement to and from field areas may be revised as under:

	Existing	Proposed
Officers	65 Kgs.	100 Kgs.
JCOs	28 Kgs.	50 Kgs.
ORs	12 Kgs.	25 Kgs.

The total quantity of baggage tranported including baggage transported by the family may, however, not exceed the maximum entitlement of the personnel.

DAILY ALLOWANCE

Present Position

154.15 At present rates of daily allowance applicable to civilian employees also apply to Armed Forces personnel. No daily allowance is however, admissible to personnel who are provided food and accommodation at Government expense in field service concessional areas. In other areas, PBOR on temporary duty are paid 25% of daily allowance if provided with free board and lodging and 50% of DA + Ration money when not provided with free board and lodging.

Service Proposals

154.16 The Services proposals with regard to daily allowance include:

- payment of hotel tariff where mess accomodation is not available
- payment of daily allowance for 21 days at these rates to officers reporting on permanent transfer
- payment of DA at half rates to personnel proceeding on temporary duty to Naval ships

- payment of DA for training camps/exercises including those at sea.

Our recommendations

154 17 We have considered these suggestions and keeping in view the existing parity in rates of daily allowance admissible to civilian and Armed Forces personnel, **we recommend that rates of daily allowance recommended by us for civilians may apply to service personnel also. The following categorisation of personnel for purposes of Daily Allowance is suggested :-**

1)	Top Executives and Senior Executives	Majors General and above
2)	Executives	IInd Lieutenants to Brigadiers and equivalent
3)	Supervisory Staff	JCOs and equivalent
4)	Supporting Staff	NCOs, ORs and equivalent
5)	Auxilary Staff	Non-combatants (enrolled)

Hotel Accomodation

154.18 As far as provision of hotel accmmodation is concerned, in our estimation requirement of hotel stay for PBOR will be minimal in view of adequate facilities for accommodation already available. While **the authorisation may be the same as for civilians**, for Service Officers also hotel stay should be resorted to in extreme cases as availablity of mess accomodation in Armed Forces is generally better than guest house availability for civilians. While permitting hotel stay, it may also be ensured that mess accommodation in any mess in the station is not kept vacant.

Other Suggestions

154.19 Regarding other demands made on daily allowance, we do not recommend grant of daily allowance on posting to a station in view of the introduction of composite transfer grant which in our opinion would give adequate compensation. We also feel that the restriction of daily allowance where facilities are provided for board or lodging is sound in principle and, therefore, do not recommend any change in the position with regard to daily allowance admissible for temporary duties on naval ships and while on training camps/exercises.

MISCELLANEOUS PROVISIONS

General

154.20 The Armed Forces have made certain proposals with regard to other travel related provisions. We have discussed each of the proposals in the succeeding paragraphs.

Conveyance of patients

154.21 It has been suggested that existing provisions available to families of PBOR whereby free conveyance is admissible to patients transferred from one service hospital to another and back in case of emergency may also be extended to Service Officers. Considering that civilians are also entitled to travelling allowance in similar circumstances, **we are of the view that extension of these provisions to Service Officers under the same conditions is justified and recommend accordingly.**

Other Provisions

154.22 For conveyance of dead bodies, it has been suggested that free conveyance of deceased personnel from place of death to place of funeral be authorised and all other travelling expenses as admissible on retirement be granted. We have, under our reocmmendations on Funeral Allowance, outlined the responsibility of the State where death takes place while on active field service. For death in other circumstances, the existing provisions are adequate and no change is therefore suggested. We also find ourselves unable to agree with the suggestion made with regard to conveyance of relatives of service personnel, placed on dangerously ill list or for attending funerals of deceased service personnel, as the existing provisions are quite reasonable.

154.23 Some suggestions have also been made by the Armed Forces for provision of travel of wives of Colonel Commandants and equivalent, Army Commanders and equivalent and travel of wives by Service aircraft. We are unable to accede to these proposals in view of possible repercussions on other employees.

Daily Allowance for Civilian Candidates

154.24 Civilian candidates called for interview for grant of commission in Armed Forces are normally lodged and boarded at Government expense. Daily allowance is admissible for halts at Rs. 15 per day in metroplotian cities and Rs. 10 per day in other cities, if board and lodging are not provided. It has been suggested that rates of Daily Allowance for these candidates should be brought at par with those applicable to Group C personnel. Since these candidates are not government employees, we are not convinced of such a substantial increase in the rates. We suggest that as far as possible for such candidates arrangements should be made for free board and lodging. However, **we recommend an increase in the rates of daily allowance to Rs. 30 per day in metropolitan cities and Rs. 20/- per day in other cities for those not provided with such facilities.**

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Leave Travel Concessions

INTRODUCTION

General

155.1 The existing schemes of Leave Travel Concession (LTC) for Armed Forces personnel differ from schemes available for civilian employees. In view of the military role and the separation from family inherent in a military career, provisions relating to leave travel concession are more liberal than the corresponding provisions on the civil side.

SCHEME FOR OFFICERS

Home Town L.T.C. for Commissioned Officers

155.2 A Service Officer proceeding on annual/casual leave is eligible to travel on free railway warrant along with his family, by the main route to and from the nearest railway station to his home town once in two years.

Conveyance to any place in India

155.3 Apart from concession for travel to hometown to Service Officers and their families being allowed, once in each calendar year, free conveyance to and from the place where they intend to spend their casual/annual leave subject to the journey not exceeding 1450 kms in each direction is also given. For Officers posted to field areas or non family stations, LTC is admissible to the family from the station at which they are residing to leave station of the officer.

Special Provisions

155.4 Army Air Observation Post Pilots, Air Force and Navy aircrew personnel and pilots on flying duties as well as submarine personnel are entitled to a free journey once every year upto a total journey of 1600 kms. for onwards and return journey (both inclusive) in the appropriate class. This is in addition to other leave travel concessions.

Reduced Fare Certificate

155.5 Service Officers when travelling on leave at their own expense are allowed on production of form 'D' to travel by entitled class or lower class on payment of 60% of the fare of the class travelled. The total number of 'D' Forms to the officer, his wife and dependent children for travel to any station is restricted

to six one-way journey forms in a calendar year. For MNS Officers similar concession available on Form 'G' is equivalent to 50% of the fare.

SCHEME FOR PBOR

LTC Scheme for PBOR

155.6 For personnel below officer rank in the Armed Forces, the following scheme exists:-

(i) PBOR when proceeding on annual/casual leave are granted free conveyance on warrant to home station and back once in a year. When the family travels with him, the expenditure incurred by the individual on a concession voucher is reimbursed to him.

(ii) Once every alternate year, the PBOR has the option to travel with or without his family to a leave station other than home station instead of his journey to his home station. On the individual exercising this option, he is reimbursed the expenditure incurred on concession voucher for outward and return journeys, subject to a distance of 1450 kms each way.

(iii) Service Personnel Below Officer Rank when travelling on leave at own expense are allowed to travel in the entitled or lower class on payment of 50% fare of class in which they actually travelled. This concession is also available to families.

TRAVEL ENTITLEMENT

Class of Travel

155.7 The class of travel and mode of conveyance entitled while availing themselves of Leave Travel Concession is as follows.

	Rank/Pay	Class of Travel
1.	All Service Officers including MNS Offficers, Midshipmen and Honorary Commissioned Officers.	AC 2 Tier Sleeper/1st class by rail
2.	JCOs and equivalent	1st Class/AC Chair Car by rail
3.	NCOs, ORs and Non Combatants (enrolled)	IInd Class Sleeper by rail

Restrictions

155.8 Leave Travel Concession is not admissible for journeys by private car or bus, van or other vehicles owned or operated on charter by private operators. Travel by private buses operating a regular service from point to point at regular intervals on fixed fare rates, with the approval of Regional Transport Authority/State Govt. concerned, is admissible. However, reimbursement authorised in such cases is limited to cost of railway warrant.

SERVICES' PROPOSALS

Armed Forces Proposals

155.9 The Armed Forces have suggested that the class of entitlement for travel by rail should be the same class as entitled for moves on duty. With regard to the concessions themselves, two alternative proposals have been made. The first envisages replacement of the existing leave travel concession scheme by an annual leave travel allowance to be introduced initially for service officers and extended gradually to PBOR. In case the first option is not considered acceptable, it has been suggested that the existing scheme be modified with a view to abolishing the concept of home town, granting free conveyance on leave to any station in India subject to a maximum of 2500 kms. each way and permitting use of private cars. Ceiling for dependency of parents has been sought to be revised to Rs.5000 per month against the existing Rs.500 per month. Removal of restriction on number of 'D' Forms and reduction of liability on 'D' Forms to 50% and concession vouchers to 10% has also been suggested. It has been recommended that present provisions for additional free conveyance to aviation/submarine personnel may continue and be extended to all those in field areas/afloat and to special forces.

SUGGESTIONS ON LEAVE TRAVEL CONCESSIONS

Recommendations made by Earlier Pay Commissions

155.10 While examining the issue, we found that the Third CPC had recommended continuance of the special privileges available to service personnel with regard to travel concessions. For officers they suggested removal of kilometre restrictions on travel to hometown. A limit on number of 'D' forms was, however, suggested for introduction. For PBOR, the Third CPC suggested free travel to home-town once a year and in alternate years an option to travel to any other station was introduced subject to certain limits. The Fourth CPC while considering the issue recommended raising of the limit of free conveyance for PBOR from 965 to 1450 kms. and extension of the facility of free conveyance to selected leave stations to families even when not residing with the serviceman.

Our recommendations

155.11 We have considered the various suggestions made by the Armed Forces regarding leave travel concessions and **do not recommend replacement of the existing scheme by an annual leave travel allowance in view of the considerable financial implications involved. However, in our chapter on Leave Entitlements of Armed Forces personnel we have already outlined the limited scheme of encashment of leave to be permitted concurrent with availing of LTC. This will be applicable to the Armed Forces personnel also.**

Other Proposals

155.12 Regarding the other proposals made on Leave Travel Concession, we consider that the existing special privileges available to Service personnel are adequate and do not require any change. The additional benefits available to aviation and submarine personnel are also recommended to be continued in the present manner. We suggest that ceiling for dependency of parents for coverage under leave travel concessions may be enhanced to Rs.1500 per month.

Changes in Class of Travel

155.13 With regard to entitlement to class of travel by rail, in keeping with recommendations made for civilians, **we agree with the suggestion that the**

class of travel by rail for temporary duty journeys may be the entitled class for travel on leave travel concession. It is further recommended that officers of the rank of Major General and equivalent and above may be allowed to travel by air while availing leave travel concession.

Part VIII

Armed Forces Personnel : Conditions of Service

One should recruit one's army, reflecting that "such is the army of my enemy; and this is my army to oppose it."

Kautilya

Section I

Conditions of Service

156

Gallantry Awards

INTRODUCTION

Scheme of Gallantry Awards

156.1 The scheme of Gallantry Awards for Armed Forces Personnel can be broadly divided into two categories: Pre-Independence Gallantry Awards and Post-Independence Gallantry Awards. The Pre-Independence Gallantry Awards include Indian Order of Merit, Military Cross, Conspicuous Gallantry Medal etc. After Independence, different series of Gallantry Awards were introduced. The Vir Chakra series of awards are given for acts of conspicuous bravery/gallantry in the presence of the enemy and the Ashok Chakra series for bravery other than in the face of the enemy. These awards carry a monetary allowance with them which is payable for two lives. Besides these awards, there are certain awards like Sena Medal, Mention-in Despatches and Commendation Cards which are given both for acts of gallantry and distinguished service. In addition, for distinguished service of an exceptional or high order, awards like Param Vishisht Sewa Medal, Ati Vishisht Sewa Medal and Vishist Sewa Medal are granted. No monetary allowance is attached to these awards.

EXISTING POSITION

Existing Rates

156.2 The existing rates of the allowance attached to Pre-Independence and Post-Independence Awards are as follows :-

Pre-Independence Gallantry Awards	Rs.p.m	Post-Independence Gallantry Awards	Rs.p.m
Indian Order of merit	175	Param Vir Chakra	350
Indian Order of Merit C I	150	Ashok Chakra	325

Indian Order of Merit C II	100	Mahavir Chakra	275
Distinguished Service Cross	100	Kirti Chakra	250
Military Cross	100	Vir Chakra	200
Distinguished Flying Cross	100	Shaurya Chakra	175
Conspicuous Gallantry Medal	100		
Military Medal	45		
Indian Distinguished Service Medal	35		
Distinguished Flying Medal	25		

Revision

156.3 The rates of these monetary allowances are revised by the Government from time to time.

ARMED FORCES PROPOSAL

Proposed Rates

156.4 It has been suggested by the Armed Forces that the rates of the monetary allowances for Pre-Independence and Post-Independence Gallantry Awards may be enhanced considerably, with Param Vir Chakra proposed at Rs. 2000 per month and Indian Order of Merit at Rs. 1000 per month. The proposal has been made keeping in view the conspicuous bravery displayed by the recipients as also the fact that most of the awards are given posthumously.

OUR RECOMMENDATIONS

Pre-Independence Awards

156.5 We have considered the existing position of the allowances and find that the rates relating to Pre-Independence Gallantry Awards have been revised recently in 1994, consequent to the recommendations made by the Committee on Remainder Problems of Ex-servicemen set up in 1992. We, therefore, do not recommend any change in the monetary allowances attached to these awards.

Post-Independence Awards

156.6 While the rates of Post-Independence Gallantry Awards were also similarly revised in 1995, we feel that the existing rates of the monetary allowance are not commensurate with the level of valour and self-sacrifice involved. Here, we would specifically like to mention the Param Vir Chakra which is awarded for the most conspicuous act of gallantry in the face of the enemy and is the highest military decoration in the country. We feel that the allowance attached to this award is inadequate and **suggest that the monetary allowance attached to Param Vir Chakra be enhanced to Rs. 1500 per month. For other awards, the following upward revision is recommended :**

Ashok Chakra	-	**Rs. 450 per month**
Maha Vir Chakra	-	**Rs. 400 per month**
Kirti Chakra	-	**Rs. 350 per month**
Vir Chakra	-	**Rs. 300 per month**
Shaurya Chakra	-	**Rs. 250 per month**

Other Awards

156.7 It has also been suggested that Sena Medals and Mention-in-Despatches should be included for grant of monetary allowances. We are unable to agree with this suggestion, as Sena Medal and Mention-in-Despatches are awarded both for gallantry and distinguished service, and having a monetary allowance for only some of the people would, in our opinion, not be appropriate. Besides, in other uniformed services also, there are decorations not accompanied by monetary awards and any change here would generate a spate of demands elsewhere.

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Conditions of Service

INTRODUCTION

General

157.1 The conditions of service of the Armed Forces personnel broadly refer to the various entitlements and requirements that go with a career in the Armed Forces. While the entitlements are in the form of free rations, free or subsidised accommodation, liberal leave and travel entitlements, better medical facilities etc., the distinctive requirements of the services account for their pattern of recruitment, educational standards, rank structure, system of promotions and appointments, age of retirement, etc.

Background

157.2 The Third and Fourth CPCs, while reviewing the structure of emoluments and terminal benefits of the Armed Forces, had formulated their proposals based on the existing conditions of service. The conditions of service have in the past been reviewed by the Government. It is for the first time that we have been mandated to examine the conditions of service per se.

Our Approach

157.3 While examining the conditions of service of the Armed Forces personnel, we have given particular attention to the issues on which we have received suggestions either from the Armed Forces or from the Ministry of Defence. While some of the issues proposed for consideration have been dealt with in other chapters, in this chapter, we have first discussed certain issues which are common to officers and Personnel Below Officer Rank (PBOR) and then issues specific to officers and PBOR.

RATIONS

Existing position

157.4 Free rations are provided to all officers and PBOR of the three services both in peace and field areas. Though officers of the three services have a common scale of rations, there is difference in the scale and net calorific value of rations between the Army PBOR and PBOR in the Navy and Air Force. While the ration scales are same for both peace and field areas, a higher scale of rations exists for high altitude areas. Ration allowance in lieu of rations is also permissible to officers and PBOR. When it is not possible or economical for the Government to supply rations or where the serviceman lives beyond 3.2 kms from the unit, ration allowance is given at payment issue rates. In other areas, when ration allowance is granted at the request of the Serviceman, it is given at free issue rates. Payment issue rates include an element of departmental charges incurred by the Government in procuring and storing rations.

Suggestions made on issue of Rations

157.5 The Armed Forces have suggested a common scale of rations for PBOR of the three services. To consider the matter we commissioned the National Institute of Nutrition (NIN), Hyderabad to study the existing ration scales for the Armed Forces personnel and suggest rationalisation measures. The NIN could not get all the data required by it. It primarily relied on the data provided by the Defence Institute of Physiology and Allied Sciences (DIPAS) and also could not undertake field trials to support its hypotheses and recommendations. The NIN have only suggested certain minor changes in the existing scales of rations. They have not endorsed the Armed Forces' sugestion for a common scale of rations for PBOR of the three services.

Our recommendations

157.6 We have considered the Armed Forces' proposals for a common scale of rations for PBOR of the three services in the light of the suggestions made by the NIN. **We are of the view that any change in the ration scales of PBOR of Navy and Air Force to bring them at par with that of the Army PBOR must be backed by scientific study of their physical activity and the calorific requirements.** We recommend that a detailed scientific study in this regard should be carried out. Meanwhile, the existing arrangements may continue. As regards the changes and adjustments suggested by the NIN in the existing ration scales, we suggest that these may be looked into by the Ministry.

157.7 We have considered the existing system of grant of rations in kind to officers and PBOR in both field and peace areas in the light of the complaints regarding the quality of rations supplied and instances of officers not utilising rations due to their poor quality. We have also studied the present distribution pattern of rations in kind. **We recommend that while the existing system of grant of rations in kind to PBOR in both peace and field areas and to officers in field areas may continue, officers in peace stations may be granted ration allowance at free issue rates, in lieu of the existing system of rations in kind.**

This will not only lend more flexibility in the consumption pattern of officers but also will lead to savings in terms of the cost of procurement and transportation.

157.8 We find that there are two rates of ration allowance granted in lieu of rations in kind - one at normal (free issue) rates and the other at special (payment issue) rates. We have considered the circumstances under which ration allowance is granted at payment issue rates and we find that they do not warrant a special dispensation. **Accordingly, we recommend that the special rate of ration allowance may be dispensed with and ration allowance be granted at normal rates i.e. the free issue rates.**

HOUSE BUILDING ADVANCE

Existing position

157.9 The amount of House Building Advance (HBA) admissible to the defence personnel is 50 times of basic pay subject to a maximum of Rs.70,000, while for civilians it is 50 times of basic pay subject to a maximum of Rs.2,50,000. The lower amount of HBA for the defence personnel is on account of the fact that unlike the Group Insurance Funds of the Civilians which are placed at the disposal of the Government for financing HBA, the Armed Forces' Group Insurance funds are managed by the Services themselves.

Armed Forces' Suggestions

157.10 The Armed Forces have suggested that the quantum of HBA in their case may be enhanced to a maximum of Rs.7.5 lakh and the rate of interest on HBA should not exceed the savings bank rate. They have also stressed the need for higher budgetary allocation to adequately meet the HBA claims.

Our recommendations

157.11 We have recommended in another chapter that the quantum of HBA for civilians be raised to a maximum of Rs.7.5 lakh and that the grant of HBA should be delinked from the availability of Group Insurance Funds for financing HBA. As an enabling measure, we have recommended that there should be a Housing Fund to be partly financed by the Government employees. **In view of these suggestions, we recommend that the quantum of HBA for the Armed Forces personnel should be the same as for Civilians and that the Armed Forces personnel should also contribute to the proposed Housing fund.**

CONVEYANCE ADVANCE

Our recommendations

157.12 Conveyance Advances, which include Motor Car Advance, Two Wheeler Advance and Bi-cycle Advance, are admissible to the Armed Forces personnel at the same rates and with the same eligibility criteria as for civilians. While formulating our general recommendations on Conveyance advances, we have considered the Armed Forces suggestions. **Our general recommendations on conveyance advance for civilians will equally apply to the Armed Forces personnel.**

EXEMPTION FROM INCOME TAX

Existing position

157 13 At present, certain allowances admissible to the Armed Forces personnel, such as ration allowance, entertainment allowance, Kit Maintenance allowance, Gallantry Awards, Field Service Concessions etc. are exempt from Income Tax.

Armed Forces' Suggestions

157.14 The Armed Forces have suggested that all such elements of pay and allowances which are special or peculiar to the Services and are provided in the form of compensation should be exempt from income tax. They have also added that all income which accrues to pensioners from any kind of pension should be fully exempt from income tax.

Our recommendations

157.15 **We have recommended elsewhere that all allowances of Central Government employees and pensions of retired Central Government employees should be paid net of taxes. These recommendations will apply to the Armed Forces personnel as well.**

CONDITIONS OF SERVICE : OFFICERS

AUTHORISATION OF RESIDENTIAL TELEPHONES

Existing position

157.16 Residential Telephones are authorised to Service Officers of the rank of Colonel and equivalent and above and STD facility on residential phones to Major General and equivalent and above. This is as per the relevant Government orders which restrict the provision of residential telephones, on the civil side, to Deputy Secretary and above and of STD facility on residential phones to Joint Secretary above.

Armed Forces' Suggestions

157.17 The Armed Forces have suggested that as a consideration to the special service requirements, residential telephones be provided to the rank of Captain and equivalent and above and key JCO (and equivalent) appointments. They have also added that STD facility on residential telephones should also be extended to Brigadier and equivalent. Enhancement of the quantum of free calls on residential telephones has also been proposed.

Our recommendations

157.18 We have recommended in another Chapter that residential telephones be provided to all officers of the rank of Under Secretary and above, without any change in the existing authorization of STD facility on residential telephones. **On that analogy, we recommend that residential telephones may be provided to Service Officers of the rank of Lt. Colonel/ equivalent and above,** without any change in the present authorization of STD facility on residential telephones. **Our recommendations on the quantum of free calls on residential telephones and provision of cellular phones for civilians will equally apply to Service Officers on the basis of existing relativities.**

AGE OF RETIREMENT OF SERVICE OFFICERS

Armed Forces' Suggestions

157.19 The Armed Forces have suggested an increase in the existing ages of retirement of Service Officers of the Army, Navy and Air Force by two years across the board, in view of the demand for increase in age of retirement in the civil side.

Our recommendations

157.20 We understand that the present ages of retirement for officers of the three services have been determined on the basis of physical strain involved in each rank and the overall need to keep the Services fighting fit. Any general increase in the ages of retirement of Service Officers will certainly tell upon the combat effectiveness of the Services. The 19th Estimates Committee of Lok Sabha in their report expressed serious concern over the increase in the general age of Battalion Commanders in the context of the performance of certain Army Units during the IPKF operations. The immediate effects of the proposed enhancement in the ages of retirement would be on the dynamics of cadre management of the Services. It would not only have the impact of holding up promotions for at least two years, thereby resulting in a higher age profile at various ranks, but would also run counter to the underlying norm of a command-oriented system that superseded officers should not be retained in the system for unduly long periods.

157.21 In view of these considerations, **we do not recommend any general increase in the ages of retirement for Service Officers.** However, since we have recommended an increase of two years in the general age of retirement for civilians, **we recommend an additional weightage of two years in qualifying service for determining the pension entitlement of officers of the three services.** We are, however, recommending, in the succeeding paragraphs, rationalisation in ages of retirement of officers of certain Arms and Services.

RATIONALISATION OF AGES OF RETIREMENT OF SERVICE OFFICERS IN THE JAG BRANCH

Existing position

157.22 Judge Advocate General's (JAG) Branch is the judicial wing of the Army. Officers of this branch act as advisors to the Army commander on military and law matters, besides sitting as Judge Advocate on court martial duties. The minimum eligibility criteria for induction into the branch is a degree in law.

Suggestions Made

157.23 We have been informed that the present ages of retirement for officers of the JAG branch neither give due weightage to the time taken for acquiring the requisite qualification and the resultant late entry nor do they ensure reasonable utilisation of the experience gained by these officers. In this regard, it has been suggested that their ages of retirement should be brought at par with that of comparable professionals in the Army Medical Corps (AMC), Army Dental Corps (ADC), Military Nursing Service (MNS) and Remount and Veterinary Corps (RVC).

157.24 Considering their professional qualification and job content and

the fact that they are not really required to go into battle, **we feel that ages of retirement of officers of the JAG branch should be brought at par with that of officers of the AMC, ADC, MNS and RVC. Accordingly, we recommend the following changes in their ages of retirement :**

Rank	Existing Age of Retirement	Proposed Age of Retirement
Lt. General	**58 years**	**60 years**
Maj.General	**57 years**	**59 years**
Brigadier	**56 years**	**58 years**
Colonel	**55 years**	**57 years**
Lt. Colonel and below	**55 years**	**55 years**

AGES OF RETIREMENT OF NAVAL OFFICERS

Existing position

157.25 Though the prescribed age of retirement of Captain/Commodore is 55 years, the operative part of it is governed by the "Working Principles" in force. Under the "Working Principles", a Captain/Commodore is permitted to serve upto 55 years if he is already placed in the Select List for Rear Admiral, otherwise he is retired at the age of 54 years. Similarly, the prescribed ages of retirement of Rear Admiral and Vice Admiral are operated as per the stipulations of the "Tenure Clause". Though the prescribed age of retirement for Rear Admiral is 56 years, under the "tenure clause" a Rear Admiral can have a tenure of 4 years or serve upto the age of 56 years whichever is earlier, provided that no Rear Admiral retires before the completion of 54 years of age. Though the prescribed age of retirement of Vice Admiral is 58 years, under the "tenure clause" a vice Admiral can have a tenure of 4 years or service upto the age of 58 years, whichever is earlier. However, in the case of Vice Admiral being appointed as vice chief of Naval Staff (VCNS) or Flag Officer Commanding-in-Chief (FOC-in-c), the officer will retire on completion of a further tenure of 4 years or on attainment of 58 years of age, whichever is earlier.

Naval Headquarters' suggestions

157.26 The Naval Headquarters have suggested that the "Working Principles" should be dispensed with and Captain/Commodore should be retired only at the prescribed age of retirement. They have also suggested the removal of the "tenure clause" as it leads to some unintended anomalies as well as intra-and-inter services disparities in ages of retirement.

Our recommendations

157.27 We find that under the working principles governing the age of retirement of Captain/Commodore some sort of parity in the ages of retirement of equivalent ranks in the three services is maintained, although the prescribed age of retirement for Captain/ Commodore is higher than that of their counter parts in the other two services. Only those Captains/ Commodores, who are already placed in the select list for Rear Admiral, get the benefit of higher age of retirement. In our view, this is a reasonable arrangement and **we do not recommend any change.**

157 28 We have examined the Naval Headquarters suggestion for the removal of the "tenure clause" in the overall context of the exigencies of cadre management. We find that the operation of the "tenure clause" allows more officers to move into the ranks of Rear Admiral and Vice Admiral and thus, helps in better cadre management. **We, therefore, do not recommend the removal of the "tenure clause". Rather, we suggest that in view of its stated advantages, the possibility of extending "the tenure clause" to the Army and Air Force should be explored by the Ministry of Defence.**

RATIONALISATION OF AGES OF RETIREMENT OF OFFICERS OF THE NAIO, LAW CADRE AND EDUCATION BRANCH OF THE NAVY

Naval Headquarters' suggestions

157.29 The Naval Headquarters have suggested that ages of retirement of officers of the Naval Armament Inspection Organisation (NAIO), Naval Law Cadre and the Education Branch of the Navy, should be rationalised vis-a-vis that of their counterparts in the Army. The suggested ages of retirement for these three cadres are as under:-

Rank	NAIO	Naval Law Cadre	Education Branch
Captain	56 years	56 years	56 years
Commander	55 years	55 years	55 years
Lt.Commander	55 years	55 years	55 years

Our recommendations

157.30 Though officers of the NAIO belong to the Executive branch of the Navy, they do not sail. Except for a very few officers who come to the NAIO sub-cadre from the Executive cadre, all the NAIO officers are of engineering background. Retirement ages of their counterparts in the Army (those permanently seconded to the Defence Research and Development Organisation and Directorate General of Quality Assurance) are uniformly 57 years. Considering the Naval Headquarters' suggestion **we recommend that ages of retirement of Captain, Commander and Lt. Commander and below of the NAIO cadre may be enhanced to 56 years, 55 years and 55 years respectively. We further recommend that the NAIO cadre may be separated from the Executive branch and made a separate branch of the Navy. As in the case of the DRDO and DGQA, the NAIO branch should have a civilian component, which should be established through progressive civilianisation of posts.**

157.31 Officers of the Naval Law Cadre compare, in terms of qualifications and job content, with officers of the JAG branch of the Army. In line with our recommendations on ages of retirement of officers of the JAG branch, **we recommend that ages of retirement of Captain, Commander and Lt.Commander and below of the Naval Law Cadre may be enhanced to 58 years, 55 years and 55 years respectively. We further recommend that the Law cadre may be separated from the Executive branch** and made a separate

branch.

157.32 Officers of the Education branch of the Navy functionally compare with Officers of the Army Education Corps (AEC). Considering the present ages of retirement of officers of the AEC and the Naval Headquarters suggestion, **we recommend that ages of retirement of Commander and Lt.Commander and below of the Education Branch may be enhanced to 55 years and 55 years respectively (age of retirement of Captain is already enhanced to 56 years).**

RATIONALISATION OF AGES OF RETIREMENT OF OFFICERS OF THE FLYING BRANCH OF THE AIR FORCE

Air Headquaters' suggestions

157.33 As a measure to rationalise the intra-and inter-service disparities in respect of ages of retirement of officers of the Flying Branch, the Air Headquarters have suggested an increase of two years in the ages of retirement of Wing Commanders and Squadron Leaders and below of the Flying Branch of the Air Force and the removal of the "extension clause" from ages of retirement of Group Captain, Air Commodore of the Flying Branch and Air Vice Marshal of all the branches of the Air Force.

Our recommendations

157.34 We have considered the Air Headquarters' proposal in the overall context of the operational exigencies of the Air Force, especially that of the Flying Branch. We understand that most of the officers in the Flying Branch complete their flying tenure well before the age of 45 years and then they are deployed on ground and staff duties. An increase of 2 years in ages of retirement of Wing Commanders and Squadron Leaders of the Flying branch, as suggested, would result in blocking of the likely vacancies for fresh induction into the Flying Branch for two more years. Already, our aircraft to pilot ratio is adverse compared to the neighbouring countries and the proposed move would further aggravate the situation. The argument that increase in the number of available officers in the ranks of Wing Commander and below, flowing out of higher retirement age, would alleviate the existing shortage of 500 officers in the Flying Branch, is not acceptable because the real shortage is in the availability of officers in the ranks eligible for active flying.

157.35 In view of these considerations, **we do not recommend any increase in ages of retirement of Wing Commander, Squadron Leader and below of the Flying Branch.**

157.36 The operation of the "extension clause", in respect of ages of retirement of Group Captain, Air Commodore of the Flying Branch and Air Vice Marshal of all the branches of the Air Force, ensures certain level of physical fitness and continued performance, though rejection rates under the clause have been low. We do not think it would be advisable to do away with the "extension clause". Rather, **we feel that screening under the "extension clause" should be made more rigorous** so as to achieve the objective underlying the "extension clause".

VOLUNTARY RETIREMENT SCHEME

Existing position

157.37 The existing voluntary retirement scheme (VRS) for officers of the Armed Forces is the same as for the other Central Government employees except that in the case of the Armed Forces, voluntary retirement can be sought in the wake of supersession or on compassionate grounds.

Armed Forces' Suggestions

157.38 The Armed Forces have suggested liberalisation of the existing policy, by permitting voluntary retirement on completion of 10 years of service instead of the existing 20 years of service. They have also suggested introduction of "Severance grant" as a necessary adjunct to the liberalised VRS.

Our recommendations

157.39 We have carefully considered the Armed Forces suggestions but we are unable to recommend any separate dispensation for the Armed Forces. **Our general recommendations on the VRS will apply to the Armed Forces along with the conditions that are currently applicable to such cases. As far as the special VRS recommended in respect of identified surpluses is concerned, these will equally apply to the Armed Forces.**

CONDITIONS OF SERVICE OF RE-EMPLOYED OFFICERS

Existing position

157.40 Due to shortage of officers in certain ranks, there is a scheme for re-employment of service officers. Officers upto the rank of Colonel and equivalent are re-employed in appointments tenable by officers upto the rank of Captain and equivalent. The re-employed officer can not stake a claim to officiate in any appointment in the establishment to which he is posted. For all practical purposes, he is considered attached to the unit in which he is detailed. While the re-employed officer is not entitled to substantive promotion, he is entitled to acting promotion. It is his rank on re-employment which is reckoned for the purpose of seniority and acting promotion as well as accommodation and travel entitlements.

Armed Forces' Suggestions

157.41 The Armed Forces have suggested that re-employed officers should be ineligible for acting promotion. Regarding other entitlements of re-employed officers, they have suggested same travel entitlements for medical examination, and on joining and termination of re-employment as during the period prior to re-employment, extension of sick leave and sick list concession as applicable to regular serving officers, and provision of accommodation as per the rank held at the time of retirement.

Our recommendations

157.42 We feel that the present scheme of re-employment of officers whereby officers can be re-employed in a rank lower than that from which they retired, is demeaning to the officer concerned. **We therefore, recommend that officers be re-employed only in the rank from which they retired.** The existing provisions regarding promotion of re-employed officers under which only acting promotion can

be granted, are quite reasonable and we do not recommend any change.

157.43 In view of our recommendation that officers should only be re-employed in the rank from which they retired, the Armed Forces' suggestion that the scale of accommodation for re-employed officers should be as per the rank held at the time of retirement would be met. As regards their travel entitlements for medical examination and on joining and termination of re-employment, **we recommend that they should be based on the rank held at the time of retirement. However, we do not recommend any change in their present leave entitlements, as these officers are mainly employed on general administration and station duties and not in field areas.**

CONDITIONS OF SERVICE : PERSONNEL BELOW OFFICERS RANK

ENHANCEMENT OF EDUCATIONAL STANDARDS

Armed Forces' suggestions

157.44 The Armed Forces have suggested that the initial recruitment qualification for Cooks and Mess Waiters of the Army and Cooks and Stewards of the Navy should be enhanced from non-matric to matric standard. They have also suggested better promotion avenues for the Cooks of the Army and extension of the system of classification to Cooks (special) of the Army.

Our recommendations

157.45 We find that Cooks of the Army are categorised as Cooks (unit), Cooks (Mess), Cooks (special) and Cooks (Hospital). While Cooks (special) and Cooks (Hospital) are in Group 'D' of the Army which is basically a matric entry group, Cooks (unit) and Cooks (Mess) are in Group 'E', a non-matric group. Since Cooks (special) and Cooks (Hospital) are already in the matric entry group, **we recommend that the educational standard for initial recruitment of Cooks (special) and Cooks (Hospital) be enhanced from non-matric to matric.** With this enhancement in their recruitment qualification, Cooks (Special) and Cooks (Hospital) may also be considered for promotion to the ranks of Junior Commissioned Officer (JCO). We further recommend that as in the case of other categories of Cooks in the Army, the system of classification may be introduced for Cooks (special) also. However, for Cooks (unit), Cooks (Mess) and Mess waiters in the Army, we do not find it feasible to recommend enhancement in their initial recruitment qualification.

157.46 Cooks and stewards of the Navy are presently in Group 'C' of the Navy which is basically a non-matric group. We do not find it feasible to recommend enhancement in their initial recruitment qualification.

TERMS OF ENGAGEMENT OF NON-COMBATANTS ENROLLED IN THE AIR FORCE

Existing position

157.47 Non-combatants Enrolled (NCsE) in the Air Force are initially engaged for a period of 15 years. They are required to apply for extension of service on completion of 15 years. They are then granted further extensions of 5 years at a time till the age of 55 years.

Armed Forces Suggestion

157.48 The Armed Forces have suggested that the initial engagement period of NCsE may be increased to 20 years to match the minimum pensionable service.

Our recommendations

157.49 The existing provisions of extending the period of engagement of NCsE upto 55 years through successive 5 year extensions do not serve any useful purpose. On the contrary, many NCsE, out of ignorance, fail to apply for extensions and in some cases are even deprived of the minimum pensionable service. To obviate this situation, **we recommend that the engagement period of NCsE be raised to 55 years of age, without the provision for extension on application.**

GOOD SERVICE PAY

Existing position

157.50 Good service/Good conduct/Badge pay is granted to Non-commissioned officers (NCOs) in the Army, sailors in the Navy and Airmen in the Air Force as an incentive to maintain high degree of discipline, good conduct, zeal and professional efficiency. In the Army, NCOs are entitled to good service pay after a period of three years of good service in the rank of Naik. Sepoys in the Army are, therefore, not eligible for the grant of good service pay. Sailors upto the rank of Chief Petty Officer in the Navy and airmen upto the rank of Junior Warrant Officer in the Air Force are entitled to good service pay after four years of good service.

Armed Forces' Suggestions

157.51 The Armed Forces have suggested that there should be uniformity in coverage and conditions of grant of good service pay for personnel of the three services. They have also suggested enhancement in the rates.

Views of the earlier Commissions

157.52 The issue of uniformity in coverage and conditions of grant of good service pay was considered by the Third CPC and they stated that although sepoys in the Army were not entitled to good service pay, they had the opportunity of getting the appointment of Lance Naik which carried appointment pay of Rs.5/-p.m. Further, a sepoy could get an additional pay of Rs.5/-or more per month on improving his class in the pay group, which is not available to the other services. They, therefore, did not make any change in good service pay rules. In fact, they stated that normally progression to higher ranks on the basis of performance should be considered sufficient incentive for good performance and conduct. However, they did not recommend discontinuance of the practice of giving good service pay in view of the keenness of the Services to retain it.

157.53 The Fourth CPC also considered the issue and recommended enhancement of the rates of good service pay, without changing the coverage and conditions of grant.

Our recommendations

157.54 Taking a cue from the Malaysian pattern of remuneration, we have recommended elsewhere for civilian employees a scheme for grant of "Performance Related Increments".

157.55 **For the Armed Forces personnel also, we recommend the same scheme of "Performance Related Increments" in place of Good Service/Good Conduct/ Badge Pay.** In our opinion, the new scheme would be more beneficial in financial terms and there would be no restriction of rank as at present. Besides, it would lead to uniformity not only on an inter-service basis but across the Central Government.

REWARDS FOR MERITORIOUS SERVICE

Existing position

157.56 Meritorious Service Medal with an annuity of Rs.100/- is given to selected Junior Commissioned Officers (JCOs) and equivalent of the three services. Long service and Good Conduct Medal with a gratuity of Rs.100 is given to the selected Non-Commissioned Officers (NCOs) and equivalent of the three services. The scale for grant of these medals is 4 for every 800 personnel on authorised establishment of the respective services.

Armed Forces Suggestions

157.57 The Armed Forces have suggested that the amount of annuity with Meritorious Service Medal should be enhanced to Rs.1500 and the amount of gratuity with long service and Good Conduct Medal to Rs.1500.

Our recommendations

157.58 We have considered the Armed Forces suggestion and **recommend that the rates of annuity with Meritorious Service Medal and of gratuity with long service and Good Conduct Medal may be doubled.**

HONORARY RANKS AND COMMISSION

Existing position

157.59 In the Armed Forces, Honorary Commission is awarded in recognition of meritorious service to serving Junior Commissioned Officers (JCOs) and equivalents in the rank of Captain or Lieutenant by the Chiefs of Staff. In addition, selected Havildars and JCOs and equivalents are granted Honorary rank/Honorary Commission after retirement.

157.60 The grant of the Honorary Commission to JCOs does not confer on them any additional powers of command. However, JCOs granted honorary commission lose their entitlements of free accommodation, electricity, and water and allowances such as clothing, conservancy and water carrier and personal allowances

such as hair-cutting and washing.

157.61 The grant of honorary commission or rank to JCOs after retirement does not entail any additional pensionary benefits, though Havildars granted honorary rank of Naib Subedar get some pensionary benefit.

Armed Forces Suggestion

157.62 The Armed Forces have suggested that serving JCOs granted honorary commission should be allowed to continue to be entitled to free accommodation, electricity and water and allowances such as clothing, conservancy and water carrier and personnel allowances such as hair-cutting and washing. They have further suggested that Havildars and JCOs granted honorary rank/commission on retirement be authorised non-effective benefits of honorary rank.

Views of the MOD

157.63 Regarding serving JCOs granted honorary commission, the Ministry of Defence have stated that on grant of honorary commission and consequent grant of appropriate pay and allowances, the status of JCO changes and as such there is no merit in the proposal to continue to allow free accommodation, water and electricity and allowances like clothing, etc. On the issue relating to Havildars and JCOs who are granted commission after retirement, the Ministry have stated that there is no justification for giving non-effective benefits of honorary rank, as they do not put in any service in such rank prior to retirement.

Our recommendations

157.64 Serving JCOs granted honorary commission are entitled to higher pay than what they were drawing before the grant of honorary commission. Therefore, there is no need to continue grant of free accommodation, water, electricity etc. Accordingly, **we do not recommend any change in the existing position.** We also do not find enough justification to grant non-effective benefits of honorary rank to Havildars and JCOs granted honorary commission/rank after retirement.

AGE OF RETIREMENT

Existing position

157.65 Retirement of Personnel Below Officer Rank (PBOR) of the three services is governed by the terms of engagement or the age of superannuation applicable to each rank, which ever is earlier.

Armed Forces' Suggestion

157.66 The Armed Forces have suggested an extension of 2 years of service beyond the existing terms of engagement applicable to each rank of the Army and to the rank of Chief Petty Officer (CPO) in the Navy, subject to the consent of the individual concerned, acceptable service record, medical fitness and exigencies of service.

Our recommendations

157.67 The Armed Forces have, in another proposal on "Revision of Terms of Engagement of Army PBOR" suggested reduction in the initial colour service in the case of combat and combat support categories to 7 years to be followed by re-mustering within the Army or lateral shift to Civil organisations. We find that the present proposal to enhance the terms of engagement across the board by 2 years is not

in keeping with their proposal on "Revision of Terms of Engagement of Army PBOR" and not in consonance with the imperative of keeping the services, particularly the Army, young. Moreover, the study report on "Age of Superannuation" has brought out that during discussions with the study team, the Armed Forces Pay Commission Cells had opined that due to special requirements of fighting forces, it was not possible to increase the period of engagement and a better course would be to improve resettlement opportunities.

157.68 In view of the above, **we do not recommend any enhancement in the age of retirement of PBOR of the Army and CPO of the Navy.** However, keeping in view our recommendation to enhance the general age for retirement of civilians from 58 to 60 years, **we have recommended an additional weightage of 2 years in qualifying service for pension to PBOR of the three services.**

ENROLMENT OF DSC PERSONNEL

Existing position

157.69 Recruitment to the Defence Security Corps (DSC)is made from the ex-servicemen and the Territorial Army (TA) personnel. The initial period of employment for DSC personnel is 5 years and further extensions can be allowed till the age of 55 years. The existing conditions for joining the DSC are as under:

(a) Ex-servicemen of the three services having minimum 5 years of former service are eligible to join the DSC as sepoy or in the former rank subject to availability of vacancies.

(b) TA personnel who have put in minimum 3 years' embodied service with minimum 7 annual training camps are eligible for entry into the DSC.

(c) 50 percent of the Non-Commissioned Officers' (NCOs) vacancies are filled by recruiting ex-servicemen in their previous ranks. These vacancies are filled on first-come-first-served basis.

Armed Forces' Suggestions

157.70 For direct enrolment of ex-NCOs in their previous ranks into the DSC the Armed Forces have suggested a scheme to lay down minimum previous service so that senior ex-NCOs do not suffer on account of first-come-first-served clause.

Our recommendations

157.71 We have examined the existing provisions of enrolling ex-servicemen in the DSC. We find that in filling 50 percent of the vacancies in the DSC, ex-servicemen are generally taken in a rank lower than the previous rank. In our view, this practice is demeaning to the personnel concerned. In line with our recommendations for re-employed service officers, **we recommend that enrolment of ex-servicemen into the DSC may take place only in the ranks from which they retired.**

157.72 As regards the remaining 50 percent of the vacancies in the DSC which are filled by enrolling ex-servicemen in their previous ranks, we find that the

operating provisions are quite in order. Accordingly, we do not recommend any change.

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Entitlement of Accommodation

INTRODUCTION

General

158.1 It is a service requirement that Armed Forces personnel reside in cantonments close to their units. Entitlement of accommodation is, therefore, one of their conditions of service. The general entitlement of accommodation for PBOR is free single barrack accommodation. A prescribed percentage of the strength of PBOR in various ranks is entitled to free married accommodation in peace areas. Commissioned officers are authorised free accommodation and allied facilities in field areas and are provided with married accommodation on a percentage authorisation basis in peace areas on payment of licence fee and other charges.

PROVISIONS FOR PBOR

Authorisation of Accommodation

158.2 The provision of married accommodation for PBOR is based on the authorisation of married establishment, the existing authorisation being 50% for Sepoys and equivalent, 90% for Naiks and equivalent, 95% for Havildars and equivalent and 100% for Junior Commissioned Officers and equivalent. It is within this authorised married establishment that accommodation is either provided, hired or compensation in lieu of quarters paid. Keeping in view the functional requirements of units/ships/squadrons, scales of accommodation to be physically held and constructed have also been laid down. The existing scales of accommodation for NCOs and ORs of all Army units other than AOC, EME, RVC, AEC etc., for Leading Seaman and Seaman of Navy and Aircraftsmen of the Air Force is 14%. Scales of accommodation for Havaldar of ASC (Sup), AOC, EME, RVC, RT, APTC and APS and for Non Combatants (enrolled) is 100%; for NCOs of Air Force and Petty Officers of Navy it is 50% while other personnel in the Army are authorised a scale of 24% to 60%. In the case of JCOs, except for Junior Warrant officers of the Air Force for whom the scale is 75%, 100% authorisation exists for all other JCOs and equivalent.

STATE OF ACCOMMODATION

State of Accommodation-PBOR

158.3 The Armed Forces in their Memorandum have indicated the position of availability of married quarters to indicate the level of satisfaction and waiting period involved for different categories of personnel. Deficiency of 48,845 quarters against the authorisation of 2,09,000 quarters for the Army, 2,731 quarters against 13,943 quarters for the Navy and 22,078 quarters against 62,397 quarters authorised to the Air Force have been reported. It has also been brought out in the Memorandum that continuous stay in peace areas for troops ranges from 2 years 10 months for personnel of the infantry to 7 years for personnel belonging to the Armoured Corps, Mechanised infantry etc who are able to stay longer with their families in spite of low scales of accommodation. Waiting time for accommodation ranges from 5 months to 11 months. For JCOs, waiting time in class 'A' and 'B' cities ranges from 2 to 18 months and in metropolitan cities it is 30 months approximately.

AUTHORISED MARRIED ESTABLISHMENT-PBOR

Armed Forces Proposals

158.4 The Armed Forces have proposed that the authorised married establishment for PBOR be raised to 100%. They have also suggested enhancement in the scales of married accommodation for Other Ranks and equivalent to 50%, and for Non commissioned officers and equivalent and Junior Warrant Officers of the Air Force to 100%. In the absence of adequate accommodation, the Armed Forces have proposed that hired accommodation should be made available to PBOR.

Earlier Opinion on AME

158.5 We find that the question of enhancement of scales and authorised married establishment has also been considered earlier. The Kamath Committee (1968) had mentioned the futility of increasing the scales of accommodation in view of the vast gap in available married accommodation. Feeling that it was undesirable that large number of personnel should be compelled to hire accommodation under their own arrangements, they had suggested increase in the authorised married establishment to existing levels. The issue of further enhancement of authorised married establishment was again considered by Third CPC which felt that while servicemen should have adequate opportunity to live with their families, there was considerable merit in requiring servicemen to live together in barracks in order to foster camaraderie and ensure proper nutritional intake. They, therefore, suggested that the issue may be considered by the Ministry of Defence in the light of availability of accommodation and proportion of personnel required to be retained in barracks. We have also gone through the recommendations of the 19th Estimates Committee according to which "it would be impossible to provide 100% satisfaction without committing disproportionately large resources which might be directly needed in other areas."

Our Recommendations

158.6 We have deliberated on all aspects of the matter, and are of the view that the compulsions mentioned by the Third CPC have not undergone any material change. We have also taken into account the Armed Forces proposal to review the terms of engagement of soldiers and feel that the two issues of provision of accommodation and terms of engagement have an inherent linkage. We have

separately recommended shifting of soldiers to Central Police Organisations after 7 years of service to the extent of 25% of vacancies in CPOs. The other relevant factors such as percentage of married personnel, strength in field areas and number compulsorily required to stay in barracks should also be taken into account. **We therefore recommend that the issue of enhancement of authorised married establishment may be considered by the Ministry of Defence** in the light of all these factors. We have already illustrated the existing deficiency in authorised married accommodation and have been informed by the Ministry of Defence that long term measures for increasing the pool of married accommodation are being taken. We are, therefore, of the opinion that increase in scale of accommodation at this stage would not serve any useful purpose.

158.7 However, we agree with the suggestion made by the Armed Forces that **hiring of accommodation for JCOs/ORs be liberally resorted to** within the authorised married establishment.

COMPENSATION IN LIEU OF QUARTERS

Background

158.8 Married personnel below officer rank above the age of 25 years are entitled to compensation in lieu of quarters (CILQ), within the authorised married establishment, if they have not been provided with Govt. owned or hired accommodation. CILQ is meant to compensate for hiring of house, furniture, electricity and water etc. whereby it should be adequate for an individual to hire a house within the duty station or where his family resides. The payment of CILQ is rank-based, as against pay-based nature of House Rent Allowance for civilians.

Existing Rates

158.9 The existing rates of CILQ are as follows:

Category	A&B Class	C Class	Other Towns
		(in Rs.per month)	
a) Sepoys & equivalent	300	200	150
b) Nks & equivalent	300	200	150
c) Havs & equivalent	350	250	170
d) JCOs & equivalent	450	300	200

Conditions for Grant of CILQ

158.10 CILQ is paid irrespective of whether the family is residing with the individual at duty station or not. Where the family does not reside at the duty station, the individual is paid CILQ at rates admissible for 'Other Towns'. Personnel posted to field areas, where free single accommodation and allied facilities are provided, are also eligible for payment of CILQ.

Armed Forces Proposals

158.11 The Armed Forces have suggested substantial enhancement in the rates of CILQ on the basis that the house rent element should be calculated as per market rent in the town where the family is residing, electricity and water charges be worked out at rates linked to fixed units of consumption and furniture hiring be regulated at 5% of basic pay. It has also been suggested that norms for classification of towns for the purpose of CILQ and hiring should be the same. A suggestion that rates for CILQ and hiring of accommodation should be revised

annually by local formation Commanders/ Competent Financial Authority has also been made.

Our Recommendations

158.12 We have gone into the issue in detail and are of the opinion that the present rates of CILQ are indeed insufficient in the context of prevalent market rates. On the same considerations, we have suggested revised rates of House Rent Allowance for civilian employees linking it with a percentage of the maximum of the pay scale. However, we feel that grant of CILQ on a percentage basis to Armed Forces personnel is not desirable as it would disturb the inter-trade group parity in rates and also lead to considerable accounting and clerical work. Keeping in view the position that personnel in all the three services are authorised a uniform scale of accommodation for a particular rank, we recommend that the existing rank-based nature of CILQ may continue. We are also not in favour of disturbing the existing composite nature of the CILQ. Keeping all these factors in view,we **recommend that the existing CILQ may be revised as follows**:-

	A1 Class Cities	**A B1 B2 Class Cities**	**C Class Cities**	**Unclassified Cities**
		(in Rs. per month)		
Sepoy & Naik & equiv.	**1800**	**900**	**600**	**450**
Havildar & equiv.	**2100**	**1050**	**750**	**510**
JCOs	**2700**	**1350**	**900**	**600**

Classification of Towns and Revision of Rates

158.13 As regards norms for classification of towns, the recommendations made on classification of towns in our chapter on Housing Facilities and House Rent Allowance for civilians would apply to both hiring of accommodation and grant of CILQ. We also recommend that rates for CILQ and hiring of accommodation may be revised by the Ministry of Defence from time to time and not by local authorities, as it would lead to disparities in rates of hiring within the same station for different categories of Govt. servants and may also not be in consonance with the overall strategy for hiring and CILQ for personnel in similar classes of cities.

PROVISIONS FOR OFFICERS

Introduction

158.14 . A married officer above 25 years of age is entitled for allotment of married accommodation at the duty station, provided his family is residing with him. If his family is not residing with him he is allotted single accommodation. Accommodation is generally provided to officers in existing Govt. buildings, including buildings of civil departments. In stations where Government-owned accommodation is insufficient, additional suitable accommodation is hired or the officer may make his own arrangements on rent reimbursement basis.

Allotment Rules

158.15 All accommodation in the station is kept in the station pool at a station where more than one service has constructed accommodation. Accommodation built by a particular service is allotted primarily to officers belonging to that service, subject to the provision that no accommodation in the respective pool remains vacant. All surplus accommodation with one service is offered for allotment to officers of the other services. All other Govt. owned accommodation i.e. hired, requisitioned etc. is kept in a common pool for allotment to service officers, irrespective of service based on a common seniority roster at that station. Some weightage in seniority is available to officers coming from field areas or from stations where married accommodation could not be provided.

158.16 The authorization of married accommodation for officers of the three Services is as follows:

Ser	Rank	Army	Navy	Air Force	
				Flying	Non Flying
		%	%	Br %	Br %
a)	Major & above	100	100	100	100
b)	Capt	80	83	70	60
c)	Lt. & below	33.33	63	25	50

State of Accommodation

158.17 It has been brought to our notice that there is considerable deficiency of married accommodation resulting in low levels of satisfaction. Details of quarters authorised, held and satisfaction level in respect of the three Services is as under:

Rank	Army	Navy	Air Force
a) Quarters Authorised	38,700	4,080	7,917
b) Quarters Available	27,938	3,291	5,760
c) Deficiency	10,762	789	2,157
d) Satisfaction level	72%	80.6%	72.8%

Waiting Time

158.18 It has been represented by the Armed Forces that in most peace stations, officers have to wait for 8-16 months to get accommodation. Waiting period for regular accommodation in metropolitan cities, and large cantonments varies from 10 to 20 months and by the time an officer gets regular accommodation more than half his tenure is over. Secondly, the rental ceilings for hiring of accommodation are low and revision of ceilings is not carried out to cope with escalating rents.

Armed Forces Proposals

158.19 In view of these constraints, the Armed Forces have suggested that existing deficiency of married accommodation should be made up by:

a) Releasing more funds for construction of additional dwelling units,

b) Hiring houses and permitting re-imbursement on prevalent market rent,

c) Granting permission to retain accommodation at previous station or to hire accommodation at any other station till appropriate married accommodation becomes available at duty station, and

d) Revision of rents on annual basis to keep them in line with market rents by Local Formation Headquarters and provision in lease deeds for increase in rentals.

MOD's comments

158.20 We have been informed by Ministry of Defence (MOD) that service officers are entitled to higher scales of accommodation than their civilian counterparts and are generally provided with accommodation of the entitled type. The additional facility of hiring is also available, which is not permitted for civilians. The Ministry has also stated that it is taking up long-term remedial measures for improving accommodation, but increasing the scales to 100% may not be feasible.

Our Recommendations

158.21 We have taken note of the position brought out by the Defence Ministry and **suggest that additional funds may be earmarked by MOD for construction of additional units and hiring of accommodation may be done as per ceilings**. As regards retention of accommodation at previous duty station, we find the existing provisions, which allow retention upto 5 months, to be adequate and do not suggest any change.

Ceiling for Hiring of Accommodation

158.22 On the issue of increase in rental ceilings, we have been informed that the existing ceilings are based on plinth area requirements and present market rates etc. We observe that the existing rates of House Rent Allowance for civilians are substantially lower than rental ceilings for hiring. The Armed Forces have informed us that the Railways have enhanced the rental ceilings substantially in March, 1996. Keeping in view all these aspects, we suggest that the **revision of ceilings for hiring of accommodation for service personnel may be done by the Ministry of Defence keeping in view the quantum of HRA proposed by us for corresponding civilians and the ceilings for hiring fixed by the Railways.**

PROVISION OF SEPARATED FAMILY ACCOMMODATION

General

158.23 As per present provisions, an Armed Forces personnel, within the authorised married establishment on posting to field areas/ modified field areas, can either send his family to a selected place of residence at Govt. expense, select any of the stations where accommodation has been specifically constructed for separated families and move the family to that station or retain the family accommodation at the last duty station with the permission of the Station Commander or other allotting authority.

Present Position

158.24 In 1963 it was decided to provide 40,252 quarters as separated family accommodation for 1,50,000 troops posted in field areas. Since then, only 11,692 quarters have been constructed and a large deficiency still exists. Accommodation can also be hired for separated families posted to field areas at specified stations, subject to prescribed ceiling on number of houses in each station as specified by Hq. Commands and in accordance with prescribed scales of

accommodation and rental ceilings. Hiring on rent reimbursement is also permissible in Delhi/New Delhi only with permission of competent authority upto the quota fixed for Delhi. Separated families of Service Officers can also be permitted to live in their own houses on rent re-imbursement basis in Delhi/New Delhi only. The total number of hired houses and such houses should not exceed the quota fixed for Delhi.

Armed Forces Proposals

158.25 The Armed Forces have made the following proposals with regard to Separated Family Accommodation:

i) Revision of quantum of Separated Family (SF) Accommodation based on present strength of Army posted in field areas.

ii) Release of a minimum of one more slab of Separated Family Accommodation to provide temporary relief.

iii) Permission to hire own house/any other house irrespective of location at prevalent market rates.

Our Recommendations

158.26 We have considered the suggestions made by the Armed Forces on the issue and find that the strength of troops in areas classified as field areas has not undergone any substantial change. In any case, separated family accommodation actually held by the Armed Forces is far short of the authorisation and increasing the scales would not serve any useful purpose. **We, therefore, recommend that construction of balance of authorised accommodation may be taken up on priority basis by the Ministry**. While selecting stations for construction, availability of Government land, existence of adequate educational, medical and other facilities should be the main consideration. As regards permission to hire accommodation, the Ministry of Defence have stated that it may not be desirable to permit hiring of separated family accommodation at any station at prevalent market rates in view of the budgetary constraints. In view of this, we do not suggest any change in the restriction on hiring of houses for separated families.

PROVISIONS RELATING TO LICENSE FEE, HIRING OF FURNITURE, WATER AND ELECTRICITY

Present Provisions

158.27 Personnel Below Officer Rank are granted rent free accommodation and allied services, and consequently no license fee and other charges are recovered from them. However, JCOs and ORs residing in government hired buildings are permitted to hire furniture and claim compensation to the extent of 2.5% of pay scales applicable prior to 1988. Service Officers when allotted accommodation pay license fee at concessional rate of 5 percent in case of married officers and 2 1/2 percent in case of single officers. Service Officers are provided furniture by the Military Engineering Service at the prescribed scale and the rent is charged at 2 1/2 percent of pay or 80% of the capital cost of furniture per annum, whichever is less. If furniture cannot be provided by MES, the officer is authorised to hire furniture upto 5% of pay, his own liability being 2 1/2 percent of pay. Service Officers also pay electricity and water charges at half the all India recovery rates for electricity and water. The concessional rate for electricity is not applicable

to energy consumed as power.

Services Proposals

158.28 The Armed Forces have suggested the following changes with regard to compensation for hiring of furniture:

a) Compensation in lieu of furniture for JCOs and ORs should be provided on current pay. Amount of compensation be increased from 2.5% to 5% of Basic Pay.

b) For officers, actual amount spent on hiring of furniture should be reimbursed and reimbursement of furniture hire charges when an officer hires own house with furniture should be permitted.

Our Recommendations

158.29 We have considered the two demands and since reimbursement will continue on the basis of percentage of pay and the entitlement would go up automatically consequent on pay revision, we do not suggest any change in the existing provisions for JCOs/ORs. However, **compensation may be paid on the basis of revised pay**. For officers, cost of hiring would depend on type and quality of furniture hired. Therefore, restriction on reimbursement should continue.

Schemes for Educational Assistance

EDUCATIONAL CONCESSIONS FOR THE CHILDREN OF BATTLE CASUALTIES

Introduction

159.1 The children of Armed Forces personnel are governed by the same scheme of educational concessions available to civilian personnel. However, for children of personnel killed/disabled or missing in various operations, government has sanctioned a separate scheme of concessions. While the general scheme of educational concessions would also apply to Armed Forces personnel, the specific proposals with regard to children of battle casualties and some specific demands for children of serving employees have been discussed in the succeeding paragraphs.

Existing Position

159.2 Certain educational concessions are granted to the children of Armed Forces Personnel killed/ disabled/missing in 1962, 1965 and 1971 conflicts and operations 'Pawan' and 'Meghdoot'. These concessions include:

(i) Complete exemption from tuition and other fees, including bus fees and actual fares for railway passes;

(ii) Grant of hostel charges in full for those studying in boarding schools and colleges;

(iii) Reimbursement of the cost of books and stationery, subject to a maximum of Rs. 250/-p.a. ;

(iv) Reimbursement of the cost of uniform upto Rs. 810/- for the first year and Rs. 350/- p.a. for the subsequent years; and

(v) Reimbursement of the cost of clothing upto Rs. 250/- for the first year and Rs. 150/- p.a. for the subsequent years.

Separate notification required

159.3 These concessions are not automatically extended to the children of those killed/disabled/ missing in operations but a separate government notification in respect of each operation is required to be issued.

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Armed Forces Suggestions

159.4 The Armed Forces have suggested that these educational concessions should automatically apply to the wards of personnel classified as battle casualties and those in receipt of liberalised pensionary awards. They have also suggested that the actual cost of books, stationery and uniforms should be reimbursed without any ceiling.

Our Recommend-ations

159.5 We have carefully considered the Armed Forces' suggestion regarding automatic applicability of educational concessions to the wards of those affected in war-like operations and do not find it feasible to accede to the same. We have also examined the Armed Forces suggestion regarding the removal of the ceiling on reimbursement of the cost of books, stationery and uniforms and **recommend that the existing ceiling on reimbursement of cost of books, stationery, uniforms and clothing may be enhanced by 50%.**

EDUCATIONAL CONCESSIONS/FACILITIES FOR SERVING DEFENCE PERSONNEL

Armed Forces Suggestions

159.6 On the issues relating to children of serving defence personnel, the Armed Forces have suggested that the wards of the defence personnel should be given guaranteed admissions in Kendriya Vidyalayas (KVs) and should be treated as having the first priority for admissions irrespective of the number of transfers, with more powers for Chairman of Kendriya Vidyalayas (KVs) to monitor admissions. They have also suggested that the domicile rules for admission of their wards in colleges and professional institutions be waived. On the existing schemes for children's educational assistance, the Armed Forces have suggested some rationalisation and enhancement of the rates.

Priority in admission in KVs

159.7 With regard to the issue of priority for wards of defence personnel in KVs, we have been informed by the Ministry of Human Resource Development (HRD) that the wards of defence personnel are always in Category-I for admissions into all KVs of civil and defence sectors irrespective of the number of transfers. However, as per the general Government policy, priority in admissions to KVs can not be totally delinked from the number of transfers during the last seven years. The Ministry have further stated that since the demand for admissions to KVs is always higher than the number of seats available, admissions for wards of defence personnel can not be guaranteed.

Our views

159.8 Considering all relevant factors, we are inclined to go by the Ministry's views. However, **in order to provide greater educational opportunities to the wards of the Armed Forces personnel, more KVs should be opened in the defence sector.**

Powers of Chairmen of KVs

159.9 Regarding the monitoring of admissions by the Chairman of KVs, the Ministry of HRD have clarified that admissions are the prerogative of the Principals who are supposed to abide by the laid down guidelines in this regard and the Chairman can only be apprised of the admissions finalised by the Principals.

Our views

159.10 The existing arrangement, as explained by the Ministry, is quite in order and we do not recommend any change in it.

Domicile Requirement

159.11 On the issue of domicile for admissions in colleges and professional institutions for wards of defence personnel as well as civilians with all India transfer liability, **we feel that a piece of central legislation is urgently required so as to relate domicile of such personnel to either the state to which they belong or the state from which their wards have taken their 10+2 examination. We, therefore, suggest that the matter be taken up by the Ministry of HRD on a priority basis.**

General Recommend-ations

159.12 The existing children's educational concessions are commonly admissible to both the defence personnel and civilian employees. We have considered the Armed Forces suggestions while formulating our general recommendations on children's educational concessions. Our general recommendations on them will equally apply to the Armed Forces personnel

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Leave Entitlements

PRESENT POSITION

General

160.1 Leave entitlements of Armed Forces personnel are more liberal than those of civilian employees, in view of the consideration that they always remain in full mental and physical readiness for performing military duties. The existing entitlements are as follows:

	Officers	**PBOR**
a) Annual Leave	60 days	60 days
b) Casual Leave	20 days	30 days
c) Furlough	60 days in a cycle of 3 years	Not applicable
d) Sick Leave	24-30 months	No limit

Casual Leave and Annual Leave

160.2 As in the case of civilian employees, casual leave due in a year can only be taken within the year. Annual leave admissible in each calendar year is 60 days. In case of PBOR, while proceeding to a leave station which necessarily involves a journey of more than two days each way, additional leave in excess of annual leave or accumulated leave is granted to cover the journey period in excess of two days each way.

Encashment of Leave

160.3 Unavailed portion of annual leave subject to a maximum of 30 days in a year can be accumulated upto 240 days for encashment on retirement. The amount of encashment in the case of Armed Forces personnel is further restricted by the number of years of service put in. Armed Forces officers on superannuation are entitled to encash a maximum of 210 days if they have rendered less than 22 years' service. However, if service rendered is 22 years and above, encashment upto 240 days is permitted. In the case of officers leaving on own request and for PBOR, the entitlement is as follows :

Service at time of Retirement/Discharge	Quantum of Leave Encashment
1. 22 yrs. and above	240 days
2. 20 yrs. and above and less than 22 yrs.	210 days
3. 17 yrs. and above and less than 20 yrs.	105 days
4. Less than 17 yrs.	90 days

For all Armed Forces personnel who die while in service, leave encashment is allowed in the following manner :

Service at the time of Death	Quantum of Encashment
a) Below 17 years	180 days
b) 17 yrs. and above but below 22 yrs.	210 days
c) 22 yrs. and above	240 days

Furlough

160.4 Furlough can be compared with half-pay leave of civilians and is granted only to Commissioned Officers. The period of leave admissible as furlough, which is non-accumulative, is two months for every three calendar years and can be availed at any time after the commencement of the 3-year cycle.

Sick Leave - Officers

160.5 There is no difference between attributable and non-attributable diseases for the purpose of grant of sick leave. Sick leave on medical certificate is admissible to Commissioned Officers for a period upto 6 months in the first instance. Thereafter, provided there is reasonable prospect of an officer becoming fit for duty, extension of sick leave by 3 months at a time on the recommendation of the competent medical board may be granted upto a maximum of 12 months, extendable upto 24 months. Officers on flying duties, if they are injured or ill as a direct result of a flying accident, can be granted sick leave upto a maximum of 2 1/2 years. Sick leave is granted on full pay for six months and on furlough/half pay after that. However, full pay for further period may be granted after Government sanction for attributable cases.

Sick Leave - PBOR

160.6 For Personnel Below Officer Rank, the entire period spent in a military or recognised civil hospital is treated as on duty for individuals who fall sick while on duty. After discharge from hospital, sick leave may be granted on the recommendation of competent medical authority. There is no limit to such leave, except that it should be restricted to a period in which there is a reasonable prospect of the individual becoming fit for duty.

Leave on Posting Abroad

160.7 Leave entitlement on posting abroad to Indian Embassies or Missions is the same as entitlement in India. For personnel sent abroad on course of instruction or on deputation, casual leave is granted by Heads of Missions subject to the condition that its grant should not have the effect of extending the period of deputation. Annual leave is given to coincide with recognised breaks in

courses of instructions. Officers who take leave in continuation of the deputation/course of instruction abroad for personal reasons do not have benefit of the transit time for return journey being treated as duty, except when leave is either less than 14 days or less than 50% of period of duty abroad. Government sanction is required for grant of leave in excess of 14 days.

ARMED FORCES PROPOSALS

Armed Forces Proposals

160.8 The Armed Forces have suggested that the present ceiling for encashment of leave should be enhanced from the existing 240 days to 360 days, with annual encashment of unavailed portion of leave being permitted upto 30 days in a year. It has further been suggested that the quantum of encashment of leave should be delinked from number of years of service. Extension of the provision of accumulation, commutation and encashment of leave to furlough has also been proposed.

OUR RECOMMENDATIONS

Relativity with Civilians

160.9 We have studied in detail the existing provisions relating to encashment of leave of Armed Forces personnel. We find that the ceiling on encashment available to service personnel has always been linked to the maximum leave encashment available to civilian employees and ceilings for Armed Forces personnel have been raised consequent on such increase for civilians. For civilian employees, in our chapter on Leave Entitlement, we have recommended that the ceiling on encashment of leave may be raised from 240 days to 300 days. We have also suggested that this increase of 60 days may be permitted to be encashed at the time of availing LTC subject to the following conditions:

i) The total leave so encashed during the entire service career should not exceed 60 days;

ii) Earned leave of at least an equivalent duration is also availed of simultaneously by the employee;

iii) A balance of at least 30 days of earned leave is still available to the credit of the employee after taking into account the periods of encashment as well as leave; and

iv) The period of leave encashed should be deducted from the quantum of leave that can be normally encashed by him at the time of superannuation to the extent that the leave then accumulated is in excess of 240 days.

Our Recommen-dations

160.10 Keeping in view our recommendations with regard to civilian employees, **we suggest that ceiling on encashment of leave for Armed Forces personnel be also raised from 240 days to 300 days.** As regards the proposal to delink the encashment from number of years of service, owing to the lesser number of years of service and early retirement of service personnel, we are unable to accede to the proposal. **We therefore recommend the following revised ceilings on encashment of leave for Armed Forces personnel:**

TABLE : CEILING ON ENCASHMENT OF LEAVE FOR ARMED FORCES PERSONNEL

No. of yrs. of Service	Quantum of Encashment
1. Officers on Superannuation	
a) 22 yrs. and above	300 days
b) Below 22 yrs. service	265 days
2. Officers leaving on own request and PBOR	
a) 22 yrs. and above	300 days
b) 20 yrs. and above and less than 22 yrs.	265 days
c) 17 yrs. and above and less than 20 yrs.	132 days
d) Less than 17 yrs.	113 days
3. In case of death in Service:	
a) 22 years and above	300 days
b) 17 years and above but below 22 years	265 days
c) Below 17 years	225 days

Annual Encashment

160.11 With regard to the new provisions concerning encashment of leave at the time of availing LTC, **we suggest that encashment may be permitted for Armed Forces Personnel also subject to the conditions suggested for civilians**, to the extent of additional number of days proposed to be added to the ceiling for them. We however do not agree with the Armed Forces proposal to allow accumulation, commutation and encashment of furlough for officers as it would not be justified to grant a concession to service officers which is not granted to PBOR.

Leave when serving Abroad

160.12 The Armed Forces have also proposed removal of the requirement for Government sanction in case of grant of leave exceeding 14 days for personnel serving abroad. We have examined the issue and feel that the **existing position is reasonable and no change is warranted**.

Review of Leave Entitlement

160.13 The IDSA Report on manpower optimisation in the Armed Forces has suggested that leave entitlement of Armed Forces personnel may be re-examined and annual leave brought down to 30 days in a year and suitable monetary compensation introduced instead. The present entitlement is based on the concept that servicemen should avail themselves of annual leave regularly so that they keep themselves fit for military duties. Secondly, the present entitlement also ameliorates to some extent the problem of separation from family especially in the case of PBOR. We are, therefore, not in favour of any reduction in the existing leave entitlement.

Encashment of Leave - DSC Personnel

160.14 With regard to encashment of leave for DSC personnel it has been suggested that DSC personnel should be permitted to accumulate leave at par with other service personnel. We have considered the suggestion and **recommend that DSC personnel may be allowed to accumulate and encash leave upto limits available to service personnel,** subject to the condition that period of annual leave already encashed should be included in the period of accumulation.

Section II

Pensionary Benefits

161

General Principles for Pension Structure

INTRODUCTION

Terms of Reference

161.1 Our terms of reference with regard to pensionary benefits of Armed Forces personnel are identical to those for civilian employees, i.e.

> "To examine,with a view to having a proper pension structure for pensioners, the existing pension structure including death-cum-retirement benefits and make recommendations relating thereto which may be desirable and feasible."

Peculiar conditions of Service

161.2 We have considered the peculiar conditions of service and nature of duties of Armed Forces Personnel while arriving at their salary structure and allowances etc. While our approach to the general principles governing the pensionary benefits would apply to Service personnel also, their peculiar conditions of service and their impact on the pension structure are also required to be considered separately.

Non-effective benefits

161.3 The `non-effective' or retirement benefits of Armed Forces personnel include retiring pension, family pension, disability pensions and Death-cum-Retirement Gratuity (DCRG) provisions. While the scheme of family pension and DCRG are by and large similar to those for civilian employees, the scheme for disability pensionary awards shows some differences as these are based on flat rates against percentage rates for civilians. The distinctive features of military service mainly find compensation in retiring pension granted to service personnel. We have discussed below the historical background so as to highlight the specific provisions made with regard to the Armed Forces.

HISTORICAL PERSPECTIVE

Approach followed by Armed Forces Pension Revision Committee

161.4 The pension code for Armed Forces personnel has been evolved on the basic principles enunciated by the Armed Forces Pension Revision Committee (AFPRC), 1950. In the case of Service Officers, the AFPRC based its recommendations on the principle that the scheme of pensions should secure to the government, services of officers in the prime of their life and after that induce retirement at reasonable rates of pensions. The rates of pension should further be arranged so as not to induce continuance in service to gain more pensions once they have ceased to be useful. For Service Officers, the Committee recommended the introduction of the concept of standard years of service for pension and also suggested rates of deduction from standard pension where actual service rendered was less than standard service. For PBOR, the AFPRC had followed the pension scheme for civilians and no compensatory element in pension was provided. On the contrary, there was a depression of 2 years IN qualifying service if service rendered was 15 to 17 years and one year if actual service was 18 to 23 years. The Committee held that parity between civil pension and service pension should be achieved only at 24 years of service as soldiers who retired early would be capable of securing a second employment. The depression in qualifying service in the case of PBOR was abolished with effect from 1.3.1968 on the recommendations of the Kamath Committee (1968).

DCRG Scheme

161.5 The scheme of Death-cum-Retirement Gratuity was introduced for Armed Forces personnel with effect from 10th Sept., 1970 and the then existing rates of pension were depressed by 16% in the case of officers and 11% in the case of PBOR in order to offset this provision.

Priniciples evolved by Third CPC

161.6 The Third CPC went into the pensionary provisions in detail and evolved the following basic principles:

1. Pensions should be regulated in a manner so as to enable servicemen to earn full pensions at a relatively younger age as compared to civilians.

2. Length of service beyond a point should not influence pension so as to discourage personnel from continuing in service in order to earn higher pensions.

3. An element of compensation in pensions for early termination of career should be provided in an explicit manner

Approach followed by Third CPC

161.7 In line with the principles enunicated by them, the Third CPC continued the scheme of standard retiring pensions for commissioned officers. The rate of pension was equated to civilian rates and the compensatory element was provided by a) introducing a system of weightage in qualifying service and b) calculating pension on the maximum of the pay scale. For PBOR also, a system of weightage of five years in qualifying service and calculation of pension on the maximum of the pay scale was introduced.

Slab system of pensions

161.8 In 1979, when civilian employees were brought on to the slab system of calculation of pensions, service personnel were also granted the benefit.

Fourth CPC's views

161 9 The Fourth CPC recommended that retiring pension for Service Officers may be calculated on the pay and actual qualifying service rendered by them in view of the introduction of the integrated pay scale. The system of weightage was however, allowed to continue. For PBOR, no change was suggested in the scheme of pensions and the compensation as suggested by Third CPC continued.

Parity in Pensions

161.10 Subsequently on the recommendations of a High Level Empowered Committee, the Government granted in 1992 a 'One Time Increase' in order to bridge the gap in pension between past and present Armed Forces pensioners.

DEMANDS

Armed Forces Proposals

161.11 We have received proposals with regard to the pension structure both from the Armed Forces and from various Ex-servicemen's bodies. The Armed Forces have suggested the following broad principles for formulating the pension structure.

(i) pension to enable the serviceman to maintain a near similar standard of living after retirement,

(ii) full protection of pension against inflation,

(iii) simplification of pension procedures,

(iv) parity in pensions between past and future pensioners,

(v) provision of second employment till universal age of retirement,

(vi) edge in monetary value of pensioners and instead of weightage a higher rate of pension,

(vii) introduction of a system of ex-gratia awards; and

(viii) modification in the scheme of retiring pension.

OUR RECOMMENDATIONS

161.12 We have gone into these suggestions and other suggestions made by Ex-servicemen bodies in the context of the compensations provided in pensionary benefits through successive Committees/Pay Commissions. The guiding principle has been that the organisational need to retain young and physically fit manpower should influence pensions in a manner as not to encourage continuance in service beyond a certain point and that this curtailment should be compensated in an explicit manner. However, pension is not expected to be the sole means of livelihood of personnel retiring at a young age. Effective arrangements have to be made for resettlement of Ex-servicemen and the government's responsibility in this regard has also been emphasised. In our opinion, these imperatives have not

undergone any substantial change over the years and still continue to be relevant.

General Principles

161.13 With regard to the specific proposals made by the Armed Forces, the **requirement of maintaining a standard of living and protection of pension against inflation** are general issues and have been covered in our general chapter on the principles governing pensionary benefits. The **principle of parity in pensions** has also been considered in our chapter on Past Pensioners.

Compensatory element

161 14 On the issue of enabling personnel to serve till the universal age of retirement, we feel that the State has a responsibility to ensure smooth transition to civilian life and suggest that purposive efforts be made in this direction. Specific suggestions in this regard have been made in our chapter on Ex-servicemen. With regard to immediate compensation in pension, in our opinion, the existing system of weightage ensures a reasonable amount of pension and also effectively neutralises the effect of a truncated career. **We are therefore in favour of continuing the practice of providing an edge through the system of weightage. We also feel that additional compensation in the case of death attributable to service should be available in the form of ex-gratia awards** in order to motivate personnel who undertake risky duties.

Commutation of pension

161.15 In our opinion, the higher percentage of commutation available to Service Personnel also provides a greater lumpsum monetary benefit and a larger number of Service pensioners are able to avail of the provisions of restoration of commuted portion of pension because of their retirement at an early age. In view of the benefits granted by the scheme, we have not suggested any differential in the period of eligibility for restoration.

Other suggestions

161.16 While formulating our proposal on pensions, we have kept in mind the broad principles outlined above and have tried to incorporate also the effect of any changes in conditions of service on the civilian side which are likely to have an impact on the Armed Forces personnel, significant among them being the **recommendation to increase the weightage by two years in view of the proposed increase in retirement age for civilians**. In areas where pension procedures have been found to be cumbersome and prone to inordinate delays, we have also suggested simplification of procedures so that Servicemen do not have to suffer on this account.

162

Retiring Pensions

INTRODUCTION

General

162.1 The imperatives of maintaining a youthful profile of the Armed forces necessitates that personnel are discharged at a relatively young age after completing their terms of engagement. On an average, about 55,000 personnel retire from the Armed Forces every year. The scheme of retiring pension for Armed Forces personnel broadly corresponds to the scheme available to civilians but certain additional features have been provided as compensation for the peculiar hierarchical structure and the operational requirement of keeping the Armed Forces young and physically fit.

EXISTING POSITION

Calculation of Retiring Pension

162.2 We have already indicated elsewhere the present ages of superannuation of officers and terms of engagement of PBOR. The minimum pensionable service for Commissioned Officers is 20 years and that for PBOR is 15 years. Based on the recommendations of the Third CPC, a weightage in qualifying service was introduced for both officers and PBOR and pension was calculated on the maximum of the pay scale. The Fourth Pay Commission recommended an integrated pay scale for officers from 2nd Lt. to Brigadier. They recommended continuance of the weightage but suggested that retiring pension may be based on actual service rendered and pay drawn by an officer during the last 10 months of service. The formula for calculation of retiring pension of service officers is, therefore, identical to the formula for civilian employees. Since the pay structure for PBOR did not undergo any change, no change in the scheme of standard pension for each rank and group was made. Retiring pension for PBOR is thus calculated on the maximum of the scale including 50% of the highest classification pay of the rank held and the group in which paid for at least 10 months. The quantum of pension for both officers and PBOR is 50% of reckonable emoluments. The existing weightage in qualifying service for PBOR is 5 years and for service officers, the following weightage exists:

Rank	Service Officers (Weightage in Years)	MNS Officers
Subaltern	9	-
Captain	9	7
Major	8	6
Lt. Col.(TS)	5	5
Lt. Col.(S)	7	-
Col.	7	5
Brig.	5	5
Maj. Gen.	3	3
Lt. Gen.	3	
Lt. Gen. (Army Commander/VCOAS)	3	
COAS	3	

Impact of weightage

162.3 The impact of the weightage for officers is that it enables them to earn full pension if they serve up to their compulsory age of retirement. For PBOR, however, pensions still continue to remain depressed upto 28 years of qualifying service. However, the addition of weightage, where period of qualifying service prescribed for earning pension is itself lower than the period prescribed for civilian employees, is a considerable benefit.

RECKONABLE EMOLUMENTS

162.4 The reckonable emoluments for the calculation of pension are determined with reference to the emoluments drawn during the last 10 months of service and are as follows:

i) Officers- Average of pay including stagnation increment, rank pay and NPA, if any, drawn during the last 10 months of service.

ii) PBOR- Maximum of the pay scale including 50% of the highest classification pay, if any, of the rank held and the group in which paid continuously for at least 10 months before discharge.

COMMUTATION OF PENSION

162.5 In view of the early retirement and the need for resettlement, a higher percentage of commutation is permitted to Armed Forces personnel. While civilians can commute 33% of their pension, Service Officers can commute 43% and PBOR 45% of pension. As in the case of civilians, service personnel are also authorised restoration of commuted portion of pension after 15 years.

DEATH-CUM RETIREMENT GRATUITY

162.6 The Death Cum Retiring Gratuity (DCRG) scheme was introduced for the Armed Forces in September, 1970. On the introduction of the DCRG Scheme, pension was depressed by 16% for Officers and 11% for PBOR. Till the Fourth Pay Commission, weightage in qualifying service for working out retiring pension was not added for purpose of DCRG. Based on the Fourth CPC's recommendations, addition of 5 years to actual qualifying service for determining DCRG subject to a maximum of 33 years of service has been allowed. Quantum of DCRG is determined by the same formula that is applicable to civilian employees.

RETIRING/SERVICE GRATUITY

162.7 Where service rendered is less than 20 yrs. in the case of officers and 15 yrs. in case of PBOR retiring/service gratuity is paid. The min. period of qualifying service for earning gratuity is 10 yrs. in the case of service officers and 5 yrs. in the case of PBOR. Till Fourth CPC service gratuity was paid at reduced rates in case of discharge on compassionate grounds or personal reasons. The Fourth CPC recommended that there should be no reduction in service gratuity irrespective of type of retirement for Armed Forces personnel. The existing rate of retirement gratuity is 1/2 month's emoluments for each completed six monthly period of qualifying service.

ARMED FORCES PROPOSALS

162.8 With regard to retiring pension, the Armed Forces have suggested that:

i) On account of early retirement, pension should be equal to pay last drawn till universal age of retirement, unless suitable alternative employment is provided.

ii) After universal age of retirement and in case of premature retirement, normal retiring pension should be 75% of emoluments.

iii) Linkage with 33 years of service should be done away with.

OUR RECOMMENDATIONS

Responsibility for Resettlement

162.9 In our chapter on Principles of Pension Determination we have discussed in detail our approach to retiring pensions of service personnel. Against the backdrop of our approach, we have considered the suggestions made by the Services and feel that the proposal to grant pay last drawn till universal age of retirement cannot be accepted in view of the fact that for a serviceman retiring early, his pension is not expected to be his sole means of livelihood and he can be reasonably expected to find second employment. Govt. already has several schemes for rehabilitation of exservicemen including reservation of jobs in

Government. Earlier Pay Commissions have also felt that the State should make effective arrangements to assist rehabilitation and pensionary benefits alone should not be looked upon as the means of compensation for early retirement. **We therefore, feel that schemes for rehabilitation of ex-servicemen have to be strengthened and some new schemes introduced so as to make transition to civilian life easier**. It is pertinent to mention that Servicemen, when they join the Armed Forces, are aware of the terms of engagement and possible curtailment of career due to the operational requirements of the service. While we have separately suggested a lateral shift to CPOs for Armed Forces personnel, in our view the role of the State should be restricted to providing re-employment where possible and in assisting resettlement while not necessarily guaranteeing it.

Retiring Pension

162.10 In view of the above, we do not suggest any change in the present method of calculation of retiring pensions for service personnel. As far as the quantum of pension as a percentage of pay is concerned, **the changes in the formula proposed for civilians would also apply to Armed Forces personnel i.e pension may be calculated at 50% of reckonable emoluments which will be worked out on the basis of 6 months instead of 10 months as at present**.

Linkage with 33 years

162.11 The rationale behind linkage with 33 years is that both civilians and service personnel who have rendered less service should be given equal treatment. For shorter terms of employment, compensation has been provided separately in terms of weightage and reckonable pay. In our view, this approach is reasonable and should continue. At present, while pensions of PBOR are depressed due to the linkage with 33 years of service, for officers who serve till their compulsory age of retirement, due to the weightage element there is actually no depression in pensions. However, since the present ages of retirement of defence personnel are being retained, there is justification for of some increase in the weightage in qualifying service in view of the proposed increase in the general age of retirement for civilians. **It is therefore suggested that weightage in qualifying service for pensions may be increased to 7 years against the existing 5 in the case of PBOR and a two year increase in the existing norms of weightage may also be given to officers**.

Service Gratuity

162.12 With regard to service/retiring gratuity, it has been suggested that for individuals taking retirement between 10 and 20 years for officers and 5 and 15 years for PBOR, retiring gratuity should be revised to one month's emoluments for each completed six monthly period of service. We have examined the issue in the context of similar provisions for civilians and do not suggest any change.

Other Provisions

162.13 With regard to commutation of pension, while we suggest no change in the extent of commutation, **provisions on restoration of pension after 12 years instead of 15 years as at present, suggested for civilian personnel would also apply to the Armed Forces pensioners. The provisions on DCRG suggested for civilian employees would also equally apply to service personnel. This would base their calculations on pay + dearness allowance on the date of retirement, as also do away with the ceiling**.

162.14 The weightage of 5 years in qualifying service for calculation of DCRG may, however, continue. We also do not suggest any change in the elements of pay included for grant of pension.

PENSIONARY TERMS IN RESPECT OF JCOs/OR GRANTED EMERGENCY/SHORT SERVICE COMMISSION

Existing position

162.15 Serving JCOs and Other Ranks granted Emergency Commission /Short Service Commission have tghe option to either draw pension based on pre-commissioned service with gratuity payable for EC service or to count emergency commission service towards pension. Service rendered in the ranks prior to grant of Emergency or Short Service Commission is counted in full towards commissioned service for those personnel and minimum qualifying service for pension is 12 years against 20 years in case of regular commissioned officers.

Demand

162.16 It has been suggested that for these officers, pension should be calculated in the same manner as recommended for other regular commissioned officers without any change in existing provisions on minimum qualifying service and counting of service.

Our recommendations

162.17 We have considered the issue and recommend that calculation of pension may be done for these personnel on the same basis as for regular commissioned officers i.e. on the basis of pay drawn for the last 6 months of service.

163

Family Pensions

INTRODUCTION

General

163.1 The scheme of family pensions for Armed Forces personnel corresponds to the scheme available for civilian employees. Family pension is granted to family or dependents of personnel in the event of death in service or after retirement. At present, the following three types of family pension are admissible depending on the circumstances of death:

1. Ordinary Family Pension when death is on account of causes neither attributable to nor aggravated by military service

2. Special Family Pension when death is attributable to or aggravated by military service and

3. Liberalised Special Family Pension when the serviceman is killed in action or dies of wounds or injuries sustained in action or during hostilities.

Quantum of pension

163.2 The quantum of pension presently granted is the same as that granted to dependents of civilian employees under similar circumstances.

Family Pension

163.3 The Armed Forces have suggested that there should be only two types of family pension, the first being admissible on death while in service or after retirement, and the Liberalised Family Pension to be applicable to families of servicemen who die in battle in operational areas or while on internal security duties. The rate of family pension to be granted under normal circumstances should be equal to retiring pension which he would have been drawing had he retired at the age when he died. Depression of family pension by 25% where the personnel deserted or was absent without leave or refused to take medical treatment or indulged in wilful misconduct has been suggested. It has also been suggested that families of Short Service Commissioned Officers and Emergency Commissioned Officers and next of kin of single officers may also be granted this pension. A proposal to entitle widows to pension on re-marriage has also been made.

Liberalised Family Pension

163.4 With regard to liberalised family pension, pension equal to reckonable emoluments last drawn has been suggested to be paid. It has been proposed that Liberalised Family Pension should be applicable to families of servicemen who die in battle, in operational area/sea or while on Internal Security Duties while handling live mines/explosives/ammunition, in battle inoculation exercises or in aircraft/ parajumping/diving accidents. Automatic application of provisions of liberalised family pension rules in cases of death has been demanded. An ex gratia amount of Rs.5 lakh and provision for commutation of pension have also been suggested. With regard to Children Allowance, raising of the amount to Rs.500/- per month per child has been proposed.

OUR RECOMMENDATIONS

General Approach

163.5 We have considered the suggestions made by the Services and have, in the relevant chapter, considerably liberalised the scheme of family pensions. While doing so, we have specifically kept in view the difficult conditions under which the Armed Fores Personnel have to operate. Our recommendations in this regard are applicable to the civilians as well as the Armed Forces personnel. For the same reason we have introduced a scheme for liberal ex-gratia payments which would also be applicable to the Armed Forces. We, however, do not recommend commutation of family pensions. Our recommendations on certain specific demands of the Armed Forces are however indicated below.

Ordinary Family Pension

163.6 The Ordinary Family Pension Scheme for service personnel is based on the corresponding scheme on the civil side. We suggest continuance of the existing parity and **our recommendations with regard to Family Pension for civilians will also apply to Armed Forces pensioners.** We are however, not in favour of any depression in family pension under the circumstances suggested by the Armed Forces nor do we recommend grant of Ordinary Family Pension to families of Short Service and Emergency Commissioned Officers.

Special Family Pension

163.7 Based on the recommendation made by Third CPC, the Special Family Pension Scheme for Armed Forces personnel was brought on the pattern suggested for Extraordinary Family Pension of civilians. While the rates of pension under the two schemes are identical, a major difference exists in the facility that PBOR of the Armed Forces have of nominating anyone of the eligible nominees of the family for the first award of special family pensions and of transferring the same in full to the widow regardless of her financial position in the event of death of parents. We have in our recommendations made in the relevant chapter suggested that **Extraordinary Family Pension be granted at a uniform rate of 60% of reckonable emoluments irrespective of whether the widow has children or not,** which would apply to Armed Forces personnel also. We however, do not recommend any change with regard to system of nomination available to PBOR.

Liberalised Family Pension

163.8 Consequent on the issue of Government order notifying an operation as eligible for grant of liberalised family pension, Liberalised family pension at reckonable emoluments last drawn is sanctioned. The nature of casualties presently qualifying for grant of liberalised pension are those which take place:

i) as a result of action in international wars,

ii) as a result of participation in war-like operations or border skirmishes with other countries,

iii) during action against armed hostiles,

iv) during action with a peace keeping mission abroad,

v) during laying or clearance of mines including enemy mines as also minesweeping operations between one month before the commencement and three months after the conclusion of the operations,

vi) on account of accidental explosions of mines while laying operationally oriented mine-fields or lifting or negotiating mine-fields laid by the enemy or own forces in operational areas near international borders or the line of control,

vii) as a result of attack by extremists, terrorists, anti-social elements etc. or during action against dacoits, smugglers, hostiles etc; and

viii) as a result of operations specially notified by the Govt. from time to time.

Our recommendations

163 9 In the case of PBOR, there is provision for a second life award in case the first recipient dies or is disqualified. In our Chapter on extraordinary pensions for civilians, we have discussed in detail the circumstances under which the provisions of liberalised family pension scheme would be applicable. We find that the various circumstances suggested by the Armed Forces for grant of liberalised family pension have been covered either under provisions of Special Family Pension or Liberalised Family Pension rules and suitable lumpsum ex-gratia would also be admissible depending on the circumstances of death. In view of this, while we recommend continuance of the scheme of second life awards, **the provisions suggested for civilians may also apply to Armed Forces personnel. However, in the case of casualties in battle inoculation exercises, where liberalised family pension is presently paid at 90% of reckonable emoluments, we recommend that liberalised family pension at reckonable emoluments last drawn may be authorised. Regarding the grant of ex-gratia sums, our recommendations made for civilians would equally apply to service personnel.**

REMARRIAGE OF WIDOWS

Present Provisions

163.10 As per existing provisions, widows in receipt of ordinary family pension are denied family pension on re-marriage and the pension passes to eligible children in order of birth. In the case of remarriage of widows who are in receipt of Special Family Pension, special family pension at rates prescribed for childless widows is paid to children. In the case of Liberalised Family Pensionary Awards, the widow continues to draw liberalised pension if she marries the real brother of the deceased. If she marries with a person other than the real brother of the

deceased, she becomes entitled to ordinary family pension and the children are granted children allowances. The liberalised family pension passes on to the parents of the deceased at rates which are regulated on the basis of whether 7 years have passed or not from the date of death of the personnel.

Proposal

163.11 It has been represented that the existing provisions with regard to regulation of pensions on remarriage of widows lead to unnecessary hardship to them and that they should continue to remain entitled to full pension after remarriage.

Our recommendation

163.12 We have considered the suggestion and feel there is some justification in the demand. **We, therefore, recommend that for all types of family pension, on remarriage of widows, pension may be regulated as follows:**

<u>If she has children</u>

a) If she continues to support children after re-marriage	**-**	**Full Pension**
b) If she does not support children after remarriage	**-**	**Pension to pass on to children**
c) <u>If widow has no children</u>	**-**	**Full Pension**

163.13 We suggest that Government may frame suitable rules to regulate the above and recommend that these provisions may apply irrespective of whether she remarries the real brother of the deceased or not. We also suggest that the question of applying the same provisions prospectively to widows who may have re-married in the past may be considered separately by the Government.

CHILDREN ALLOWANCE

Present Position

163.14 Children allowance at Rs. 150/- per month per child for Officers and at Rs. 100/- per month per child for PBOR, is presently granted in case of Liberalised Pensionary Awards under the following conditons :

1. if the widow remarries a person other than the brother of the deceased

2. if the serviceman is survived not by a wife but only children, all children together are granted SFP at childless widow rates and children allowance in addition,

3. in case of second life award, after 7 years.

Our recommendations

163.15 It has been suggested that Children Allowance should be enhanced to Rs.500 p.m. and rates thereof may be revised whenever pensions are revised. We have examined the existing conditions of applicability of the allowance, and in view of the proposed rationalisation of special family pension rules and provisions

on re-marriage of widows, **we recommend that the children allowance may be abolished.**

Disability Pensionary Awards

INTRODUCTION

General

164.1 Armed Forces personnel retired/invalided out from service on account of disability attributable to or aggravated by such service and assessed at 20% or more on retirement/invalidment are awarded a disability pension. While the basic scheme of disabiltiy pension corresponds to the scheme for civilians, the distinctive feature is that disability element for service personnel is fixed at flat rates while civilians are granted disability element at a percentage of pay equal to admissible family pension.

Types of Disability pension

164.2 The various kinds of disability pensionary benefits include i) Disability Pension, ii) Invalid Pension/Gratuity and iii) War Injury Pension. The disability pension comprises service element and disability element. The service element is determined with reference to service rendered at the time of invalidment and disability element is determined with reference to the degree of disablement. Invalid pension is granted to Armed Forces personnel invalided out of service on account of causes neither attributable to nor aggravated by military service, after completion of 10 years of service but before minimum period for grant of pension. If the period is less than 10 years, invalid gratuity is paid. War Injury Pension is paid to service personnel boarded out of service after sustaining injuries in war or warlike conditions as specified by Govt. from time to time.

Disability Pension - Sanctioning Procedure

164.3 In cases considered for sanction of disability pension to service personnel, a Release Medical Board is held in Military Hospitals. The Medical Board proceedings are then sent to Army Hqrs. in the case of officers and to the Record Office in the case of PBOR. In the case of officers, Army Hqrs. in consultation with the Medical Advisor (Pensions) in the DGAFMS forwards the case to the Government for notification of disability pension and on the basis of the Govt. sanction, disability pension is authorised by CCDA(Pensions). In the case of PBORs the medical board proceedings are sent alongwith the pension documents to the CCDA (Pensions) for adjudication of the claim in consultation with the Medical Adviser (Pension) (also under DGAFMS), stationed for this purpose in the office of the CCDA(P) Allahabad. The Medical Adviser recommends sanction of disability pensions based upon the degree of disability and

its attributability to or aggravation by military service after which the CCDA (Pensions) notifies the disability pension. If an individual desires to appeal against the decision, two appellate boards exist, the first at the level of Deputy Secretary (Pensions) and the second at the level of Raksha Mantri, which has RRM, Defence Secretary, Chief of Staff, DGAFMS and FA(DS) as its members

DISABILITY PENSION

Service Element

164.4 Based on the Fourth CPC's recommendations, service element for both officers and personnel below officer rank is fixed at retiring pension admissible at the time of invalidment, after including weightage, even if actual length of service does not qualify for pension. In case of PBOR, service element is computed at not less than 2/3rd of minimum retiring pension. However, in case of injuries sustained by PBOR while on flying or parachute jumping duties or while being carried on aircraft, minimum pension of the rank and group is granted even if service rendered is less than 15 years. In all cases where the disability is assessed at 20% or less and the personnel is boarded out, only service element is paid.

Disability Element

164.5 The amount of disability element depends on the degree of disability assessed by the medical board. The rates of disability element for 100% disability admissible over the years is tabulated below:

Rank	Pre IIIrd CPC	After IIIrd CPC	After IV CPC
	(in Rupees per month)		
Officers	170	200)	750
Honorary Commissioned Officers	142.50	170)	
Subedar Major	105)	110)	550
Subedar	90)	)	
Naib Subedar	65)	)	
Havildar	48)	60|	450
Naik	40)	|	
		|	
Sepoy	35	45|	

For disabilities less than 100% but not less than 20%, the rates are proportionately reduced.

Armed Forces Proposals

164.6 The Armed Forces have suggested that :

I) the concept of 'non-attributability' of disability to service may be removed and all injuries/ disabilities in peace conditions should

be treated as attributable.

ii) It has also been proposed that the service element should continue as it exists and disability element may be revised as under:

a)	For OR/NCs(E)	- Rs.1800/- p.m
b)	For JCOs	- Rs.2200/- p.m
c)	Officers and Hony. Commissioned Officers	- Rs.2900/- p.m

Our recommendations

164.7 We have considered the above demands and are of the opinion that the condition of `attributabilty' is inherent in the scheme where government is expected to bear the liability of higher compensations. Therefore, **we suggest retention of the concept of `attributability' of disability pension.** However, we have suggested further classification of the scheme of disability pensions for civilian employees and have suggested that for disability sustained due to an accident while on duty or due to a violent action which need not necessarily take place while on duty service element without any depression i.e. at 50% of the recknoable emoluments may be paid. We suggest that for service personnel also the service element may be calculated in this manner under identical conditions. For other cases of disability, service pension may continue to be calculated on the basis of service rendered and subject to the existing conditions. With regard to the disability element, for civilians the disability element is granted at admissible family pension which is calculated on the basis of percentage of pay. We feel that calculation on the basis of percentage of pay may be more beneficial to the serviceman also. However, keeping in view the present minimum disability element for 100% disability admissible to other ranks as compared to minimum disability element of Rs. 375/- available to civilians, we feel there is a need to fix a suitable minimum disability element for Service personnel as distinct from the minimum for civilians. Therefore, in order to ensure uniformity and to provide a higher benefit, **disability element for Service personnel may also be calculated as a percentage of pay i.e. equal to the admissible ordinary family pension but subject to a minimum of Rs. 1350 as disability element for 100% disability.**

Degrees of Disability

164.8 We also feel that some rationalisation with regard to the degree of disablement is also required as the existing system is prone to delays. We suggest that for personnel boarded out of service due to disability attributable to service, the minimum disability element should be reckoned as 50% irrespective of what it actually is and where an individual can be retained in service with transfer in trade, remustering etc, the Armed Forces may, if possible, make provision to retain him till he completes his term of engagement, especially if the disability is of such a nature that is capable of improvement. However, we would not like to compromise on the requirement of physical fitness in the Armed Forces and would, therefore like to **suggest that where it is not feasible to retain such personnel, a minimum disability element calculated at 50% may be paid. For individuals who are boarded out and degree of disability is assessed between 50% and 75%, disability element may be authorised at 75% and for more than 75% disability, the element should be calculated at 100%.** Thus there will be a broad-banding of the extent of disability and the likelihood of mistakes on disagreements would be minimal.

Other Suggestions

164.9 A suggestion to provide all Medical Board papers to personnel whose claim has been rejected has also been made. We find that the present position is that papers are provided to the Board considering the appeal which, in our opinion, is reasonable. **We therefore, recommend that a communication indicating that the claim has been rejected and the reasons thereof only may be provided to the individual.**

Re-assessment of Disability

164.10 The Armed Forces have also represented that the existing system of reassessment of disability after specified periods of time leads to considerable delays, thereby causing unnecessary hardship to the disabled pensioner. They have suggested that disability as stated in the Release Medical Board should be treated as final unless the individual requests for a review. We have considered this aspect and agree that the existing system is prone to delays and since the personnel has been boarded out on the basis of the disability constant compensation is justified. We have already suggested rationalisation of the existing system of percentage of disability and in our opinion the scope for change in degree of disability would be minimised. We have also suggested that for disability capable of improvement, provision to retain personnel should be made. Considering all these, **we agree with the proposal that disabilty once assessed may be treated as final unless the individual himself requests for a review.**

Disability Pension on Voluntary Retirement

164.11 As regards the suggestion that disability pension be made admissible to personnel proceeding on voluntary retirement, since we have not suggested any change in the concept of boarding out due to 'attributable' disability, **we feel that the existing provisions are reasonable** and do not require any change.

Capitalised Value of Disability Element

164.12 We have been informed that in case an Armed Forces personnel is found to have a disability which is accepted as attributable or aggravated by service and is assessed at 20% or more for life but the individual is retained in service despite such disability, he is paid compensation in lumpsum in lieu of disability element. The rank for disability element in this case is the rank at the time of onset of disability and age next birth day is reckoned with reference to date of onset of disability with loading for age, if any, recommended by the Medical Board. Once a compensation for this has been paid, further entitlement to disability element for the same disability ceases and no pensionary benefit is granted on this. We recommend that this system may be continued but **for personnel retained in service, capitalised value of disability element should be paid on the basis of disability actually assessed and not at a minimum of 50% since these personnel enjoy the benefits of continuing in service.**

CONSTANT ATTENDANCE ALLOWANCE

Our recommendations

164.13 Armed Forces personnel in receipt of disability pension for 100 percent disablement are granted constant attendance allowance, if in the opinion of the invaliding/resurvey board such services are required. The existing rate of the allowance is Rs. 300 per month. It has been suggested that Constant Attendance Allowance be revised to twice the minimum wage applicable to Gp. D civilian of Central Govt. to cater to two attendants for round-the-clock attendance. In view of the fact that Constant Attendance Allowance is only admissible to personnel with 100% disability and is granted if medical board accepts the necessity of constant

attendance, we recommend that the present rate be doubled to Rs.600/-per month.

INVALID GRATUITY

Invalid Gratuity

164.14 The rates of invalid gratuity are half month's emoluments for each six-monthly period of service. DCRG is paid in addition to invalid pension/gratuity if minimum service of 5 years has been rendered. **We suggest no change in the scheme.**

WAR INJURY PENSION

Present Position

164.15 Based on the recommendations of Fourth CPC, War Injury Pay has been renamed as War Injury Pension and revised to reckonable emoluments last drawn for 100% disability. Where disability is less than 100%, War Injury Pension is proportionately reduced. However, no reduction below 60% of emoluments and below 80% of emoluments is made for officers and PBOR respectively, even if the disability is assessed at below 20%. In addition to War Injury Pension, Retirement Gratuity is also paid counting service upto retirement age for the rank plus weightage of 5 years (not exceeding 33 years). War Injury Pension can also be commuted.

Armed Forces Proposals

164.16 With regard to War Injury Pension the following proposals have been made by the Armed Forces:

1. War Injury Pension be renamed as War/Operation Injury Pension and made admissible during war, operations, field service, sea/submarine service, Internal Security duties, handling live mines/ explosives/ammunition, aircraft/diving/para jumping accidents/battle inoculation and training exercises. It has also been suggested that it should automatically be applied without special Govt. notification.

2. War Injury Pension should be the salary last drawn but not less than the salary of a Naik in the case of a PBOR; in the case of NCs(E) it should be that of a Tindal and for officers that of a Lt. Col. (TS).

3. War Injury lumpsum compensation for those retained in service despite injury should be double the rates of Disability Element of Disability Pension.

4. There should be no bar on grant of war/operation/ injury award on voluntary retirement.

Authority for determining applicability

164.17 We have considered the demands and find that on the civilian side the Administrative Ministry determines if provisions of liberalised disability pension are applicable in a particular case. This is sought to be changed to the pension sanctioning authority. **It is suggested that for Armed Forces personnel also the pension sanctioning authority may be authorised to determine if provisions of war injury pension are applicable for individual accidents etc.**

However, at present a Govt. Order notifying the operation as eligible for grant of liberalised disability pension is issued. This practice may continue.

Rate of Pension

164.18 War Injury Pension is granted on the basis of reckonable emoluments last drawn. **No change in existing position is recommended, as in our view the compensation should not be more than the pay drawn by the personnel.**

Lumpsum Compensation

164.19 At present lumpsum compensation for disability element in war injury cases is calculated at double the rate of ordinary disability pension. In view of the changed scheme suggested for disability pension, we recommend that for lumpsum compensation for War Injury Disability, double the rate of Ordinary Family Pension may be reckoned for calculation of lumpsum amount. The minimum amount for such cases should be Rs.2700/- for 100% disability.

Voluntary Retirement cases

164.20 War Injury Pension need not be extended to personnel proceeding on voluntary retirement as it is a special compensation for personnel boarded out of service on account of injuries sustained in battle. For personnel retained in service inspite of the disability, lumpsum compensation is admissible or they are allowed to give an option and even while opting for pension they are expected to serve till the age of superannuation.

PROCEDURAL CHANGES

Demand

164.21 The Ex-servicemen's bodies have demanded that the authority to determine the attributability of disability to military service should be the commanding officer against the present system of adjudication by CDA (Pensions) for PBOR and Ministry of Defence for Officers.

Our recommendations

164.22 We have studied this aspect and find that there is considerable delay in finalisation of disability pension cases due to the present cumbersome procedure and the requirement of having to send each case to the Ministry or to the Chief Controller of Defence Accounts (Pensions). While the benefits of having uniformity in application are undeniable, Medical Adviser (Pensions) does not physically examine the personnel but adjudicates on the basis of the reports of the Medical Board. We have already suggested that for personnel boarded out of service due to disability attributable to service, minimum disability element should be 50%, for disability between 51 and 75%, 75% should be paid and between 76 and 100%, 100% rates should be paid. This would lead to considerable broadbanding and simplification. In view of this **we suggest that authority to determine attributability may be vested in the authority next higher to the Commanding Officer.**

Services proposals

164.23 It has been suggested that for cadets at Service academies who are killed/disabled during training an ex-gratia award of Rs. 2.5 lakhs may be granted and the system of grant of pension on an adhoc basis depending on merits of each case should continue.

Our recommendations

164.24 We have been informed that Govt. have recently in April 96 sanctioned the following ex-gratia amounts to cadets killed/disabled during training due to causes attributable to or aggravated by military training:

In Disability cases

a) ex-gratia amount of Rs.375/- p.m. for life as service element

b) Rs.600/- p.m. for 100% disability

In Death Cases

For married personnel:

a) ex-gratia amount of Rs.600/- p.m. to widow/children of the deceased

For unmarried personnel:

a) Rs.375/- p.m. to dependent parents/brothers/sisters

164.25 We have **considered the issue and recomend the following revised compensation in cases of death/ disablement while in Service Academies :**

1. **For death cases a) an ex-gratia amount of Rs.2.5 lakhs may be paid, b) for married personnel an ex-gratia of Rs.4000/- p.m. may be paid in addition, and c) for unmarried personnel, an ex-gratia of Rs.2000/- p.m. may be paid.**

2. **For disabled cadets, it is proposed that an ex-gratia of Rs.3000/- p.m. for 100% disability may be granted.**

The condition of attributability to military service would continue to apply as at present

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Past Pensioners

INTRODUCTION

General

165.1 There are about 16.5 lakh defence pensioners belonging to various periods of retirement and drawing pensions on the basis of Govt. Orders issued from time to time. We have received proposals with regard to past pensioners both from the Armed Forces and from the prominent Ex-servicemen's Bodies. The various demands made with regard to past pensioners have been considered in the succeeding paragraphs.

Comparison with Civilian pensioners

165.2 We find that the Armed Forces and civil pensioners were treated similarly till 1992 and similar benefits were given to the two categories. However, in 1992, a new element called One Time Increase' was granted to Armed Forces pensioners, which reduced the gap between past and present pensioners to a considerable degree. No such benefit was extended to civil pensioners.

PARITY IN PENSIONS

One Rank One Pension

165.3 One of the major demands of the past pensioners has related to grant of One Rank One Pension. One Rank One Pension implies that in the existing situation pre 1.1.1986 retirees get the same rates of pension as post 1.1.1986 retirees by matching the three factors that govern the pensions of ex-servicemen i.e. rank, length and the trade group (in case of PBOR only). Any future increase in pension would automatically apply to past pensioners.

Historical Background

165.4 We have analysed the demand and find that the issue of grant of One Rank One Pension has been considered by the Govt. from time to time. The Estimates Committee (1980-81) on resettlement of ex-servicemen noted that disparity in pension between past and present pensioners of equal rank was inequitable and recommended that the matter should be examined and a just solution found to end this disparity. Thereafter, this issue was raised in 1984 by

the High-Level Empowered Committee on the problems of ex-servicemen headed by Shri K.P. Singh Deo, the then Minister of State for Defence. This Committee recommended that the Fourth CPC may consider the issue particularly in the light of the principle established regarding pension of Judges of the Supreme Court and High Court. The Fourth Pay Commission considered the issue and stated that the amount of pension undergoes changes as and when pay scales are revised and any attempt to equalise pension with reference to the revised scales of pay would amount to retrospective application of pay scales.

Sharad Pawar Committee Report

165.5 In 1990 Government appointed a Committee to consider the issue of `One Rank One Pension'. However, this Committee's recommendations could not be implemented due to change in Govt. Subsequently, a High Level Empowered Committee chaired by the then Defence Minister, Shri Sharad Pawar, was formed in 1991. This Committee observed that the terms and conditions of service of Armed Forces Personnel were distinct and as such a special dispensation for them was required. Based on this, grant of a One Time Increase (OTI) was recommended on the following lines:

a) Sepoy Pensioners

i) Grant of benefit of 18 years service to all retiring on or after 1.1.1986.

ii) Pre and Post 1.1.1973 retirees brought at par and stepped up by neutralising 95% differential between post 1.1.86 and post 1.1.73 rates of pension.

b) NCOs/JCOs/Honorary Commissioned Officers -Pension of post 1.1.1986 retirees reduced in a graded manner by Rs.10/-p.m for 15 yrs service and by additional Rs.2/- p.m for additional years of service upto 24 yrs of service. The difference between existing pension and revised pension so arrived at was rounded off to the lower multiple of 5 and granted as OTI.

c) Officers:

i) Pre 1.1.1973 pension stepped upto post 1.1.1973 level.

Officers Below Colonel

ii) Pension further raised by giving benefit of 33 years as system of weightage only started from 1.1.1973. The revised consolidated pension (RCP) was thereafter determined with reference to improved original pension and difference between this RCP and existing pension granted as One Time Increase.

Categories covered by OTI

165.6 Initially the provisions did not apply to State Forces Pensioners, Territorial Army Pensioners, Pensioners in receipt of service element or invalid pension, battle casualty pensioners, Pakistan pensioners, Burma pensioners, Re-employed pensioners, King's Commission Indian Officers etc. In 1994 the provisions were extended to the above categories. Re-employed pensioners were granted pension in a graded manner depending on the number of years spent in re-employment with 100% OTI for those who spent less than one year in re-employed

service and no OTI for those with 10 years or more of re-employed service. However, certain catgories like reservist pensioners, DSC pensioners and pensioners drawing two pensions were not covered.

Demands

165.7 It has been stated by the Services that the principle of parity in pensions between pre- and post-86 retirees for ranks upto Nb/Sub with 24 years of service has already been accepted. They have suggested that application of this principle be extended to all remaining categories including officers without any restrictions on length of service. In addition the same formula must be applied to family pensioners as also remaining categories of pensioners. The pension as calculated above should be improved in the same ratio as the pay is improved. Various other demands have also been made for grant of full parity with future retirees.

Our Recommend-ations

165.8 We have examined the various demands and our approach to the issue of parity in pensions has already been outlined while considering the civilian employees. A similar approach would also apply to Armed Forces personnel. While it is agreed that the gap between past and future pensioners should be narrowed down, it is pertinent to note that every Pay Commission gives certain benefits in pay which are over and above the impact of inflation. The additional benefit is given either due to upgradation of recruitment qualifications or change in job content etc. The benefit accrued on this account need not necessarily be passed on to pensioners. Keeping all these factors in mind and taking a cue from the Sharad Pawar Committee Report, **the following recommendations for Armed Forces personnel are made:**

Recommend-ations for Officers

iI) With the grant of One Time Increase, all officers retiring before 1.1.73 have been brought on to post 1.1.73 levels of pension. Going by the principle followed by the OTI Scheme, **total parity may now be brought between pre-1.1.1986 and post-1.1.1986 retirees by notional fixation of pay in the post-1.1.86 scales and the notional revised pension be worked out on the basis of this pay. Thereafter, for all pre-1.1.1996 retirees the fitment formula suggested for past civilian pensioners i.e., Basic Pension + Dearness Relief + IR1 + IR2 + 20% of Basic Pension, may be applied. If the resultant figure falls short of the minimum pension applicable to the post-1.1.96 retirees for the rank held, it may be stepped up to the minimum pension prescribed for the rank.**

Recommend-ations for PBOR

ii) As far as PBOR are concerned, there is at present a defined pension structure based on rank, groups and qualifying service. The grant of One Time Increase has brought pensions of pre 1.1.86 retirees almost upto post 1.1.86 levels particularly for those who have rendered less than 25 years of service. However, the scheme of rounding off to the lower multiple of 5 while calculating OTI has resulted in an extremely complicated structure. **In the case of PBOR, the need for notional fixation of pay does not exist in view of the existence of pension tables. Therefore, for PBOR all pre 1.1.86 pensioners may be brought on to post 1.1.86 levels by bridging the present gap in the pension tables and the same fitment formula on pension**

as for officers may be applied. If the resultant figure falls short of the minimum pension for the rank and group for post-1.1.96 retiree it may be upgraded to that level.

165.9 As a result of these recommendations all pensioners who retired before the date of implementation suggested by us will be granted total parity but the additional benefits suggested by us for future pensioners would not be fully available to them.

Other Suggestions

165.10 As regards the other suggestions made with regard to extension of the OTI scheme to **re-employed pensioners, DSC personnel, personnel granted two pensions, in the new scheme proposed by us all these categories will be covered.** With regard to family pensioners, our recommendations made with regard to past civilian family pensioners would also apply to family pensioners of Armed Forces personnel.

DEARNESS RELIEF TO RE-EMPLOYED PENSIONERS

Present Position

165.11 At present re-employed pensioners are not granted Dearness Relief on pensions. It has been suggested that dearness relief should be granted to re-employed pensioners, as present pension is a continuous process of basic pension and Dearness Relief getting merged and in effect dearness relief is nothing but a part of pension.

Our Recommendations

165.12 We have considered the issue and feel that for PBOR who are re-employed, since their pay is fixed at the minimum of the pay scale of the post to which re-employed, there could be some justification for grant of dearness relief on pensions also. **We therefore recommend that for re-employed PBOR, dearness relief on pension may also be granted. For re-employed officers, since pay is fixed at the same level as pay last drawn, no dearness relief may be granted.**

RESERVIST PENSION

Proposal

165.13 Prior to 1968, the soldier after completing his reserve and colour service, at the time of discharge, had the choice of either opting for pension or retiring benefits. After 1968, every body was granted pension only. It has been suggested that all such pensioners who did not opt for such pension should be granted pension, since widows of such reservists have been given ex-gratia of Rs.150/- p.m by the Govt. w.e.f 1.1.1992.

Our Recommendations

165.14 We have considered the demand and in view of the possible repercussions on employees who have commuted their pension fully, **we recommend grant of some ex-gratia to be considered by Ministry of Defence, only in case of reservists who did not opt for grant of pension and have not availed themselves of the benefit of rehabilitation assistance granted by the Govt. and are not in receipt of any other pension.**

OTHER SUGGESTIONS

Widows of Pensioners drawing two pensions

165.15 The Armed Forces have suggested that widows of personnel who have earned two pensions, should be authorised all earned pension. We find that till 1992, widows of such ex-servicemen were only entitled to pension earned due to civil employment. On the recommendations of the High Level Empowered Committee, the option to draw the higher of the two pensions was made available. We feel that the position is reasonable and **do not recommend any change.**

Means Limit for Dependent Pension

165.16 Prior to Fourth CPC, dependant's pension to family of Service Officers was granted based on prescribed means limits. Based on Fourth CPC's recommendations, the condition regarding means limit was done away with and revised orders were made applicable to cases occurring on or after 1.1.86. The Armed Forces have demanded abolition of 'Means' condition for cases where death took place before 1.1.86 also.

165.17 We have considered the issue and suggest **no change in the existing position**.

Disability Pensions

165.18 Prior to 1973, the service element of disability pension was only granted on completion of minimum prescribed service. After 1973, the condition was done away with and the service element is granted even if disability element falls below 20%. It has been proposed that individuals who were discharged from service on medical grounds before 01 Jan 73, be also entitled to a Service element based on length of service rendered even if their disability is assessed to be less than 20% by the subsequent Re-survey Medical Boards.

165.19 We have examined the issue but are unable to agree to the suggestion.

Jangi Inam and Compassionate Allowance

165.20 Suggestions on revision of rates of Jangi Inams which were granted to World War Veterans and monthly compassionate allowance granted to some State Forces personnel have also been made. We have considered these suggestions and since Jangi Inams have been revised only recently to Rs.100/- per month in pursuance of recommendations of the Committee on Remainder Problems of Ex-servicemen (1994), we do not suggest further enhancement at this stage. As regards compassionate allowance, we **suggest that the issue may be considered by the Ministry of Defence** as these personnel have not rendered the minimum pensionable service.

World War II Veterans

165.21 It has been suggested that World War II Veterans who were demobilised before earning normal pension and are in financial difficulties may be granted a sum of Rs.500/- per month or minimum pension. We find that the Committee on Remainder Problems of Ex-servicemen had gone into the issue and suggested that while 'pension' cannot be given without linkage to qualifying service, some financial assistance under the ongoing welfare activities/schemes could be provided by enhancing the existing corpus of welfare funds of Kendriya Sainik Board and utilising the interest therefrom for this purpose. We have been informed that a Committee under Addl. Secretary, Ministry of Defence has been appointed to define the term World War II veterans, identify their total number and

make recommendations in keeping with the financial, social and other implications related to the proposal, estimate the magnitude of funding required and identify alternative source of funding other than the defence pensions grant. **We recommend that the report of the Committee may be expedited.**

Consolidation of pension

165.22 We have also received some suggestions with regard to consolidation of pension for pre 1.1.86 retirees drawing two pensions. We have gone into the issue and **do not recommend any change in the existing scheme.**

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Ex-Servicemen

INTRODUCTION

General

166.1 To achieve the objective of maintaining a youthful profile, Armed Forces personnel are retired at a comparatively young age. Service officers are retired between the ages of 50 and 60 years depending on rank, JCOs and NCOs retire between 47 and 52 years and other ranks retire between 35 and 40 years. Considering the need for resettlement arising from such early retirement the Government has taken measures to ensure proper rehabilitation of ex-servicemen.

EXISTING PROVISIONS FOR RESETTLEMENT

Agency for Monitoring Resettlement Programmes

166.2 The Director General of Resettlement (DGR) is the nodal agency for formulation and execution of resettlement programmes for ex-servicemen. Resettlement programmes consist of the following activities:-

(a) Training programmes for equipping Service personnel to take up civil employment.

(b) Re-employment in Central and State Governments and Public Sector Organisations.

(c) Assistance for self-employment, which includes financial assistance for setting up SSI units, for transportation ventures, for agricultural and allied activities and for setting up village industries.

Sainik Boards

166.3 A Kendriya Sainik Board(KSB), under the Chairmanship of the Raksha Mantri, has been established for laying down general policy for the welfare of Ex-Servicemen and their dependants, for the administration of welfare funds and also for coordinating the work of the Rajya Sainik Boards. At the State level, the Rajya Sainik Boards and at the District level the Zila Sainik Boards have been established to carry out various welfare activities. The Govt. of India bears 50% of the cost of the state and district level bodies, the other half being borne by the

respective State Governments.

Provisions for Resettlement

166.4 Civil employment constitutes the principal mode of resettlement of ex-Servicemen. The Central and State Governments provide educational and age concessions to promote employment of ex-Servicemen in civil posts. They have also provided reservation in posts and priority in employment for ex-Servicemen. In addition, various trades in which PBOR have been trained have been given suitable equivalence to civilian trades and many qualifications have been equated with civil qualifications to facilitate their employment.

166.5 Reservation of posts under the Central and State Governments has been provided as under:-

(a) Reservation under Central Government/Public Sector Undertakings (PSUs):

Post	Govt Departments	PSUs/Nationalised Banks
Group C	10%	14.5%
Group D	20%	24.5%

In addition, 10% of the posts of Asstt. Commandants in Para-Military Forces are reserved for ex-Servicemen. All posts in Defence Security Corps are exclusively reserved for ex-Servicemen.

(b) Reservation under State Governments: Various State Governments have provided reservation for ex-Servicemen ranging between 2% to 20% in Group 'C' and 'D' posts. Important States which have provided reservations for ex-Servicemen in Group 'A' and 'B' posts are H.P. (15%), Karnataka (10%), Haryana (5%) and Punjab (14%). State Government of Rajasthan has reserved 60% of Group 'B' posts in Armed Police for ex-Servicemen.

Relaxation in Age

166.6 We find that for appointment to posts that are filled in Group C and Group D in the Central Govt. the ex-servicemen are eligible for relaxation in the upper age limit to the extent of military service rendered by them plus three years. The same concession is available to the ex-servicemen and commissioned officer including ECOs/SSCOs for appointment to any vacancy in Group A and Group B services/posts filled by direct recruitment other than on the basis of an open All India Competitive Examination.

166.7 As regards appointment to any vacancy in Group A and Group B services/posts filled by direct recruitment on the results of an All India Competitive Examination held by the UPSC, the ex-servicemen and commissioned Officers including ECOs/SSCOs who have rendered at least 5 years' service and have been released on completion of assignment or on account of physical disability attributable to military service or on invalidity, are allowed maximum relaxation of five years in the upper age limit.

RESETTLEMENT OF EX-SERVICEMEN

Demands

166 8 Resettlement of Ex-servicemen continues to be one of the major concerns of the Armed Forces. We have received a number of suggestions in this regard which have been summarised below:

1) Transfer on retirement to Para Military Forces and other Govt. Undertakings so that Armed Forces personnel can serve till 58 years of age;

2) Setting up of a Resettlement Commission ;

3) Statutory Reservation for ex-servicemen in Govt. jobs including all Govt. aided institutions;

4) Change in present system of reservations to 20% posts in Gp. 'C' posts and 10% in Gp. 'D' posts; and

5) Higher officiating status for Ex-servicemen employed in lower posts.

7) Grant of antedated seniority to re-employed military pensioners.

Earlier Opinions

166.9 We find that various Committees have gone into the problems of rehabilitation and welfare of ex-servicemen. A high level Committee in 1984, under the chairmanship of the then Minister of State for Defence, conducted a comprehensive review of the work done in this regard. The Sharad Pawar Committee in 1991 recommended grant of 'One Time Increase' to bridge the gap between past and present pensioners and an-Inter Ministerial Committee in 1992 considered various other demands of ex-servicemen. This Committee recommended revision of rates of gallantry awards, augmentation of medical facilities, revision of financial assistance for treatment of serious diseases, duty free import of therapeutic gadgets for disabled personnel besides other recommendations with regard to resettlement.

Steps taken

166.10 We have been informed that a number of suggestions made by the 'Committee on Remainder Problems of Ex-Servicemen' have already been implemented and the issues of approporiate change in colour service, lateral induction to Central and State Government, PSUs and reservation in Group 'A' and 'B' vacancies in Government are under consideration. Ministry of Industry has also advised all Ministries/Departments/PSUs regarding appointment of security personnel from Ex-Servicemen security agencies sponsored by DG, Resettlement.

Utilisation of Schemes

166.11 We have examined the various suggestions made with regard to resettlement of Ex-servicemen in the context of the existing schemes and earlier opinion on the subject. We find that the actual utilisation of these schemes has been inadequate. The reason for under-utilisation of reserved vacancies are two fold (1) ex-servicemen after putting in a number of years in the Armed Forces already earn pension and prefer to stay nearer their home place and (2) no benefit of seniority is granted for military service rendered. Besides, there exists a need for proper monitoring of the various resettlement provisions so as to ensure better utilisation of the rehabilitation schemes. **We feel that purposive efforts should**

be made by the government to facilitate resettlement of Armed Forces personnel after retirement. Our specific suggestions in this regard are outlined below

Lateral Shift to CPOs

166 12 It is understood that the question of lateral induction of Armed Forces personnel to other organisations is under consideration in the Ministry of Defence. We have examined the issue of lateral shift to other organisations in the context of Armed Forces proposal to reduce colour service to seven years and laterally shift personnel to other organisations. While we have elsewhere recommended shifting from combat groups to support groups, in the long term perspective, the lateral shift from Armed Forces to organisations like Central Police Organizations (CPOs) has the advantage of keeping the Armed Forces young as well as reducing the defence pensionary liability and training costs of CPOs. We feel that it may not be in the best interests to recommend direct lateral transfer of all personnel required by CPOs from the Armed Forces and it may also not be possible to provide matching vacancies for all retired service personnel. However, there may be certain advantages in inducting a higher percentage of personnel from the Armed Forces. **We therefore recommend increase in the percentage of reservation in Group `C' and `D' posts in CPOs to 25% and recommend lateral transfer to this extent.** If the induction is available after 7 years service, instead of the present scheme under which it is available after completion of terms of engagement, the response may be better We also suggest that pay may be protected (since no pension will be admissible) and service rendered may be counted. With regard to reservation in Group A posts in CPOs, **we suggest that 25% of the posts of Assistant Commandants in CPOs should also be filled in the same manner and pay and seniority may be similarly protected.** Therefore percentage of reservation at this level may also be increased from the existing 10% to 25%. This may particularly be made available to Short Service Commissioned officers.

Recruitment Procedure

166.13 For recruitment to posts in CPOs to be filled by these Ex-servicemen, **we suggest setting up of a Joint Recruitment Board consisting of representatives of CPOs and Armed Forces Headquarters so as to jointly select officers/men who would render seven years service in the Armed Forces to be followed by lateral shift to CPOs.** The setting up of a Joint Recruitment Board would also ensure that proper quality of personnel suitable for both Services and CPOs are recruited. The protection of seniority is being suggested only in the context of this recruitment for lateral transfer to CPOs at a later date, and will not apply to appointment of ex-servicemen in other departments.

Committees for Monitoring

166 14 In order to monitor the implementation of various schemes for resettlement of ex-servicemen, the creation of two Committees is suggested. **The first Committee may be formed at the level of Raksha Rajya Mantri and may include the Defence Secretary, Home Secretary and Secretary DOPT as well as Chief of Army Staff.** This Committee may meet once in four months to review the progress of rehabilitation. **The second committee may be formed consisting of Addl. Secretary, Ministry of Defence, Jt. Secretary (Police) in MHA, Jt. Secretary in DOPT, Director General (R) and representatives of the Services to meet once a month to coordinate the implementation of schemes.**

DEFINITION OF EX-SERVICEMEN

Ex-servicemen Status to personnel released before completing Terms of Engagement

166.15 As per the definition laid down by DOPT which governs the eligibility of the retired defence service personnel for the status of ex-Servicemen, the personnel discharged at own request/ compassionate grounds were eligible to the status of ex-servicemen till 30 June 87 if they had served for a continuous period of not less than 5 years after their attestation. It has been suggested that personnel released before completion of colour service should also be defined as Ex-servicemen.

Our Views

166.16 The High Level Committee appointed by the Govt. of India under the Chairmanship of Shri K.P. Singh Deo in 1984 to look into the problems of ex-Servicemen observed that a large number of personnel were taking advantage of the lenient definition of ex-servicemen by seeking premature retirement from the service. The Committee had suggested that the definition of ex- servicemen should be made more stringent so that only deserving personnel got the status of ex-Servicemen. The revised definition of ex-Servicemen recommended by the High Level Committee had, therefore, excluded the personnel discharged at own request/compassionate grounds without grant of pension from the definition of ex-Servicemen even if they had served for a minimum period of five years. Accordingly, the revised definition laid down by DOPT effective since 01 July 87 also excluded this category from grant of Ex-servicemen status. **In view of this, we do not feel the need for revising the existing definition to include the above category.**

TERMS OF RE-EMPLOYMENT OF EX-SERVICEMEN

Terms for Officers

166.17 At present, if service officers are re-employed with Government or PSUs, their pay is fixed at the same stage as pay last drawn before retirement and the amount of pension ignored is Rs.500/- per month. The Ex-servicemen's bodies have contended that denying re-employed officers their full military pension if they take up re-employment with Govt. is not justified.

Our Recommendations

166.18 We have considered the issue and feel that both in the case prior to re-employment and after re-employment, the employer is the Govt. and benefit of reservation for re-employment has been made available. Pay on re-employment is also fixed at pay last drawn. In view of all these considerations, ignoring full pension on re-employment may not be justified. However, **it is suggested that ignorable pension be enhanced from Rs.500/- p.m. to Rs.1500/-.**

Counting of Military Service

166.19 It has also been suggested that all re-employed ex-servicemen should be given benefit of their past military service for both increment and promotion. Short Service Commissioned officers on reappointment in Govt. Service should be accorded seniority as was being done for Emergency Commissioned Officers.

Views of Committee on Ex-servicemen

166.20 The Committee on Remainder Problems of Ex-servicemen had recommended that since pensionary benefits are granted to ex-servicemen, it will

not be correct to grant double benefit by counting previous service for seniority and increment and certain categories can be granted seniority and increments provided they forgo pensionary benefits.

Our Recommendations

166.21 We find that PBOR have been allowed to ignore the entire pension while fixing pay on re-employment as a result of which pay is fixed on minimum of pay scale. Majority of ex-servicemen re-employed in Govt. are appointed against vacancies reserved for ex-servicemen. **We therefore do not propose any change in the existing scheme of pay fixation for PBOR.**

Short Service Commissioned Officers

166.22 As regards Short Service Commissioned Officers, (SSCOs) the Committee on Remainder Problems of Ex-servicemen had recommended counting of previous service. Ministry of Defence has intimated that DOP&T did not agree with this recommendation as they felt that there was no justification for allowing the benefit of seniority to SSCOs who are recruited after 1964. **In view of this, we do not recommend any change in the existing position as it may lead to problems of seniority fixation etc. However, with the implementation of the proposed scheme for lateral transfer to CPOs, the aspect of seniority would be taken care of.**

TERMINAL BENEFITS OF SSCOs

Proposal

166.23 It has also been proposed that terminal gratuity for SSCOs be enhanced to equal one month's emoluments for each completed half-year's service against the existing 1/2 month's emoluments for a similar period.

Our Recommendations

166.24 Since any enhancement of terminal benefits of Short Service Commissioned Officers would have repercussions on civilians who retire before completing pensionable service, **we do not recommend any change** in the existing scheme.

MEDICAL FACILITIES FOR EX-SERVICEMEN

Present Position

166.25 Ex-servicemen and their families and families of deceased service personnel drawing pensions are entitled to free out-patient treatment including medicines in the nearest Armed forces Hospital/MI Room/Sick Bay/Sick Quarter. Indoor patient treatment is provided under the following conditions:

a) If the disease is not curable.
b) If beds in hospital are available.
c) Treatment is limited to facilities available locally.
d) No conveyance is to be provided.
e) No special nursing would be admissible.

Demands

166.26 It has been represented that due to increasing load on Military Hospitals, proper treatment to ex-servicemen becomes difficult. In addition, since most ex-servicemen are rural based, majority of them cannot avail of the limited facilities available. The Armed Forces have therefore suggested the following

measures:

a) Allotment of funds for planned expansion of medical services, to cover the needs of ex-servicemen.

b) Creation of Veterans' Hospitals in high density ex-servicemen areas with specialists in old age diseases.

c) Ex-servicemen wards/beds in civil hospitals, to be co-ordinated by Kendriya Sainik Boards with State Govts. on cost sharing basis.

d) Ex-servicemen and families be entitled to the same medical facilities as are admissible to them while in service.

e) In addition to the measures outlined, grant of medical allowance to those who cannot avail themselves of Military/Civil Hospital facilities due to distance and other location factors, may be considered at the following rates:

Officer - 10% of Basic Pension
JCOs - 15% of Basic Pension
ORs - 20% of Basic Pension

Our Recommendations

166.27 We have examined the issue and are of the opinion that **there is need to augment facilities available for ex-servicemen.** A step towards enhancing medical facilities for ex-servicemen has already been made with opening of MI Rooms and Dental Centres. However, for further augmentation of facilities for ex-servicemen who are residing near Military Hospitals, we suggest that Ministry of Defence may go into the issue and earmark funds for expansion of services. Creation of Ex-Servicemen's Wards in civil hospitals should also be pursued vigorously by Ministry of Defence and liaison with State Govts. be maintained to ensure this. Creation of Veteran Hospitals may be considered by Ministry of Health and Family Welfare. These should be set up where a concentration of civil and military pensioners exists.

Medical Allowance

166.28 In addition, for ex-servicemen in rural areas who cannot avail themselves of military/civil hospital facilities, **it is recommended that a medical allowance of Rs.100/- per month as has been proposed for civil pensioners may be granted.**

OTHER PROPOSALS

Our Views

166.29 It has been suggested that facility of 50% concession for travel by air be extended to Ex-servicemen and rail concession of 50% may also be granted. Certain other suggestions have been made with regard to extention of travel concessions available to Army pensioners attending Regimental/Corps reunions to Naval and Air Force personnel and on grant of travel concessions on transfer from one service hospital to another. A funeral allowance has also been proposed to be introduced for Ex-servicemen. We have gone into all these suggestions but find ourselves unable to accede to the same.

Part IX

Concluding Observations and Acknowledgments

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

Dr. Johnson

167

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

168

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.**

169

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 @ 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 5th upto the 8th stage in the existing scale - by one increment

(b) for Govt. servants drawing pay from the 9th upto the 12th stage in the existing scale, if there is bunching beyond the 8th stage - by two increments

(c) for Govt. servants drawing pay from the 13th 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 Annexe 169.1.

ANNEXE: 169.1
(See para 169.6)

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).

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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.

Other recommendations

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 differnce 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.

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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 in the present system

(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.

© 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.

(e) 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.

Constitutional Status

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.

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Acknowledgements

172.1 Before concluding our Report we would like to express our grateful thanks to the eminent persons, retired Government officers, representatives of the unions and associations of Central Government employee who sent us memoranda, replied to our Questionnaire and tendered oral evidence in response to our invitation. We are grateful to the Chief Justice of India, Chief Justice of Delhi High Court, Governors and Chief Ministers who were kind enough to spare some of their valuable time to give us the benefit of their views on various important issues. We are thankful to Members of Parliament, the serving and retired Chiefs of Defence Forces, Secretaries of Central Ministries, heads of organisations, and other officers of the Central Government, the State Governments and the Union Territories who shared their considered views on various complex issues. We would like to express our deep appreciation for the assistance provided by the officers of the Central Ministries and Departments, State Governments, Union Territories and Public Sector Undertakings who very kindly supplied us the factual information and other data requested by us from time to time. Our thanks are also due to our institutional consultants, to whom we assigned nineteen studies on selected topics, the reports of which were received in time and provided us with valuable inputs. We would also like to place on record our thanks to Shri V. Gouri Shanker, Senior Advocate, Supreme Court of India, who rendered valuable advice to the Commission, on various matters from time to time.

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.

172.3 We are thankful to Dr. N. Seshagiri, Director General, National Informatics Centre and Dr. K.K. Bajaj, Deputy Director General, for rendering all out assistance in providing us computer system support which enabled us to submit our report in such a short span of time. Smt. Saroj Amoli, Principal Systems Analyst, NIC was with us throughout and proved a pillar of support.

172.4 We would like to place on record our sincere gratitude to the officers and staff of the Commission, all of whom worked indefatigably to complete the work of the Commission in a record time. In particular, we would like to mention Shri N. Sunder Rajan and Shri Rakesh, Joint Secretaries, Shri D.M. Gautam and

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Sd/-
(S. Ratnavel Pandian)
Chairman

Sd/-
(Suresh Tendulkar)
Member

Sd/-
(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.

Sd/-
(Suresh Tendulkar)
Member

Sd/-
(S. Ratnavel Pandian)
Chairman

Appendices

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 subserve 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 1:10.7, 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. Annexe 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 incharge 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 Administr-ative Grade	30	9th year
Selection Grade	20	14th year
Sr. Administrative Grade	17	17th year
Higher Administra-tive Grade	3	25th year

(Chapter 48)

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)

CCA

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 A	B-1	B-2	Pay Range (unrevised) (Basic Pay in Rs.)	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 Sates, 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)

Voluntary retirement

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)

Pensionary benefits

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)

Family pension

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)

Ex gratia on death

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)

Commutation of pension

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)

Parity of past pensioners

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)

SRPF/CPF retirees

78. For SRPF/CPF retirees, an ex gratia of Rs.600 p.m. along with dearness relief has been proposed. (Chapter 139)

Interim relief

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)

Medical allowance for pensioners

80. A fixed medical allowance of Rs.100 p.m. has been recommended for pensioners residing in areas not covered by CGHS. (Chapter 140)

Other matters regarding pensioners

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 payscales of the commissioned officers have been replaced by regular payscales.
(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)

ANNEXE

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	6500-200-6900	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 Goverment'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 payscales 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 II : 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 payscales 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 payscales

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 @ 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.

Annexure III.1

Total Employment in Central Govt. according to different sources

(Lakhs)

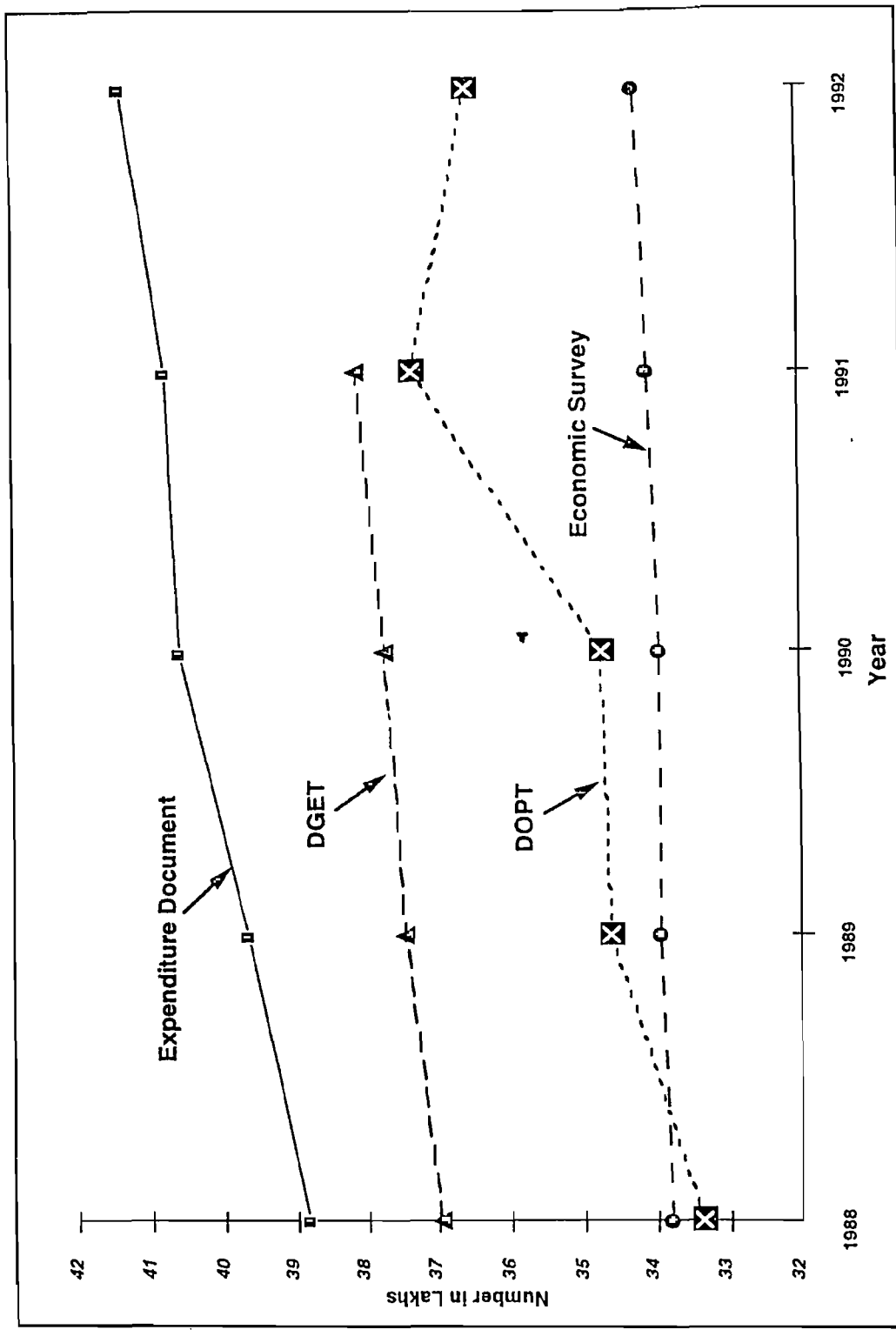
Year	Expenditure document of the Central Budget (as on 1st March)	Economic Survey	D.O.P.T.	D.G.E.& T.		Pay Research Unit
				Regular	Non-regular	
1.	2.	3.	4.	5.	6.	7.
1984	N.A.	33.11	32.42	36.14	3.91	N.A.
1985	N.A.	33.29	33.70	N.A.	N.A.	N.A.
1986	N.A.	33.46	34.56	N.A.	N.A.	N.A.
1987	N.A.	33.50	34.46	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	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

Annexure III.2

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.

I. 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 from 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 bardships 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 trvel 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 no 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 placed. 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 subside 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.

Sd/-

(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 othe

r employer is also free to make use of the provision. This recommendation cannot, therefore, be faulted on the ground that it is discriminatory.

D.A

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 Reportare 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.

Sd/-

(S. RATNAVEL PANDIAN)
29.01.1997

Sd/-

(M.K.KAW)
29.01.1997

Appendix VI

First Interim Report

Government of India
Fifth Central Pay Commission

Subject: Interim Relief to Pensioners

In terms of the Ministry of Finance, Department of Expenditure Resolution No.5(12)E.III/93 dated April 9, 1994 consistituting the Fifth Central Pay Commission, the Commission is required to examine, inter alia, the existing pension structure including death-cum-retirement benefits and to make recommendations relating there to which may be desirable and feasible.

2. The Commission is presently engaged in examining a large number of demands and suggestions contained in memoranda received from various employees' and pensioners' associations and minor other organisations, interested individuals, experts etc. on matters covered by its Terms of Reference. Having regard to their wide-ranging scope and the magnitude of the task involved, this will necessarily take some time. Government had already, before the Constitution of this Pay Commission, sanctioned an Interim Relief of Rs. 100 per month to its serving employees with effect from September 16, 1993. A very large number of individual pensioners and their associations have prayed that similar relief should also be provided to pensioners so as to mitigate the adverse effects of inflation on them, since pensionary benefits were last revised almost a decade earlier in pursuance of the recommendations of the Fourth Pay Commission.

3. Government have informed the Commission that while an interim relief was sanctioned to serving employees on several occasions in the past, such relief had not been provided to the pensioners at any time as they were being compensated for increases in the price index by the release of periodical instalments of Dearness Relief. Further, the interim relief to serving employees was sanctioned in lieu of various other demands raised in the National Council (JCM), pending a comprehensive review by the Fifth Central Pay Commission. This position was not applicable to pensioners.

4. The Commission has considered the Govt.'s point of view. It is true that pensioners were not granted interim relief at any time in the past. It needs to be recalled, however, that the Terms of Reference of the First, Second and Third Central Pay Commissions did not specifically include an examination of pension structure. This task was entrusted for the first time to the Fourth Central Pay Commission by an amendment dated November 8, 1985 to its Terms of Reference. Prior to this amendment, the Commission has also been requested by Government in a Resolution dated February

16, 1985 to consider a demand of the serving employees for grant of relief of an interim character. The Commission's recommendations on this question had been submitted to the Government on March 29, 1985 itself, prior to the amendment of November 8, 1985 when the demands of pensioners were also brought within its purview. There was, therefore, no occasion for the Fourth Pay Commission to consider the question of granting interim relief to pensioners.

5. The Fourth Pay Commission had, however, appreciated the impact of inflation on and the consequent erosion in the real income of pensioners and had come to the conclusion that there was no escape from the concept of adjustment of pensions in conformity with rise in the cost of living and the sooner this was relised the better, The Commission recommended additional relief at varying rates for pensioners who retired at different points of time in paragraps 10.14 and 10.15 of Part II of its report in order to secure this objective. These recommendations were accepted by Govt.

6. Therefore, the fact that no interim relief was provided to the pensioners in the past should not, by itself, be a valid reason for not considering this wide spread demand by the pensioners.

7. Further, the argument that interim relief had been sanctioned to serving employees by Government in view of their demands raised in the National Council (JCM) does not in any way prevent the Government from considering a similar demand by pensioners. Pensioners can have no recourse to collective bargaining and are naturally handicapped in this regard. A large majority of them are also less well-equipped to find a remedy for the erosion in the real value of their incomes in relation to serving employees, because of their age and other disabilities. The Commission understands that the demand for interim relief has been raised by the pensioners in the Standing Committee of Voluntary Agencies (SCOVA), which is the only forum created by Govt. For ventilation of their grievances.

8. After taking all the relevant factors into consideration, the Commission feels that there is adequate justification to accede to the demand for an interim relief to pensioners. It accordingly recommends that all pensioners and family pensioners be sanctioned an Interim Relief at a uniform rate of Rs. 50 (Rupees Fifty only) per month. This may be treated as a distinct and separate element to be set-off in due course against such changes in the pension structure and death-cum-retirement benefits as may be subsequently recommended. The Commission does not anticipate any difficulties in such set-off.

9. According to information furnished to the Commission by the Department of Pension and Pensioners' Welfare, there were approximately 31.5 lakh pensioners (including family pensioners) at the end of December, 1993, Based on this figure, the annual financial implication of acceptance of the Commission's recommendation works out to Rs. 189 crores approximately.

Sd/-
[S. RATNAVEL PANDIAN]
CHAIRMAN

Sd/-
(SURESH TENDULKAR)
MEMBER

Sd/-
[M.K. KAW]
MEMBER-SECRETARY

New Delhi
October 21st, 1996

S.149 FCPC/96 -40A

Appendix VII

Second Interim Report

GOVERNMENT OF INDIA
FIFTH CENTRAL PAY COMMISSION

INTERIM REPORT

INTERIM RELIEF AND MERGER OF DEARNESS ALLOWANCE

In terms of the Ministry of Finance, Department of Expenditure, Resolution No. 5(12)E.III/93 dated April 9, 1994 constituting the Fifth Central Pay commission(1*), the Commission is required, inter alia, to

a) evolve the principles which should govern the structure of emoluments and those conditions of service of Central Government employees which have a financial bearing ; and

b) examine the present strucuture of emoluments and conditions of service of the industrial and non-industrial Central Government employees, personnel belonging to the All India Services, Armed Forces and Union Terriotries, and the officers and employees of the Supreme court of India and the High Court of Delhi.

The terms of reference of the Commission were amended by the Ministry of Finance, Department of Expenditure, Resolution No. 5(12)/E.III/93 dated January 12, 1995 by the addition of the following new para:

(1*) Annex I.

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2(f): "The Commission may consider the demands of the staff side of the National Council of the JCM for grant of another instalment of interim relief and merger of a furuther portion of DA with pay (for the purpose of gratuity alone) and send a report thereon, if the Commission feels that it wil not be possible for them to submit their final Report within a period of 18 months from the date of its appointment.

While considering these demands, the Fifth Central Pay commission may take into account the interim relief and the merger of 20% of DA with pay only for the purpose of gratuity, already sanctioned by the Government in September 1993."

2. The Commission having been formally appointed on April 9, 1994, the eighteen-month period referred to by Government in the Resolution of January 12, 1995 would expire on October 8, 1995. Our terms of reference are, however, significantly more extensive and wide-ranging in their ambit and scope in relation to those of the earlier Pay Commissions. Apart from evolving appropriate salary and pension structures for the Central Government employees, we have also been asked to examine the terms and conditions of service of the Armed Forces Personnel. We are also required to recommend rationalisation and simplification of the work methods and work environment with a view to promoting efficiency in administration, reducing redundant paper work and optimising the size of the Government machinery.

3. We are presently engaged in examining the large number of demands and suggestions contained in nearly 18,000 memoranda received from various interest groups on various issues covered by our terms of reference. We have issued nearly 5,750 copies of a general questionnaire to ascertain the views of opinion-makers from different walks of life across the country. Besides, separate questionnaires to elicit relevant information and data in regard to the compensation packages available to the employees of State govedrnments and Central public enterprises and on international practices have been issued. We are in the process of collecting detailed information on individual posts, scales of pay, recruitment and promotion rules, etc. from the ministries and departments and the Union Territories. Consultancy studies to facilitate an independent, in-depth examination of some of the issues covered by the terms of reference have also been entrusted to various external agencies. Their reports are expected to be made available for our consideration during August - September, 1995.

4. In the circumstances, and having regard to the magnitude of the task involved, it may not be possible for us to submit our final report within a period of eighteen months from the date of our appointment. The Third and Fourth Central Pay Commissions had submitted their final reports only after a period of three years and three and a half years respectively.

5. Unlike the terms of refernce of the earlier Pay Commissions relating to relief of an interim character which covered all sections of employees, our amended terms of references allude only to the demands of the Staff Side of the National Council. This departure from the earlier usual terms of references and presumably prompted other associations and representatives of different categories of employees not affiliated to or represented by the Staff Side of the National council to request us to consider their demands separately. Having regard to the principles of justice, equity and fair play, and to the fact that our recommendations would also affect such employees, we decided to entertain such requests. Accordingly, we held discussions with the representatives of the Staff Side on February 20 and 21, 1995, the All India Confederation of Central Government Officers' Associations on March 16, 1995 and the Armed Forces on March 20, 1995.

INTERIM RELIEF

6. Before proceeding to examine the specific demands for another instalment of Interim Relief, it would be desirable to consider its nature and scope. The Third Pay commission had considered this question in some detail. It had held that it would be inappropriate to treat interim relief as though it were a dearness allowance because the two concepts differed, the latter being determined almost solely by the cost of living ;nor could it be treated as pay. It was instead of the view that interim relief should be treated sui generis (one of its own kind, unique) and should not be taken into account for determining any other allowances or benefits which may be admissible to Government emplooyees on the basis of their pay2. In sanctioning the first instalment of Interim Relief with effect from September 16, 1993, Government had also clarified that this amount would be sui generis and it would would be termed neither as 'Pay' nor 'Allowance' or as 'Wage'.3

7. In our view, interim relief only represents a provisionald arrangement, during an intervening period, and is primarily intended to provide some relief to employees pending a comprehensive determination of their salary structure and other benefits. It is, therefore, necessarily ad hoc in character.

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2. Interim Report of the Third Central Pay Commission, September 1970, para 26.
3. Para 2 of Ministry of Finance, Department of Expenditure Office Memorandum F. No. 7(26)E.III/93 dated September 27, 1993.

8 The Staff Side of the National Council (JCM) submitted before us that up to the time of the Second Pay commission, the wages in the Government sector were generally more than those in the public sector. These had subsequentlhy lagged behind owing to the greater frequency of wage revisions in the latter based on bilateral negotiations and collective bargaining. They added that the recommendation of the Fourth Pay Commission that Government set up a permanent machinery to undertake a periodical review of the pay, allowances and conditions of service of Central Government employees not having been implemented as yet by Government, their demand for a further instalment of Interim Relief was based primarily on the principle of "fair comparison" and the urgent necessity " to bridge partially the hawning and steadily widening gap" between the wages of the employees in the public sector undertakings and the Central Government employees.

9. According to the statistics made available by the Staff Side, the Fourth Pay commission had estimated that the difference between the emoluments of a peon in the Central Government and in the public enterprises, at the minimum of the pay scales, ranged between Rs.100 and Rs.330 per month as on January 1, 19865. Following subsequent wage revisions in the public sector, the gap between the average salary (pay plus dearness allowance) at the lowest level linked to the All India Consumer Price Index 1240 (Base 1960=100) as on January 1, 1994 among major public enterprises and that in the Government sector had further widened to as much as Rs 870 per month. This gap would widen further with an increase in the number of years of service rendered by the employees because of the higher rates of increment admissible in the public sector. The educational qualifications, job content, duties and responsibilities at the lowest unskilled level of employees being similar, it was argued that the claim for parity at this level could not be rationally rejected.

10. In support of their demand for a further instalment of Interim Relief, the Staff Side also invited attention to the considerable difference in the salaries of the lowest Group 'D' functionaries in the Central Government and in the Supreme Court of India and the High court of Delhi following the revision of the pay scale of these categories in the two Courts to Rs 975-1660 as against the scale of Rs.750-940 applicable in the Central Government. According to them, the difference in salary (pay plus dearness allowance) at the minimum of the scales linked to AICPI 1240 was of the order of Rs 459 per month.

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4. Report of the Fourth Central Pay Commission (June 1986), Part I, Volume IV, Chapter 29, para 29.15, p 309.

5. Report of the Fourth Central Pay Commission (June 1986), Part I, Volume I, Chapter 5, para 5.7, p. 72.

11. The Staff Side, therefore, demanded a further payment of Rs.460 per month as Interim Relief so as to ensure parity with the lowest functionaries in the Supreme Court of India and the High court of Delhi and to minimise the gap between the government and the public sector employees. They were of the view that Interim Relief of Rs 460 per month proposed by them should be paid uniformly to all categories of employees regardless of their status in consideration of the fact that (a) a graded relief linked to the basic pay of the employees would amount to some sort of a nexus being established with the revised pay scales, which may be undesirable, and

(b) a larger quantum of relief would be justified in the case of lower-paid employees who were more adversely affected by the erosion in the real value of their earnings. They urged that the payment of the second instalment should be recommended with effect from January 1, 1994 because their demand was that the revised scales of pay to be recommended by the Fifth Pay commission should also be introduced from the same date.

12. The representatives of the All India Confederation of Central Government Officers' Associations urged before us that Interim Relief should be sanctioned not at a flat rate but on a granded scale for different categories of employees. This was in consideration of the fact that (a) relief at a flat rate placed those in the higher pay scales at considerable disadvantage, and (b) the present method of computation of the All India Consumer Price Index did not correctly reflect the consumption pattern of the middle and senior level functionaries in Government. As regards the quantum of Interim Relief, they demanded that this should be equal to 60% of the difference between their present salaries and those proposed by them in their memorandum submitted separately to us. They further demanded that the second instalment of Interim Relief should be paid retrospectively with effect from April 9, 1994, corresponding to the date of our appointment.

13. In a memorandum containing their proposals for an Interim Award submitted to us in February 1995, the three Service Chiefs representing the Armed Forces had urged that, in view of the erosion in the value of the Rupee since the Third Pay Commission submitted its report (1973), the Interim Relief of Rs. 100 per Month sanctioned uniformly to all employees in September 1993 was inadequate. They had suggested that the second instalment of Interim Relief should be paid on a graded basis with effect from April 1, 1994, its quantum being equal to 15% of the basic pay plus the dearness allowance to be merged in the pay.

14. Justifying their demand, the representatives of the Armed Forces Pay Commission Cell informed us that the proposal was based on the following premises:

(a) Prior to the submission of its final report, the Fourth Pay Comission had

recommended Interim Relief on two occasions with effect from January 1, 1983 and March 1, 1985 Relief ranging from Rs. 50 to Rs. 100 per month was sanctioned on the first occasion on a graded basis with reference to different pay ranges . The second instalment was sanctioned at the rate of 10% of basic pay, subject to a minimum of Rs.50 per month. There was, therefore, no justification for payment of the relief at the uniform rate of Rs. 100 per month in the context of the loss in purchasing power and the increased cost of living in the post- Fourth Pay Commission period. This was also considered to be too mergre having regard to the basic pay presently drawn by officers in the middle and higher ranks.

b) The two instalments of Interim Relief recommended by the Fourth Pay Commission and aggregating to Rs. 100 per month admissible at the minimum (Rs.196) of the then applicable scale of pay of the lowest functionaries worked out to roughly 51% of the basic pay. On the same analogy, the present minimum of the scale of pay of a Group 'D' employee being Rs. 750, he should be entitled to an aggregate relief of Rs. 375 per month approximately . Interim relief of Rs.100/- per month already having been awarded with effect from September 16, 1993, the balance of Rs. 275 per month should now be sanctioned as the second instalment, which would work out to 17% of the pay of a Group 'D' employee at the minimum of the scale plus the Dearness Allowance (Rs. 855) admissible as on July 1, 1994.

c) Payment of Interim Relief to the Group 'D' Havaldar on the basis of the same norms would result in a relief equivalent to approximately 14% of the pay plus dearness allowance. A majority of the Armed Forces personnel would consequently be entitiled to a relief of 15%, on an average, if the methodology of the fourth Pay Commission were to be adopted.

d) Considering the fact that the increase in the cost of living was only partially, and not fully, neutralised in respect of officers drawing a basic pay of Rs 3,501 or more per month, the demand for payment of Interim Relief at 15% of the basic pay and dearness allowance would be justified because the quantum of relief expressed as a percentage of the basic pay would range from 11.39 to 12.01 in their cases.

15. The representatives of the Armed Forces Pay Commission Cell were also of the view that, while a minimum relief of Rs 275 per month should be recommended, there should be no ceiling on its quantum.

16. We have carefully considered the various submissions made before us. In so far as the question of parity with the public enterprises is concerned, the Fourth Pay Commission had not conceded this principle having regard primarily to the following:

a) The emoluments within different public sector undertakings varied widely, and the sector was not a homogeneous unit or group, as a result of which comparisions were rendered extremely difficult.

b) There were several significant differences in the total compensation packages available to employees in the government and public sectors. It was, therefore, not feasible to undertake a comparison of the emoluments available to the Central Government employees and those working in the public enterprises because this raised several conceptual issues and posed other difficulties, particularly in regard to the computation of the non-pay or indirect benefits and their conversion into monetary terms.

c) The job content of even the lowest functionaries in the Central Government may not be similar in all respeccts with that in the public enterprises for a variety of reasons either because of differences in working hours and in the numbers of employees or due to combination of tasks.

d) The pay structure for the employees of a vast and complex organisation like the Central Government cannot be based on a simple comparison of the pay scales of posts at the lowest level in the public enterprises; which have been created for specified purposes, perform different functions and have adopted different conditions of service. This will instead have to be determined only on mertis.

17. It is a fact that, in relation to Central Government employees, a majority of public sector eemployees have managed to secure higher emoluments and improvements in their conditions of service as a result of more frequent wage negotiations. This has given rise to a sense of grievance in the minds of Central Government employees. The disparities have been furuther accentuated

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6. Report of the Fourth Central Pay Commission, Part I, Volume I, Chapter 5; paras 5.10, and 5.14 to 5.16; pages 72-74.

because wage settlements are sometimes concluded without due regard to productivity, profitability and the capacity to pay. This leads to undesirable repercussions in other sectors and often necessitates the extension of additional budgtary support by the Government.

18. However, in terms of a new wage policy for public enterprises formulated by Government in the recent past, managements of public enterprises are now free to negotiate the wage strucuture in respect of their employees keeping in view and consistent with the generation of resources/profits by the individual enterprises/units. This would be subject to the following conditions :

(a) Government will not provide any budgetary support for the wage increases.

(b) It must be ensured that increase in wages in certain public enterprises which are monopolies or near monopolies or which have an administered price struccture does not result in an automatic increase in administered prices of their goods and services.

(c) There shall be no increase in labour cost per unit of output in physical terms.

(d) The wage settlements shall be in force for a period of five years.

Apart from a reduction in the frequency of wage negotiations, the emphasis has been shifted from a sector-wise or company-wise wage structure hitherto in force to individual units. Consequently, units within a sector or even within an undertaking would now be at liberty to evolve their independent wage structures without having to ensure inter-unit or inter/intra-sectoral parities The expectation is that the revised policy would curb the unhealthy tendency on the part of the managements and employees of different public enterprises to look closely at an emulate each other in determining the compensation packages.

19. In the changed cirumstances, any meaningful comparison of the compensation packages available in the public and government sectors is rendered more difficult. The appropriateness of such a comparison could also perhaps be open to question.

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7. Ministry of Industry, Department of Public enterprises Office Memorandum No. 1(3)/86-DPE(WC) dated April 12, 1993, read with Office Memorandum of even number dated January 17, 1994.

20. As regards the disparity in the salaries of the lowest Group 'D' functionaries in the Central Government and in the Supreme Court of India and the Delhi High Court, we have been informed that these disparities are a consequence of court judgements in writ petitions filed by the employees. Two Bills introduced by Government in the Rajya Sabha in August 1994 to provide for the regulation of the salalries, allowances, etc. of the officers and servants of the two Courts have been referred by the House to the Parliamentary Committee on Home Affairs for examination and report. These bills seek to rectify certain anomalies in the pay structure of the employees of the two Courts and of those in the Central Government. In the circumstances, it would be inappropriate for us to express any opinion at this stage. In any event, our recommendations in regard to a further instalment of Interim Relief are likely to be adopted in respect of the employees of these two Courts after obtaining the approval of the Chief Justices, as was, in fact, done on the last occasion when the Interim Relief of Rs 100 per month was sanctioned by Government. The gap referred to by the Staff Side will consequently still remain and not be bridged.

21. The financial implications of acccepting, in toto, the demand of the Staff Side for an Interim Relief of Rs 460 per month are also likely to be substantial. According to an assessment made by the Staff Side themselves, this would involve an estimated outgo of Rs 4000 crores approximately for the period from January 1994 to march 1995, or Rs 3200 crores per annum.

22. Some of the replacement scales in respect of the Group A' posts proposed by the All India Confederation of Central Government Officers' Associations in their separate memoroandum are as follows :

Existing Scale (Rs)	Proposed replaccement scale (Rs)
2200-4000	11000-22000
3000-4500	15000-26750
3700-5000	25000-35000

After taking into account the dearness allowance admissible as on January 1, 1994 (which would ultimately be merged in such revised scales of pay as may be recommended), the acceptance of their demand that the Interim Relief, to be paid with effect from Arpil 9, 1994, should be equal to 60% of the difference between their present salaries and those proposed by them would necessitate the

8. Bills No. LXIII and No. LXIV of 1964 introduced in the Rajya Sabha on August 19, 1994.

payment of as large a sum as Rs 3,907 per month to those Group 'A' Officers drawing pay at the minimum of the lowest scale (Rs 2200-4000). This would represent an interim relief to 178% of their present basic pay, which is hard to justify. Besides, any rational and meaningful determination of the revised pay structure would be possible only after comprehensive examination of the entire compensation package. This exercise not having been completed, the suggestion of the Confederation cannot even be considered at this stage.

23. It would not be strictly correct to base, as has been done by the Armed Forces, the demand for an additional instalment of Interim Relief on the norms stated to have been adopted nearly a decade earlier by the Fourth Pay Commission. This is particularly because that Commission itself had not indicated in its report the specific rationale for the recommended relief equal to 10% of basic pay, subject to a minimum of Rs 50 per month. The first instalment of the relief ranging from Rs 50 to Rs 100 per month with reference to different pay ranges sanctioned with effect from June 1, 1983 (not January 1, 1983 as mentioned by the representatives of the Armed Forces) was also not based on the recommendation of the commission, but on a suo moto decision of Government.

24. The demand of the Armed Forces envisages the computation of Interim Relief on basic pay and dearness allowance admissible as on July 1,1994. Apart from the fact that this would represent a significant departure from the past practice in this regard, this would amount to relief being granted on and artificially inflated base. According to the amended terms of reference of January 12, 1995, we are required to consider the merger of a furuther porotion of the dearness allowance with pay for the purpose of gratuity alone, and not for any other purpose. Besides, payment of another instalment of Interim Relief as suggested, subject to a minimum of Rs 275 per month, would result in a relief of nearly 37%, 30% and 23% to those drawing basic pay of Rs 750, Rs 1050 and Rs 1670 respectively, the financial implications of which would be quite substantial.

25. We have given careful consideration to the large and varying claims for relief of an interim nature urged by the Staff Side and others. While we find it difficult to concede the demand for parity with the public enterprises, it may, however, be necessary to maintain certain broad horizontal and vertical relativities between the two sectors. In the light of the Directive Principle of "equal pay for equal work" and various judicial pronouncements on the subject, as well as on administrative considerations, it may also be desirable to ensure that disparities in the compensation packages provided for employees in different sectors performing similar functions are minimised. Too large a disparity between the emoluments in the two sectors would have an undesirable adverse impact on morale and efficiency.

26. The restoration of relativities that are stated to have been disturbed over a period of time

because of more frequent wage revisions in the public enterprises would involve a detailed examination of the job content, duties and responsibilities of different categories of personnel in the two sectors. We are already seized of this question and would be formulating our recommendations in due course.

27. Pending our detailed examination of this question and other related issues, and having regard to the time lag likely to be involved in the submission of our final report, we are of the view that further relief purely of an interim nature would appear to be justified. Government would also appear to have recognised the need for such relief in amending our terms of reference.

28. In determining the quantum of relief that should be recommended, apart from the financial implications that would need to be kept in view, a basic question that arises is whether it should be uniform for all categories of employees or be on a graded scale. No doubt, only a uniform amount of Rs 100 per month was sanctioned by Government on the last occasion in September 1993. This would not, however, appear to have been based on any specific or clearly-defined criteria. Instead, it apparently constituted one of the elements of a package deal offered by Government to the Staff Side of the National Council in partial settlement of several demands raised by them.

29 On the other hand, the third Pay Commission had recommended Interim Relief at varrying rates (Rs 15 to Rs 45 per month) to employees in different pay ranges, restricting, however, the relief only to those then drawing pay up to Rs 1250 per month. After the appointment of the Fourth Pay Commission in July 1983, Government sanctioned, on their own initiative, Interim Relief again at varying rates (Rs 50 to Rs 100 per month) to employees in different pay ranges and also extended the relief to all employees irrespective of the pay drawn by them. The Interim Relief recommended by the Fourth Pay Commission was 10% of basic pay, subject to a minimum of Rs 50 per month, which also amounted to acceptance of the concept of a graded relief.

30. Expressed as a percentage of the basic pay, the first instalment of Interim Relief resulted in a benefit of 13.33% and 12.12% respectively to those Group'D' and Group 'C' employees drawing pay at the minimum of the lowest pay scales (Rs 750-8-790-EB-10-940 and Rs 825-15-

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9. Interim Report of the Third Central Pay Commission (September 1970), paras 23-24.
10. Ministry of finance, Department of Expenditure Office Memorandum No. 7(39)-E.III/83 dated August 2, 1983.
11. Report of the Fourth Central Pay Commission on Interim Relief, March 1985, para 5.

900-EB-20-1200) applicable to these two categories. On the other hand, the benefit accruing to those drawing basic pay at the minimum of the scales of pay of Rs 4500-150-5700, Rs 5900-200-6700 and Rs 7300-100-7600 and those drawing a fixed pay of Rs 8000 per month was only 2 22%, 1 69%, 1.37% and 1.25% respectively. After taking into account the incidence of income tax, the relief (net of tax) in these cases ranged from 1.55% to 0.75%

31. There has been a sense of grievance that the partial neutralisation of the increase in the cost of living in respect of employees drawing basic pay above Rs 3500 per month, resulting in payment of dearness allowance at lower rates to those in the higher pay brackets, has disturbed the relativites between different categories of employees established after detailed examination by the Fourth Pay Commission. It has also been contended that the real earnings of those in the higher pay ranges have been eroded over a period of time. A comprehensive examination of the entire question of compensation for price rise and of its impact on relativities is clearly called for. Pending such and examination, it would not be unreasonable in our views to suggest relief on a graded scale purely as an interim measure. This would also ensure that the relativities are not further disturbed as a result of providing such relief uniformly for all categories of employees

32. Having regard to all the relevant factors, and keeping in view the imperative need to maintain a delicate balance between the outgo on this account and the availalbility of resources, we recommend that all employees of the Central Government and Union Territories, personnel belonging to the All India Services and Armed Forces personnel may be paid another instalment of interim relief equal to 10% of their basic pay as defined in FR 9(21)(a)(i), subject to a minimum of Rs 100 per month. While non-practising allowance, wherever admissible, may also be taken into account for the purpose, the reckonable pay for the grant of the relief to the Armed Forces personnel may be determined in the same manner as the recoknable pay for the grant of dearness allowance. The amount of Interim Relief will be sui generis and will not count for any other benefit, such as House Rent allowance, Compensatory Allowances, Overtime Allowance, Cash Compensation, Encashment of Leave, fixation of pay, Pension, Gratuity, etc.

33. Employees of the Supreme Court of India and the High Court of Delhi are also covered by our terms of reference. Our recommendation in regard to a further instalment of Interim Relief would, therefore, apply mutatis mutandis to these employees as well, subject to its final acceptance and adoption by the Hon'ble Chief Justice of India and the Hon'ble Chief Justice of the High Court of Delhi.

34. After taking into accodunt the relief of Rs 100 per month already sanctioned by Government in September 1993, the payment of further relief as now recommended would result in an aggregate

benefit of 26.66% and 24.24% respectively to those Group 'D' and Group 'C' employees drawing pay at the minimum of their lowest pay scales, as against 13 33% and 12.12% currently admissible. The corresponding pre-tax benefit accruing to those Group 'A' officers drawing basic pay Rs 4500, Rs 5900, Rs 7300 and Rs 8000 per month would be 12.22%, 11.69%, 11.37% and 11.25% respectively.

INTERIM RELIEF FOR PENSIONERS

35. A related question that arises is whether any Interim Relief should be paid to pensioners. In their memorandum submitted to the Commission, the Staff Side of the National Council have urged that existing pensioners, particularly those at the lower levels struggling to exist, should be paid Interim Relief of at least 50% of the amount that has already been and will be sanctioned for the serving employees. The dearness relief admissible to the pensioners was at best only a partial neutralisation of the cost of living. They have also pointed out that the distinction between existing pensioners and those who would be superannuating hereafter is not desirable.

36. A very large number of individual pensioners and their associations have also represented to the Commission that Interim Relief sanctioned for the serving employees should also be extended to them so as to mitigate the adverse effect of inflation,.

37. We also heard the representatives of the All India central committee of Pensioners' Associations on the subject on March 22, 1995. They urged that, apart from extending to all pensioners the Interim Relief of Rs 100 per month already sanctioned to serving employees with effect from September 16, 1993, a further relief equal to 25% of the basic pension should also be paid to them.

38. The justification furnished by the Committee in support of its demands was as follows:

(a) In the milieu of constantly rising prices, the difficulties faced by the pensioners were similar to those experienced by serving employees.

(b) The Interim Relief of Rs 100 per month had been sanctioned to the serving employees only on an ad hoc basis to mitigate the hardships suffered by them pending the Commission's final recommendations. Examination of the existing pension structure also having been referred to the Commission, the relief should also be extented to the pensioners on the same analogy.

(c) Pensioners had been discriminated against in the matter of neutralisation of the increase in cost of living. In contrast to serving employees, full neutralisation was provided only to those pensioners drawing pension up to Rs 1750 per month, and to the extent of 75% and 65% for those entitled to pension between Rs 1751 and Rs 3000 per month and above Rs 3000 per month respectively. This was discriminatory, arbitrary and contrary to the principles of natural justice, because inflation affected both serving employees and the pensioners in the same manner and to an equal extent. A similar distinction had not been made in respect of employees availing of leave on half pay or those under suspension.

(d) The Committee had separately demanded that the quantum of basic pension should be increased from 50% of the average emoluments drawn during the last ten months of one's service to 75% of the basic pay. If this demand was accepted, the increase in the quantum of basic pension would be applicable to future as well as past pensioners.

39. Any modifications in the pension structure or in the present scheme for payment of dearness relief to pensioners will necessarily require detailed examination. During September-October, 1994, we had, however, independently examined the question of payment of an Interim Relief to pensioners in the light of the relief of Rs 100 per month sanctioned to the serving employees with effect from September 16, 1993. In a report submitted to government,12 we had recommended that all pensioners and family pensioners be sanctioned an Interim Relief at a uniform rate of Rs 50 per month. The reasons that then weighed with us continue to be valid.

40. On the same analogy, and taking a broad overall view, we recommend that all pensioners and family pensioners be sanctioned a further instalment of Interim Relief equal to 10% of their basic pension/family pension, subject to a minimum of Rs 50 per month. This, along with the relief of Rs 50 per month earlier recommended, would be adjusted against such final pensionary benefits as may be recommended by us in due course for the past pensioners in the context of the revision of the salary structure of the serving employees.

12. Report of the Fifth Central Pay Commission on Interim Relief to Pensioners, October 1994.

MERGER OF DEARNESS ALLOWANCE

41. At the time of sanctioning Interim Relief of Rs 100 per month to serving employees with effect from September 16,1993, Government had also decided13 that a portion of the dearness allowance as linked to the average AICPI of 729.91 obtaining as on March 1, 1988, equal to 20% of the basic pay, shall be treated as dearness pay for Central Government employees who retire or die on or after September 16, 1993. The orders envisaged that the dearness pay will count only for reckoning emoluments for the purpose of retirement gratuity and death gratuity under the Central Civil Services (Pension) Rules, 1972, and for no other purpose.

42. The Staff Side of the National Council submitted before us that the current practice of revision of the basic salaries of government employees only on the recommendations of a Pay Commission which was appointed once in 10 or 15 years and the exclusion of dearness allowance for the purpose of computation of various allowances such as house rent allowance, compensatory allowances, etc. had resulted in a situation where the value of such allowances, prescribed as far back as in 1986, had been eroded considerably due to inflation. According to them, therefore, the case for the merger of dearness allowance with pay emanated from the necessity to evolve a mechanism to compensate the employees for the erosion in the value of the allowances and other benefits linked to basic pay. The Staff Side further informed the Commission that, following the recommendation of a committee appointed in 1952 under the Chairmanship of Shri N.V.Gadgil to consider this question, Government had decided to treat 50% of dearness allowance admissible to employees then drawing pay not exceeding Rs 750 per month as pay with effect from April 1, 1953 for the purpose of certain allowances and retirement benefits.

43. Inviting attention to the practice prevailing in the industrialised countries where the wages themselves were adjusted as and when necessary or the wages were reviewed when the prices rose above a certain level as well as to the recommendation of the National Commission on Labour that dearness allowance should be merged with the basic pay at a reasonable point of time, the Staff Side were of the view that dearness allowance related to consumer price index should be merged with pay at the level at which the prices were not likely to move downwards. Claiming that the All India Working Class Consumer Price Index had only risen consistently during the last twenty years, the

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13. Department of Pensions & Pensioner's Welfare Office Memorandum No. 7/2/93-P&PW(F) dated October 19, 1993.

Staff Side demanded that the dearness allowance of 97% of the basic pay linked to the average AICPI 1201.66 as on July 1, 1993 admissible to employees drawing pay up to Rs 3500 per month should be merged in the pay with effect from July 1, 1993 for purposes of all allowances and retirement benefits.

44. The Staff Side also argued that there should be no ceiling on gratuity having regard to the fact that this was in the nature of a parting gift to the employees at the time of their superannuation.

45. The All India Confederation of Central Governement Officer's Associations urgued that dearness pay should count for all purposes, and not merely for gratuity alone. They were of the view that, unless the guantum of gratuity was also correspondingly increased, the mere merger of a portion of the dearnewss allowance with pay would not be beneficial, particularly for those employees at the higher levels who would, in any case, be entitled to the maximum gratuity of Rupees one lack presently admissible. Apart from suggesting that the ceiling on gratuity should be enhanced to Rs 5 lakhs, they demanded that the entire dearness allowance admissible as on April 1, 1994 should be merged with pay with effect from April 9, 1994.

46. The representatives of the Armed Forces demanded that the ceiling on gratuity should be removed because the present ceiling of Rupees one lakh had lost its relevance in the present socio-economic context.. They urged that the entire dearness allowance should be merged with pay with effect from April 1, 1994 for all purposes including retirement benefits.

47. We have carefully considered these demands. Prior to the submission of the Report of the Fourth Pay Commission, Governement themselves had decided to treat a portion of the dearness allowance as dearness pay for certain specified purposes, more particularly with a view to providing some relief in the matter of death-cum-retirement benefits. In 1977, the dearness allowance admissible at the average AICPI 272 was treated as pay with effect from September 30, 1977 for retirement benefits only. Subsequently, the dearness allowance admissible at the average AICPI 320 was merged with pay for retirement benefits with effect from January 31, 1982 and for purposes of house rent allowance and city compensatory allowance with effect from Fubuary 1, 1982. Finally in 1985, dearness allowance linked to the avergae AICPI 568 was also treated as pay only for retirement benefits with effect from March 31, 1985. The Fourth Pay Commission has subsequently merged the dearness allowance linked to the average AICPI 608 in the revised pay scales.

48 Prior to January 1, 1986, retirement gratuity was paid at the rate of one-fourth of the emoluments for each completed six-monthly period of qualifying service, subject to a maximum 16 ½ times the emoluments. Gratuity was to be calculated on the maximum emoluments of Rs.4000 per month, and this was further subject to an overall ceiling of Rs.50,000.

49. The Fourth Pay Commission did not recommend any change in the rules governing gratuity. This was in consideration of the fact that the revised scales of pay recommended by it would result in a substantial increase in the pay reckonable for pension and gratuity and the total amount of gratuity payable would consequently incease automatically in a large number of cases.14 Government, however, decided to remove the ceiling on emoluments for purposes of gratuity and also to enhance the maximum gratuity payable from Rs.50,000/- to Rupees one lakh.

50. Nearly a decade has passed since the scales of pay of Central Government employees were last revised. During the intervening period, the All India Working Class Consumer Price Index has risen to 1425 as of December 1994. In October 1993, only that portion of the dearness allowance as was linked to the average AICPI of 729.91 obtaining as on March 1, 1988 had been merged with pay. In the circumstances, there is adequate justification for the merger of a further portion of the dearness allowance.

51. However, pending final determination of the modifications, if any, necessary in the quantum of various allowances and other benefits, it may not be desirable to count the dearness pay for purposes of various allowances. Similarly, if the dearness pay is treated as pay for purposes of pensionary benefits, as demanded, this is likely to give rise to further disparities between past and present pensioners. We are anxious to avoid such a situation till such time as we are in a position to arrive at final decisions in regard to the pension structure and the manner in which the past pensioners should be compensated following a revision of the pay structure of serving employees. Besides, our amended terms of reference also envisage the merger of dearness allowance for the purpose of gratuity alone and not for any other purpose. We are, therefore, unable to accede to the demand that dearness pay should count for purposes of all allowances and retirement benefits.

52. There is, however, consideable merit in the demand that the present ceiling of Rupees one lakh on gratuity be enhanced. We agree that merely merging a furuther portion of the dearness allowance with pay for the purpose of gratuity without correspondingly revising the ceiling upwards

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14. Report of the Fourth Central Pay Commission (December 1986), Part II, Chapter 5, para 5.27, page 37.

would not result in any real benefit at least to some of the employees. Prior to September 16, 1993, employees in receipt of basic pay of above Rs 6060 per month were entitled only to a maximum gratuity of Rupees one lakh. Following, however, the treatment of 20% of basic pay as dearness pay for the purpose of gratuity with effect from September 16, 1993, all those in receipt of basic pay in excess of Rs.5150 per month approximately would be entitled only to the maximum gratuity. The position would further deteriorate as a result of the merger of a further portion of the dearness allowance with pay. There is, therefore, adequate justification for enhancing the ceiling on gratuity.

53. After due consideration, we recommend that the dearness allowance linked to the average AICPI 120.66 as on July1, 1993 (representing respectively 97%, 73% and 63% of the basic pay in respect of employees drawing pay up to Rs.3500 per month, above Rs. 3500 but up toRs.6000 per month and above Rs. 6000 per month) may be treated as dearness pay for reckoning emoluments for the purpose of retirement/death gratuity under the Central Civil Services (Pension) Rules, 1972 Further, the ceiling on gratuity may be enhanced to Rs.2.5 lakhs.

54. As regards the date from which the recommendations should be given effect to, we are of the view that it will not be reasonable to give retrospective effect to them from such distant dates as have been suggested by the Staff Side and others. This will also be contrary to the accepted principle that monetary benefits should normally accrue only prospectively. The substantial financial implications of accepting the demands as put forth also need to be kept in view. After careful consideration, we recommend that our recommendations be implemented with effect from April 1, 1995.

55. The annual financial implications of acceptance of the recommendation in regard to Interim Relief for the serving employees and pensioners are estimated to be the orter of Rs.950 crores and Rs.350 crores respectively, and of Rs.300 crores in respect of the partial merger of dearness allowance. The estimated total outgo would thus agregate to Rs. 1600 crores in a full year.

56. To sum up, we recommend that

(a) all employees of the Central Government, and Union Territories and of the Supreme Court of India and the High Court of Delhi, personnel belonging to the All India Services and Armed Forces personnel may be paid another instalment of interim relief equal to 10% of their basic pay, subject to a minimum of Rs. 100 per month (paras 32 and 33);

(b) apart from the Interim Relief of Rs 50 per month recommended in our Interim Report of October 1994, all pensioners and family pensioners be sanctioned a further instalment of Interim Relief equal to 10% of their basic pension/family

pension, subject to a minimum of Rs.50 per month (para 40);

(c) dearness allowance linked to the average AICPI 1201.66 as on July1. 1993 may be treated as dearness pay for reckoning emoluments for the purpose of retirement gratuity and death gratuity under the Central Civil Services (Pension) Rules 1972, and the ceiling on gratuity be enhanced to Rs 2.5 lakhs. (Para 53); and

(d) Our recommendations be implemented with effect from April 1,1995 (para 54).

57. We have not considered in depth questions of relativities, compensation for price rise, etc. at this stage. The former will also require to be examined in the context of evolving an appropriate structure of emoluments for Government employees having due regard to fiscal compulsions as well as the size and pattern of manpower requirements for the efficient and effective functioning of the Government machinery. We would, in the circumstances, like to emphasise that our present report, which is based only on a broad overall view of the need for relief of an interim nature, does not preclude us from making whatever final recommendations that we may deem appropriate in regard to matters included in our terms of reference, after due consideration of all relevant aspects.

58. Finally, we would like to place on record our appreciation of the valuable assistance rendered to us by the Secretariat of the Commission in the preparation of our report and by the officials of the Departments of Expanditure and Personnel in furnishing the information and clarifications desired by us. We would also like to express our gratitude to the representatives of the Staff Side of the National Council, the Confederation of Central Government Officers' Associations, the three Service chiefs and their representatives and the all India Central Committee of Pensioners' Associations who appeared before us, and all others -- who are too innumerable to be named individually-- who submitted their memoranda on the issues convered by our amended terms of reference.

Sd/-

[S. RATNAVEL PANDIAN]

CHAIRMAN

Sd/-

(SURESH TENDULKAR)

MEMBER

Sd/-

[M.K. KAW]

MEMBER-SECRETARY

New Delhi

May 2, 1995

Appendix VIII

Third Interim Report

GOVERNMENT OF INDIA
FIFTH CENTRAL PAY COMMISSION

THIRD INTERIM REPORT

INTERIM RELIEF FOR CENTRAL GOVERNMENT EMPLOYEES

During September-October 1994, we had independently examined the question of payment of an interim relief to Central Government Pensioners in the light of the relief of Rs 100 per month sanctioned by the Government, on their own initiative, to the serving employees with effect from September 16, 1993 and had submitted our Report thereon[1]. This was followed by another Report on "Interim Relief and Merger of Dearness Allowance for Central Government Employees." This was submitted in May 1995 in pursuance of a Government Resolution[2] amending our terms of reference and requesting us to consider the demands of the Staff Side of the National Council of the Joint Consultative Machinery for grant of another instalment of interim relief and merger of a further portion of Dearness Allowance with pay (for the purpose of gratuity alone) and to submit a report thereon.

[1] Report of the Fifth Central Pay Commission on Interim Relief to Pensioners, October 1994.

[2] Ministry of Finance, Department of Expenditure, Resolution No. 5(12)/E.III/93 dated January 12, 1995.

2. The terms of reference of the Commission were again amended by Government[3] in July 1996 by the addition of the following new para :

2(g). "The Commission may consider whether another instalment of interim relief may be granted to the Central Government employees and give an interim report thereon. The interim relief, if recommended, shall have to be fully adjusted against and subsumed in the package which may become admissible to the Central Government employees on acceptance of the final recommendations of the Pay Commission."

3. It needs no reiteration that our original terms of reference are significantly more extensive and wide-ranging in their ambit and scope in relation to those of the earlier Pay Commissions. The task of recommending, after a detailed examination of various claims and counterclaims, appropriate salary and pension structures and conditions of service for the employees of the Central Government and Union Territories as well as the Armed Forces personnel is in itself not an easy one. Besides, we are also required to recommend rationalisation and simplification of the work methods and work environment with a view to promoting efficiency in administration, reducing redundant paper work and optimising the size of the Government machinery. Notwithstanding the magnitude of these tasks, we are presently in the process of finalising our recommendations following an examination of a very large number of memoranda received from various interest groups on issues covered by our terms of reference, the responses to our questionnaires received from opinion makers from different walks of life, the State Governments and Central public enterprises and others, the submissions made before us, in the course of oral evidence, by representatives of employees' unions, associations and federations, as well as of Government, and the reports of the consultants engaged by us to undertake independent, in-depth studies of some of the issues covered by the terms of reference. We expect that it should be possible for us to complete our final report by the end of September, 1996.

4. In the circumstances, and in order to determine the need and justification for

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[3] Ministry of Finance, Department of Expenditure, Resolution No. 5(12)/E.III/93 dated July 17, 1996.

another instalment of interim relief, we held discussions with the representatives of the Staff Side of the National Council of the Joint Consultative Machinery on July 16, 1996, of the Armed Forces Pay Commission Cell on July 18, 1996 and with those of the All India Confederation of Central Government Officers' Associations, All India Central Committee of Pensioners' Associations and the Indian Ex-Services League on July 19, 1996.

5. The Staff Side of the National Council (JCM) have submitted before us that there had been discontentment among the Central Government employees on account of the quantum of the second instalment of interim relief recommended by us in May 1995 which was below their expectation. Besides, many wage agreements, effective from the years 1991 and 1992, finalised in the Central public sector enterprises had further widened the gap between the emoluments of Central Government employees and those of the employees in the public sector, and that the differences would be further accentuated on conclusion of the new agreements effective from the year 1996 or 1997. According to the statistics made available by the Staff Side, the gap between the average salary (pay plus dearness allowance) of the lowest functionary linked to the All India Consumer Price Index 1240 (Base 1960=100) as on January 1, 1994 in the major public enterprises and in the Central Government was reduced to Rs 670 per month following the second instalment of interim relief recommended by us. This gap related to the All India Consumer Price Index 1510 as on January 1, 1996 had, however, increased by Rs 570 to as much as Rs. 1,240 per month as a result of the subsequent wage revisions in the public sector during the pendency of revision of pay scales by us.

6 In support of their demand for a further instalment of Interim Relief, the Staff Side have also drawn attention to the fact that , while the two instalments of interim relief sanctioned during the pendency of revision of pay scales by the Fourth Central Pay Commission amounted to 51% of the basic pay of Rs 196 per month then admissible to the lowest functionary in the Central Government, the two instalments presently being paid worked out to only a meagre 26% of the revised basis pay of Rs 750 per month.. According to the Staff Side, their expectation that the gap between the wages in the Government and public sectors would not be allowed to widen further by the grant of an

appropriate interim relief had not been realised in the process.

7 The Staff Side have further pointed out that the difference in the salary (pay plus dearness allowance) at the minimum of the scales of the lowest Group 'D' functionaries in the Central Government and in the Supreme Court of India and the High Court of Delhi linked to the All India Consumer Price Index 1510 as on January 1, 1996 had also increased to Rs 559 per month, thereby widening disparities which did not exist earlier.

8 The Staff Side have, therefore, demanded an additional interim relief equal to 30% of the basic pay, subject to a minimum of Rs 300 per month. It has also been urged that the relief should be effective from April 1, 1995 so as to avoid any complications in fixation of pay on introduction of the revised scales of pay to be recommended by us.

9. The representatives of the Armed Forces Pay Commission Cell have submitted before us that the two instalments of interim relief already sanctioned had in no way contributed to the redressal of the basic problem of the unattractiveness of the Armed Forces as a career, which had resulted in a progressive increase in the shortage of quality officers in all the three Services, and that, in the Army alone, such shortages has grown from 9,000 officers in the year 1992 to over 13,000 officers. According to them, the shortfall in induction had reached a stage when, for the first time, an induction course to the National Defence Academy had been undersubscribed. Similarly, the Air Force was facing an alarming shortage of pilots and the Navy of volunteers for its Submarine Arm. While the Naval Engineering College had failed to meet its induction targets in the last few years, the Air Force Technical College was also unable to attract a sufficient number of candidates desirous of joining the Air Force. The hardships and deprivations of serving personnel had also increased manifold because of their continued deployment on low intensity conflicts and internal security duties.

10. They have further averred that the interim relief recommended by us in May 1995 was not equal to even the Dearness Allowance admissible to the majority of the personnel in real terms, and that compensation for various hardships, risks and hazards faced by the Armed Forces personnel had not only remained stagnant, but had also become woefully inadequate in the context of the compensation provided for similar types of jobs in other

sectors and the increased cost of living. Besides, the instalments of interim relief already sanctioned having been treated only as *sui generis*, there had been no real increase in the benefits of a large number of personnel moving into the pension establishment every year, which was a cause for great anxiety and dissatisfaction.

11. The representatives of the Armed Forces Pay Commission Cell have therefore urged that the interim award of the Commission must visibly enhance the emoluments both in terms of pay as well as the allowances specific to military service. This alone, according to them, can have an impact on substantially enhancing the attractiveness of the Armed Forces as a career. They have accordingly suggested the following as interim measures :

(a) Merger of Dearness Allowance with basic pay;

(b) An interim increase thereafter in pay and pension to the extent of 15%;

(c) Grant of Military Service Pay and Rank Pay at rates proposed in their memorandum to the Commission;

(d) Final award in respect of all allowances which are specific to the Armed Forces, such as Compensation in lieu of Quarters (CILQ); and

(e) removal of ceiling on death-cum-retirement gratuity.

12. The representatives of the All India Confederation of Central Government Officers' Association have demanded the following to be made effective from the same date on which our final recommendations on pay and allowances are to take effect :

(a) Interim relief should be equal to 60% of the difference between their present salary and that to which they would be entitled based on the revised scales of pay to be recommended by the Commission for different categories of officers, which should have been firmed up by now. In the alternative, this could be equal to 50% of the present basic pay.

(b) The quantum of relief should be proportionately higher for those in receipt of a basic pay in excess of Rs 3,500 per month, so

as to compensate them for the erosion in their salaries over a period of time as a result of the partial neutralisation of the increase in the cost of living in their case as a consequence of which they were in receipt of Dearness Allowance at rates lower than those admissible to employees in the lower pay brackets.

13. The Staff Side of the National Council have also urged before us that existing pensioners should be paid another instalment of interim relief of 30% of their basic pension, subject to a minimum of Rs 150 per month so as to avoid any discrimination between them and the serving employees. They have further pointed out that the pensioners were aggrieved that the first interim relief of Rs 50 per month recommended by the Commission earlier in October 1994 had been paid to them only with effect from April 1, 1995 instead of from September 16, 1993, when the serving employees were sanctioned the first interim relief of Rs 100 per month., and have demanded that the first instalment should also be extended to the pensioners with effect from September 16, 1993 or at least with effect from October 1, 1994 having regard to the fact that the relevant report of the Commission on Interim Relief to Pensioners was submitted to Government in October 1994.

14. In their submissions before us, the representatives of the **All India Central Committee of Pensioners' Associations** have also requested that all pensioners should be paid another instalment of interim relief of 30% of their pension. This has been justified on the following considerations :

(a) Pension having been defined as a deferred wage, it would be logical that all reliefs should be granted treating pension as pay without any discrimination.

(b) The normal expectation of the employees was that their salaries would be increased at least three times. The emoluments presently admissible to an employee entitled to full neutralisation of the increase in the cost of living worked out to about 166% only after taking into account the Dearness Allowance admissible at present and the two instalments of interim relief already sanctioned. Since this fell short of the expected three-fold increase

in salaries by 34%, a minimum relief of 30% would be justified for the serving employees.

(c) The expectations of the pensioners were also similar to those of serving employees. The Central Committee had already requested in its memorandum on pensionary benefits submitted to the Commission that there should be no discrimination in the extent of neutralisation of the increase in cost of living between the pensioners and serving employees since this was intended to maintain the value of the Rupee irrespective of whether the entitlements were disbursed as pay or pension. An interim relief of 30% of the pension was, therefore, fully justified.

(d) The two instalments of interim relief earlier sanctioned had introduced certain distortions because of halving of the quantum on the first occasion and of the minimum on the second occasion. Since the relief was intended to partly compensate the increase in the cost of living till the final recommendations of the Commission are implemented, and was in the nature of an ad hoc increase to be absorbed in the final settlement, there was absolutely no justification for restricting the minimum relief for the pensioners to 50% of that recommended for serving employees.

15. The representatives of the Central Committee have further urged that the third instalment of interim relief should be recommended with effect from April 1, 1995 so as to compensate the pensioners for the distortions referred to by them and also having regard to the fact that the second instalment of relief equal to 10% of the pension recommended in May 1995 was, by any standards, "very low". It has also been suggested in this context that, in order to reduce an immediate burden on the exchequer, bonds carrying interest of 12% per annum and redeemable in three equated annual instalments after an initial lock--in period of three years could be issued towards the arrears due for the period from April 1, 1995 to March 31, 1996.

16. A further demand of the Central Committee was that the minimum relief of Rs 50 per month recommended by us for the pensioners with effect from April 1, 1995 should

be enhanced to Rs 100 per month as in the case of the serving employees and paid retrospectively from September 16, 1993, when the serving employees were paid the first interim relief.

17. Apart from requesting that pensioners should also be entitled to the first instalment of interim relief of Rs 50 per month with effect from September 16, 1993 itself as in the case of serving employees, the Indian Ex-Services League have also pointed out that pensioners have not been provided equal protection against inflation in relation to the serving employees and have urged that there should be no discrimination in regard to the grant of Dearness Allowance to the serving employees and of Dearness Relief to the pensioners.

18. As we have already indicated in our Second Interim Report[4], interim relief only represents a provisional arrangement, during an intervening period, and is primarily intended to provide some relief to employees pending a comprehensive determination of their salary structure and other benefits. It is, therefore, necessarily *ad hoc* in character. In the circumstances, questions of revision of scales of pay, reducing the gap between the salaries of Central Government employees and those of public enterprises, parity between employees in the Central Government, the Supreme Court of India and the High Court of Delhi, extent of neutralisation of the increase in the cost of living for different categories of employees and pensioners, enhancement of allowances admissible to the Armed Forces personnel and other issues, which have been highlighted in the submissions made before us will necessarily have to be dealt with in detail only in our final report since these cannot obviously be considered in isolation.. We have also not been specifically requested by Government, in the amended terms of reference, to consider the question of a further merger of Dearness Allowance with pay for pensionary benefits. We are already seized of these issues and such recommendations as are considered appropriate will be incorporated in our final report to be submitted in due course.

19. Expectations of Central Government employees have, however, increased

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[4] Interim Report of the Fifth Central Pay Commission on "Interim Relief and merger of dearness allowance for Cent Government Employees, para 7.

substantially following our appointment. Though we hope to submit our final report shortly, in view of the fact that the period of one year and four months has elapsed since the last instalment of Interim Relief took effect and in order to maintain harmonious industrial relations--which have been most cordial and excellent during the past decade or so--it may not be unreasonable to grant another instalment of interim relief to the Central Government and other employees covered by our terms of reference, pending the submission of our final report, to be adjusted against the final package of benefits that we may recommend.

20. We accordingly recommend that all employees of the Central Government and Union Territories, personnel belonging to the All India Services and Armed Forces Personnel may be paid another instalment, of interim relief equal to 10% of their basic pay, as defined in FR 9(21)(a)(i), subject to a minimum of Rs.100 per month. We further clarify that non-practising allowance, wherever admissible, may also be taken into account for the purpose, while the reckonable pay for the grant of the relief to the Armed Forces personnel may be determined in the same manner as the reckonable pay for the grant of dearness allowance, which would include the Rank Pay as admissible. In determining the quantum of relief, we have also kept in view the imperative need to maintain a delicate balance between the outgo on this account and the availability of resources.

21. The relief now recommended will be *sui generis* and will not count for any other benefit, such as House Rent Allowance, Compensatory Allowance, Overtime Allowance, Cash Compensation, Encashment of Leave, fixation of pay, pension, Gratuity, etc. This shall also be fully adjusted against and subsumed in the package that may become admissible to the concerned employees on acceptance of our final recommendations by the Government.

22. Employees of the Supreme Court of India and the High Court of Delhi are also covered by our terms of reference. Our recommendation in regard to a further instalment of interim relief would, therefore, apply *mutatis mutandis* to these employees as well, subject to its final acceptance and adoption by the Hon'ble Chief Justice of India and the Hon'ble Chief Justice of the High Court of Delhi.

23. Our earlier recommendations extending the benefit of interim relief to the pensioners already having been so graciously accepted by the Government, principles of

equity and natural justice would demand that the further instalment now recommended may also be paid to all pensioners and family pensioners as well, including the Ex-Servicemen and War Widows. This may be on the same scale as recommended for the serving employees, and equal to 10% of the pension/family pension, subject to a minimum of Rs 100 per month. We have consciously not restricted the minimum amount to 50% of that admissible to the serving employees having regard to the submissions made by the All India Central Committee of Pensioners' Associations, which are not entirely without merit and to eliminate any grievance on this account. The relief now recommended would be adjusted against such final pensionary benefits as may be recommended by us for the past pensioners in the context of the revision of the salary structure of the serving employees. We do not, however, wish to reopen at this stage, the question of enhancement of the minimum interim relief of Rs 50 per month recommended by us for pensioners earlier in May 1995.

24. As regards the date from which the recommendation should be given effect to, we are of the view that it will not be reasonable to give retrospective effect to it from such distant dates as have been suggested by the Staff Side and others. This will also be contrary to the accepted principle that monetary benefits should normally accrue only prospectively. The financial implications also need to be kept in view. After careful consideration, we recommend that the third instalment of interim relief may be effective from April 1, 1996.

25. The annual financial implications of acceptance of our recommendations in regard to interim relief for serving employees and pensioners/family pensioners are estimated to be of the order of Rs 950 crores and Rs 420 crores respectively. The estimated outgo would thus aggregate to Rs 1,370 crores.

26. **To sum up, we recommend that**

(a) all employees of the Central Government and Union Territories and of the Supreme Court of India and the High Court of Delhi, personnel belonging to the All India Services and Armed Forces personnel may be paid another instalment of interim relief equal to 10% of their basic pay, subject to a minimum of Rs.100 per month, to be adjusted against the package that would be

admissible on acceptance of our final recommendations (paras 20 to 22);

(b) all pensioners and family pensioners be sanctioned a further instalment of Interim Relief equal to 10% of their basic pension/family pension, subject to a minimum of Rs 100 per month (para 23);and

(c) our recommendations be implemented with effect from April 1,1996 (para 24);

27. Finally, we would like to place on record our appreciation of the valuable assistance rendered to us by the Secretariat of the Commission in the preparation of our report. We would also like to express our gratitude to the representatives of the Staff Side of the National Council, the Confederation of Central Government Officers' Associations, the representatives of the Armed Forces Pay Commission Cell, the All India Central Committee of Pensioners' Associations and the Indian Ex-Services League who appeared before us.

Sd/-

[S. RATNAVEL PANDIAN]

CHAIRMAN

Sd/-

(SURESH TENDULKAR]

MEMBER

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[M.K. KAW]

MEMBER-SECRETARY

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