

Report Summary

Seventh Central Pay Commission

- The 7th Central Pay Commission (Chair: Justice A. K. Mathur) submitted its report on November 19, 2015. The Commission had been appointed in February 2014, to look at remuneration for central government employees. It has proposed that the recommendations be implemented with effect from January 1, 2016.
- Financial impact of the recommendations is expected to be Rs1,02,100 crore. This will lead to an increase of 0.65% in central government expenditure on pay allowances and pension, as percentage of GDP. 72% of this additional cost will be borne by the central government and 28% by the railways.

Key recommendations of the Commission include:

- **Pay:** The overall government expenditure is expected to increase by 16% in basic pay, 63% in allowances and 24% in pension. The net increase in remuneration will be 23.55%. The rate of annual increment for employees has been retained at 3%.
- The existing structure of pay bands and grade pay has been replaced with a new pay matrix to determine the salaries of employees. This has been done to bring more transparency and uniformity in pay progression, and migration of the employee to the next pay level. The matrix takes into account the hierarchy level of employees, and their pay progression during the course of employment. Separate matrices have been drawn for civilians, defence and military nursing service personnel. The minimum salary has been increased 2.57 times to Rs. 18,000 per month, and the maximum 2.78 times to Rs.2,50,000 per month.
- Currently the Modified Assured Career Progression (MACP) allows an employee to move to the next pay band. This progression is administered at 10, 20 and 30 years of service. The Commission has recommended that benchmark performance level be enhanced from 'good' to 'very good'. It has also recommended that annual increments of employees who are unable to meet the benchmark for either the MACP or regular promotion, be withheld.
- The Indian Administrative Service and Indian Foreign Service officers enjoy an advantage that gives them two increments of 3%, at three stages of promotion. It has been recommended that this advantage be extended to the Indian Police Service and the Indian Forest Service.
- Currently, Short Service Commission officers are allowed to exit the armed forces between 10 to 14

years of service. It has been recommended that the option to leave the forces be available at any time between seven to 10 years of service.

- **Allowances:** Out of the 196 allowances that may be given to employees by various departments, 52 have been abolished and 36 have either been merged under existing heads, or been made a part of proposed allowances. A risk and hardship matrix has been formulated, to determine the allowances for employees, based on the degree of risk or hardship faced by them.
- With a proposed increase in basic pay, a recalibration of the House Rent Allowance (HRA) rate has been proposed. An increase in the Dearness Allowance (DA) beyond 50% and 100% will raise the HRA rate.

Table 1: HRA Rates

| Population of City | | | DA above | |
|--------------------|---------|----------|----------|------|
| | Present | Proposed | 50% | 100% |
| Above 50 lakh | 30% | 24% | 27% | 30% |
| 5 lakh to 50 lakh | 20% | 16% | 18% | 20% |
| Below 5 lakh | 10% | 8% | 9% | 10% |

Sources: Seventh Pay Commission Report; PRS

- An increase in ceiling of gratuity from Rs 10 lakh to Rs. 20 lakh has been proposed. The ceiling will be raised by 25%, every time the DA goes up by 50%.
- **Pension:** A new methodology for computation of pension, for pensioners who have retired before January 1, 2016, has been proposed. Two options for calculation of pension have been prescribed, and the pensioner may opt for either one. This is aimed at bringing parity between past and current pensioners.
- **Other recommendations:** Performance related pay (PRP) for all employees has been proposed. This will be based on a Result Framework Document and an Annual Performance Appraisal Report of the employee. Further, a merger of existing bonus schemes with the PRP has been recommended.
- Currently, child care leave, of up to two years, is granted to women employees. It has been suggested that this scheme be extended to single male parents.
- A consolidated pay package of Rs 4,50,000 per month has been suggested for chairpersons of selected regulators. For members of these regulatory bodies, a package of Rs 4,00,000 per month has been proposed.
- Introduction of a health insurance scheme for employees and pensioners has been recommended.

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