

Pay Commissions in India and Associated Issues

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PREFACE

Mahatma Gandhi once rightly said, "The world has enough for everyone's need but not enough for everyone's greed".

It has been my childhood dream to be a civil servant (IAS officer) someday and play a vital role in the research and information assembling process and aid in policy changes and implementation. Bureaucracy is the backbone of a healthy and thriving economy. A strong, ethical and inspired bureaucracy paves way for accelerated development. It is the only service which provides a very direct way of participation in the nation-building process. I want to be a part of this respectable service and make a difference to the society. I want to change the way, things are run for the better.

In this regard, the Rakshak Foundation internship provides the perfect opportunity for me to understand and pursue my endeavor while at the same time contributing to the society and helping establish a better, accountable, efficient and transparent system. I completely identify and associate with the values such as selfless contribution attributed to the Rakshak Foundation.

Directly or indirectly corruption is the root cause of all problems faced by us today. Corruption is a many-headed hydra which rears its ugly head in all wakes and folds of life and hence needs to be mitigated immediately.

Corruption can be tackled by a two-fold mitigation strategy. Firstly, by administrative reforms which entail setting up of an ombudsman, RTI etc. and secondly, by the other often neglected aspect of pay structure reforms. The issue of pay structure reforms is a very scantily researched area. This is a pilot study in as much that till date no such study has been done that encompasses all six pay commissions till date, stacking them progressively, understanding the issues faced and addressed by them over the years and the dynamics of the newer issues that have emerged in the new millennium. So this study, once done will help us to get an insight into this facet of corruption.

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List of Abbreviations

CG	Central Government
CGE	Central Government Employee
CPC	Central Pay Commission
FPC	Fifth Pay Commission
SPC	Sixth Pay Commission
GoI	Government of India
ToR	Terms of Reference
DA	Dearness Allowance
HRA	House Rent Allowance
GDP	Gross Domestic Product
WPI	Wholesale Price Index
CPI	Consumer Price Index
AICPI	All India Consumer Price Index
PRIS	Performance Related Incentive Scheme
FRBMA	Fiscal Responsibility and Budget Management Act
PLB	Productivity Linked Bonus
NNDRR	Net Non-Debt Revenue Receipt
GGA	General Government Administration
DDU	Departmental Commercial Undertaking
RTI	Right to Information
DoPT	Department of Personnel and Training
PSU	Public Sector Undertaking
DELPGE	Distance and E-Learning Programme for Government Employees
IGNOU	Indira Gandhi National Open University
IMP	Industrial Management Pool

Executive Summary

Directly or indirectly, corruption is the root cause of all problems faced by us today right from poverty and non-existent infrastructure to dwindling investor sentiments and the life-sized scams plaguing us. It all boils down to one word “corruption”. But the deeper question here is what the causative agents for this anathema of ours are. What makes our bureaucracy and public service system so inefficient and lethargic? To get to the bottom of this abysmal hole, we need to dig deeper.

When the Government compensation is insufficient, various socio-economic pressures may prompt employees to accept bribes. What’s more is that they might even feel that they deserve to be compensated better and hence may not even have a guilty conscience in accepting payoffs. It’s a deep-seated problem in people’s mind-set. Inadequate remuneration may also lead to lack of motivation and lethargy in the long run. It also ends up making the job less attractive to the bright young minds of the country who flock to the private companies instead. Therefore, it is essential that we identify the core issues relating to pay structure and their conditions of service so that they can be mitigated.

The Pay Commissions are administrative committees set up by the Government of India roughly once every 10 years to review and revise the pay structure of the government employees. It looks into various issues surrounding pay determination such as economic issues, demographic issues, social issues and various other factors before making its recommendations. It also gives due consideration to the demands of the various service associations, trade unions and views of prominent economists.

Table 1

Pay Commission	Period	Chairman
1 st CPC	1946 - 1947	Srinivasa Varadacharia
2 nd CPC	1957 - 1959	Justice Jagannadha Das
3 rd CPC	1970 - 1973	Justice Raghubir Dayal
4 th CPC	1983 - 3 phases in 4 years	P N Singhal
5 th CPC	1994 - 1997	Justice S. Ratnavel Pandian
6 th CPC	2006 - 2008	Justice B.N.Srikrishna

Over the years the issues faced by the Pay commissions have more or less been the same. There have been many demands put before them advocating various principles such as “Equal pay for equal work”, “Need-based wage”, “Model employer” etc. The Commission has given due consideration to each of these issues and come up with suitable recommendations. But today, in a much improved economic situation when India is looking forward to an optimistic future, there has been a corresponding increase in the capacity of the Government to pay. As a result the concerns of the Government need to change too to adapt but this has not been the case. Today various demographic factors and social factors such as the age of the working population, proportion of deferred benefits, proportion of working women, retirement age, pension scheme, gender bias etc. have come into play.

In 1970s, as the Government realized that pay structure reforms alone may not be effective in making our public services system one of the best, they expanded their horizon and started looking into realm of administrative reforms. They believed that both are inter-connected and need to be dealt with as a whole. Therefore, these objectives were also included in the ToR of the Fourth Pay Commission and onwards. Each Pay Commission report has been microscopically scrutinized and criticized for failing to bring out any noticeable change in our public services system while merely increasing wages indiscriminately.

Part 1 of this report gives an introduction to what exactly are pay commissions, lays out the objectives and scope of the project and finally explains the research methodology adopted by us in this project. Part 2 consists of an exhaustive and comprehensive analysis of the Pay Commission reports while Part 3 deals with the literature review and enumerates the criticism faced by them. Part 4 is vital as it describes the field visits undertaken and contains the analysis of the field visits. Part 5 on the other hand comprises of the results and discussion and findings from the survey. Part 6 is a comparative analysis of the Public Services system of Singapore. Part 7 is the most important section comprising of the final recommendations to mitigate the problems facing us. The last section 8 has the complete list of references used in this report.

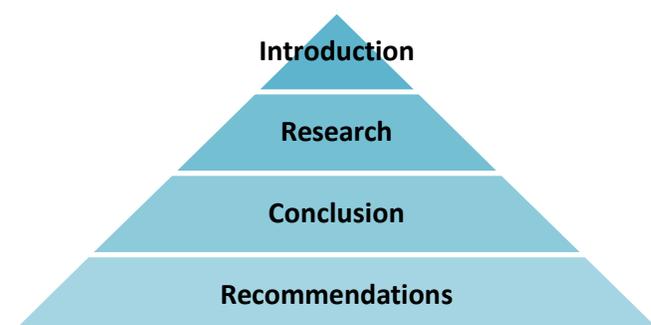


Figure 1: Structure of the Report

A set of 11 recommendations have been put forward. The first of which entails, making the Pay Commissions a Constitutional Body from the current statutory body status. Other important recommendations include increasing the frequency of wage revisions, merging DA with Basic Pay or alternatively adopt a radical approach and abolish DA to replace it with the gross wage system. Another important recommendation is to avoid arrears as far as possible, implement a performance based incentive, bring in provisions for lateral entry of professionals, resort to contractual jobs, reorganize the organizational structure to ensure maximum efficiency, incentivise jobs with long – term tangible incentives, keep them updated with modern skills through appropriate training and development and last but not the least attract talent through scholarships and bonds.

1. Introduction

1.1 Background

Mahatma Gandhi once rightly remarked, *“The world has enough for everyone's need, but not enough for everyone's greed.”*



Figure 2

The Central Government Employees form the backbone of the functioning of the affairs of the country and as such are instrumental for the efficient implementation of various policies and provision of various services. Therefore it is imperative that they be suitably remunerated and kept mentally content so that they may discharge their duties without any misgivings. To this end the Government of India establishes the Central Pay Commissions. So far six pay Commissions have been set up till date from 1946 by Government of India to review and recommend wage structure for all the central government employees including postal, railway, defense civilian employees and armed forces. All the matters pertaining to the government servants like Pay and Allowances, promotion policy, retirement benefits and service conditions are thoroughly reviewed by these Pay commissions after every ten years and they submit recommendations to the government for approval. But over the years, the various segments of employees falling under the ambit of the Pay Commissions have somehow scuttled all the recommendations that enhance their accountability or put pressure on their productivity and managed to exploit only those recommendations that pertain to upward revision of pay. Each Pay Commission has come under immense criticism for its stipulations or lack thereof which leads us to believe that there must be something inherently wrong with the approach adopted by the pay commissions. Hence, it is vital that a study be carried out on the institution of the pay commissions and the issues associated with them. To this end the goals enumerated below have been focused on.

1.2 Objectives

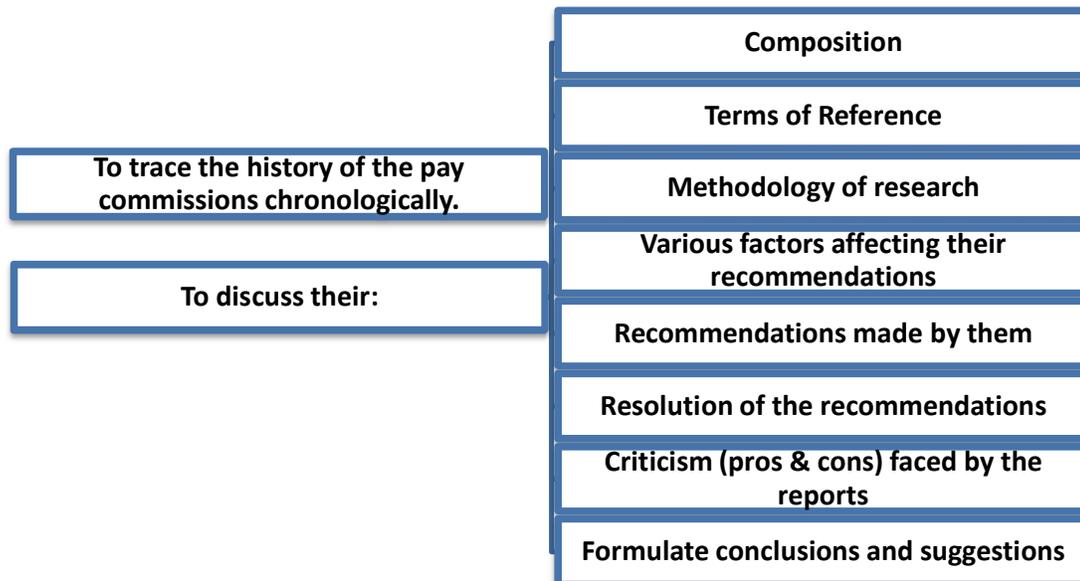


Figure 3: Objectives of the project

Corruption can be mitigated by a two-fold strategy. The first approach focusses mainly on the realm of administrative reforms that include provisions like RTI and ombudsman. The other line of attack focusses on the often neglected area of pay structure. It is a scantily researched area even after being one of the core causative agents of corruption. In this regard, this study is a pilot study, such that no previous such study has been conducted that encompasses all previous Pay Commissions till date, stacking them progressively, understanding the issues faced by them over the years and the dynamics of the newer issues facing them.

The Objectives of the project are to systematically trace the history of the Pay Commissions chronologically and in the process discuss comprehensively their composition, terms of reference, their methodology of research, various factors affecting their recommendations, the recommendations made by them and their resolution. Finally, also research the criticism faced by them and formulate potential solutions to the various problems learned.

This we sincerely hope will prove sufficiently beneficial in giving an insight into the issues faced by the system in the struggle against corruption

1.3 Research Methodology

The methodology of research adopted for the current undertaking was four-fold. The study was carried out in three stages viz.

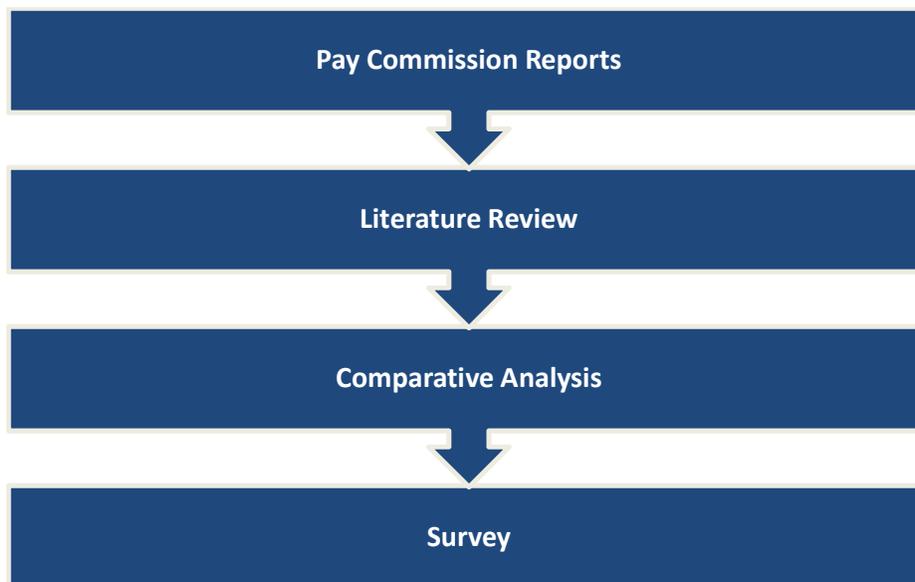


Figure 4: Research Methodology

- Firstly, all the Pay Commission reports were read and their composition, research methodology, factors influencing their recommendations etc. was gleaned. Since each Pay Commission report runs into thousands of pages, with the first few parts dealing with their core procedure and ideology and the rest laying out a systematic structure of the emoluments, we have focussed more on these key initial findings of the report.
- Secondly, a comprehensive literary review was undertaken to supplement the issues identified from the pay commission reports with the viewpoints of prominent economists.
- Next, a comparative analysis was undertaken against the Singapore Public service system which is considered to be the best in Asia.
- Finally, a survey was undertaken to gauge the response of a wider community of mass of employees to various contentious issues brought out by the Pay Commissions.

2. The Pay Commission Reports

2.1 The Historical Background (1886-1945)

To understand some of the criticism levelled against the pay commissions it is crucial to study the historical background that led to its establishment. Till the 19th century the Superior Services in British India were composed mostly of only the British. The higher employees who entered into covenants with the Company came to be known as "covenanted" servants, whereas those not signing such agreements came to be known as "uncovenanted". The latter group generally filled the lower positions. Public opinion pressed for 'Indianisation' of these covenanted higher services for two reasons:

1. Political: Indians should govern India
2. Financial: High salaries required to attract Europeans placed a heavy burden on the finances of the country.^[1]

2.1.1 Aitchison Commission (1886-87)

The Aitchison Commission also known as the Public Service Commission constituted the Imperial Civil Service and recommended that some of the recruited should be transferred to a local service called the Provincial Civil Service to be set up in India in each province. They also recommended the setting up of a Subordinate Civil Service below the Provincial Civil Service. They divided the posts into three categories – those having a sizeable proportion of Europeans, those having a uniform mixture of both Indians and Europeans and those having a majority of Indians. Regarding salaries, the commission recommended that the salaries of the Provincial Civil Services be fixed on independent grounds with no relation to those of the Imperial Civil Services but also that both of them be placed equally in the social strata and be graded equally in the official precedence list. This recommendation could not be implemented in its true spirit and this necessitated the formation of the Islington Commission to look into the matter of reforms regarding service, salary, leave and pension of the ICS and other civil services (both Imperial and Provincial).^[1]

2.1.2 Islington Commission (1912)

The commission did not look into the problem of increase in pay due to rising prices. They laid out the broad principle that *"the Government should pay so much and so much only as was necessary to obtain recruits of the right stamp and to maintain them in such a degree of comfort and dignity as would shield them from temptation and keep them efficient for the term of their service."* The advantage of the principle of equal pay for equal work was that in such a system there would be no room for allegations that the Europeans were more favoured than the Indians.

But the disadvantage was that in such a situation everyone would have to be paid more. Thus basically the question was, which is the better of two evils inequality on one hand and disregard for the economy on the other hand. They expressed strong disapproval of the graded system of remuneration then in vogue and recommended the substitution of an incremental system subject to the proviso that no increment should be given as a matter of right. They expressed a preference for the 'compartment system' under which "separate scales are fixed for separate groups of officers in each department and a process of selection takes place before an officer can pass from one scale to another or from any scale into a selection post". They also recommended the amalgamation of the Imperial and Provincial sections into a single service but instead suggested the creation of two separate classes called class I and class II to differentiate between the nature and class of work. [1]

The Islington Commission is important because it was the first such commission on a pan-India level deputed to look into the issue of emoluments of the government employees and set the stage for all such future commissions. [1]

Criticism faced by the Islington commission:

1. The recommendations didn't go far enough to fulfil the demands for 'Indianisation'.
2. They ignored the subordinate class of employees. Concessions were given less to those whose claims were strongest than to those who could make their voices heard most effectively.
3. Also, the general preference was for a graded system of salary rather than an incremental system. [1]

In the interim several upward revisions of salaries took place during 1931-34 owing to rising prices.

2.1.3 War-time measures (1939-45)

The new pay scales (of 1931-34) proved inadequate to meet the conditions created by the war. Therefore the Government had to formulate various measures to protect the employees. The Government formulated a scheme of dearness allowance which replaced the erstwhile grain allowance scheme.

But conditions became more and more difficult during the later years of the war and many protests and confrontations broke out between the Government and its employees. This prompted the Government to set up a Commission whose aim solely was to look into the question of scales of wages and pensions and other conditions of service of the Central Government servants. This led to the setting up of the First Central Pay Commission.

2.2 The First Central Pay Commission (1946-47)

2.2.1 Terms of Reference and Scope

1. To enquire into and report on the conditions of service for the Class I, Class II and subordinate Central Services (Classification, Control and Appeal) Rules or the Railway Services (Classification, Control and Appeal) Rules and Railway servants with particular reference to:
 - a. The structure of their pay scales and standards of remuneration, with the object of achieving rationalisation, simplification and uniformity.
 - b. The extent to which present leave terms should be altered and simplified.
 - c. Conditions of retirement and the extent to which the existing regulations in regard to pensions and contributory provident funds require simplification.
2. The machinery for negotiating and settling questions relating to conditions of service which may arise out of differences between Government and its employees.
3. The principles on which the remuneration of industrial workers and daily rated employees of Government should be based.
4. Also, by resolutions dated later, the civilian Government servants whose pay was charged to the Defence Services estimates were also brought under the scope of the reference. The Commission was also asked to make recommendations regarding pay-scales for the new all-India Administrative Service and the all-India Police Service by the Home Department. The External Affairs Department also asked for proposals for a basic pay-scale for the proposed Indian Foreign Service. ^[1]

2.2.2 Methodology

1. Firstly, immediately after inception, a Press Note was sent out inviting all public servants of the Central Government and others to communicate their views or suggestions on the topics covered by their terms of reference. The commission received more than 950 representations from service associations and individuals.
2. A detailed questionnaire was prepared in light of the representations received and more than 1500 copies were sent out to the representations and all other service associations known to the Government. Replies were received from more than 370 associations and individuals.
3. Further, the heads of departments and representatives of various associations were given the opportunity to give oral evidence in front of the commission. More than 400 people appeared thus.
4. The Commission also held an informal Conference with the representatives of the Provincial Governments so as to facilitate an exchange of views between

the members of the Commission and the Provincial Governments. 8 Provinces participated in the Conference. ^[1]

2.2.3 General Description of the Central Government Employees

The Commission faced a lot of confusion and difficulty in the classification of the services for the purpose of recommending pay structures to them.

There were two demands:

1. Since the terms “subordinate” and “inferior” were considered derogatory, there was a call to rename them.
2. There was a demand to merge the class I and class II into one group.

The Commission considered both and agreed to the first demand and renamed the “subordinate” and “inferior” classes as class III and class IV respectively. But they felt that it is better to have two classes (I & II) as the two groups catered for different levels of responsibility and comprised personnel recruited at different ages and through different channels, direct recruitment being the norm in case of class I and promotions the general rule in the case of class II. But in departments where the difference between the two classes is negligible, they have felt free to recommend their merging. ^[1]

2.2.4 Principles of Pay – Issues and Recommendations

1. Most of the representatives of the employee associations criticized the pay structure as being too complicated and demanded its simplification. They wanted the number of pay scales to be reduced and wanted uniformity of pay scales between different posts of the same nature and responsibility. They basically demanded “Equal pay for equal work”.

The Commission felt that even uniformity of pay will not establish equality; the prospects of promotion and other advantages which differ from department to department are of equal importance.

2. Another point of criticism was on how the pre-1931 entrant employees continued with the pre-existing scales while the revised scales were applicable to the post-1931 entrants.

In this regard, the commission responded that since the pre-1931 scales were fixed at a time when the cost of living was very high, there was no need to change them and also as the post-1931 entrants will draw pay in accordance with improved scales recommended by the Pay Commission, the disparity will be greatly reduced.

3. Also, members of the scientific and technical services have contended that the administrative services are better paid than their own. Similar complaints have also arisen between various departments inter se.

To this the Commission has responded that there is no reason for them to create a large number of highly-paid posts just for the sake of it, but instead what they can do is prescribe a decent minimum starting salary for these

positions so that it may attract qualified youth and provide a better time-scale to make-up for the inadequacy of chances of promotion.

4. It was insisted that the public employees in the lower levels of pay should as far as possible be not transferred out of the Provinces as the cost of transferring is too large. With regard to pay scales for non-transferrable employees, 3 views were put forward:
 - a) There should be uniform pay-scales all over India with allowance being made for the higher cost of living in certain places as "local allowance".
 - b) The pay of Central servants serving in the provinces should be the same as the pay of the Provincial servants of the same category in the same area.
 - c) Central scales should be better than Provincial scales so as to attract better type of recruits to the Central Services.

To this Pay Commission replied that the economic levels and financial resources of the different Provinces differ so wildly that it would be unwise to insist on uniformity of pay between the Central scales and the Provincial scales.

5. The main case made for the increase of salaries was that many Central Government Employees were leaving their services as they were getting better terms elsewhere.

To this allegation, the Commission responded by saying that this could not be the sole reason for the exodus. For example, during the war years the reason for alleged deterioration in the quality of the Service could have been due to the mass recruitment by the army. According to the Commission, the main reason lies in the change in the economic conditions. The Commission therefore and considered of up gradation of pay for all employees to different extents. ^[1]

2.2.5 Economic Situation

The aftermath of the war created an atmosphere of instability and escalating prices. The cost of living sky-rocketed to various degrees in all the cities. Some of the factors inducing this inflation were temporary and were expected to abate while others expected to last. Therefore the Commission proposed to proceed on the assumption that prices when they stabilise, will stabilise at a much higher level than pre-war average; on the basis of which they made their recommendations. ^[1]

2.2.6 Pay Structure

1. Minimum salary: The broad principle laid out by the Islington Commission was accepted as the standard for fixing salaries. They liberally interpreted the test formulated by the Islington Commission and qualified by the condition that in no case should a man's wage be lower than a 'living wage'.
2. It was stated that the adequacy and fairness of the salary must be judged from the standpoint of not-only the employed but also of the employer and of the community.

3. Maximum salary: Public opinion was that the salaries of officers in the higher grades was exorbitantly high and needed to be reduced. The disparity ratio between the minimum and maximum salaries was 1:25, which was much more than what existed in most other countries. The opinion of the public officers was that a reduce in pay would result in a drastic reduction in integrity and output and that the current pay was in fact inadequate in today's economic conditions.

The Commission responded by saying that although no great disparity should exist between the commercial and public officers, it was time to gradually bring a change the ways of a period of high salaries. Therefore, they recommended a maximum salary of Rs. 2000.

4. Time-scale system: Now after determining the maximum and the minimum salaries, they fixed the salaries of the intermediate grades of employees. They discussed the time-scale system in force at that time at length, particularly concerning their length, the proportion between maximum and minimum of the scales, the amounts of and intervals between the intervals between the increments, the practicality of having more than one time-scale for the same grade and the desirability or otherwise of providing efficiency bars.

The Commission noted that there should be a distinction between the scales constituting points of entry into the service and the grades concerning promoted officers. In the latter case an employee would reach the scale only after several years in the lower grade and hence the scale need not provide for anything like a full-length service term. A scale of the former kind would have to provide for the long run, because the person entering it may not for one reason or another succeed in getting into a higher grade for a long time. They also agreed to the suggestion that as a general rule the ratio between the maximum and minimum pay could be fixed at 2.5:1 or 3:1.

They have also given due consideration to the question of amounts of increments. Regarding having multiple time-scales in each grade, they say that a proper method and machinery needs to be provided that gives credit to the quality of performance.

The Commission has also come out in support of the efficiency bars which were considered unnecessary by the officers. The principle of the efficiency bar is that on reaching a certain point in the salary scale an officer shall be certified as competent to carry out the higher duties of the grade before further salary advances are granted. The Services have come out vehemently against this saying that the power of the head of the office to stop increments in case of inefficiency serves the purpose. One wonders why? ^[1]

Thus, functioned the First Central Pay Commission and set the stage for all future Pay Commissions.

2.3 The Second Central Pay Commission (1957-59)

2.3.1 Terms of Reference and Scope

1. All persons in civil services of the Central Government or holding civil posts under the Government and paid out of the Consolidated Fund of India have been considered to be Central Government Employees. Those in the service of public corporations and other semi-autonomous bodies under the Central Government are thus excluded and employees of the Union Territories are included. But only principles of pay have been recommended for employees of Union Territories.
2. The Commission enquired to the government whether the IAS and IPS were covered by its Terms of Reference but got a reply from the Government that these services were a matter of jurisdiction of both the centre and the state and as such the centre could not unilaterally decide on this question but they also asked the Commission to exercise freedom in making any recommendations regarding these services.
3. The Commission has also taken the term “conditions of service” to mean the main non-financial as well as financial regulations applicable to the Central Government Employees which had a bearing on their contentment, morale and efficiency.
4. The Commission has also limited itself to make recommendations within the existing framework of grades and structure within various Government Departments. [2]

2.3.2 Methodology

1. The second Pay Commission also followed almost the same research methodology as adopted by the first Pay Commission. Firstly, memoranda were invited from interested organisations. Over 5000 memoranda were received with over 700 from service associations.
2. Then requisite information was collected from the state and local bodies as they had been asked in their Terms of Reference to look into the disparity in pay between these different strata of government.
3. An interim relief was also granted as a stop gap measure.
4. A questionnaire was also sent out and 700 replies were received.
5. Material about measures taken in foreign countries was also procured through the External Affairs ministry.
6. Oral evidence was taken wherever possible. [2]

2.3.3 General Description of Central Government Employees

1. Between the first two Pay Commissions, there has been an increase of 23 per cent over 9 years i.e. an average of 2.5 per cent.
2. The expenditure in 1957-58 was Rs 303.86 crores.

3. More than half of them are in class IV and over 93 per cent in class III and class IV combined; only a little more than 2 per cent in class I and class II.
4. Out of these, 68 per cent are permanent and the rest temporary.
5. The first Central Pay Commission had recommended 156 scales of pay but the Government prescribed a total of 517 scales. But only 177 of these have more than 100 employees each. More than 75 per cent of the staff are on some 30 typical scales and another 4 per cent on 12 other scales while the remaining 20 per cent on 475 pay scales. [2]

Table 2: Growth of employment between 1st and 2nd CPC [2]

Department	Number of regular posts (in lakhs)		Percentage increase in 1957 over 1948
	1948	1957	
Railways	8.50 (58.8)	9.97 (57.4)	17.3
Posts & Telegraphs	1.43 (9.9)	1.98 (11.4)	42.9
Defence (Civilians)	2.94 (20.4)	2.60 (15.0)	-8.0
Others	1.56 (10.9)	2.82 (16.2)	91.5
TOTAL	14.45 (100.0)	17.37 (100.0)	22.7

2.3.4 Principles of Pay – Issues and Recommendations

1. **Model Employer:** Two views – The first view suggests that the government should reduce the existing disparities between the minimum and maximum, so that the structure of emoluments under the Central Government may reflect the egalitarian objectives of a socialist society. The other view demands that Government is only limited by its ability to raise taxes. It has the resources of the whole nation at its call.
The Pay Commission has responded by saying that this would amount to extravagance. The community would be asked to pay a price which the efficiency of the public service did not demand and which should not in fairness be asked of the community.
2. **Social Consideration:** Around this time the Government also accepted the social obligation of regulating wages and conditions of employment in the private sector. Hence the Fair Wages Committee was appointed to look into the matter. But if it is the Government's declared policy that on social grounds, minimum wages in the private sector should not be allowed to fall below a certain level, and that level should be such as to provide not merely for bare sustenance of life but a normal dignified quality of life, then the same social considerations should also obviously apply in the determination of wages and salaries for the lowest grade of the Government's own employees. Hence both economic and social considerations are important.

3. Fair Comparison: Advocates of this concept argue on multiple fronts that if the Government pays the same that other responsible employer pay for comparable work then the citizen can't complain about misuse of taxpayer's money. Secondly, it would enable them to secure the services of highly capable employees. Also, it hedges the risks and uncertainties faced by the civil servant. But several criticisms have also cropped up such as – if the lowest wage outside is lower than the amount necessary to lead a normal dignified life then the Government should not pay such an amount. In such a case comparison between the two would lead to incorrect decisions. Another criticism is that the Government being the single largest employer, many other companies and industries follow its lead. In such a case, it would lead to a situation of circular immobility. Also, the natures of duties and responsibilities in some public service departments have no parallel in the outside world. And sometimes sufficient and organised information is also not available.

Therefore, the Commission has come to the conclusion that the principle of fair wages has serious practical limitations. Even when the wage is determined on say social considerations, the outside wages should be used only as a corrective aide.

4. Internal relativities: After determination of minimum and maximum salaries based on above principles, the intermediate salaries need to be determined. These are done on the basis of careful determination of internal relativities as only limited comparison can be made with the outside employment rates.
5. Social or Distributive justice: The per-capita income reflects the increase in national output. So, there was a demand that salaries should be increased in proportion to per-capita income. Another legitimate concern was that there should be a link between consumer prices and remuneration. This principle basically looked at national income as a factor entitling them to improvement in living standard.

To this the Commission replied that the entire increase in productivity can't be treated as being available for consumption. It is essential that a part of it should towards increasing the rate of investment. Over more the increased outlay for social service is beneficial to the employees as well. Therefore the rate of remuneration should be related to national productivity after allowing for increased capital formation and greater expenditure on social service.

Also, under the present system of computation any increase in the Government servant's salary itself increases the national income.

Example: If "Government Services" account for 5% of national income, then if the Government salary increases by 40% then the national income would automatically increase by 2% and per-capita income by 0.5%.

Therefore, if this principle is to be applied, it can only be financed by other sectors of the economy by taxation and still it may have an inflationary effect.

So, the Commission came to the conclusion that national income can only be a broad indicator of determination of salaries and wages. [2]

2.3.5 Economic Conditions

1. The First Pay Commission expected the prices to stabilise in the range 185-200 taking 1939 index as 100. But the course of events has belied the hopes of the Commission. For example: Consumer Price Index (CPI) for 1958 was 414 (August 1939 = 100). Various socio-economic factors such as war, partition etc. led to the severe increase in CPI. Industrial and agricultural production has also steadily increased over the years. Further as national income has increased, inflationary pressures have grown more so in 1955-56. So, given the economic trends, gradual increase in prices is expected. But the Government itself views the situation with reduced anxiety as the prices are expected to increase only slightly higher in 1958.
2. Developmental Planning: The Central Government budget has been subjected to lot of strain as the failure of revenue to grow to match current expenditure and shortage of resources on capital account have together been responsible for large-scale deficit financing. In estimating the gap in resources for financing the 2nd Five-year plan, no allowance has been made for any additional expenditure on pay and allowance which may have to be incurred as a result of Pay Commissions recommendations. So, the implicit meaning is that the funds needed to pay for this increase will have to be raised by taxation. The Commission believed that in an underdeveloped country, such as India rapid economic development must be the central objective of public policy. A sacrifice of the current standards can be imposed on those who are well-off; and even from others, restraint can be asked to be exercised.
3. Disparities between centre vs. state vs. local bodies: The Commission tried to find out whether in a quasi-federal structure such as ours, parity between emoluments of Central Government staffs and those of the states was a normal feature or an objective strived to be achieved. They found that in countries like USA and Canada there was no effort to bring parity between the centre and the state. It depends on the financial resources of the state and the cost of living in those states. [2]

Table 3: Wage expenditure in 1957-58 [2]

Department	(Rs. Crores)
Railways	161.62
Posts & Telegraphs	35.99
Defence (Civilians)	39.54
Others	66.71
TOTAL	303.86

2.3.6 Pay Structure

1. **Minimum Pay:** At the 15th ILC (Indian Labour Conference), the need-based wage was quantitatively defined, first time ever that it was so. They gave due consideration to the demand and the minimum remuneration worked out to be Rs. 125 which was 70-80% higher than the prevailing minimum wage and even higher than the highest wage (Rs. 112) that unskilled workers get in the organised sector. After much deliberation the Commission concluded that the financial implication of raising the minimum remuneration to such a level is far out of feasible financial limits. But a smaller increase is still feasible. Thus they increased it from Rs. 75 to Rs. 80. But after adding all the allowances etc. it would be significantly greater than the starting salary.
2. **Maximum Pay:** The Commission decided not to reduce the highest salary any further because of the following reasons. There had been a considerable increase in prices and as they were still expected to rise further it was not prudent to reduce pay. Also, the disparity between the highest and lowest rungs was less in the Government than outside and it would still be lesser after the recommendations of this Pay Commission were implemented. Further if salaries were reduced then it might get difficult to attract sufficient talent to the job. [2]

2.4 Third Central Pay Commission (1970-73)

2.4.1 Terms of Reference and Scope

1. The Terms of Reference of the Pay Commission were much on the same lines as the previous Pay Commissions. In particular they were asked to look into the merits of a need-based wage for the Government employees. They were also asked to look into making provisions for an interim relief to offset financial pressure on the employees temporarily.
2. They were required to enquire into and make recommendations on the pay structure and death-cum-retirement benefits of Central Government employees, personnel belonging to All India Services, Armed Forces and employees of Union Territories.
3. They have been asked to make their recommendations with regard to the economic conditions, resources of the Central Government and the demands thereon such as those on account of developmental planning, defence, and national security, the repercussions on the finances of the State Governments, public sector undertakings, local bodies etc.
4. Another difference is that they interpreted the term “conditions of service” in a limited sense unlike the previous Pay Commission which interpreted it very broadly. They have excluded matters like promotion procedures, character rolls, government servants conduct rules, political rights, right of association etc. Several other specific commissions have been formed to look into these

matters. During this time the Joint Consultative Machinery was also formed which provides a forum for consultation and arbitration between the Government and its employees.

5. The Commission has also referred to the 1st Administrative Reforms Commission report which was set up at the same time to revamp the administration. [3]

2.4.2 Methodology

1. The 4th Pay Commission adopted the same method as adopted by the previous Commissions of inviting memoranda, sending out questionnaires, receiving oral evidence and procuring material through the Ministry of External Affairs.
2. They also accepted the services of the Pay Research Unit functioning under the Department of Expenditure since 1966.
3. Comparative study of pay structure in other countries was performed by IIPA (Indian Institute of Public Administration).
4. The Commission also received several suggestions regarding the organisation of the Pay Commission and constitution of other bodies for delegating work. But were rejected by the Commission. [3]

2.4.3 General Description of Central Government Employee

Table 4: Distribution of posts in 1957 and 1971 by major departments [3]

Department	Number of regular posts (in lakhs)		Percentage increase in 1971 over 1957
	1957	1971	
Railways	9.97 (57.4)	33.99 (46.9)	40.3
Posts & Telegraphs	1.98 (11.4)	3.93 (13.2)	98.5
Defence (Civilians)	2.60 (15.0)	5.97 (20.0)	129.6
Others	2.82 (16.2)	5.93 (19.9)	110.3
TOTAL	17.37 (100.0)	29.82 (100.0)	

Table 5: Distribution of workshop & artisan staff (Class IV) by major Departments [3]

Department	1957	1971
Railways	289	361
Posts & Telegraphs	6	6
Defence (Civilians)	156	310
Others	16	39
TOTAL	467	716

Table 6: Break-up of employees in different groups ^[3]

Group	Per cent to Total
Administrative	0.5
Technical and Professional like Engineers, Doctors, Scientists	6.4
Clerical, Accounts-clerks etc.	17.9
Production Process workers	20.5
Others like unskilled workers	54.7
	100.0

Table 7: Strength of All India Services ^[3]

Service	Authorised Strength	Central Deputation Quota	Number on Deputation to the Central Government
Indian Administrative Service	3203	632	502
Indian Police Service	1790	359	426
Indian Forest Service	1097	57	66

2.4.4 Economic Situation

1. The year 1970-71 was one of uneven progress for the Indian economy. The rate of growth fell to 4.6% in spite of the agricultural sector's good performance. But the industrial sector faced a downturn.
2. Various socio-economic factors were the reason such as the influx of 10 million refugees from East Bengal, war with Pakistan, floods and droughts. These developments did great damage to our economy by depleting our food stocks, diverting our resources from both current spending and development planning imposing heavier burden on taxpayer and deficit- financing by the Government leading to inflation. This led to an abnormal increase in prices.
3. Therefore the year 1972-73, Indian economy was under considerable strain due to partly the aftermath of 1971 and partly due to further fall in commodity production.
4. Economic growth outlook: Given all the conditions, the 5.5% growth aimed for in the 5th five-year plan is within reach. But a wage hike at this stage has various risks. A hike at the centre will lead the employees at the state and local bodies to demand for equal hike. All these increases will deplete the cash reserves of the centre and state available for development planning. Also, it would lead to inflation.
5. Employment outlook: The number of unemployed has also been increasing over the years. The rate of entrants into the labour force at the prevailing rate of population growth far exceeds the capacity of the economy to create job

opportunities. The Government is facing a dilemma between dividing the resources towards creation of new resources to absorb the unemployed or maintenance of the currently employed.

6. Price trends: Prices can be expected to further rise due to policy of deficit financing by the Government leading to heavy inflationary pressures.
7. Wage Bill:

Table 8: Wage & Salary Bill of regular establishment of GoI ^[3]

Year	Railways	P&T	Defence	Others	Total
1957-58	161.62	35.99	39.54	66.71	303.86
1960-61	170.85	39.25	49.13	73.76	332.99
1971-72	387.60	116.82	160.57	259.94	924.93
	139.8	224.6	306.1	289.7	204.4

Table 9: Growth of wages & salaries bill of Central Government and its proportion to revenue receipts and revenue expenditure ^[3]

Years	Revenue Budget		Wages & Salaries Bill		Wages Bill as percentage of	
	Total Revenue Receipts (Rs. crores)	Total revenue expenditure (Rs. crores)	Amount value (Rs. crores)	Annual Growth over the previous year (% ages)	Revenue receipts	Revenue expenditure
1960-61	1297	1246	417	--	32.2	33.5
1961-62	1488	1363	445	6.7	29.9	32.6
1962-63	1930	1817	492	10.6	25.5	27.1
1963-64	2381	2193	581	18.1	24.4	26.5
1964-65	2617	2343	663	14.1	25.3	28.3
1965-66	3022	2703	754	13.7	25.0	27.9
1966-67	3280	3051	856	13.5	26.1	28.1
1967-68	3358	3254	940	9.8	28.0	28.9
1968-69	3671	3590	1007	7.1	27.4	28.1
1969-70	3998	3873	1053	4.6	26.3	27.2
1970-71	4354	4191	1186	12.6	27.2	28.3

2.4.5 Principles of Pay – Issues & Recommendations

1. According to the Pay Commission, characteristics of a sound pay system – inclusiveness, comprehensibility and adequacy. It should also be simple and rational.
2. Supply and demand considerations: If the level of pay in the Government sector is relatively low, the supply of suitable personnel in this sector will shrink in the long run, if not in the short.

3. Equal pay for equal work: Agreed with the ARC's recommendation that the posts in the Civil Services should be grouped into grades so that all those who call for similar qualifications and involved in in similar duties and responsibilities fall in the same grade. The same pay scale should be applied to all posts in the same grade. They proposed a framework of 20-25 grades.
4. Fair Comparison: The Central Government employees feel aggrieved that their public sector counterparts receive far higher emoluments than they do. The same Government which pays the public sector undertaking pays its own employees less.

The Commission feels that too much disparity may result in loss of efficiency at work of the Government employees. At least at the starting stage the emoluments and other advantages should be comparable to the private sector. Disparity won't matter much at later stages in career. They have also recommended the setting up of a standing machinery for collection and analysis of wage data on a comprehensive basis. They also agree that pay of the public sector can be fixed uniformly but suggest the setting up of a machinery charged with the responsibility of ensuring that pay scales of public sector should be fixed with due regard to the ripple effect on other PSUs and Government employees.

5. Job evaluation: The principle purpose of job evaluation is to rank jobs as a basis for a pay structure. It compares all jobs under review using common criteria, to define the relationship of one job to another. Some of the techniques are analytical and some non-analytical. But its limitation is that it has mostly been applied to only in the industrial and that too at the lower levels. The highest paid occupations have rarely been subject to this analysis. Therefore, it is difficult to adopt such a technique that is yet to be proven in an enormous organisation such as the Government of India. But limited use of job evaluation techniques can be made which would basically be just a refinement of the existing process.
6. Productivity: The Commission agrees with recent studies that productivity is a function not only of investment in physical capital and improvement in technology, but also investment in human capital.
7. Model Employer: The Commission corroborates the stand of previous commissions that the Government can't afford to adopt the role of a pace-setter as a model employer. It can endeavour to be a 'good' employer but not a 'model' employer. [3]

2.4.6 Pay Structure

1. Minimum pay: The Commission looked into the demand for a need-based minimum wage, quantitatively defined by the 15th ILC but it devised its own formula. The minimum remuneration arrived at by them was Rs. 196 but they compared it with another figure Rs. 185 arrived at by them by an alternative

formula and on the basis of various limiting factors kept the minimum remuneration Rs. 185.

2. Maximum pay: The Commission came to the conclusion that no change need be made in the ceiling of Rs. 3500 per month. As a result of their recommendations, the minimum : Maximum ratio will be 1:18.9
3. Now, all the intermediate salaries and their conditions of service are fixed along the lines of the previous commissions. [3]

2.5 The 4th Central Pay Commission (1983 -In 3 phases over 4 years)

2.5.1 Terms of Reference and Scope

1. They had been entrusted with the task of examining and making recommendations into the pay structure and death-cum-retirement benefits available to Central Government employees (industrial as well as non-industrial), personnel belonging to the All India Services, Armed Forces and employees of the Union Territories.
2. They had specifically been asked to look into the variety of allowances and benefits availed by the employees and suggest changes to rationalize them to promote efficiency.
3. They were asked to do the above tasks with regard to prevailing pay structure under PSUs, State Governments etc., economic conditions in the country, the resources of the Central Government and demands thereon such as those on account of developmental planning, defence and national security.
4. For purposes of their enquiry and report, they have considered the definition of Central Government employee used by the 3rd Pay Commission valid but with a small ideological change. They feel that even the personnel of Defence Services and Union Territories are Central Government employees but have considered them separately because of different considerations and convenience.
5. Also, employees of Supreme Court and Delhi High Court and Secretariats of both Houses of Parliament are excluded from its purview. It also excluded the temporary 'casual labourers' of various Departments and the locally recruited staff of various missions abroad of the Ministry of External Affairs.
6. Similarly, they have defined the term 'conditions of service' to include not only regulatory aspects of a service and its emoluments, but also all other matters bearing on the service of an employee including terminal benefits. [4]

2.5.2 Methodology

1. Similar to the working of previous Pay Commissions, the fourth Pay Commission too sent out memoranda (8500 in number), collected oral evidence, gathered information from various Departments and PSUs, referred to foreign material procured through the Ministry of External Affairs and sought the counsel of prominent economists and established consultants in their respective fields.

2. They had discussions with the Chief Ministers of states as they were required to make their recommendations with regard to the impact they would have on the State Governments also if they implemented it.
3. They also sought the help of the National Informatics Centre (NIC) to digitize the material and data collected by them in order to keep things organized.
4. They also appointed liaison officers for each department of the Government for effective liaison and compilation of statistical data and also issued certain instructions to expedite supply and collection of information by official witnesses.
5. Besides they also looked into the need for an interim relief. [4]

2.5.3 Description of Central Government Employee

Table 10: Distribution by Major Departments [4]

Department	Number of regular posts (in lakhs)			Percentage increase in 1971 over 1957	Percentage increase in 1984 over 1957
	1957	1971	1984		
Railways	9.97 (57.4)	13.99 (46.9)	15.05 (39.7)	40.3	7.6
Posts & Telegraphs	1.98 (11.4)	3.93 (13.2)	6.84 (18.1)	98.5	73.3
Defence (Civilians)	2.60 (15.0)	5.97 (20.0)	7.23 (19.1)	129.6	21.1
Others	2.82 (16.2)	5.93 (19.9)	8.75 (23.1)	110.3	47.6
TOTAL	17.37 (100.0)	29.82 (100.0)	37.87 (100.0)	71.7	27.0

Table 11: Distribution of Industrial Workers by Major Departments [4]

Department	1971	1984
Railways	361	491
Posts & Telegraphs	6	12
Defence (Civilians)	310	351
Others	39	52
TOTAL	716	906

Table 12: Distribution of posts in different groups [4]

Group	Per cent to Total
Administrative	0.7
Technical and Professional like Engineers, Doctors, Scientists	9.9
Clerical, Accounts-clerks etc.	18.5
Production Process workers	23.9
Others like unskilled workers	47.0
	100.0

Table 13: Strength of All India Services [4]

Service	Authorised Strength	Central Deputation Quota	Number on Deputation to the Central Government
Indian Administrative Service	5047	948	711
Indian Police Service	2679	538	411
Indian Forest Service	2006	216	93

2.5.4 Economic Situation

The Sixth five-year Plan (1980-81 to 1984-85) began in a very difficult situation with a low economic – base but the performance of the Indian economy during the Sixth plan can be regarded as very satisfactory. The wholesale price index (WPI) between the years 1971-85 rose at an average rate of 9.3 per cent. The differential growth of various sectors has changed the composition of GDP. The agriculture sector contributed less to GDP now and the contribution of other sectors eg: industries and services sectors steadily grew. The available information suggested that the economy was poised for a medium-term growth at 5.0 per cent per annum. Since the agricultural cycles were dampened, the growth was relatively steadier than before. During the year 1985-86 a number of major policy initiatives were taken to boost economic growth, re-vitalise industry and provide a new direction to fiscal policy.

Several associations and unions have drawn attention to the declining ratios of wage bill of the Central Government to total revenue receipts/expenditure and have argued that there is scope for raising wage levels of Central Government employees without placing undue strain on the finances of the Government. In fact, the ratio of wage bill to revenue expenditure has been declining ever since 1960-61.

The Government was facing a revenue crunch but the targets set by the Seventh Five-Year Plan for raising resources through additional resource mobilisation, market borrowings and deficit financing were reasonable. Also, the inflation rate was contained during the last four years of the Sixth Plan. Hence, the economic situation was to a certain degree optimistic. [4]

Table 14: Wage & Salary Bill and its relationship with Revenue Receipts/ Expenditure [4]

Years	Revenue Budget		Wages Bill as percentage of		Wages & Salaries Bill
	Total Revenue Receipts (Rs. crores)	Total revenue expenditure (Rs. crores)	Revenue receipts	Revenue expenditure	Amount value (Rs. crores)
1960-61	1297	1246	32.2	33.5	417
1961-62	1488	1363	29.9	32.6	445
1962-63	1930	1817	25.5	27.1	492
1963-64	2381	2193	24.4	26.5	581
1964-65	2617	2343	25.3	28.3	663
1965-66	3022	2703	25.0	27.9	754
1966-67	3280	3051	26.1	28.1	856
1967-68	3358	3254	28.0	28.9	940
1968-69	3671	3590	27.4	28.1	1007
1969-70	3998	3873	26.3	27.2	1053
1970-71	4354	4191	27.2	28.3	1186
1975-76	8075	7189	23.4	26.3	1887
1976-77	8739	8440	22.0	22.8	1926
1977-78	9792	9362	20.6	21.6	2019
1978-79	11240	10948	19.2	19.7	2153
1979-80	11340	12034	21.4	20.2	2427
1980-81	12829	14544	21.5	19.0	2761
1981-82	15574	15868	20.4	20.1	3183
1982-83	18091	19346	19.9	18.6	3594
1983-84	20493	22890	21.6	19.3	4421

2.5.5 Pay Considerations – Issues & Recommendations

1. Public Sector Undertakings: The main demand of Central Government employees was for parity with the Public Sector Undertakings. The disparities grew over the years despite attempts to control them. The PSUs faced much criticism. Despite instructions to the public sector enterprises to refrain from revision of pay scales without consultation with the Central Government in such frequency but the instructions do not seem to have been followed. While the Central Government has been revising the pay structure of its employees after a decade or so, wage revisions in the public sector are carried out once in four years. Thus the emoluments of public sector employees appear to have grown at a rate higher than the rate of growth of economy. The emoluments within the public sector under-takings also vary widely which has made comparison difficult. Sometimes the wages in PSUs are even higher than the

manufacturing sector. If the salaries of Central Government employees are to be revised to the level of PSUs then it would amount an additional financial burden of Rs 2000/- crore on this count alone. Also, there was very little correlation between the wage-levels in public sector undertakings and their profitability. Some of them were giving substantial wage increases to their employees even though they were incurring losses. The PSU employees also receive several benefits and allowances specific to them only.

Therefore the Pay Commission concluded that it is not feasible to undertake a comparison of the emoluments available to the two as it raises several conceptual issues and other difficulties in the matter of computation of non-pay or indirect benefits and their conversion into monetary terms. Even though the pay of posts at certain levels in the PSUs are generally higher, there is no evidence of movement of employees from the Government to the PSUs. The demand is mainly for parity at the lowest levels where the job content, duties and responsibilities are said to be similar. But the Pay Commission contends that even this is not true, the job content is different even at the lowest levels. They conclude that the administration of the Central Government has evolved over the years to acquire its own distinctiveness and as such needs to be deliberated upon in its respect.

2. State Governments: The pay structure of state governments have been subject to periodical revision by respective pay commissions. All states except Himachal Pradesh, which has been following the Punjab pattern, set up at least one pay commission/committee or appointed a pay revision commissioner after 1973. While the existing pay structure of Central Government employees is related to index average 200 (1960 = 100), in the states the pay structure is related to different index levels from 200 to 568 (1960 = 100). There is difficulty in comparison since there is a difference in the nature of work and responsibilities of employees at the centre and at the state. The second Pay Commission was of the view that salaries of employees under state governments should be determined on the basis of the financial resources of the states and their economic situation etc. The Sixth Finance Commission recommended additional provision of funds to those states which were paying lower emoluments than the all states' average as on January 1, 1972 to enable them to raise the emoluments of their employees. The Seventh and Eighth Finance Commissions reiterated the view. Some of the State Pay Commissions have expressed that the salaries under the Central Government could be higher in view of all-India transfer liability of Central Government employees. The state governments have made efforts to reduce the number of pay scales while revising the same. They also disbursed compensation for increase in cost of

living although several states do not give complete neutralisation to their lowest paid. Even the conditions of service of the centre and state are different. The pay structure and conditions of service of state government employees have been determined by each state independently and with reference to its requirements. They have evolved over a period of time and have undergone various cycles of review and improvement. Hence, the Pay Commission has taken into consideration their prevailing structure while formulating their recommendations.

3. The core issues and principles faced by this Pay Commission have been the same as those faced by the previous Pay Commission. Apart from those they have observed that higher emoluments can be paid to the Government employees only if the numbers of employees are reduced but they have refrained from recommending the same as these come under administrative reforms and not under their Terms of Reference. They have looked into the findings of the Megaw Committee which inquired into civil services pay in the U.K. The Megaw Committee stated that the primary principle of fair comparison can no longer sustain the civil service pay determination system and stressed the importance of internal relativities. According to them the civil service was a very different kind of organization and the pay determination system for that service must differ in important respects from that prevailing in the private sector. The Pay Commission has stressed on the principles of pay such as the principle that the Government should pay just enough to satisfy and motivate the employee and shouldn't drive him to seek employment elsewhere.

4. They recommended that there should be a system of performance-related pay at all but the most senior levels of pay. They also said that a suitable and defined criterion should be formulated for performance evaluation including factors such as improved output, efficiency, quality of work, reduction of paper work, saving in cost, timing of performance, achieving targets etc. They also backed a pronounced objective and well-defined policy of promotion. They advocated that no posts should be created unless necessary and useful i.e. no posts should be created in excess of cadre strength. For example: In many state governments posts like Director General of Police have been created in excess as ex-cadre posts or as temporary additions to cadre posts. Two reasons were generally attributed to this, one being to transfer the incumbent to an equivalent post so that a person enjoying the confidence of the Government can fill the post and the other being to relieve career stagnation. The Commission rebuked this saying that the authority and importance of the position at the top should not be diminished and they assert that if a senior officer has to revert to

state cadre or from ex-cadre and is suitable to fill the post held by his junior, then the junior should go down to a lower post.

5. The main underlying principle of their recommendations has been to consider the capacity of the Government to pay its employee whilst also paying heed to the other basic requirements of the employees without impairing the Government's efficiency. Another important factor is that ultimately it is the public that pays for them and is also the recipient of what the employees give in return. Therefore they have strived to be fair from the point of view of both the employees as well as the people they serve. [4]

2.5.6 Pay Structure

The method of pay structure determination was the same as followed by previous Commissions. They reduced the number of pay scales and also tried to reduce the disparity ratio between the minimum and maximum salaries. [4]

2.6 The 5th Central Pay Commission (1994-97)

2.6.1 Terms of Reference

1. To evolve the principles which should govern the structure of emoluments and those conditions of service of Central Government employees which have a financial bearing.
2. To examine the present structure of emoluments and conditions of service of the following categories of Government employees taking into account the total packet of benefits available to them and suggest changes therein may be desirable and feasible.
 - i) Central Government employees - industrial and non-industrial;
 - ii) Personnel belonging to the All India Services;
 - iii) Personnel belonging to the Armed Forces;
 - iv) Personnel of the Union Territories; and
 - v) Officers and employees of the Supreme Court of India and the High Court of Delhi.
3. To examine, with a view to having a proper pension system for pensioners, the existing pension structure including death-cum-retirement benefits and make recommendations relating thereto which may be desirable and feasible.
4. To examine the work methods and work environment as also the variety of allowances and benefits in kind that are presently available to the aforementioned categories in addition to pay and to suggest rationalisation and simplification thereof with a view to promoting efficiency in administration reducing redundant paper work and optimising the size of the Government machinery.
5. To make recommendations on each of the foregoing having regard, among other relevant factors, to the prevailing pay structure and retirement benefits available

under the State Governments etc., economic condition in the country, the resources of the Central Government and the demands thereon such as those on account of economic and social development, defence and national security and requirements of sound fiscal management.

6. The Commission was also asked to look into the matter of interim relief twice by way of Additional Terms of Reference by amendments. Another important amendment made was to examine the various methodologies employed for determination and payment of Productivity Linked Bonus (PLB) in the Ministries and Department 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 formula for determining the productivity index and other parameters.

7. This commission was different in the sense it was required to examine the work methods and work environment as well as all the allowances and benefits in kind that are provided to the Central Government employees and suggest rationalization and simplification to promote efficiency, reduce redundant paper work and optimising the size of the Government machinery. Such topics were not taken up by previous Pay Commissions. This Commission had to suggest improvements in administration, efficiency and manpower development. [5]

2.6.2 Methodology

1. Their methodology of work was the same as that employed by previous Pay Commissions. They invited memoranda (received 18000 in number), collected information about various ministries through liaison officers (in specially set up Pay Commission Cells in each Department), issued questionnaires, collected oral evidence, paid visits to various establishments to make a spot study of the conditions of service and environment prevailing in various establishments.
2. Unlike previous Pay Commissions, this Commission also sought the expert advice of various institutional experts from the academia and otherwise.
3. They also set up inter-departmental committees to consider contentious matters and come up with solutions. [5]

2.6.3 Public Services Management (New feature)

The Commission said that in the changing social, economic, political and other trends, it was necessary to examine the changing face of public services within. They have dealt with it in three parts – promoting efficiency, human resource

development and optimising the size of the Government machinery. These issues would normally have come under the Administrative Reforms Commission but certain aspects have been discussed by this Pay Commission. Their discussion can be divided into three segments namely on promoting efficiency, human resource development and on optimising the size of the Government machinery.

For promoting efficiency they have started by redefining the functional goals and then moved on to the problems of restructuring of organizations. They have taken into account the work methods and work environment and steps to improve productivity. They have looked into the aspects of introducing automation, openness and autonomy and developing an effective management information system.

For promoting human resource development they have looked into the issues of better recruitment methods, mobility between Government and other sectors, emphasizing training and development, devising creative and innovative performance appraisal systems, promotion policy that enhances motivational levels and accountability in the government system.

For optimising the Government machinery, they feel that the best way would be to exert control on the size of the workforce. [5]

2.6.4 Economic Situation

The Commission has discussed the general economic situation and the financial resources of the Central Government. For purposes of fair comparison, they have also analysed the conditions prevailing in the public and private sectors as well as in the States and other countries of the world.

When the Commission sat down to write its report, The New Economic Policy was in action. The reforms were a response to the crisis which hit the Indian economy in 1991. As a result of the reforms we were no longer on the brink of a macro-economic disaster. Industrial growth and GDP was buoyant. Inflation was also under control. We can conclude that economic reforms have come to stay, the economy is in better shape but there is still a lot of room for improvement.

They observed that the position of the Central Government finances then, although not as alarming as in 1991 were by no means comfortable. The expenditure on pay and allowances of the civilian employees as a percentage of revenue receipts, revenue expenditure and GDP was observed to have declined steadily since 1960-61. They also found that the salaries of Government employees had undergone serious erosion. The extent of erosion at the secondary level was as high as 71%. Also, the percentage increase in salaries at various levels between the 4th and 5th Pay Commission was even lower than the percentage increase of per capita income during the period. [5]

2.6.5 Pay Considerations - Issues & Recommendations

They have also corroborated the principles used by the previous Pay Commissions of inclusiveness, comprehensibility and adequacy of pay structure. In particular they believe that a pay scale should give a total picture of emoluments of a post rather than being fragmented into a number of allowances. Therefore, they have attempted to rationalize the allowances. Apart from that they have considered the same issues as the previous Pay Commissions such as “Equal Pay For Equal Work”, “Fair Comparison”, “Model Employer” etc. They have undertaken a comparison with the existing wage structure in public, private, state and international scenes.

1. Public sector: The Pay Commission has reiterated that they cannot allow for parity between the Government and the public sector. To make a fair comparison they have tried to bring about a certain change in the relativity in order to improve the condition of Central Government employees such as the suggestion to establish a permanent pay body which would recommend annual revision of salaries. They have also suggested that there should be a conversion of DA into Dearness Pay which should be counted for all purposes every time the cost of living index goes up by 50%. They have stated that with the loosening of controls over the public sector, the Government may no longer be able to maintain a tight control over the compensation packages of the PSEs who have now been allowed to negotiate separate pay-scales with their unions. This they stressed, underlines the need for a national wage policy, so as to ensure a broad measure of uniformity across the various sectors of the economy.

2. Private sector: The Government too has contributed to the salary boom in the private sector by raising the ceilings on the remuneration of managerial personnel and later by relaxing the ceilings completely for profit-making companies. Such companies could pay their managerial personnel 5% or 10% of their profits. Thus, a company with a net profit of Rs. 100 crores and with one Managing Director can pay him Rs. 5 crores per annum. This has blown up the wage differential between the Government and the private sector. By offering such excess salaries to fresh graduates they were also eroding the morale of the Government employees and creating a serious crisis of talent especially at the higher levels. But the Pay Commission maintains that it is not possible to implement the remuneration system followed in the private sector in the Government due to vital differences between the two but they believe that the security of tenure in the Government is a distinct advantage as compared to the private sector. They state that in some countries like Singapore the salaries in Government have been benchmarked to the salaries in the private sector. Therefore, they have tried to strike a balance by borrowing certain features even though they are constrained by the availability of funds to

raise pay. They have recommended exemption of allowances and pensions from taxes, performance-related increments, linking part of running allowance with punctuality of trains, introduction of Limited Department Competitive Exams for promotion, reduction in number of holidays etc. have drawn inspiration from the experiences of the private sector. Another important recommendation that helped narrow down the wage differential was 100% inflation neutralization at all levels. They have once again iterated the need for a National Wage Policy.

3. State Governments: The total number of employees under the State Governments is more than the number of civilian employees under the Central Government. The Pay Commission has observed that the situation where the State Government employees are no longer paid as much as their counterparts in the Central Government are no longer valid for some of the states. Some states notwithstanding their strained fiscal situation pay a large number of allowances to their employees as compared to the centre. As a result, the budgetary deficits of the state have mounted. The Pay Commission appreciated the fact that their recommendations have a ripple effect for the State Governments while making their recommendations. They also borrowed certain ideas such as encashment of leave during service, travel by entitled class in LTC, transport allowance, sumptuary allowance to executive cadre etc.

4. International situation: The period till the 1980s saw a rapid expansion in the size of the work force in the Public Sector but by the late 1970s, the Public Sector had become a heavy drain on the national budget all over the world. The early 1980s brought along oil shocks, high interest rates, falling commodity prices and a global economic downturn and as a result the burden on the exchequer became unsustainable. This led to widespread downsizing of the Public Services. In most countries, the basic salary accounts for a large proportion of the pay. Also, some countries like Singapore have benchmarked the salaries of civil servants to salaries in private sector to prevent the erosion of public service remuneration as compared to private sector. Most countries have dropped the idea of inflation indexed wages as these tend to fuel inflation and are inconsistent. Pay revision takes place through a mechanism of collective bargaining which takes into account the neutralization of cost of living. The Pay Commission has drawn certain lessons from various countries such as the Performance Related Increment (from Malaysia), increasing of retirement age to 60, size of bureaucracy and recommendations on Pension Fund.

5. In addition the Pay Commission stressed on the “intrinsic value of a job”, delinked pay from position in hierarchy, created new services and aggregated posts into a cadre etc. Above all they have kept the capacity of the Government to pay in mind while making their recommendations. [5]

2.6.6 Pay Structure

The Pay Commission determined the minimum pay first using the principles described above and the same considerations as taken up by previous Commissions, they then decided upon the maximum pay and then the intermediate pay scales. They have then gone on to recommend changes in the allowances and benefits scheme and lay out pay scales for various categories of employees covered by the Terms of Reference of the Pay Commission. [5]

2.7 The 6th Central Pay Commission (2006-08)

2.7.1 Terms of Reference

Terms of Reference of the Sixth Central Pay Commission were mostly similar but were somewhat different from those of the earlier Central Pay Commissions in the sense that:

1. Clause 2 (B) of the Terms of Reference envisages transforming the Central Government organizations into modern, professional and citizen friendly entities that are dedicated to the service of the people. While the earlier Commissions were required to examine the work methods and work environment and to suggest rationalization and simplifications therein with a view to promoting efficiency and optimizing the size, it is for the first time that a Central Pay Commission has been asked to look into the measures that would improve the delivery mechanisms which have a direct bearing on the services provided by various Government agencies to the common citizens.
2. Further, Clause 2 (D) of the Terms of Reference makes it incumbent upon the Commission to harmonize the functioning of the Central Government Organizations with the demands of the emerging global economic scenario.
3. The Sixth Central Pay Commission, therefore, had not only to evolve a proper pay package for the Government employees but also to make recommendations rationalizing the governmental structure with a view to improving the delivery mechanisms for providing better services to the common man. [6]

2.7.2 Methodology

1. Like previous Pay Commissions they invited memoranda from all interested people, associations and stakeholders. They also sent out questionnaires inviting responses and collected oral evidence from various stakeholders including secretaries to Government of India, Heads of Departments and prominent economists.

2. Expert bodies were created to carry out studies on important topics of interest such as a study on the feasibility of Performance Related Incentive (PRI), Terminal Benefits of the Central Government employees and estimation of compensation package Government employees and cost to the Government etc.
3. An interesting fact to note here is that the Commission functioned with only a strength of 17 functionaries. Their work processes were result-oriented with emphasis on output rather than processes. [6]

2.7.3 Economic Situation

The GDP has increased from 5.8% in 2001-02 to 9.6 per cent in 2006-07. Most of the growth has come due to growth in the Services sector. Agriculture sector has had low growth but the Industrial sector was looking up. There was general business optimism and the gross domestic capital formation and savings increased at current market prices. Exports also increased. While external debt increased in absolute terms, it decreased as a proportion of GDP. The General Wholesale Price Index (WPI) increased 1.6 times between 1995-96 to 2005-06. The Consumer Price Index (CPI) with Base 1982, increased from a level of 342 in 1996-97 to 579 in 2006-07. Revenue deficit as percentage of fiscal deficit increased sharply from 59 per cent in 1995-96 to 80 per cent in 2003-04 implying that borrowings were being increasingly used to fund current expenditure and only 20 per cent of the borrowings were directed towards asset creation. In the backdrop of the tight fiscal situation, the FRBMA was enacted on August 26th, 2003 and the Act and Rules were notified to come into effect from 5th July 2004. The FRBMA provides structured legislative goals for medium term fiscal management. [6]

The wage payments of employees are composed of the non-debt revenue receipts.

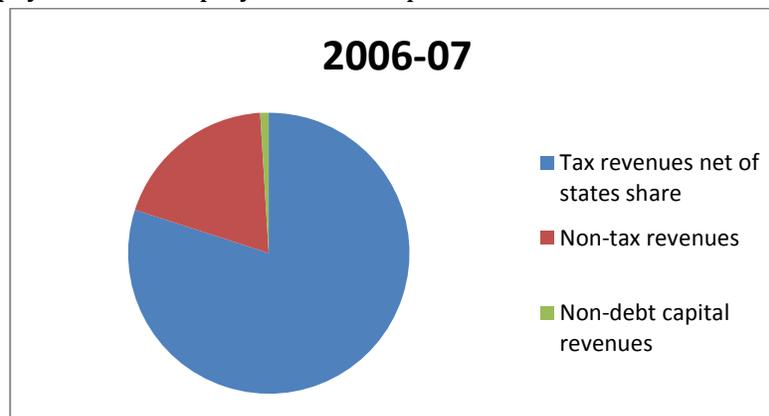


Figure 5: Tax revenues in total revenue receipt [6]

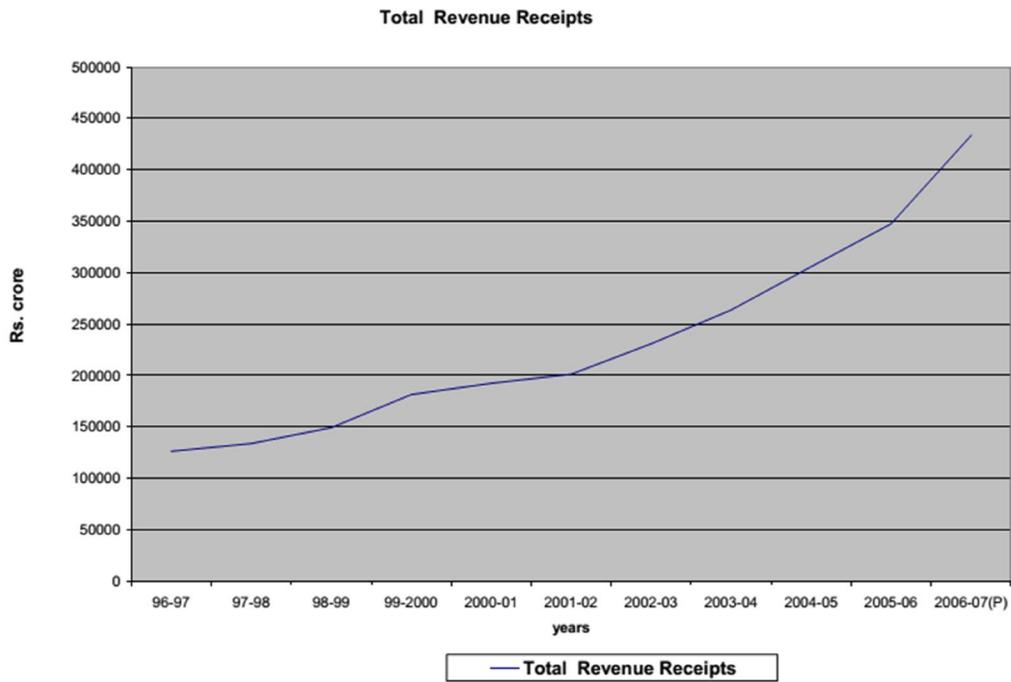


Figure 6: Total Revenue Receipts [6]

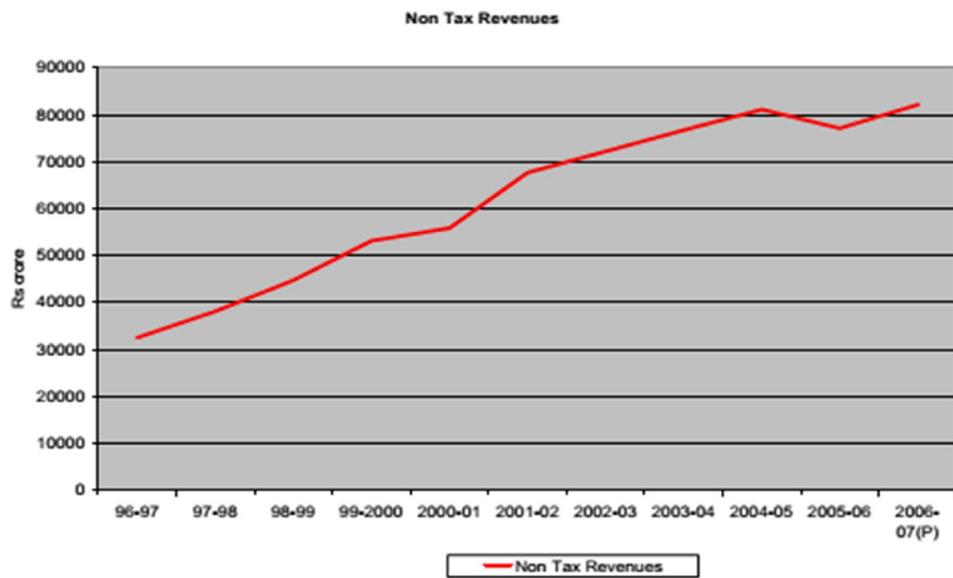


Figure 7: Non-Tax Revenues [6]

Expenditure on pay and allowances and pensions impact the revenue expenditure of the Government. It constituted 22 per cent of the revenue expenditure in 1996-97. It rose to 27 per cent as a result, inter alia, of the impact of the Fifth Central Pay Commission. It has thereafter been hovering around 21 per cent. Impact of the recommendations of the Fifth Pay Commission resulted in the share of pay, allowances and pensions in revenue receipts increasing from 28 per cent in 1996-97 to 38 per cent in 1998-99.

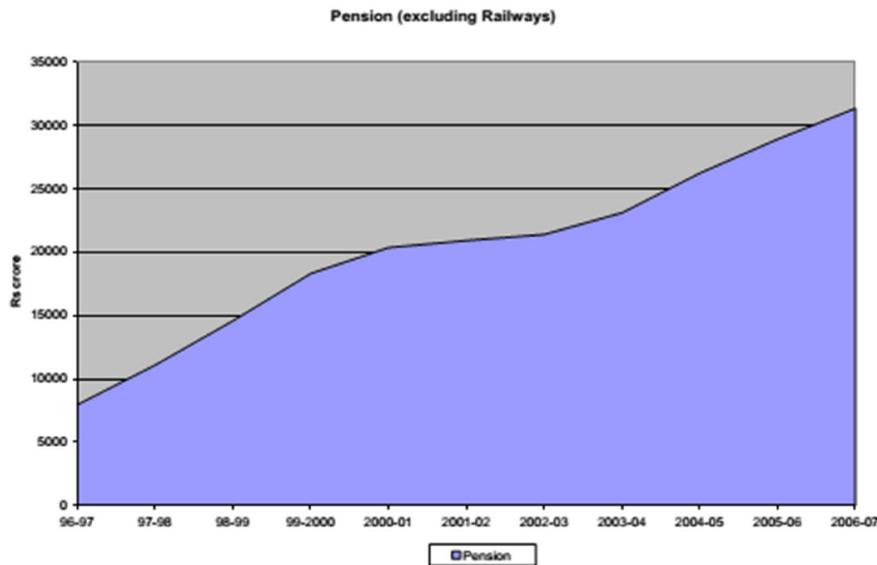


Figure 8: Growth of Pension [6]

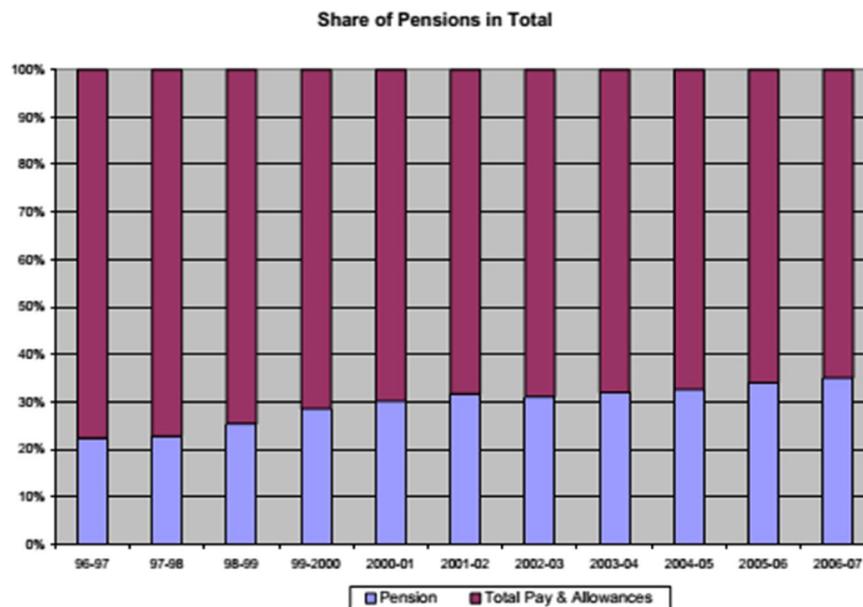


Figure 9: Share of Pensions in Total expenditure [6]

In conclusion, the Pay Commission after calculating the Government's capacity to pay has concluded that the Central Government should be in a position to meet the additional expenditure consequent to the Commission's recommendations. Even after including payment of arrears, this position does not change. They have done the same with regard to the states and concluded that most of the States would be in a position to meet the additional expenditure if they decide to adhere to the Pay Commissions recommendations. The actual situation, however, in each State may vary depending upon when the recommendations of the 5th Pay Commission were implemented and the extent to which they were implemented. [6]

2.7.4 Pay Considerations – Issues & Recommendations

The Commission was the first Central Pay Commission to be constituted in this century of rapid technological advances and after coming into force of the Right To Information (RTI) and Fiscal Responsibility and Budget Management (FRBM) Acts. Therefore in this scenario certain new issues have come to the fore and the Commission has come up with several fresh recommendations to adapt to these changes and leverage its knowledge and technology for better performance.

1. The Performance Related Incentive Scheme (PRIS) was the Commissions flagship feature. But this was not a new initiative. Many of the earlier Central Pay Commissions as well as various expert committees constituted in the past have recommended performance related incentives in one form or the other. In this Report, however, the Commission has tried to devise a workable and practical model by which the concept can be implemented in the Government. It would involve a monetary benefit over and above the salary for higher performance that would be judged by improved delivery to the end user by an external independent agency. It was eventually expected to replace all bonus, honorarium and overtime allowance.
2. They also recommended contractual appointments for selected posts particularly those requiring high professional skills. Under this, suitable persons from outside can be inducted in the Government. The existing employees, at their option, can also negotiate a consolidated amount for a specific tenure in a particular post provided they leave the service. Such employees will not be entitled to any other benefit. After the expiry of the tenure, the concerned employee may renegotiate the contract or leave. This will allow salaries that are broadly comparable to the private sector with similar terms of engagement to be paid in the Government. The concerned department/organization would not be given any extra budget on this account and should ensure commensurate savings elsewhere to absorb the extra expenditure incurred. This will also help improve the work culture in the Government because continued employment of such employees will depend

solely on their performance just like in the private sector. Another benefit is that it will help in infusion of fresh talent while simultaneously enabling the Government employees to leave the Government without following cumbersome procedure that applies in case of permanent Government employees.

3. A major departure from the earlier Pay Commissions has been made in respect of pay scales. For the first time, the Commission is recommending running pay bands for civilian employees as well as for the Defense Forces. Since the individual pay scales have a limited span, it often leads to stagnation. To ease stagnation, promotional avenues have to be created even though no functional justification for higher posts may exist. Creation of additional posts in higher grades through cadre reviews, etc. does not always achieve the desired results in terms of improved career progression. Movement from one pay scale to another frequently leads to problems in pay fixation like a senior drawing lower salary vis-à-vis a junior. Running pay and will address all these problems and also remove many of the pay scale related anomalies. Running pay bands and Modified Assured Career Progression Scheme will ensure smooth progression for 24 years.
4. The Commission is of the view that cadre review cannot be used as a tool for easing stagnation. The Commission has incorporated other provisions in the Report that will address the problem of stagnation and delink promotions from career progression. Accordingly, as a matter of policy, this Commission has refrained from undertaking specific cadre reviews.
5. The Commission has done a rationalization of the allowances. The Commission has also attempted quantification of various benefits including allowances so as to compute the cost per employee to the Government and also to assess if these benefits could be made available to the employees in a more beneficial manner.
6. The Commission is conscious of the need to provide better facilities for women employees. Benefits like staggered working hours, special leave for child care, enhanced maternity leave of 180 days, better accommodation facilities in form of working women's hostels have been recommended specifically for women employees. Similarly various measures have been recommended to help the employees with disabilities.

All the recommendations given by the Commission were with the objective of removing anomalies pointed out by the various associations with regard to the pay scales, allowances or status due to up-gradations of specific individual posts or grant of certain allowance by the earlier Central Pay Commission or the Government.

The Administrative Reforms Commission (2005) and subsequently the Fifth CPC and thereafter the Expenditure Reforms Commission have all made recommendations on increasing productivity, efficiency and a result oriented approach rather than on processes. The Sixth Pay Commission has thus refrained from making any comprehensive remarks on the same. They have reiterated the views of these bodies wherever they are in agreement and made certain other observations of their own. [6]

The Commission has also stressed that all the recommendations are interconnected and need to be treated as a whole. They have warned that partial implementation of these recommendations will end up bringing several anomalies and inconsistencies.

2.7.5 Pay Structure

1. As per the recommendation of Fifth CPC that was accepted by the Government, full neutralization of dearness allowance has been provided in all Fifth CPC revised pay scales. Presently, on Fifth CPC revised pay scales, dearness pay equal to 50% of the basic pay is payable. Dearness Allowance is payable on the basic pay plus dearness pay. In addition, the pay scales revised by the Fifth CPC had sufficiently long spans to ensure that the employees did not stagnate after getting the benefit of prescribed financial up-gradations recommended under Assured Career Progression (ACPS). However, during implementation the Government increased the fitment benefit to 40% as against 20% recommended by the Fifth CPC. Many of the pay scales got 'burst' at the time of initial fixation where revised pay of some of the employees became higher than the maximum of the revised pay scale and therefore, had to be fixed at the maximum of the revised pay scale at the initial stage itself. These employees, therefore, had started to stagnate right from the time of implementation of the Fifth CPC pay scales. All of this led to the need for a new pay scale. Consequently, the Sixth Pay Commission recommended a running pay band.
2. Under the system of running pay bands being recommended by the Commission, all the employees belonging to the 4 categories will be placed in distinct running pay bands. At the time of promotion from one post to another in the same running pay band, the grade pay (being a fixed amount attached to each post in the hierarchy) attached to posts at different levels within the same

running pay band will change. Additionally, increase in form of one increment will also be given at the time of promotion. Rates of grade pay have been generally computed at the rate of forty per cent of the maximum of the corresponding pre-revised pay scale which is rounded off to the next multiple of hundred. In a few cases, the rates of grade pay have been computed differently. This was necessary to fit the system of grade pay in the scheme of revised running pay bands. It was also decided that the slowly as and when the Group D employees placed in -1S scale acquire necessary skills, they would be shifted to Group C and Group D would be slowly phased out.

3. The Pay Commission has disagreed with the demand for minimum salary in the vicinity of Rs10,000 per month as exists in the Public sector but has instead agreed with the norms set by the 15th International Labour Conference (ILC). Accordingly, the running pay bands recommended by the Commission prescribe the minimum salary of Rs.6660 (Rs.4860 as basic pay + Rs.1800 as grade pay to be counted as pay for all purposes) in the lowest grade of the Pay Band PB 1.
4. While fixing the maximum salary the Commission came to the conclusion that a minimum: maximum salary ratio in the vicinity of 1:12 would be justified. This is in consonance with the ratio suggested by the Staff Side. The maximum salary (Secretary to GOI/equivalent) has, accordingly, been pegged at Rs.80000 per month which works out to minimum: maximum ratio of 1:12. [6]

Table 15: Sixth Pay Commission Pay Scale [6]

Pre – Revised		Revised		
Pay Scale	Pay Scale	Pay Band	Corresponding Pay Bands	Grade Pay
S-1	2550-55-2660-60-3200	-1S	4440-7440	1300
S-2	2610-60-3150-65-3540	-1S	4440-7440	1400
S-2A	2610-60-2910-65-3300-70-4000	-1S	4440-7440	1600
S-3	2650-65-3300-70-4000	-1S	4440-7440	1650
S-4	2750-70-3800-75-4400	PB-1	4860-20200	1800
S-5	3050-75-3950-80-4590	PB-1	4860-20200	1900
S-6	3200-85-4900	PB-1	4860-20200	2000
S-7	4000-100-6000	PB-1	4860-20200	2400
S-8	4500-125-7000	PB-1	4860-20200	2800
S-9	5000-150-8000	PB-2	8700-34800	4200
S-10	5500-175-9000	PB-2	8700-34800	4200
S-11	6500-200-6900	PB-2	8700-34800	4200
S-12	6500-200-10500	PB-2	8700-34800	4200
S-13	7450-225-11500	PB-2	8700-34800	4600
S-14	7500-250-12000	PB-2	8700-34800	4800
S-15	8000-275-13500	PB-2	8700-34800	5400
New Scale	8000-275-13500 (Group A Entry)	PB-3	15600-39100	5400
S-16	9000	PB-3	15600-39100	5400
S-17	9000-275-9550	PB-3	15600-39100	5400
S-18	10325-325-10975	PB-3	15600-39100	6100
S-19	10000-325-15200	PB-3	15600-39100	6100
S-20	10650-325-15850	PB-3	15600-39100	6500
S-21	12000-375-16500	PB-3	15600-39100	6600
S-22	12750-375-16500	PB-3	15600-39100	7500
S-23	12000-375-18000	PB-3	15600-39100	7600
S-24	14300-400-18300	PB-3	15600-39100	7600
S-25	15100-400-18300	PB-3	15600-39100	8300
S-26	16400-450-20000	PB-3	15600-39100	8400
S-27	16400-450-20900	PB-3	15600-39100	8400
S-28	14300-450-22400	PB-4	39200-67000	9000
S-29	18400-500-22400	PB-4	39200-67000	9000
S-30	22400-525-24500	PB-4	39200-67000	11000
S-31	22400-600-26000	PB-4	39200-67000	13000
S-32	24050-650-26000	PB-4	39200-67000	13000
S-33	26000 (fixed)	Apex Scale	80000 (Fixed)	Nil
S-34	30000 (fixed)	Cab. Sec./Equ.	90000 (Fixed)	Nil

3. Literature Search

Systematic and comprehensive literature search was carried out and all available research papers, articles and commentaries from magazines such as 'The Economic And Political Weekly', journals such as jstor.org and from newspapers such as The Economic Times, Business Line etc. were read and the viewpoints and criticisms of prominent economists were duly noted. This section consists of every piece of literature read, followed by a concise summary of the proceedings in the chosen literature.



Figure 10

With regard to the **3rd Pay Commission**, it is said that the Government's capacity to pay is limited by people's capacity to pay. Per capita income of a country is the average per-person income for the country. It is the total national income divided by the number of people in the nation. In 1971, it was estimated to be under Rs 600 per capita per annum. Allowing for three consumption units or four persons per earner, this gives an annual income of Rs 2,400 or a monthly income of Rs 200 per earner. This was not more than the minimum that an employee of the Central Government at present got by way of salary and allowances. Thus, even if the minimum wage of a Government employee was to be fixed so as to accord with the average living in the country, the minimum then was somewhat above what the country can afford. The minimum cannot certainly be fixed above the average. [7]

It is argued that there are maximum no. of employees in class III and IV and supply far exceeds demand. When we say that higher wage will result in better quality workers joining the government workforce we are referring to the situation in which different salaries are offered to comparable jobs in different sectors. Therefore, it follows that if the Government is not to be left with comparatively inferior quality candidates to recruit from, the wages in Government employment

must be comparable to those paid in other sectors. In such a situation of competition, the wages will continue to rise indiscriminately without regard to the 'need-based' minimum wage or the country's capacity to pay. And also, in such a state of affairs, the government cannot win. In general, the candidates eligible for employment in this category are mostly an undifferentiated mass of the educated who just seek entry into these services for the high rewards. If wages are increased, it will only aggravate the situation. The supply of eligible candidates will increase while the quality will deteriorate. Hence, higher wages will not necessarily improve the quality of the employees in these classes. [7]

To correct this situation, the wages and salaries of the educated have to be lower and not higher than what they already are. The minimum wage has to be what the country can afford. It has to be just adequate to call forth supply of the right quantity and quality to meet the needs of employment. But, as we have seen, the quality cannot be improved by offering higher wages and salaries. The quality can be improved only by improving the education system. If the wages and salaries of the educated are low enough so that only the required number enters the educational stream beyond the primary or secondary education, there is a chance of improving the educational system and of producing a supply of the educated of the right kind. [7]

For higher services, the government faces competition from private businesses, industry as well as the international market. Hence, the govt. should fix the maximum wage, make sure that no-one receives wage beyond it and enforce it across all sectors. Also, this will require closing the doors of our economy to international markets. A poor economy cannot afford an open economy and in a closed economy low salary will not be a disincentive because high salary will not be attainable. If the differentials between the salaries at the lower, intermediate and the top levels are kept small enough, only those who have the necessary aptitudes and abilities will opt for the intermediate and top jobs. [7]

Till before the **3rd CPC**, there was no coherence in the respective emoluments of the different segments of the government. The government took selective, ad-hoc, compartmentalized decisions on salaries and emoluments of individual segments of the public sector. But the nationalised banks and the Life Insurance Corporation of India are as much a part of the government corpus as the Small Savings Organisation or the outfit of the Auditor and the Comptroller General. There can be hardly any reason for treating the employees of the Indian Telephone Industries on a footing different from that applied for the employees of the Bombay and Calcutta Telephones. The government cannot pay bonus to one segment and deny it to the other. [8]

Before the **3rd CPC**, the government initially decided to hand-out a bonus of 8.33% to only those units showing returns of a certain order while those making lower profits would receive less. But this could not be implemented because these days, the rate of return is largely determined by official policy. It in the government's trade, production, pricing and distribution policies which ensure that some units make a profit of x per cent, that some others make a profit of x—y per cent, and that for yet some others, the rate of profit is zero or negative. Similarly, it is sheer accident that government undertakings such as the Railways or the Post and Telegraphs are run along departmental lines while some others are not. The only way in which the government could thus buy peace in the departmental undertakings, it would seem, would be by offering compensatory adjustments in wages to those employees to whom it would strive to continue denying bonus.

Arguments in the commentary - It is a waste of intellectual effort, energy as well as national resources to have a Pay Commission for only the departmental government employees and to have other committees or commissions inquire into the cognate problems of employees, say, in the insurance or the bargaining sector. A body should now be set to work to review the personnel problems in the totality of government operations and evolve an integrated frame covering the pay and emoluments of all categories of employees in all types of public undertakings, including those engaged in secretarial activities. [8]

Several arguments have been raised for upward revision of salaries by **3rd CPC**.

The existing salary structure of government employees is based on the norms laid down by the First Pay Commission. These were maintained by the Second Pay Commission. The First Pay Commission's norms had been based on a minimum wage related to the subsistence level with suitable neutralisation of the rise in cost of living particularly for low-paid employees. The employees' case is that, with the minimum salary fixed at subsistence level and in the absence of full neutralisation of the rise in cost of living, their emoluments have been eroded over the years to even below the subsistence level. The arrangements for the neutralisation of the rise in the cost of living recommended by the First and Second Pay Commissions, which have been in operation for over a decade, were based on the assumption that the price level would be stabilised at a level lower than was prevailing at the time the Commissions examined the problem. But this decade has seen a steep rise in the price levels and there is no assurance that the trend will not persist. If the lag between investments particularly in the public sector and the returns from them, was the cause of the rise in the price level in the late fifties and early sixties, there was in later years another price spiral on account of the shortages in the economy following the setback to agricultural production. The present high price level can hardly be brought down if agricultural prices have to be maintained at scarcity levels as an incentive for the producer. The DA formula of the Second Pay

Commission is, therefore, totally unrealistic and unsatisfactory today. Today, the concept of minimum wage has evolved to mean, not wage at the barest subsistence level, but a 'fair wage' or a 'need-based wage' The tripartite conclusions of the Fifteenth Indian Labour Conference on the question of need-based wage have become the starting point for wage claims of organised workers, and Central Government employees have been pressing for the application of this principle in the determination of their own emoluments. [9]

The observations of the 1st CPC are also relevant: "*While it is true that the State as employer should not take undue advantage of the law of supply and demand, especially in fixing salaries at the lower grades of service it cannot ignore the extent of outside demand for particular classes of service when there is such a demand.*" The position at present is that Central employees are far behind their counterparts in comparable industries in the matter of wages. The absolute wage gap between bank and Central Government employees in the minimum scale of Class IV works out at Rs 63 in the first year and at Rs 196 in the twentieth year of service. In terms of percentages, it will be 45 and 125, respectively. In the minimum scale equivalent to Class IV, the Life Insurance employee earns 123 per cent more than a Central Government employee, and in Class III, the wage gap is of the order of 160 per cent. The corresponding figures with reference to the Reserve Bank of India are 103 and 190 per cent. The Union Government will, therefore, have to reassure its employees that it is in fact doing all it can to minimise this glaring hiatus between what it offers and what other comparable employers offer. [9]

The Committee has tried to promote egalitarianism by narrowing the gap between the minimum and maximum wages in the government sector.

The committee worked out its own criteria for determining a money-equivalence of a need-based wage which worked out to be Rs 196 but they decided to go ahead with Rs 185 as the pay-packet offered to entrants in the junior-most categories. Their rationalization being that since the government is as yet unable to offer any corresponding sustenance to the much worse-off agricultural workers and the mass of the unemployed, it would be a "misdirection of resources" to underwrite a need-based minimum wage for the government employees. There was a general belief in the committee that Class IV employees contribute only marginally to the social dividend, and therefore one should not expend much sympathy in case they are denied the equivalence of the minimum need-based wage. [10]

But still, as a consequence of the Commission's recommendations, government employees currently enjoying gross monthly emoluments of as much as around Rs 2,000 would in the overall come to gain anywhere between 5 and 10 per cent. The

Commission would justify these concessions on grounds of rationalisation, so that for jobs whose social significance is adjudged to be more or less the same, the emoluments also become comparable. But, using the same rationalization instead of scaling upwards the emoluments of those who had been discriminated against in the past, we can scale-down the emoluments of those who have been discriminated for. [10]

Regarding the **4th Pay Commission** it has been expressed that the IAS cadre in particular, received preferential treatment. This caused resentment among the professional and technical cadre. But an exception of this rule is being made in the case of the top brass and officer corps of the armed forces. This is dramatized by the proposed pay of the chiefs of the three armed services which will be higher than that of the civilian secretaries in the defence ministry and equal to the pay of the senior-most civilian, the Cabinet Secretary. This is obviously in recognition of the enhanced role of the armed forces in ensuring security, external and internal, which is increasingly overshadowing every other concern of the government. Resentment was strongly articulated by the police establishment. The point made emphatically by its representatives is that the importance of internal security and the role of the police have been ignored by the Pay Commission. [11]

The Pay Commission's recommendations are estimated to result in a 1 to 12 ratio between the lowest paid employee and the highest paid officer in the Central government. This ratio, it is stated, will be moderated to 1 to 9 when the incidence of income-tax is taken into account. Point worth noting is that considering the per capita income in the country, the lowest paid Central government employee will receive four times and the highest paid close to fifty times the per capita income in the country. [11]

Financial impact of the Fourth Pay commission: The tax instrument was greatly blunted to achieve the purpose. The successive raising of exemption limits and bringing down of the marginal rates have gravely weakened the equity thrust of taxes on incomes and wealth in general. Also, revenue deficits have been constantly growing both at the centre and in the states, which will be further aggravated by the implementation of the 4th CPC estimated to cost an additional revenue expenditure of anywhere between Rs 1200 crore and Rs 2000 crore.

How to mobilize resources: The collections from personal income tax in 1985-86 were higher by as much as 43 per cent over those in 1984-85. This was attributed to better compliance in response to cuts in tax rates, better tax enforcement and the amnesty scheme for tax evaders. It is now estimated that since the amnesty scheme in the case of income and wealth taxes has been extended this year by only six months and not the full year, revenue collection from the amnesty scheme will

fall to Rs 100 crore in 1986-87 compared to Rs 389 crore in 1985-86. The upswing in collection of direct taxes is evidently petering out. Implicit in such a presentation of the problem of revenue collection is a case for further extending the 'amnesty' principle. But amnesty schemes of this kind, even when they are made a permanent feature of tax laws and their enforcement, tend by their very nature to yield diminishing returns. [11]

Linking the pays and perks of workers, blue collar as well as white collar, in public enterprises with the level established for those in the direct service of the government. Workers and managers in the public sector undertakings enjoy in some cases emoluments higher than those of employees in the government services. Problem with this feature is that if the Pay Commission's reasoning prevails, the distinctive position of industrial and commercial enterprise in the public sector will be undermined and with it the talk of autonomy of public sector management will cease to be of any value. [11]

The literature available to the **Fourth Pay Commission** about what other countries were doing about pay determination was so scanty that it had to take the assistance of the ministry of external affairs to obtain material from abroad. Information was received from 10 countries, including Britain, the US, Pakistan, Russia and Nigeria. A reading of the report, however, shows that only information received from Britain was used and that much of it was only of historical interest (like the report of the Tomlin Commission of 1931) and had no practical application or relevance in Indian conditions. [12]

It was a bizarre document A few examples chosen at random will help to convey its flavour:

- a. What is your assessment of the state of the national economy?
- b. What is your assessment of the resources of the central government?
- c. Can you suggest a practical and reliable method for assessing the government's capacity to pay its employees?

Recommendations relating to increasing pay and allowances were implemented in full along with few more concessions but certain important recommendations such as the following were rejected:

(1) Reducing proliferation of posts at the senior level like Director General of Police and other departmental heads created for "the benefit of an employee or class of employees" or to relieve "stagnation".

Example: There are over 300 posts of the rank of Commissioner of Income Tax and above under the Board of Direct Taxes. The corresponding number of posts in the Board of Indirect Taxes is only about 130. The Board of Direct Taxes collects only 13 per cent of the total revenue according to this year's budget; the Board of Indirect Taxes collects 36 per cent. The number of Income Tax Commissioners for

assessment is over 100 and the number of Income Tax Commissioners (Appeal) over 140. According to a recent newspaper report the Board of Direct Taxes itself admits that tax evasion would be about Rs 30,000cr

- (2) Reduction of surplus personnel in all departments.
- (3) Dealing with the increasing lack of integrity among government employees.
- (4) Review of the scheme of bonus payments in government departments.
- (5) Review of the working hours.

India is the only big country in Asia that has a five-day week for government employees. A study conducted by academics in Maharashtra some time ago showed that productivity has declined as a result of the introduction of the five-day week in the Maharashtra government. But the government has conducted no such study and is not even considering the question. [12]

There have been constant agitations for pay parity between state and central government employees. To find a practical solution to this difficult problem the chief minister of Karnataka wrote to the prime minister, while the work of the Fourth Central Pay Commission was in progress, suggesting a meeting of all chief ministers to find a common formula for pay determination. Unfortunately the government of India turned down this reasonable suggestion saying that each government was competent to prescribe the pay scales and allowances of its employees. [12]

Rs 11,500 crore would be needed in 1997-98 to implement the recommendations of the **5th Pay Commission**. The government has provided the entire amount in the 1997-98 budget (Rs 4,205 crore for civil, Rs 3,620 for defence and the rest for railway employees). Each Indian will be paying about Rs 125 for implementing the recommendation. [13] In a major departure from the procedure followed by previous Commissions, this Commission decided to take expert opinion of research institutes of excellence. The report mentions 19 such studies; the summary says there were 20. To ensure objectivity and impartiality in decision making recommendations made by Team Leaders were submitted to a Core Group set up under the chairmanship of the Member Secretary Kaw and with four senior officers as members. All proposals finally went to the Commission in accordance with the recommendations of the Core Group. [13]

The **5th CPC report** can be broadly divided into two parts. The first 300 pages contain suggestions to improve public services management which in the opinion of the commission is poor now. The rest of the report deals with pay, which is considered low. Making use of a study on Restructuring of the Government Office prepared by Tata Consultancy Service and Indian Institute of Technology, New Delhi, and another study on Governance and Government: Emerging Scenario in the 21st Century by Strategic Management Group of New Delhi, the first part of the

report recommends sweeping changes to transform government into a modern, professional and citizen-friendly one, by adopting methods used in recent years by countries like Britain, Canada, New Zealand and Malaysia. There is also the recommendation to reduce the number of government employees by about a third over the next 10 years and abolishing 3.5 lakh vacant posts immediately.

The report faced a lot of criticism. There are some organisations in our country with experience of Indian conditions or of reforms abroad but it is doubtful if there is any expert group familiar with both. The first part of the report is impractical. Example: The recommendations in the first part are: The commission says that the public thinks that government employees now work only for one to two and a half hours a day. It therefore tries to improve productivity by restoring the six-day week, reducing gazetted holidays from the present 17 to 3, ensuring punctuality with the help of time-clocks, asking canteens "to serve tea right on the tables" of the employees and giving generous transport allowances which will make employees hurry to work in the morning. These measures are to be supplemented by seating employees in "large ergonomically designed halls in furniture of modular design in anaesthetically pleasing environment", "provisions of piped music/art galleries in the corridors/reception area, utilisation of space on the ground floor for small museums displaying articles relating to the historical background of the particular department. [13]

Critics say that instead of all this, rules & regulations already exist to deal with such employees, so we just need to implement these rules to improve productivity. Another example: The second example is the recommendation to set up Citizen's Charter to reduce delays in government offices and improve accountability. The idea is borrowed from Britain. The report describes Citizen's Charter as a 10-year programme designed to raise the standards of public service. It has six key principles - setting standards, information and openness, choice and consultation, courtesy and helpfulness, putting things right and value for money.

But the attitude of the general public towards the charter even in its country of birth Britain is that the Citizen's Charter is nothing more than a brilliantly crafted campaign slogan. Critics say that it is impractical and expensive better solution will be to just reactivate the existing mechanism for better results.

Conclusion: Such provisions blindly borrowed from other countries may not necessarily suit the Indian conditions. [13]

ii) Over-staffing is not uniform across all departments in the country; some departments have far more surplus than other departments. Instead of abolishing all vacant posts overnight, careful studies are needed to determine the areas and the extent of overstaffing. Critics say that reckless use of cadre reviews could be the reason and so cuts at the top need to be made.

Also, the increase in retirement age from 58 to 60 is irresponsible as it will give two more years of service to the multiple Departmental heads while also being counter-intuitive against its recommendation asking to prune workforce.

The Pay Commission has made it very clear that the generous improvements in pay and conditions of service it has recommended are conditional on government accepting its recommendations about public service management contained in the first 300 pages of the report. It is not possible to have one without the other. It is a package deal. But surprisingly in the 20-page summary of the report that the commission itself prepared, there is no mention at all of this important condition in the report. This means the commission has softened its stand, in fact in Annexure 7 of the Expenditure Budget for 1997-98 gives the estimated strength of government employees in 1998. Not only is there no reduction in numbers as recommended by the Pay Commission but it is estimated that there will be 12,306 more employees. [13]

Conclusion: All across the government the pay increases recommended by the Pay Commission would most probably be implemented in full and suggestions for improving productivity and cutting costs ignored. The taxpayer will pay very much more for getting exactly the same services. The state government employees would also naturally demand pay parity with the central government employees and the familiar pattern of strikes to enforce their demands would follow. And inflation will skyrocket.

It was estimated that **the 5th CPC's** recommendations would cost Rs 11,262.50 crore in the financial year 1997-98. Since the states too will feel bound to accept the recommendations, it could just as well double the financial implication to Rs 24,000 crore. Add to this the ripple effect on local governments, universities and the like, and the country may end up paying roughly Rs 30,000 crore extra for its bureaucracy at all levels, escalating every year by 10 per cent owing to inflation. The smaller municipalities have for long been spending most of their revenues on salaries, leaving little over for civic amenities. For example Punjab has been spending up to 55.5 per cent of its revenue receipts on pays and allowances. Also it will also more than neutralise the devolution of funds to them by the acceptance, of the recommendations of the Tenth Finance Commission. It will end up spending whatever extra it gets.

Some other recommendations not covered previously: [14]

1. The FCPC has put its weight behind the need for a Right of Information Act.
2. There is also the impressive suggestion that all government services should be covered by the Consumer Protection Act.
3. It has suggested that civil services boards should be set up at the centre and in the states, headed by retired Supreme Court/high court judges. These extra-constitutional bodies should control transfers of government servants, and in case

a particular government overrules its board the matter should be placed before the concerned legislature.

4. It has recommended two - Indian Medical Service and Indian Engineering Service (without there being any suggestion for placing these subjects in the Union List).
5. Legitimacy should be accorded to contract employment. Especially so in situations like short-term vacancies up to five years, time-bound special projects and specialised jobs not normally required. Contract appointments are seen as opening the door to the lateral entry of experts. The aim must be, some time or the other, to delete the vestigial provision in the Constitution guaranteeing security of service to governmental personnel, because excessive security tends to go counter to accountability. [14]
6. Defence forces: The recommendation therefore is that the army should be withdrawn from its counter-insurgency role and, more specifically, that the Rashtriya Rifles should be disbanded. This suggestion should be welcomed as the responsibility of dealing with IS issues should rest with the civil governments.
7. The Institute for Defence Studies and Analysis (IDSA) studied manpower optimisation in the defence forces. [14]
8. It recommended a two-pronged approach: one, reduce the army's active manpower by 35-40 per cent and retain 30-45 per cent of present manpower on standing reserve; two upgrade mobility and strike capability all round. But the FCPC wanted to reduce manpower to 30 per cent and that too over 10 years. This can be detrimental to our defence forces. [14]
9. Police Organizations: It has drawn attention to the startling fact that organisations like BSF, CRPF and CISF have grown at the cancerous rate of 5.6 per cent per annum, as against 1 per cent for the bureaucracy as a whole. Therefore they have recommended that their forces be reduced to by a third over 10 yrs.
10. They have also suggested that bonus should be linked to productivity and not to production. [14]

The **fiscal Implications of Central Government Employees' Wages and Pension** i.e. central government (CG) expenditure on wages and salaries, as well as on pensions and retirement benefit has been discussed in relation to net non-debt revenue receipts (NNDRR) and GDP at the aggregate level with regard to the **6th CPC**. [15]

1. The combined expenditure on wages for GGA and DCUs has grown at the rate of 11.92 per cent per annum. In addition, the expenditure on retirement benefits, for both GGA and DCUs together, has grown at the rate of 17.01 per cent per annum over the same period. The differential rates of growth of the two components, namely wages and pensions, have resulted in significant restructuring of the employee cost of government establishment. Wages constituted 92.05 per cent of the total compensation in 1950-51, but this proportion declined to 69.43 per cent in 2004-05. Conversely, retirement

benefits that constituted less than 8 per cent of total employees' compensation (EC) in 1950-51 have now risen to 30.57 per cent in 2004-05. Such a structure is quite likely to have a perverse influence on incentives and motivation for labour and effort, if a continuously growing component accrues as deferred compensation. [15]

2. NNDRR : The expenditure towards worker and retiree compensation of CG employees is essentially made out of net non-debt revenue receipt (NNDRR). The NNDRR of CG, grew at the rate of 13.76 per cent per annum, over the period 1950-51 to 2004-05.
3. GDP: Over the period 1950-51 to 2004-05, nominal GDP at market prices grew at a trend rate of 12.13 per cent per annum and real GDP at market prices grew at a trend rate of 4.43 per cent per annum.
4. Observation: Employee emolument constituted about 60 per cent of NNDRR of CG in the beginning of the 1950s. After about half a century this proportion had halved, declining to less than 30 per cent, in the beginning of the 21st century. In turn, NNDRR that constituted about 4.4 per cent of GDP in 1950-51, have more than doubled, rising to 9.6 per cent of GDP in 2004-05 (attaining a peak of 10.7 per cent in 1989-90). This shows that the employees' cost to the government has declined as a proportion of NNDRR, and apprehensions about employees' costs overburdening CG resources appear to be exaggerated. But there has been a significant restructuring of costs towards deferred compensation. [15]

Per Worker GDP and Average Compensation of CG Employees: changes in CG employment and the corresponding per employee emoluments. These are compared against nominal and real changes in per worker GDP (PWGDP).

- a. Number of Workers and GDP Per Worker: PWGDP grew at a compounded annual average rate of 3.73 per cent per annum between 1987- 88 and 2003-04.
- b. Central Government Workers and Per Worker Compensation: the strength of CGE declined at the rate of 1.47 per cent per annum between 1988-89 and 2003-04. The decline is significantly steeper in the post-FPC period between 1996-97 and 2003-04, at 2.46 per cent per annum. Over the period 1988-89 to 2003-04, per worker compensation grew at the rate of 3.61 per cent per annum, while in the post-FPC period, between 1996-97 and 2003-04 (2005-06) it was 2.68 (2.46) per cent per annum. [15]
- c. Observation: average compensation of CG workers is significantly higher than PWGDP. However, growth in PWGDP (3.73 per cent per annum between 1987-88 and 2003-04) is marginally higher than growth in average compensation (at 3.61 per cent per annum between 1988-89 and 2003-04). [15]

- d. Average Compensation to Pensioners: In the last few years, the component of expenditure towards pensions, in the budget of the union government, has registered the highest acceleration among all major-head expenditures. In the decade of the 1990s the number of pensioners from GGA clocked a CAGR of 3.49 per cent. But the CAGR for expenditure on their pension was much higher at 23.50 per cent. While this is the nominal rate of growth, even per capita pension benefits, at constant 1999- 2000 prices, show a CAGR of 9.40 per cent. Also there has been a rapid rise in the dependency and replacement ratio. [15]

Summary: The rapid rise in retirement benefits is perhaps a cause of concern. In 1999-2000, average retirement benefits to ex-employees from GGA had reached 56 per cent of average wage compensation of current employees. The absence of an appropriate mechanism to adjust the service and retirement rules that incorporate evolving demographic and social developments appears to be the major drawback. [15]

Also important are the **demographic and social changes** facing the **6th Pay Commission**:

1. Analysis of expenditure on wages and salaries and pensions and retirement benefits of central government employees reveals that the proportion of the former has gradually declined from above 90 per cent in 1950-51 to less than 70 per cent in 2004-05. Thus the quantum of deferred compensation has grown substantially and current compensation accounts for a diminishing proportion of total remuneration. [16]
2. Definitions: Passivity ratio is the ratio of number of post-retirement years (until death) to number of working years; dependency ratio is the ratio of number of old (non-workers) to number of young (workers); replacement ratio is the ratio of compensation or payment in old age (non-working years) to the payment in youth (working years)
3. Life Expectancy and Age of Superannuation: Slow adjustment of normal age of superannuation, in relation to improvement in life expectancy, is manifest in an increase in the number of pensioners drawing benefits. Alternatively, this is an adverse outcome of a rapid increase in the passivity ratio that profoundly impacts the proportion of expenditure on present and ex-employees.
4. Elderly Population and Dependency Ratio: High fertility rates around the middle of the last century combined with improvement in expectation of life at older ages, has probably raised the proportion of the elderly (60+ years) in the population and gradually worsened old-age dependency ratio. In contrast, fertility decline in the last two decades has lowered the proportion of young dependent.

5. Retirement Benefits and Replacement Ratio: The Fifth Pay Commission had recommended raising the proportion of commutation to 40 per cent of pension and to reduce length of restoration period to 12 years. The latter though was left unchanged at 15 years. It is likely that in the last few years a significant proportion of pensioners have become eligible for restoration of the commuted amount. A one-year improvement in expectation of life raises the replacement ratio by approximately 4 per cent, for a given mandatory age of superannuation. Thus, widening the domain of the social security net is likely to have a multiplicative effect on the effective replacement ratio. [16]
6. Summary: The FPC alluded to right-sizing of CGE and had also indicated existing slack, leading to over employment and therefore inefficiency (in terms of costs) of government operations. Decline in the number of employees had started earlier, but gained acceleration in the post-FPC era. The slowdown in new recruitment raises the average age of current workers. In addition, an improvement in life expectancy, beyond the age of retirement, adversely impacts the system dependency ratio. For any given age of superannuation, maintaining the number of employees, by hiring fresh recruits at the rate of new retirees, may have an adverse impact on expenditure towards employees' compensation. Given the cornucopia of retirement benefits (gratuity, leave encashment, commutation of pension, etc.) rough estimates suggest that (deferred) compensation received in the first year of retirement exceeds thrice the final year salary compensation. Further, given the extant pay structure, it is likely that total wage compensation to a young entrant in a given group, may be less than compensation of a new retiree from that group. [16]

After discussing the **fiscal space available with states** for implementing the **6th CPC** recommendations have come to the conclusion that implementing the SCPC recommendations will not be fiscally difficult for 15 out of 28 state governments without causing any sacrifice on their FRBM requirements. Out of the remaining 13 states, six would experience difficulty in meeting their FRBM targets only in the first year, i e, 2008-09. From among the other seven states, five would be able to meet their FRBM targets from 2010-11. Out of the 28 states, only two, viz, Jharkhand and Kerala, will have problems in meeting their FRBM targets even after 2009-10, but these were the states having fiscal problems of meeting their FRBM targets in any case - if they implemented the recommendations or not. Thus, implementation of the SCPC recommendations can derail six states from their FRBM discipline path for one year and another five states for two years. [17]

4. Field Work

4.1 Interviews

Table 16: Interviews

Date	Name	Designation	Institution	Topic of Discussion
20 th May, 2013	Shri Ranjan Dwivedi	Additional Director General	Human Rights, UP	Main issues and different approaches to the project
4 th June, 2013	Prof. Mukesh Kumar Anand	Assistant Professor	National Institute of Public Finance And Policy (NIPFP)	Focus on manpower planning/Human resource planning

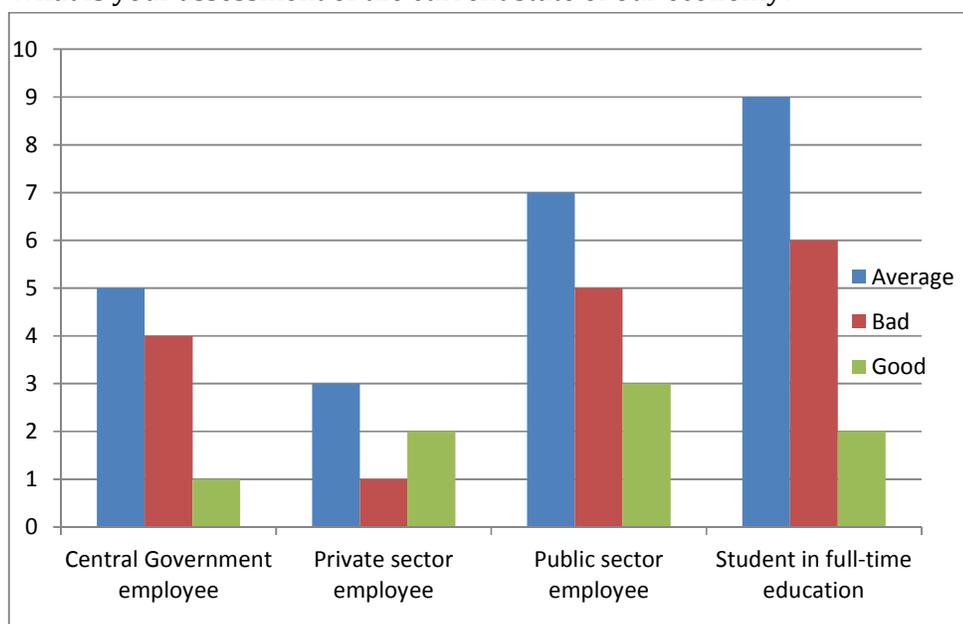
4.2 Surveys

The survey was circulated to various sections of employees and also students to gauge the response of the masses to various contentious issues in the Pay Commission reports. The survey was circulated among:

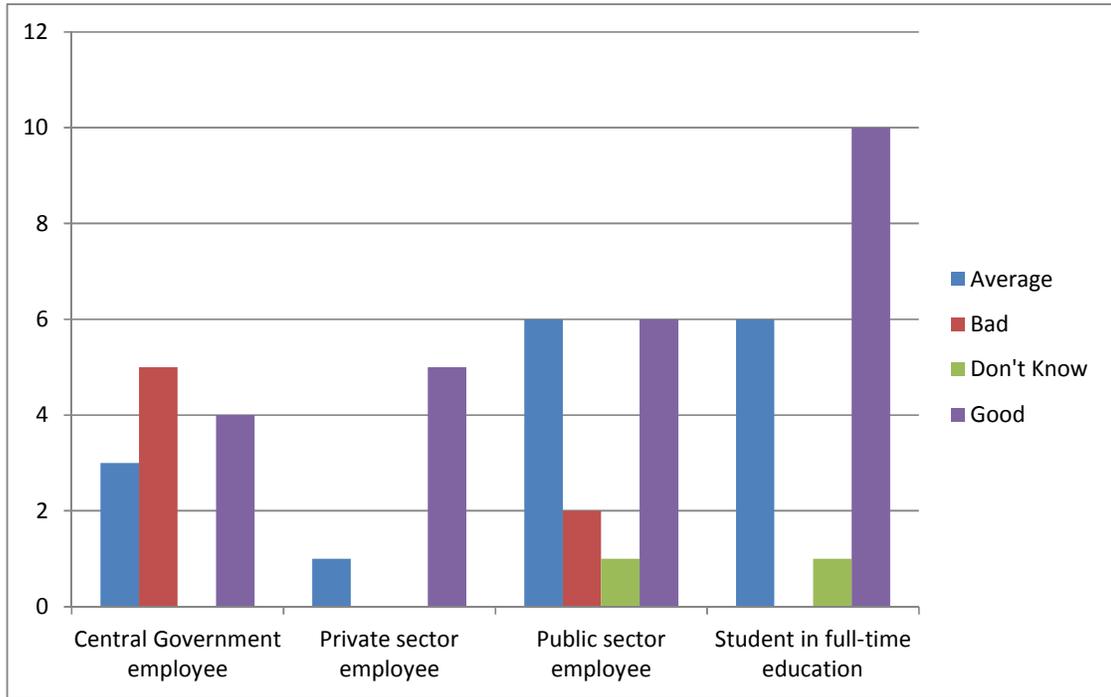
- The Central Government employees
- Public Sector Employees
- Private sector employees
- Students in full-time education

The Questionnaire along with the analysis of the results is as follows:

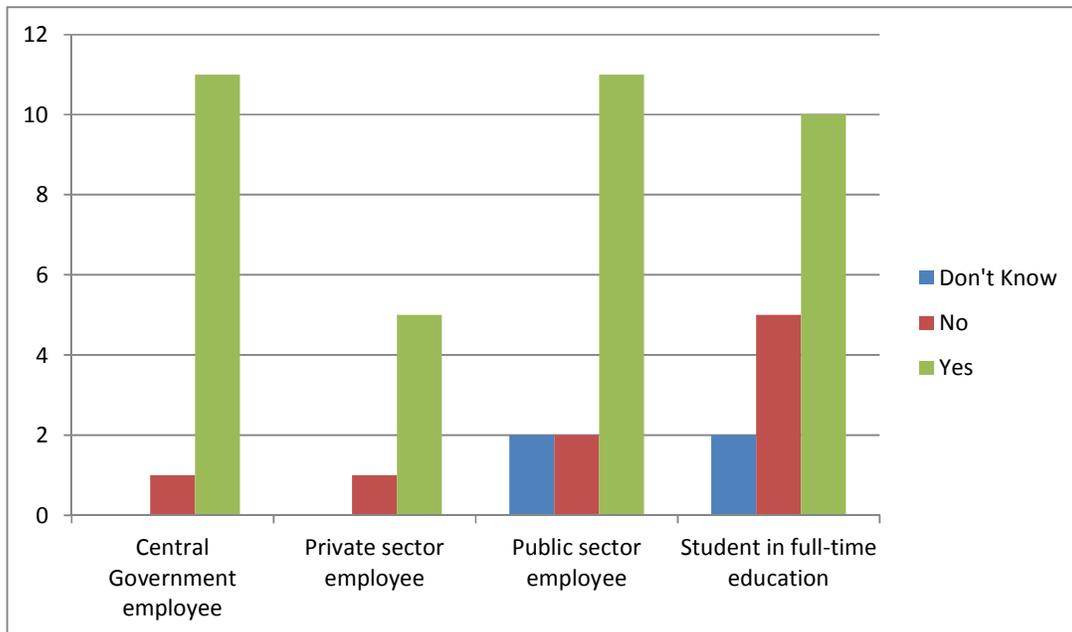
1. What is your assessment of the current state of our economy?



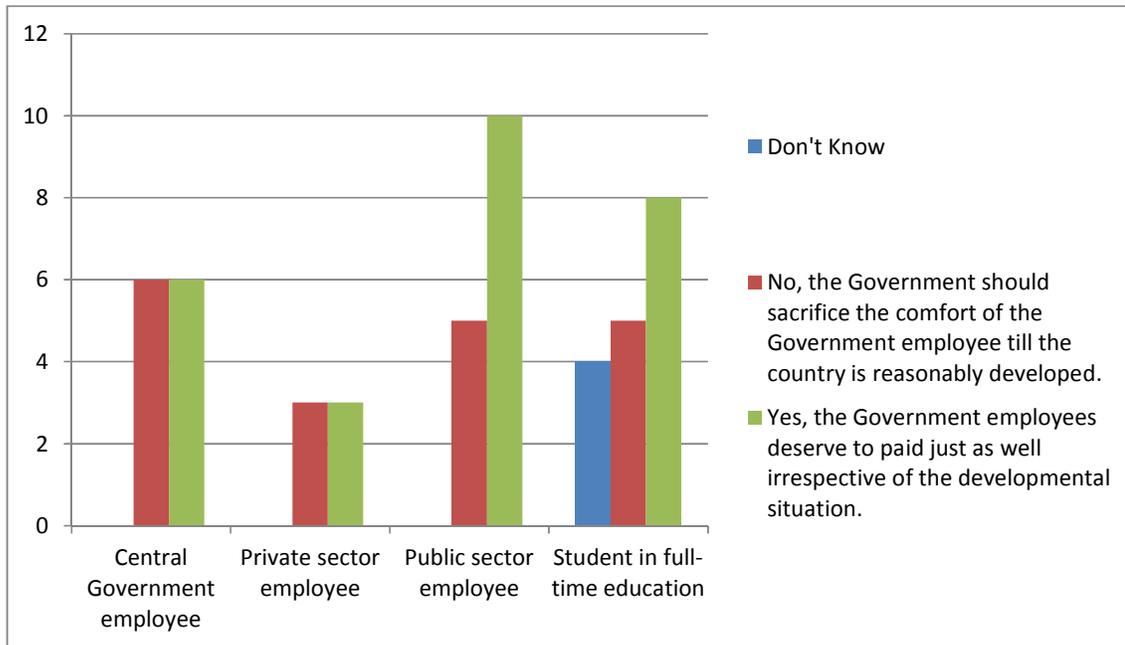
2. How do you think the economy will perform in the coming years?



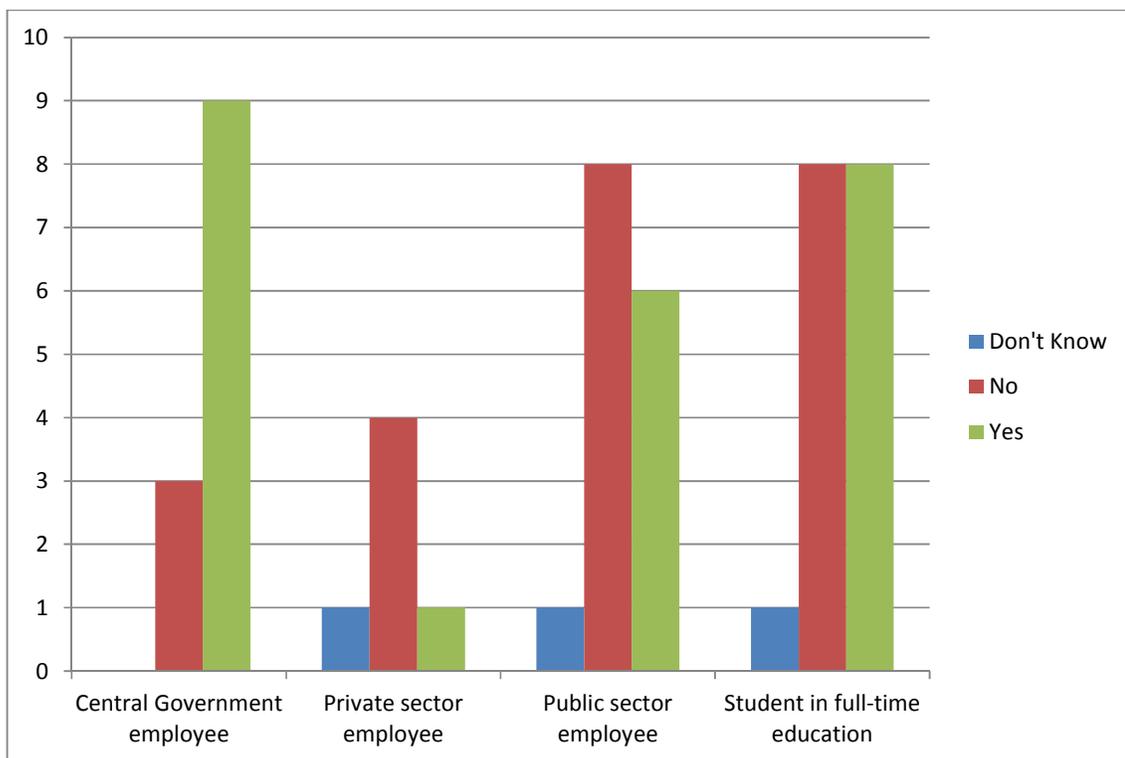
3. In the early years, India being an under-developed developing country had to allocate most of its resources towards development but today in a much improved economic situation, can the Government afford to increase pay?



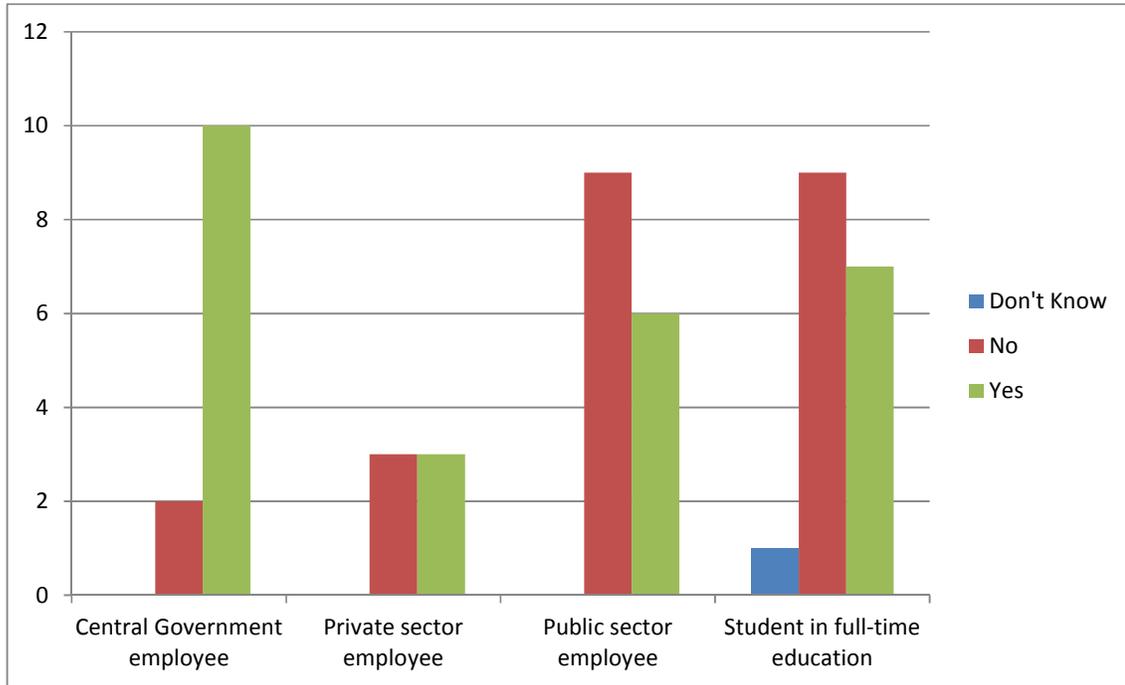
4. Ethical question - Do you think the Government should pay as well as the private sector when there is still a lot of developmental work left to be done?



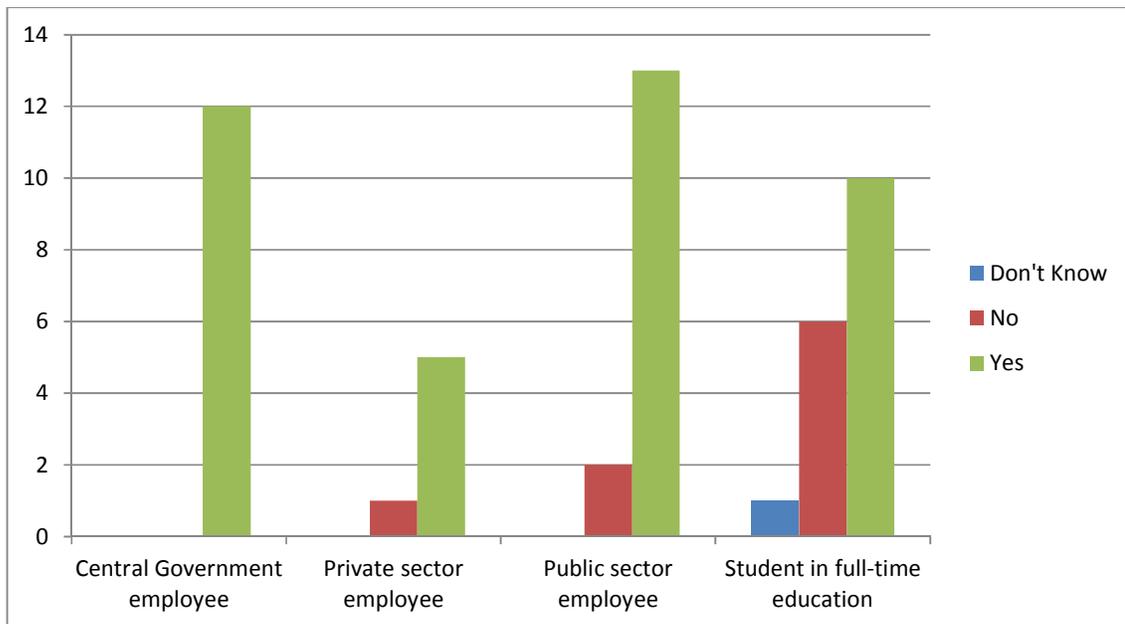
5. Do you think the Government should pay the Central Government employees more, by raising money through more taxation?



6. Is it alright, if the Government spends more funds on creation and development of infrastructure by limiting the pay increase of the Government employee?

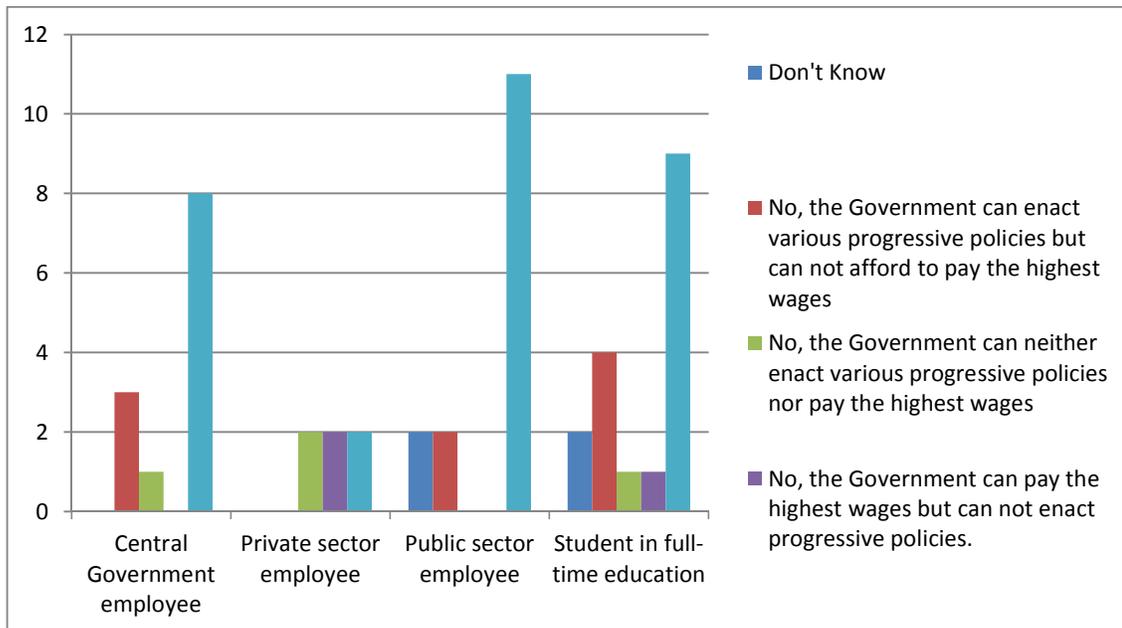


7. India's GDP has grown at the rate 4.43% between 1950-51 and 2004-05. As the GDP increases and our National Income increases should the Government employee get a proportionate increase?

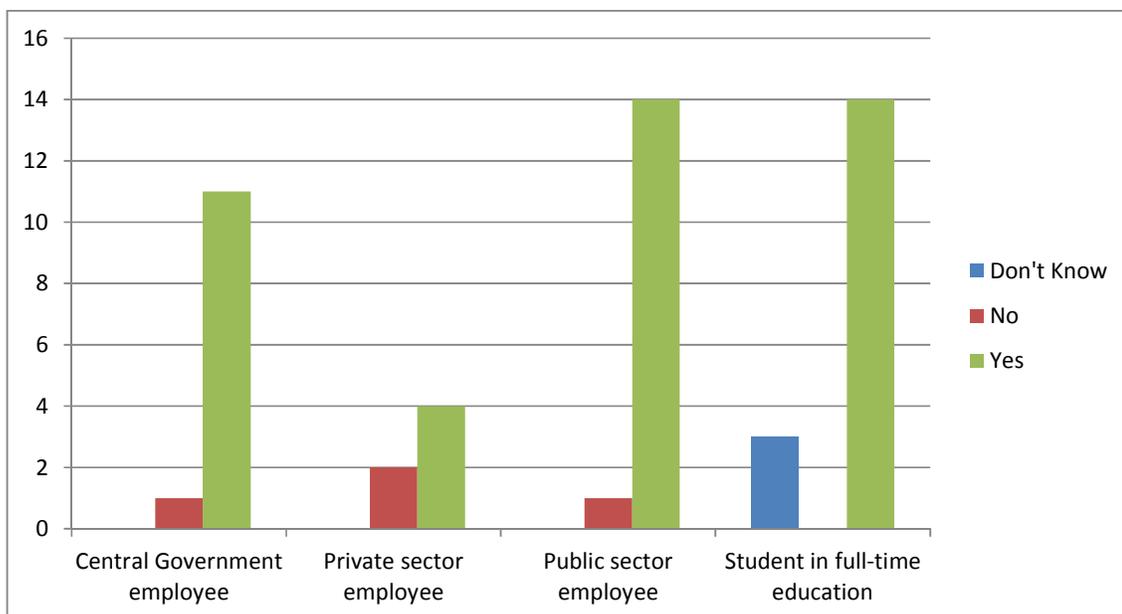


8. Do you think that the Government can be a 'Model Employer'?

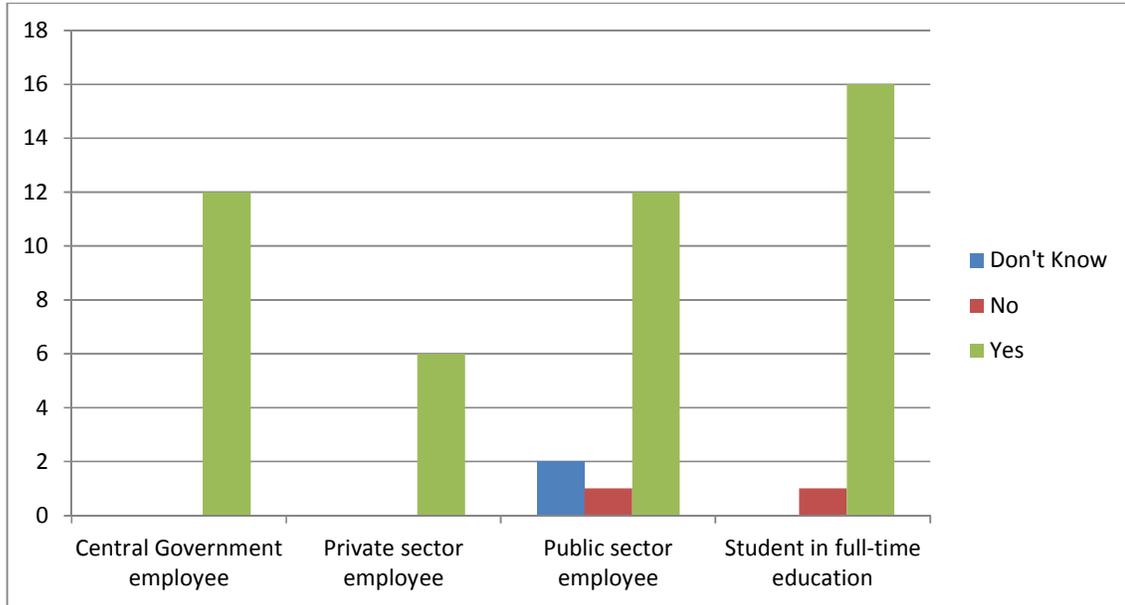
The concept of 'Model Employer' states that since the state governments and various other organizations follow the Central Government's policies, the Government should be a 'Model Employer'. The Government should set an example by enacting various progressive policies relating to job security, promotions, recruitment, pay satisfaction etc. The Government should be better than even the private sector and should pay the highest wages.



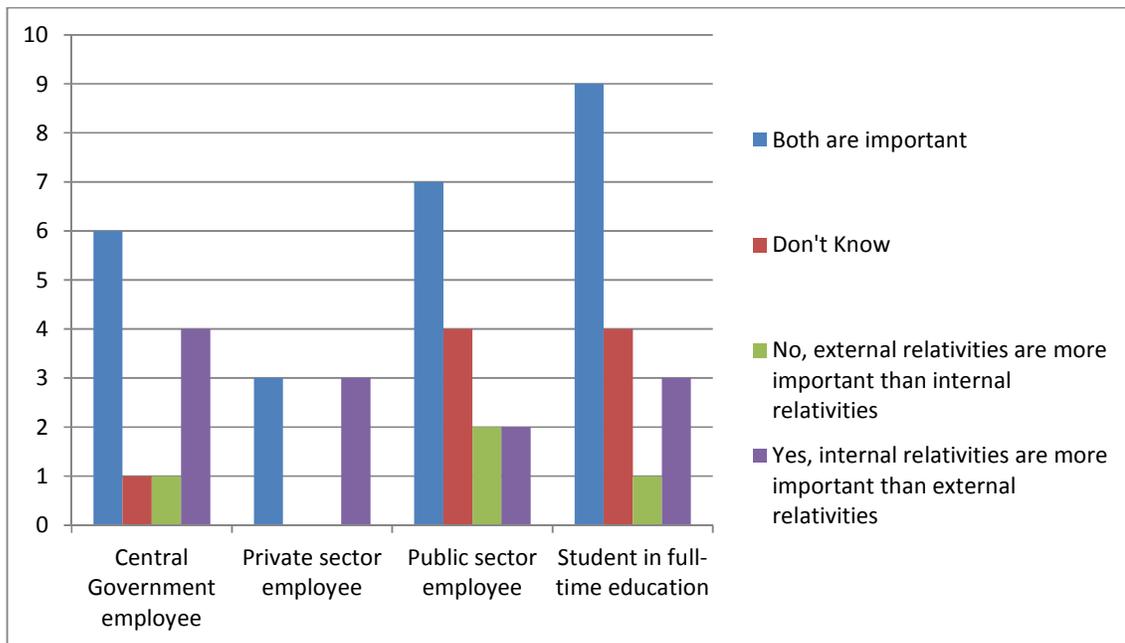
9. Does the Government have a social or moral obligation to regulate 'Minimumwages' in the private sector to ensure a decent standard of living?



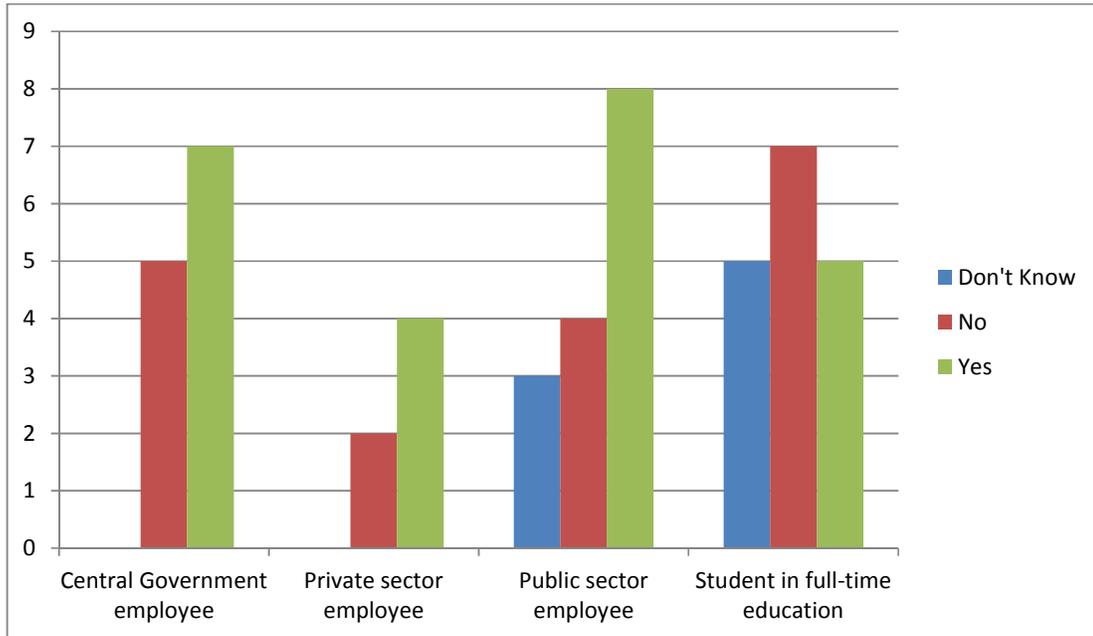
10. Do you agree with the concept of 'Equal pay for equal work' which says that "employers may not pay unequal wages to men and women who perform jobs that require substantially equal skill, effort and responsibility, and that are performed under similar working conditions within the same establishment."



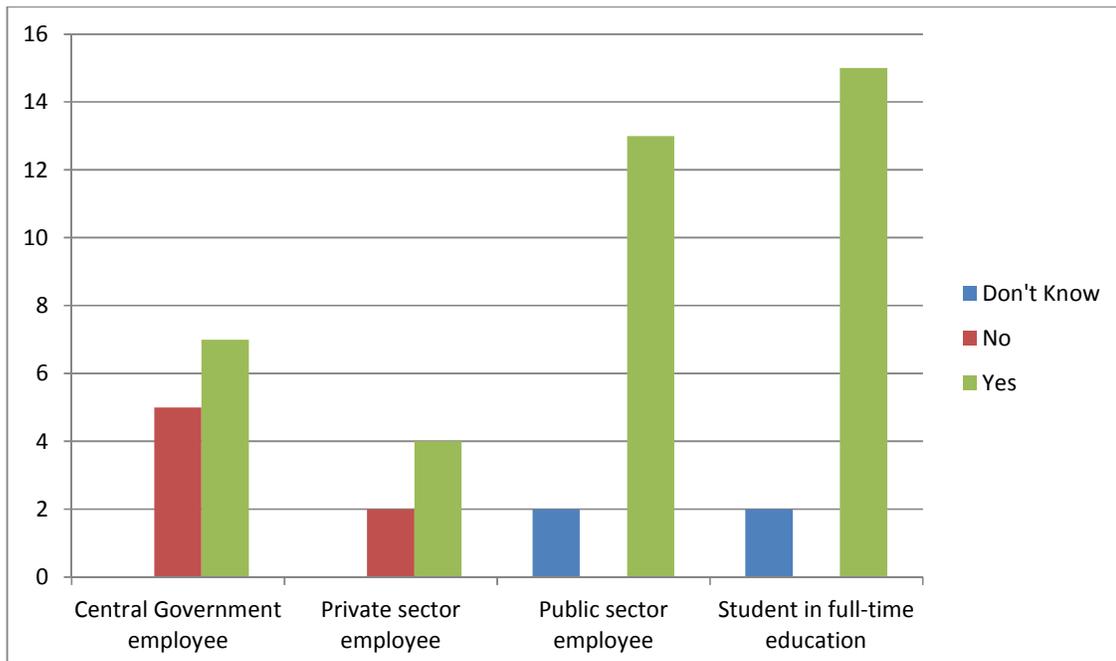
11. Are internal relativities more important than external relativities in deciding pay? Or rephrased - Are evaluation of jobs relative to one another within the organization more important than externally?



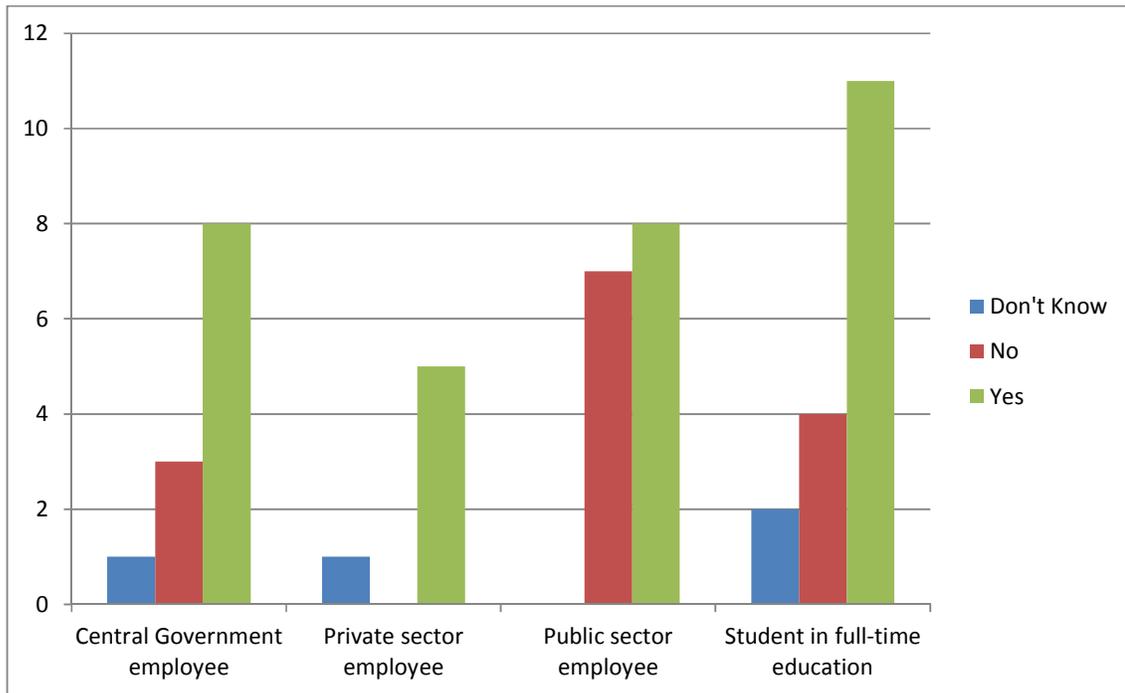
12. Are job evaluation techniques used to determine internal relativities efficient?



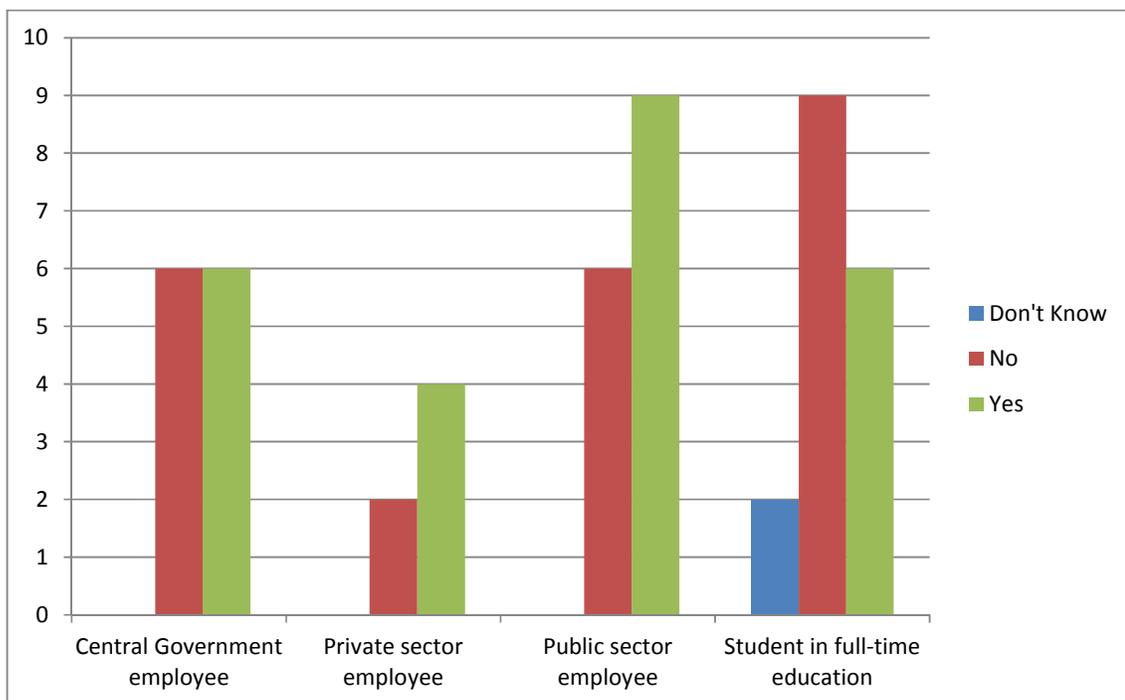
13. Do you agree that apart from the relativities, the productivity and competence of the person in the job also matters? In other words, a more efficient and productive person should be paid more than a less productive person in the same job.



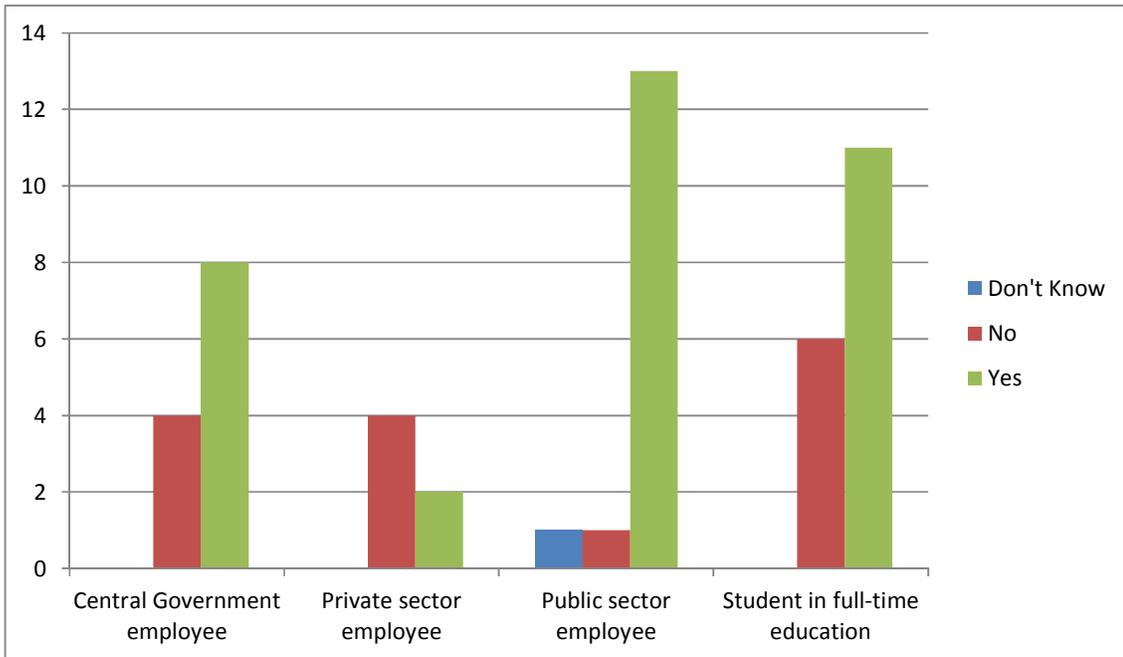
14. Can a Central Government job be compared to its counterpart in the public sector?



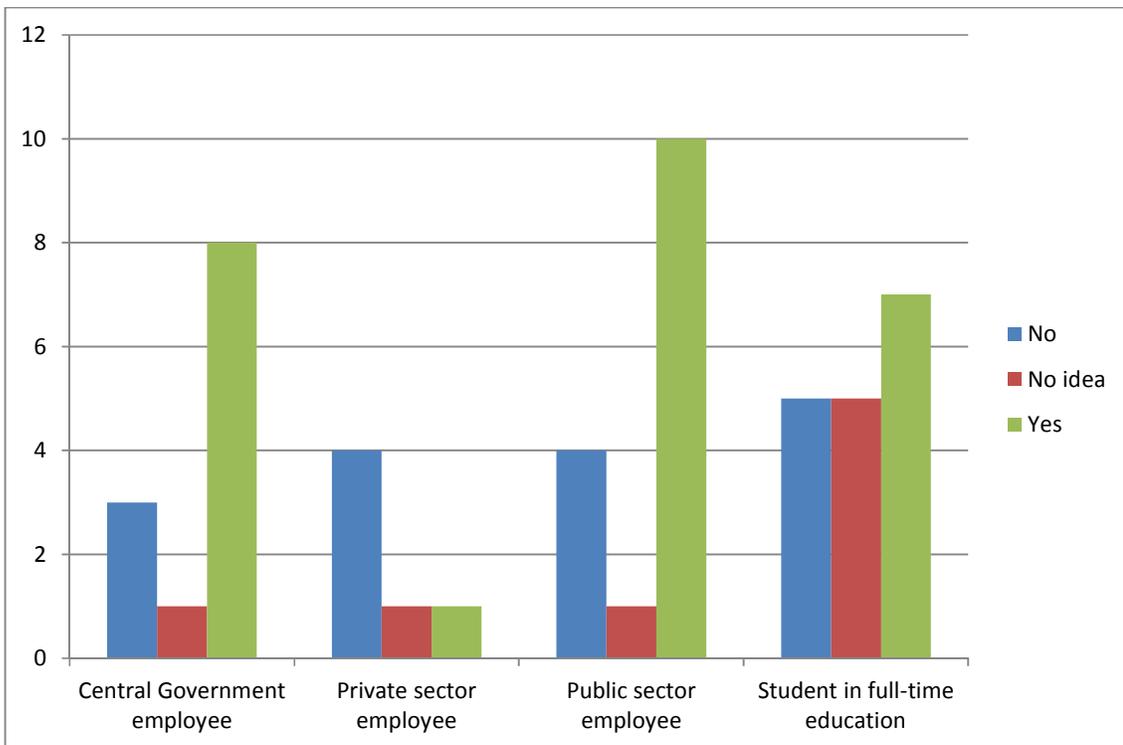
15. Can a Central Government job be compared to its counterpart in the private sector?



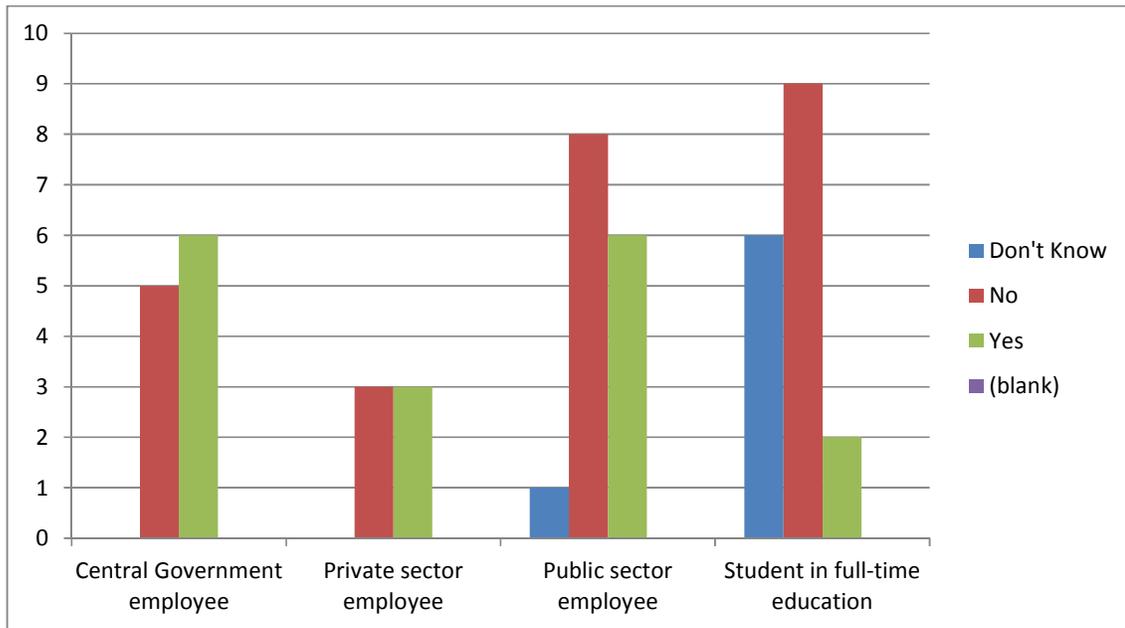
16. Can a Central Government job be compared to its counterpart in the State?



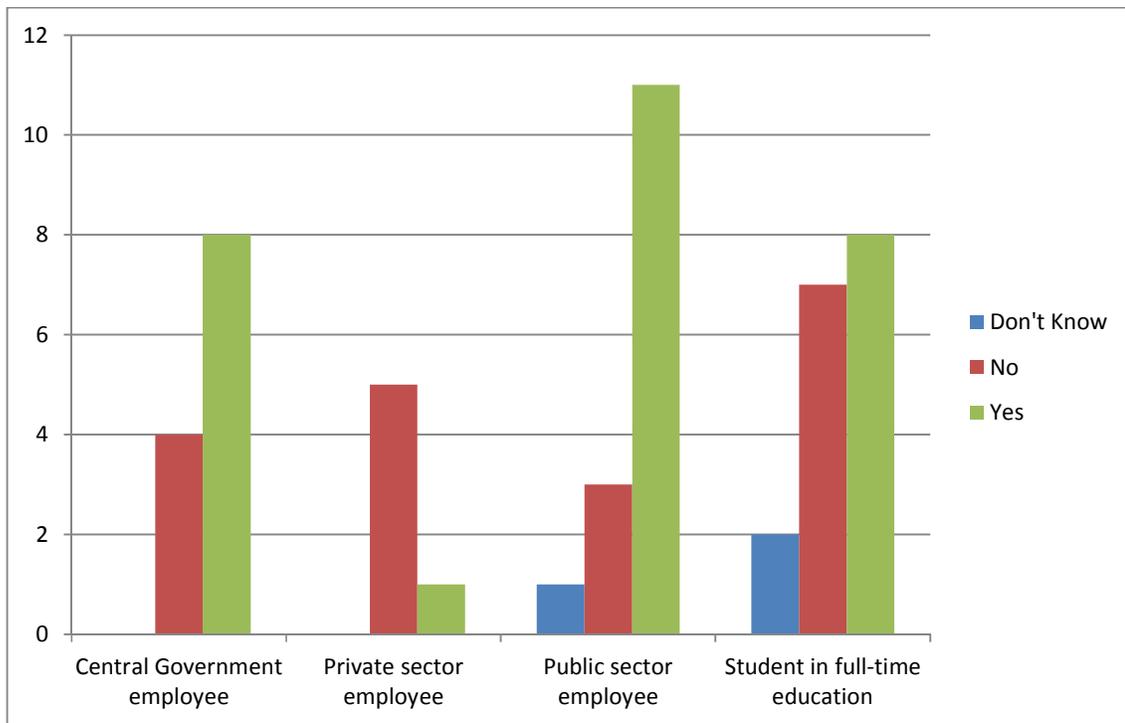
17. Is it fair to demand pay parity between Central Government and public sector employees?



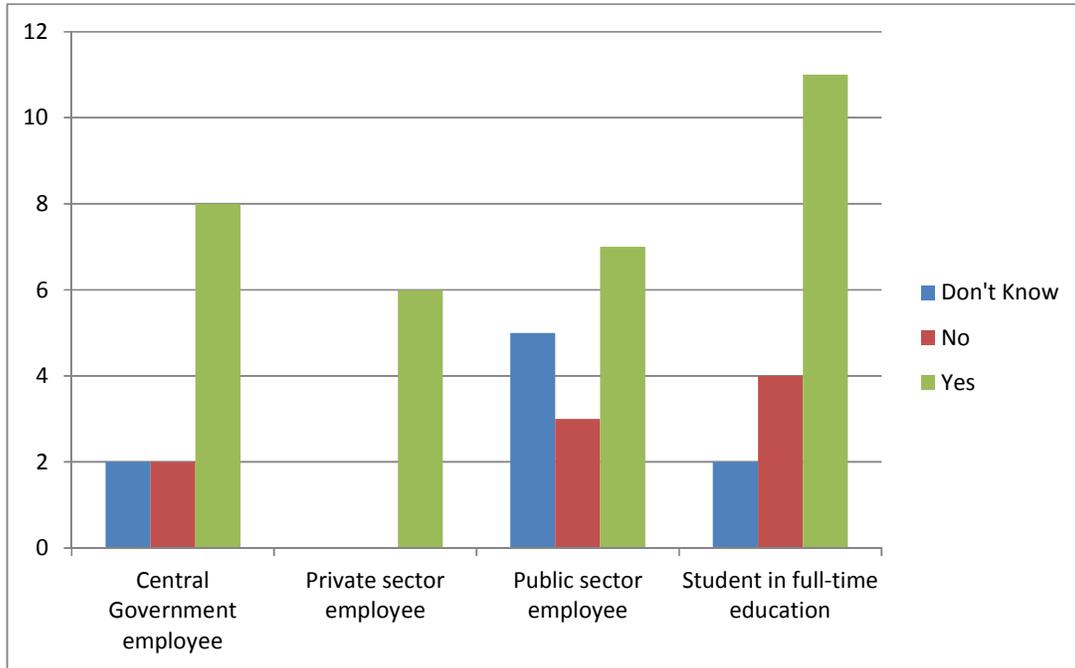
18. Is it fair to demand pay parity between Central Government and private sector employees?



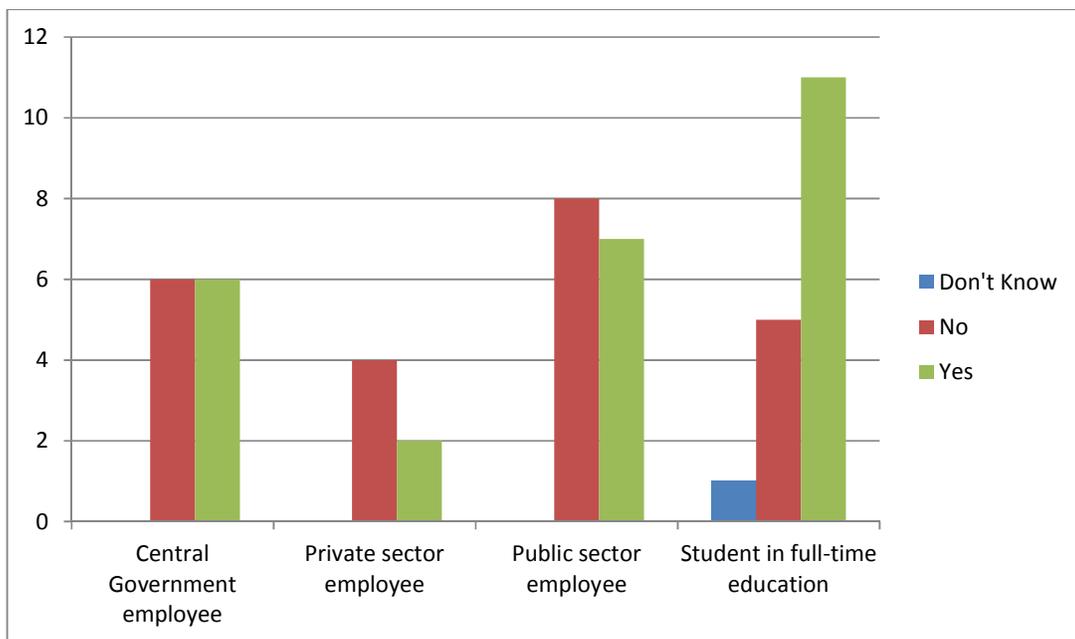
19. Is it fair to demand pay parity between the Central and State Government employees?



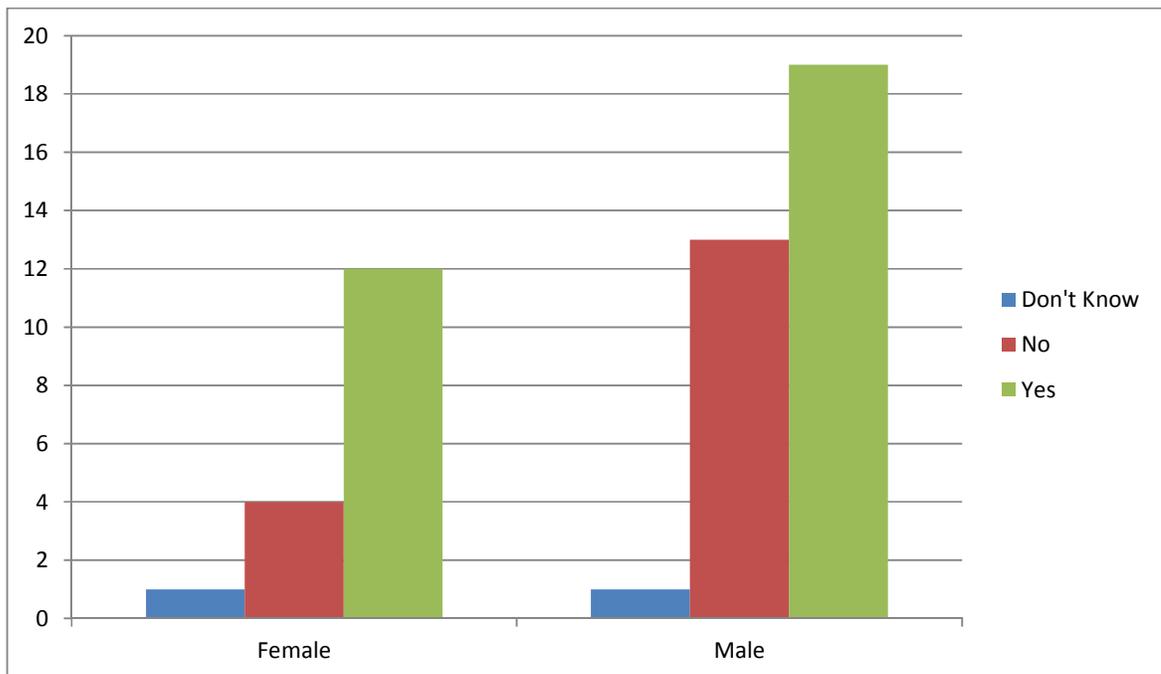
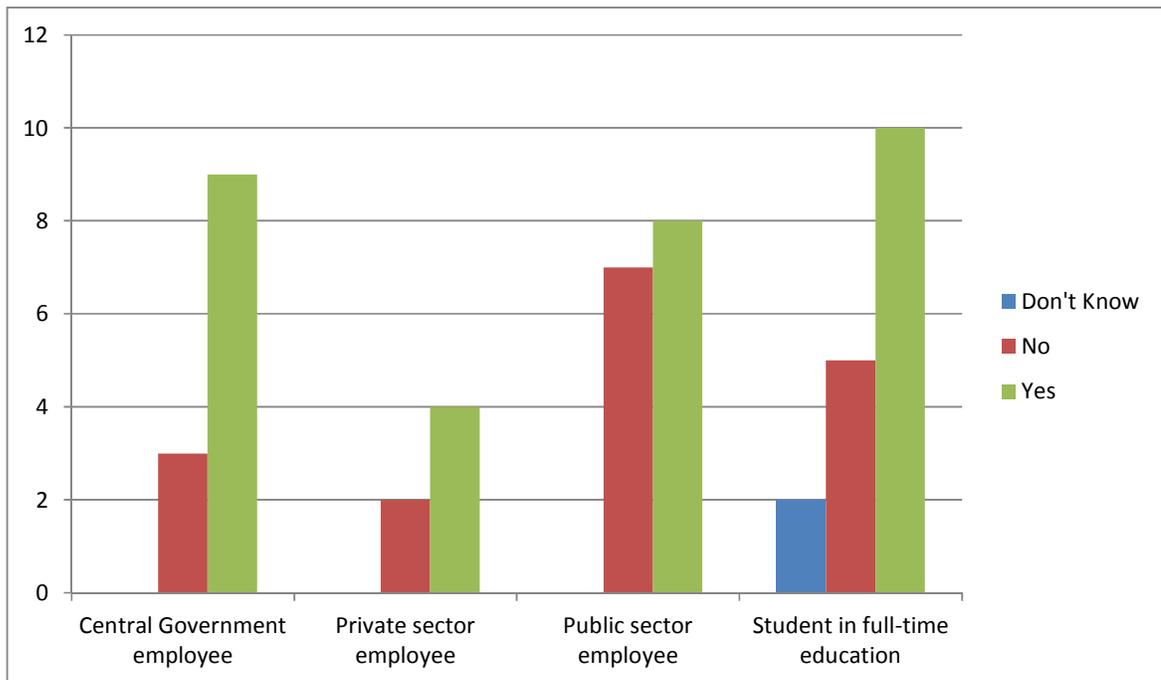
20. Should the Technical and Scientific cadre like say the Indian Economic Service receive the same pay as the Generalist Administrator i.e. the IAS, IFS etc.?



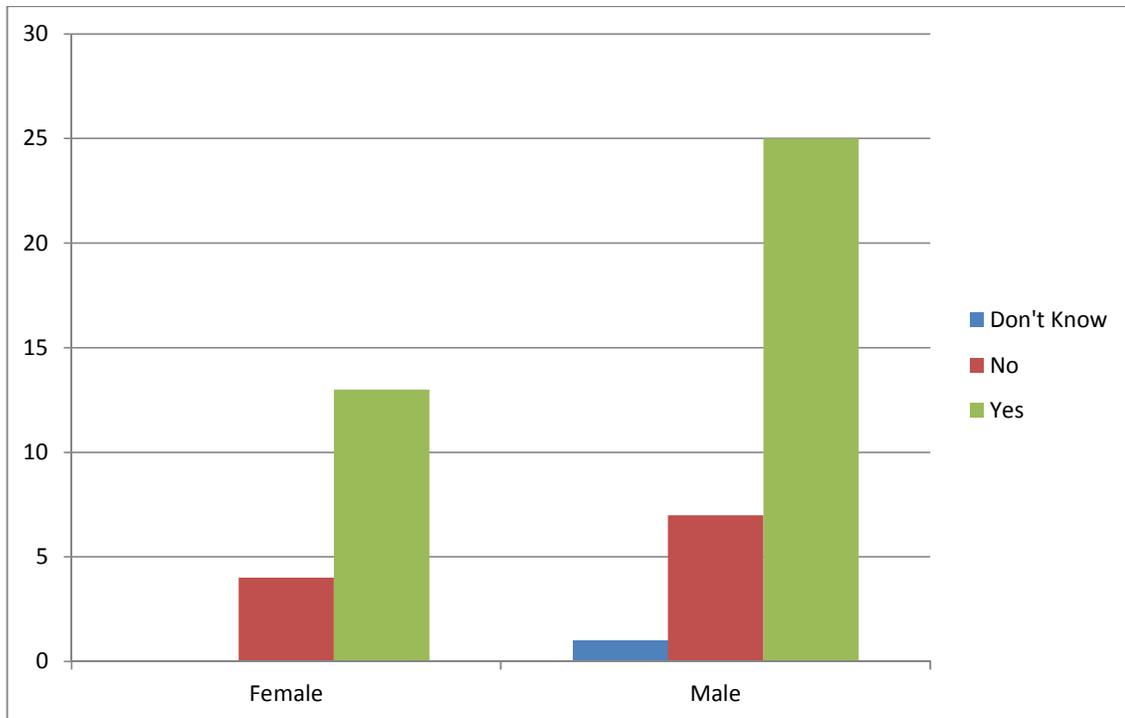
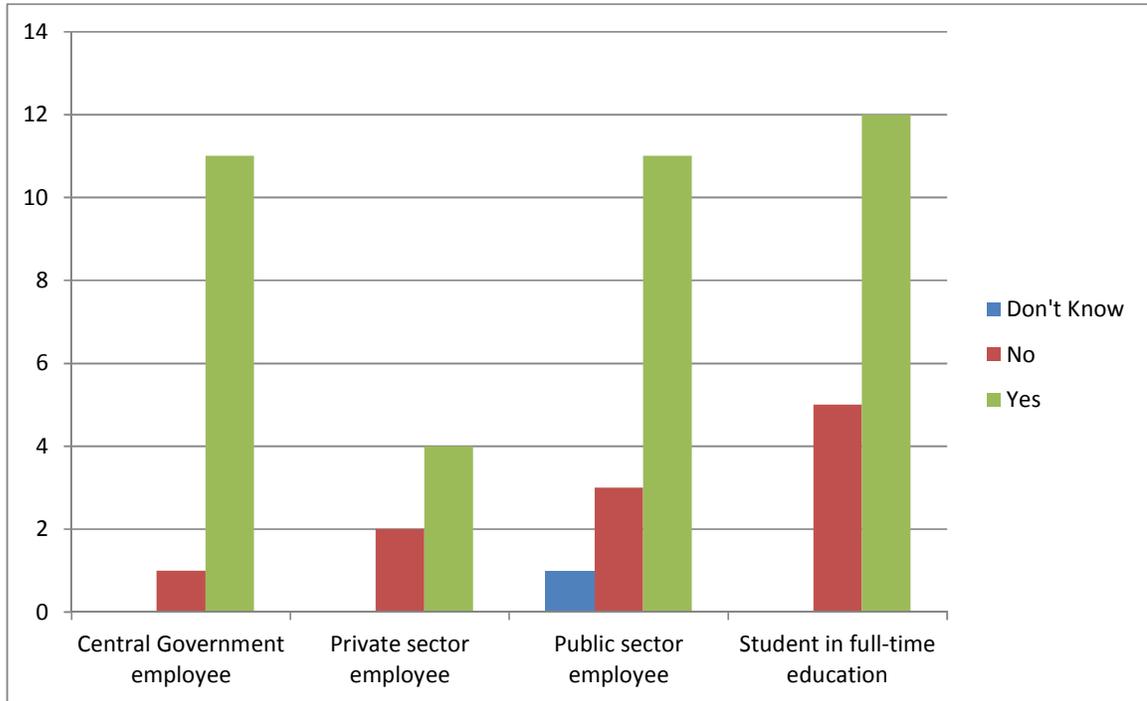
21. Should the age of retirement be increased for the Government employee from the current 60 years?



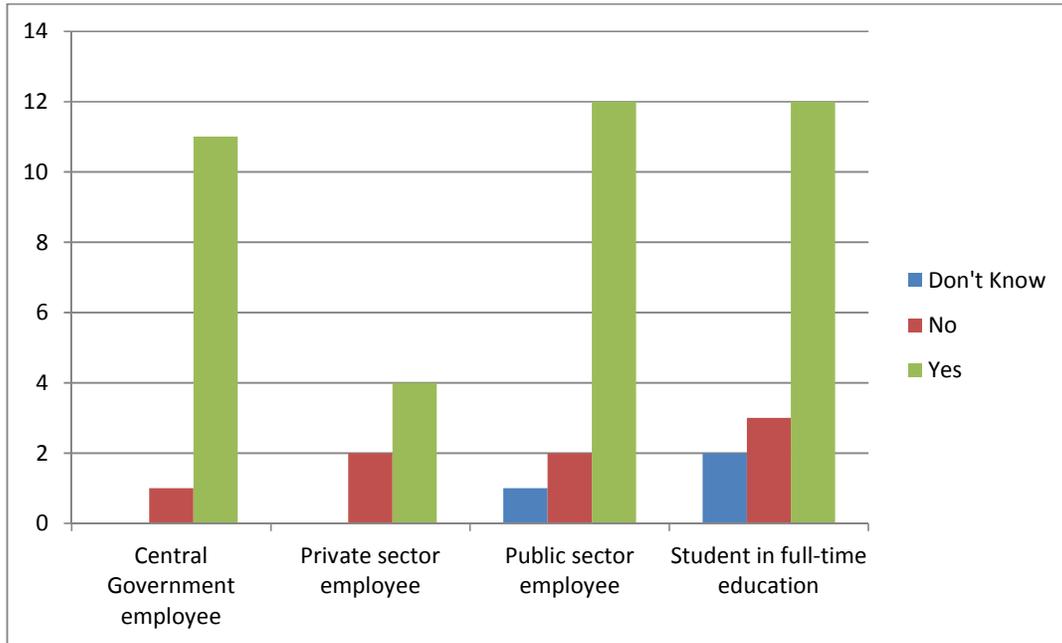
22. Should a female Government employee have flexible working hours?



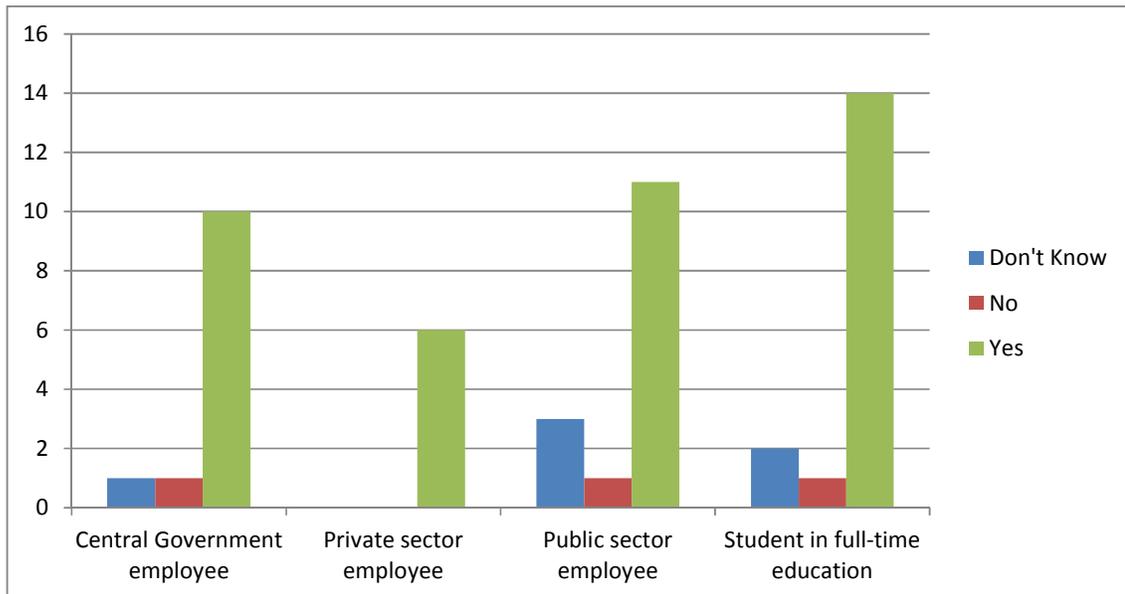
23. Should a man and a woman doing the same job have pay parity even though the woman has various concessions/ entitlements such as maternity leave, child care leave etc.?



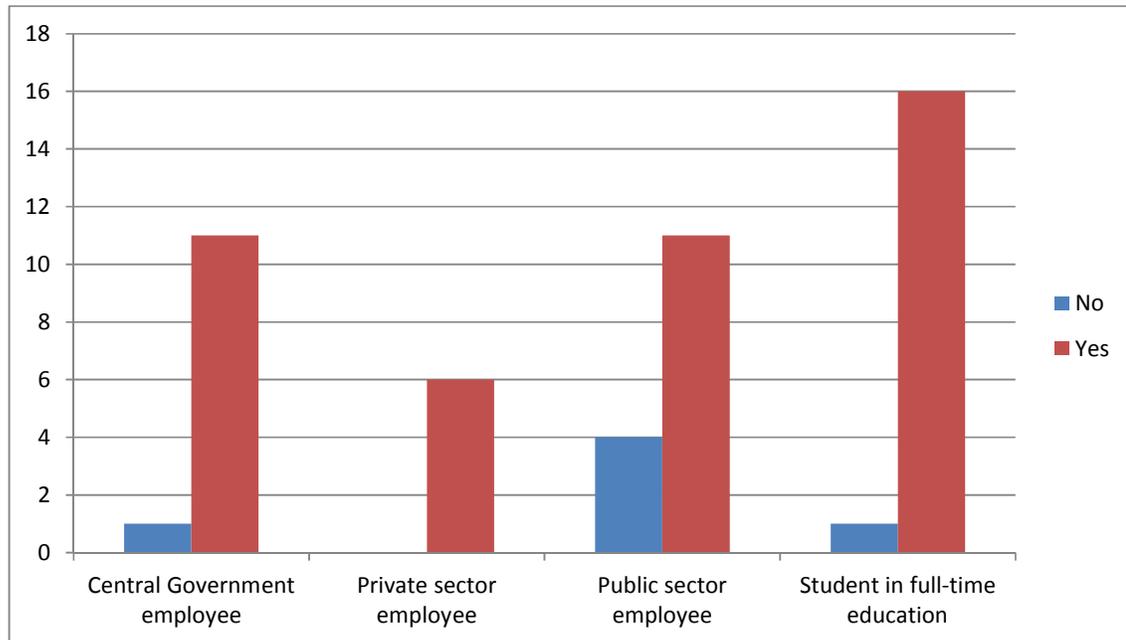
24. Should the Government bring in provision for lateral entry of professionals into the Government services?



25. Should the Pay Commissions be made a constitutional body like say the "Finance Commission" so that the Government is obliged to implement its recommendations and can't sweep the significant but politically unpopular recommendations under the carpet?



26. Do you think the Civil Services are still attractive to the bright minds of the country because of the opportunity it provides for public service and the social status associated with it, in spite of the lower remuneration ?



5. Results and Discussions

5.1 Findings from the literature

From the extensive literature review and comprehensive analysis of the Pay Commission reports we can derive certain important conclusions. Eventually we reach the global inclusive interpretation that the Issues and socio-economic conditions facing the Pay Commissions can be broadly divided two periods namely the pre-liberalisation era and the post-liberalisation era.

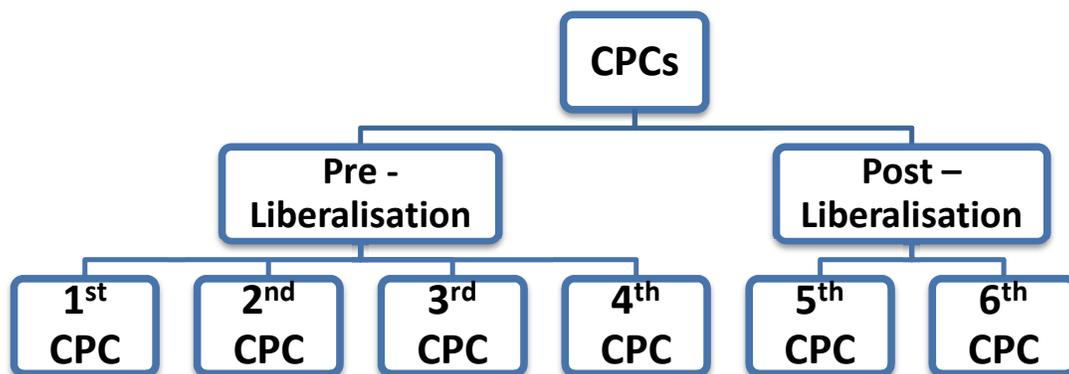


Figure 11: Broad Classification

Now, there are five important parts to any Pay Commission report, which are:

1. Terms of reference

This section lays out the Objectives of the Pay Commission. Nowhere in the constitution has the term 'Central Government Employee' or the term 'Conditions of Service' been defined, hence it also carries a brief definition of the Central Government Employee and the Conditions of Service which the Pay Commissions will decide upon.

2. Research Methodology

This section contains the methodology of research adopted by the various Pay Commissions has more or less been the same. They invite memoranda from various service associations, individuals and interest groups. They also collect oral evidence from the above. A questionnaire is also sent out to them. They also utilise the material procured through the Ministry of External Affairs to undertake a comparative analysis.

3. Description of the Central Government Employees

All Pay Commissions invariably carry a description of the current distribution of the Government employees in various Departments, classes, temporary vs. permanent jobs across the prevailing years

4. Economic Situation

Table 17: Financial impact of the Pay Commissions

Pay Commission	Financial resources required (in crores) approx. figures
1 st CPC	
2 nd CPC	39.6 (1959-60)
3 rd CPC	144 (1973-74)
4 th CPC	1282 (1987-88)
5 th CPC	43568 (1997-98)
6 th CPC	20,000 (2008-09)

5. Pay considerations – Issues & Recommendations

Over the years the issues faced by the Pay Commissions have more or less been the same. But the Pay Commissions before 1990 i.e. first four Pay Commissions faced a particular set of issues and newer issues arisen after 1991.

Pre-liberalisation era:

The 1st Pay Commission was set up in 1946 in the aftermath of the World War II and in an atmosphere of instability and escalating prices and the cost of living skyrocketed in all cities. The 2nd Pay Commission also faced the same problems of rising inflation and increasing cost of living. The 3rd Pay Commission was set up in 1970 in the aftermath of floods, drought and another war with Pakistan. Similarly, the 4th Pay Commission faced problems of high prices. The economic problem was so severe that except the first Pay Commission, all the remaining three disbursed an interim relief as a temporary measure. There was also the demand for 'Equal Pay for Equal Work'. They wanted the number of pay scales to be reduced and wanted uniformity of pay between posts of the same nature and responsibility. There was also the demand that the scientific and technical cadre like say the Indian Economic service should receive equal pay to the generalist administrator such as the IAS, IFS etc. Another important issue was the demand that the Government be a 'Model employer' when it comes to pay and conditions of service both. The Government was also faced with the social obligation of regulating minimum wages in the private sector. The principle of 'Fair comparison' argued that the Government should pay the same that other responsible employees pay for

comparable work. The principle of Distributive justice says that the salaries should be increased in proportion to the national income. Another issue that came forward was with regard to the job evaluation techniques used to determine internal relativities and whether the productivity of a person in the job matters in determining pay.

Post-liberalisation era:

In the post-liberalisation era, several of the core concerns of the pre-liberalisation era have remained the same but several new demographic and social issues have arisen. The expenditure towards worker and retiree compensation of Central Government employees is essentially made out of NNDRR (Net Non-Debt Revenue Receipt). The NNDRR of the Central Government grew at 13.76% between 1950-51 to 2004-05 and real GDP (inflation adjusted) grew at 4.43% in the same period. Employee emolument constituted about 60% of NNDRR of Central Government employee in the beginning of 1950s. But now this proportion has halved, declining to less than 30%. In turn NNDRR that was 4.4% of GDP in 1950-51 has doubled rising to 9.6% in 2004-05. This shows that the employee's cost to the Government has declined as a proportion of NNDRR. We also find that the average compensation of the Central Government workers is significantly higher than PWGDP (Per-worker GDP). But in the last few years the component of expenditure towards pensions in the budget of the union Government has seen the highest increase. In 1999-2000, the average retirement benefits to ex-employees had reached 56% of average wage compensation of current employees. Also, the life expectancy of an employee has increased but the age of retirement has not been adjusted. So, this has led to more number of people drawing pensions. This also increases the passivity ratio. Another important factor is that due to high fertility ratio around the 1950s, there are more elderly in our population and recent decline in fertility rates have lowered the number of young dependents. A one year improvement in life expectation raises the replacement ratio by 4% for a mandatory age of superannuation. Also, the female workforce has increased in recent years yet both the males and females have the same age of superannuation (age of retirement) even though females have higher life expectancy than males. Also, there is significant evidence that an increase in female labour force participation boosts economic growth and development. Therefore, they need to be supported with flexible working hours and various other provisions such as maternity leave and child care leave etc. Another important factor is that now in India, all states have passed the Fiscal Responsibility and Budgetary Management (FRBM) Act, 2003, which is a legislation to institutionalize financial discipline. As per the elaborate calculations performed by Professor Ravindra Dholakia of IIM, Ahmedabad,

also member of the 6th Pay Commission, the centre as well as most states in India can afford to implement the recommendations of the 6th Pay Commission without any major problems.

6. Pay structure

This section basically discusses the pay structure of the Government employees. The Pay Commissions usually begin by first determining the minimum pay of the lowest rung of employees. Then they fix the maximum pay of the top rung beyond which their pay can't increase. Finally, they settle the pay of all the intermediate grades of employees. This whole pay structure is fixed only after taking into account all the issues discussed above and paying consideration to each of them. This section also contains certain terms regarding the conditions of service of the employees such as retirement terms, working hours etc.

Therefore, from the Pay Commission reports, we can conclude that, given all the circumstances, the Pay Commissions have done a commendable job on the subjects within their Terms of Reference (ToR). Even though each Pay Commission has faced a whole lot of criticism, it can be justifiably said that each has successfully addressed the issues facing it. It is wrong to unduly criticize them. But the situation today is different. We are in a time of peace and with no foreseeable wars or security concerns. Our economic situation has improved and we are no longer bound by financial restrictions. Therefore, now is the time for the Government to try and bring parity.

5.2 Finding from the survey

Several interesting trends are noticeable from the survey which garnered about 50 responses in total from people with various backgrounds, 12 from Central Government employees, 6 from the private sector employees, 15 from the Public sector and 17 from students in full-time education. We observe that in general, the public is pessimistic about the current state of the economy rating it average to bad mostly which is not untrue today. But at the same time, they all are optimistic about the future of our economy but interestingly so, the Government employee is still pessimistic believing the economy will majorly be bad. All categories of people believe in consensus that the Government is now in a position to increase pay as we are no longer an under-developed nation and we can afford to increase pay even after devoting necessary portion to developmental planning. They want the pay to increase in proportion to the growth of our economy. Also, the Central Government employees overwhelmingly believe that the Government should pay them higher salaries even if it means raising more revenues through higher taxation but at the same time they don't mind if the Government uses the funds to

create better public services and infrastructure that would be beneficial to all. All subjects expect the Government to exercise a moral or social obligation to regulate the minimum wages in the private sector. All categories of subjects also firmly believe in the principle of “Equal Pay for Equal Wages”. They consider both internal and external relativities to be important in determining job evaluation but when it comes to the question of the process of job evaluation, they are inconclusive, there seems to be no consensus. All think that productivity and efficiency of the person at work also matter a lot over and above job evaluation. Another interesting thing is that while the Central Government employees wholeheartedly believe that a Central Government job can be compared to a public sector job, the public sector employees disagree. When it comes to comparison of Central Government job against a private sector job, the results are inconclusive. Strikingly, most of them affirm that Central Government job can be compared to its counterpart in the State Government. They believe with a big majority that the Central Government and public sector jobs should have pay parity and with a smaller majority support pay parity between Central and State Governments. But with absolute majority they reject the idea of pay parity between private sector and the Central Government. They also agree with significant majority that the scientific and technical cadre such as the Indian Economic Service, Indian Engineering Service etc. should receive the same pay as the generalist administrator the IAS, IFS etc. They assert that the retirement age should not be increased from the current 60 year as India being a ‘young’ country needs more job creation than stagnation. As a whole, they believe that women should be given staggered working hours but the opinions of public sector employees are inconclusive. Gender-wise, a significant number of males believe that women should not be awarded with flexible, staggered working hours. But the faith restoring result of the next poll for all feminists out there is that all of them in absolute majority believe that male and female employees should have pay parity irrespective of any extra provisions female employees may have. All are in favour of bringing in a progressive provision for lateral entry of professionals into the Government services. They believe that making the Pay Commissions a constitutional body like the Finance Commission may help in making sure that some of its progressive but uncomfortable recommendations do not get swept under the carpet. Finally, the most hope inducing poll result shows that all of them faith in the Civil Services of the country and still find it an attractive career option.

6. Comparative Analysis: Singapore Public Service System

6.1 Evolution of Singapore Public Services

Singapore is widely considered to be the possessor of one of Asia's best public services system. Moreover the number of counts of similarity between the organization of the Government of the two countries Singapore and India are quite a few. Hence, Singapore naturally becomes an obvious choice for our study. To understand the intricacies of their public services system we first need to look at the history behind their evolution into their present form. And then we also take a look at the salient features of their system that make them the finest. [18]

Singapore like India was a British colony which got independence in 1959. Since then, it has been ruled by the Peoples' Action Party (PAP) with absolute majority (92-97 per cent) in an unicameral legislature. Since 1959, they have adopted the model of a developmental state that is national economic development through state ownership and economic control. They created a company called "Temasek Holdings" which acted as an umbrella organization for various other government-linked companies and holdings. It characterized the Governments' dominant role in the national economy. Their public sector played an interventionist role to substitute for a weak private sector to ensure rapid industrialization and maintain political and economic stability. In short, their economic bureaucracy developed in partnership with the transnational companies rather than in competition with it. In such a situation, their bureaucracy developed into an efficient, technocratic, meritocratic and managerialist bureaucracy to rise up to meet the responsibility and challenge of leading the country's future, economic and otherwise. [18]

Through the 1960s and 1970s there continued this period of nationalization and expansion of public services. But starting from the early 1980s, there was an atmosphere of extremely high interest rates and a severe economic downturn. Countries all over the world realized that it was no longer possible to sustain a model of state intervention in the economy and thereafter followed a period of privatization, deregulation and liberalization. Likewise following the recommendations of the Singapore Public Service Disinvestment Committee in 1987, the Singapore Government decided to privatize state enterprises and companies. In line with these changes, there was a corresponding change in the organizational and administrative structure of the public services towards a more business-oriented public administration. This new system that emerged came to be known as the "New Public Management System". This system basically emerged in the capitalist nations in the 1970s and 1980s. This system basically comprised of two main components of *disaggregation* of various ministries and departments

into autonomous executive agencies with greater autonomy and the *delegation* of financial and managerial authority to these bodies. An important shift in their working ideology was the transferal of importance from the inputs and processes to the final results instead. [18]

Specifically, in the case of Singapore there were two branches of the public service. There were the regular ministries that performed the everyday regular and recurrent tasks and then there were the statutory bodies, public enterprises, committees and commissions that had sweeping powers and autonomy and dealt with key policy issues. These were the events which led to the evolution of the Singapore Public Service System as one of the best in the world.

6.2 Salient features

The government of Singapore introduced reforms in civil service in the early 1990s. The Public Service for the 21st Century (PS21) was the flagship reform program. Introduced in 1995, PS21 seeks to foster a culture of change reflected in its official slogan "be the change". In Singapore, the public services include the Armed Forces, Civil Service, Legal Service and the Police Force. It comprises of almost 110,000 officers serving in 15 Ministries and more than 50 statutory boards. Now, there are several lessons that we can learn from the Singapore model, several striking features that have proven very proficient in their functioning. The key features of their paradigm are discussed below.

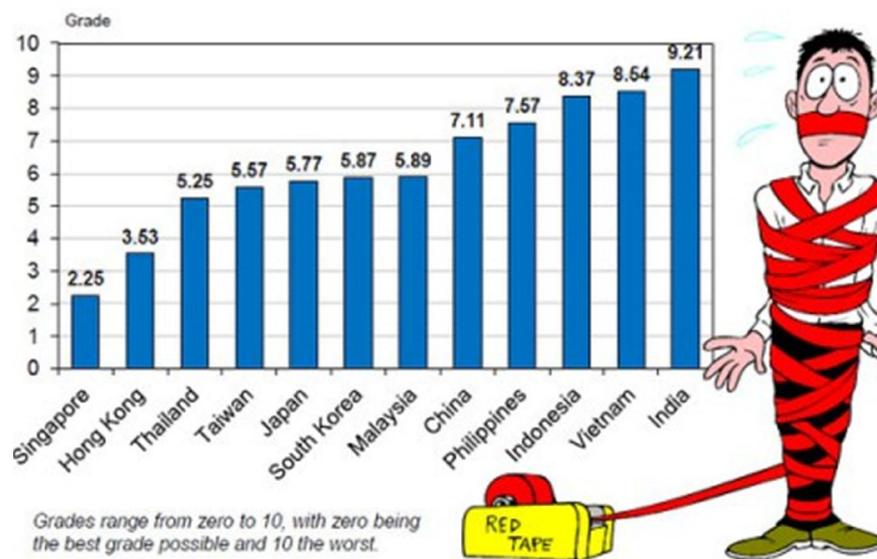


Figure 12: Corruption & Ease of Business Index (0-Best & 10-Worst) [19]

1. The Officials of the Public Services system had greater prestige than their peers in business. Power and official title outranked money in the local scale of esteem.

2. People were recruited through an extremely competitive public services examination which maintained the highest of standards.
3. The investigation of corruption in both the public and private sectors is under the authority of the Corrupt Practices Investigation Bureau (CPIB), which enjoys sweeping powers under prime minister. In January 2012, CPIB arrested senior civil servants on the charges of corruption, including the former head of the Singapore Civil Defence Force. [18]
4. Official honesty was also promoted by relatively high salaries was also promoted by relatively high salaries paid to public officials and were justified by the need to remove temptations for corruption. [18]
5. They also recruited the most academically talented. The Public Service Commission awarded lucrative scholarships to promising young people for study in both Singapore and abroad on condition that the recipients join the civil services after graduation. They also take effort to reach out to university graduates with mid-term scholarships and internships. [18]
6. The Singapore Public services focuses on hiring younger generation and that is why almost 60 % of the public service workforce comprise of individuals less than 40 years of age. This brings in fresh perspective and ideas to the problems that is translated into efficient public service. Young recruits are often entrusted with important other developmental projects. This brings encourages them and brings in positive youthful energy. [18]
7. Singapore Public Service pays special attention to the training and development of its workforce. All public officers are entitled to 100 hours of training and development per annum so that they can upgrade and acquire new skills. Interestingly, every officer is required to develop an individual training roadmap to make sure that he is equipped with skills for the job and long term employability. The Civil Service College (CSC) plays an instrumental role in identifying organizational capabilities and competencies critical to the Service.
8. They also incorporate private sector expertise at various levels laterally according to their experience and expertise. This measure has also helped improve their efficiency manifold. [18]
9. At quite an early stage it was identified by Singapore public Service that paper based file system is a big hurdle in efficiency of public offices. Automation was resorted to replace papers with emails and registers with servers and databases. Under its eGov Plan the Singapore Civil Services has introduced an array of IT based services for the public, businesses and the public office bearers that include innovative programs like Government Cloud (G-Cloud and CUBE (for collaborative ideas sharing) etc. [18]

Now, these were the many fronts on which the Singapore Public Services system scores over others. After proper analysis and study, similar measures can be incorporated into the Indian system too.

7. Recommendations, Scope and Strategy for Implementation

7.1 Recommendation & Scope

1. Make the Pay Commissions a Permanent Constitutional Body

None of the industrial nations of the world have such a retrograde system such as a Pay Commission that is set up roughly once in 10 years. Instead of constituting a new Pay Commission once every 10 years or so, after repetitive demands from employees' unions and much prodding, the Pay Commission should be made a permanent body whose members are appointed by a college and who retire after a specific term undertaking continuous research on the pay structure. Fourth CPC recommended a Permanent Machinery to undertake periodical review of the pay, allowances and conditions of service of Central Government employees but it was not implemented.

Moreover, the Pay Commission should be accorded the status of a Constitutional body from the current statutory body status so that they are able to make their recommendations independently and dispassionately without any political pressure. There are two types of bodies - statutory bodies and constitutional bodies. The powers, function and constitution of a constitutional body are written into the Constitution and can only be changed by an amendment to the Constitution which will require a majority of the total membership of the House and a majority of not less than two-thirds of the members present and voting is required in each House of Parliament. They may also need to be ratified by the legislatures of at least one-half of the states. But a statutory body on the other hand is not written into the constitution and its powers can be abolished by a simple majority in the parliament.

Fifth CPC in Chapter 171 had recommended that the "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." Fifth Pay Commission recommended that "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." But like innumerable other reputable recommendations before, this too got lost between the lines.

2. Periodicity of wage revision

The Government has already conceded to effect wage revision in PSUs after every 5 years. The disparities with PSUs & Corporate Sector have increased further since Sixth Pay Commission submitted its Report as the PSUs got a big wage hike w.e.f. 2007 thus increasing the gap further with Central Government employees. The disparity will be further increased as the next wage review in

PSUs is due in 2012 and the wage disparity can be just visualized especially due to fast improvement in economy. It is imperative that the same criteria for revision of wages every 5 years as adopted in PSUs, should be adopted for revision of wages and pension of Central Government Employees and Pensioners.

3. Merge DA

The Fifth Pay Commission had recommended that the DA be merged with the Basic Pay once it reaches 50% of the Basic Pay. It is regrettable that the Sixth Pay Commission in Para 4.1.18 of its report, had recommended that the DA should not be merged on reaching 50% (and an increase of 25% in some Allowances be given – other than DA & HRA). The Merger of DA on crossing 50% was proposed to be discontinued on the ground that the Increments had been recommended to be on percentage basis (instead of fixed ones in each Scale earlier). It was further contended by the Sixth Pay Commission that the Base point for calculating the Consumer Price Index should also be raised if the DA was to be merged. Both these contentions of Sixth Pay Commission were not only inconsistent with the recommendations of the previous Pay Commissions; these were also against the established laws of economics on which the very concept of grant of DA and merger thereof after reaching a reasonable level were based – to avoid wage erosion and its distortion. Hence, we should merge DA after reaching 50%.

4. Abolish DA

We can look at this problem in another open-minded way. DA is indexed against inflation. DA is not proportional to productivity. It has nothing to do with the amount of work performed. Price rise leads to increase in DA and DA in turn, leads to price increase. Ultimately it leads to spiralling inflation. Most of the industrially developed countries don't have the DA system. They have the Gross Wage System. Price rise is taken care of by increasing the gross wage. So psychologically the employees feel that the wage has been increased, so the production also should be increased. But in Indian conditions, the employees feel that the DA increase is only to neutralize the price rise. So, they don't increase the productivity and demand for more and more wages. People are trying to get more wage through DA increase rather than Basic wages increase in order to avoid increase in production. Therefore, the DA can be abolished on the whole and the gross wage system adopted.

5. Avoid Arrears

Structural shocks such as arrears arising out of Pay Commission awards should be avoided by making the pay award commence from the date on which it is accepted. If needed, the Government can announce interim relief for the employees during the intervening period but they should avoid implementing the recommendations of the Pay Commission from a retrograde date.

6. Implement PRIS

The 6th CPC introduced a Performance Related Incentive Scheme (PRIS). PRIS or Performance Related Incentive Scheme under the Sixth Pay Commission is a kind of monetary as well as performance rating system which will be implemented in selected departments of the central governments based upon the set criteria of fulfilment of the required conditions. Since this is a department wide incentive program based on performance of the entire department, all the eligible employees of the entire department will get the benefit under PRIS. However, the amount of incentives received by the various employees will vary as per the ranks and levels within the Department. Even today when the seventh Pay Commission is about to be formed, the PRIS has still not been implemented and is still in the pipelines. Therefore, it is imperative that this progressive suggestion by the 6th Pay Commission be implemented and not be caught somewhere in the red tape. The process of drafting of this scheme should be expedited and priority granted to it.

7. Provision for lateral entry

From 1957 to 1977, the Government made a systemic effort at lateral entry by creating an Industrial Management Pool (IMP), wherein successful private sector managers were attracted to specialized public sector jobs. For example, PL Tandon, who left a multinational and took over the STC of India Ltd as its chairman. However, the IMP was abandoned due to arbitrariness of some appointments. It is especially relevant in Departments like space, atomic energy, science and technology, etc., which have been headed by experts in their respective fields. But if not controlled properly it could turn into a political tool, if appointments are made arbitrarily. Debate and discussion regarding the same should be done to evolve a concrete mechanism to set in place permanent machinery.

8. Contractual jobs

Limit appointments to 6-12 years. After the appointment expires, the bureaucrat would then have to go through re-examination and their performance would be reviewed for possible re-hire. Civil servants should be screened and tested to see the suitability of merit and ability in polite and

efficient public dealing. Any government employee found unsuitable should be given a chance to take a course and improve his/her skills.

9. Reorganization of organizational structure

With so many different strata, the inner most layer is often oblivious to the environmental conditions faced by the outermost. Requiring authorisation from 10 different levels in a government organisation is not only wasteful and time-consuming, but it brings about a sense of unaccountability and therefore a chance to make an extra 'under the table' buck. According to research carried out by GE, North America – nearly half the levels in an archaic reporting-model are redundant and a waste of talent. Streamlining staff rosters and reassigning employees to larger/varied roles will reduce the overall 'run-around' time required and increase accountability.

Also rotating professionals between agencies and from outside. Reformers believe that this practice would bring "new blood" to agencies and encourage workers to get a broader view of government service.

10. Long-term tangible incentives

To get rid of the problem of lack of motivation and incentive and also the fall-out of many Governments who leave their jobs to join the private sector after a few years in the system we can introduce certain long-term tangible incentives such as say a plot of land after the completion of 10 years of service or so. Also, the children of Central Government employees should be provided with free education and medical services.

11. Training & Skill Development

The employees should be encouraged to acquire new skills and knowledge by undertaking various courses and programmes to keep themselves in tune with the changing times and new developments. A useful programme for this may be the Distance & E-learning programmes for Government Employees (DELPGE). This Programme is open to Central Employees (working in ministries/ Departments/ Attached offices) and the faculty members of State Apex Training Institutions. The officers working under Public Sector Undertakings are not eligible for the Programmes covered under this Programme. The specific conditions of eligibility of employees (including level of employee and Ministries covered) for each module/ course will be decided for each course/module and notified from time to time by DoPT. Short-Duration Specialised modules, Certificate Programmes and Masters, PG and PG Diploma Programmes are offered. The employees enrolling for the courses under this Programme will pay the required course fees to IGNOU. The amount so paid

shall be reimbursed to the employee on his/her successful completion of the course by IGNOU. Various other such programmes are also offered by the DoPT at various reputed institutions of research in the country.

12. Scholarships & Bonds

To improve our public services, we need to be able to attract the best young minds of the country into the public services system. We can do this by designing certain attractive schemes specifically targeting the young undergraduates and graduates of the country. They can be offered a scholarship or fee - waiver for completing their studies at the best institutes of the country or abroad on condition that they join the public services after completing their studies. They can also be offered summer internship opportunities to work on projects. They should be made to sign a bond. This form of recruitment is already in practice in various PSUs of the country.

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Appendix A

Field Visit Report:

Date of the Visit: 4th June, 2013

Goals of the visit:

1. Now, that I have read all commentaries on pay commissions and found out the pros and cons and features of each CPC. I wanted to talk to a professor researching in this field to narrow down the focus of my research.
2. I wanted to get access to the first 4 Pay Commission reports, which were not present on the internet or in the JNU or IIPA Library.
3. I wanted to know how to do a quantitative and qualitative analysis of CPCs.

Goals Met:

1. We have come to the conclusion that in such a short amount of time, a valid research question would be to focus on manpower planning/Human resource planning and how to improve the public service system by comparison with countries like Singapore which has the best bureaucracy in the world and a country like Britain from which we have adopted our public service system and a country like the US which has a federal democratic form of government similar to India.
2. Got access to all the Pay Commission reports at the NIPFP Library and Information Centre.

Details of the Discussion:

Sir told me that since you don't have the necessary background in finance and have a shortage of time. You can concentrate on manpower planning/Human resource planning and how to improve the public service system by comparison with countries like Singapore which has the best bureaucracy in the world and a country like Britain from which we have adopted our public service system and a country like the US which has a federal democratic form of government similar to India. This will be new and significant research while at the same time not requiring too many technicalities.

Appendix B

Meeting Minutes with Mentor

Date: 20th May, 2013

Meeting Mode: Phone

Time: 7:20pm – 7:50pm

Duration of Discussion: 30 minutes

Discussion

- Avoid controversial topics such as discontent among the defence personnel regarding disproportionate remuneration between civil and defence employees and impart an impartial dissertation. Try to impart an unprejudiced and dispassionate dissertation.
- There are two parts to each pay commission report. The first part deals with improving the public services in the country and second part deals with revision of pay scales of central government employees.

Points to consider –

I part – Improving public service system

- a) Reducing proliferation at senior level i.e. number of departmental heads
- b) Reducing surplus personnel
- c) Dealing with increasing lack of integrity among personnel
- d) Review of the scheme of bonus payments, arrears scheme
- e) Review of working hours – is five day work week enough?

II part – Pay scale revision

- a) Is lobby by public sector employees for pay equal to private sector fair? Can a comparison between public and private sector employees be done?
- b) What are legitimate parameters for increasing pay of central government employees?
- c) Pay indexed against their contribution say against PWGDP (per worker GDP) i.e. contribution of each worker to the GDP.
- d) Common National wage policy - uniformity of pay between centre and state government employees – the stress on budgets of state government and further on the budgets of the urban and rural bodies such as city corporations and Zila Panchayats etc.
- e) Burden on the exchequer – impact on fiscal policy, is it reasonable to spend on salaries at the cost of health and education services. For example – due to the 4th Pay commission, the incremental increase in salaries was 18,000cr in the budget whereas the allocation for health and education services was a paltry 5000cr.

Action Items before Next Discussion

1. Read 'summaries' of all 6 Pay commission reports tabled till date.
2. Read 'commentaries' on the features of pay commission reports tabled.
3. Look at salient feature introduced in each progressive report.
4. Classify pros and cons of each commission report.
5. Formulate surveys to determine how to improve public service systems (I).
6. Define the term "Central government employee" i.e. any employee covered under the pay commission report.
7. Understand system of pay grades and pay bands.
8. Get data and try to device a way for comparing public vs. private sector pays, centre vs. state government pays, impact of pay commission reports on centre, state and local body budgets, Pay indexing.

The highest measure of democracy is neither the
'extent of freedom' nor the 'extent of equality' but
rather the highest measure of participation."

- A.D. Benoist

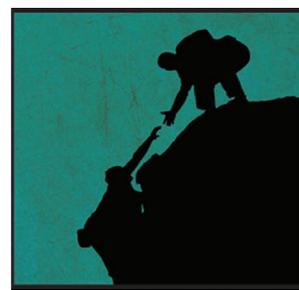
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