

Foreword

1.1 India is a vast country measuring 3,214 km from north to south, 2,933 km from east to west, with an area running to 3.3 million square km. It has a land frontier of 15,200 km and a coastline of 7,517 km. It shares borders with the neighbouring countries of China, Pakistan, Bangladesh, Bhutan, Nepal, Myanmar, Afghanistan and Maldives. We also share maritime borders with Malaysia, Sri Lanka and Thailand. The longest borders are with China and Pakistan, measuring 3488 km and 3,323 km respectively. Apart from its physical size India has a large population of about 1.2 billion. To govern such a vast country, India needs a strong civil and non-civil work force.

1.2 Our country also has immense diversity in its culture, caste, religion, customs, languages that give it uniqueness. Keeping in view these features, our forefathers conceived a Constitution which captures all its unique features. The Indian Constitution is unitary as well as federal in character. The Preamble of the Indian Constitution reads as under:

WE, THE PEOPLE OF INDIA, having solemnly resolved to constitute India into a SOVEREIGN SOCIALIST SECULAR DEMOCRATIC REPUBLIC and to secure to all its citizens:

JUSTICE,	social, economic and political;
LIBERTY	of thought, expression, belief, faith and worship;
EQUALITY	of status and of opportunity;
	and to promote among them all
FRATERNITY	assuring the dignity of the individual and the unity and integrity of the Nation;

IN OUR CONSTITUENT ASSEMBLY this twenty-sixth day of November, 1949, do HEREBY ADOPT, ENACT AND GIVE TO OURSELVES THIS CONSTITUTION.

1.3 The basic feature of Indian Constitution is that it has three pillars—Legislature, Executive and Judiciary. Laws are framed by the Legislature. They are executed by the Executive machinery of the government. The Judiciary works as a watchdog so that both, the Legislature and Executive, shall not overstep the framework of the Constitution. Laws made by the Legislature are implemented by the Executive. Therefore, the Constitution conceived Civil Services like the All India Services and Central Services. Since the Indian Constitution is federal as well as unitary in character, each state has its own legislature i.e., State Assemblies. The Central Government legislates through Parliament i.e., Lok Sabha and Rajya Sabha. Under Indian Constitution power to legislate has been demarcated in the VII Schedule of Constitution. There are three lists, List-I enumerates subjects on which the Central Government will legislate, List-II enumerates subjects on which states shall legislate, List-III, on which both, the Centre and the States shall have concurrent power to legislate.

1.4 This is reflected in Article 309 of the Constitution which empowers the Parliament and the State to legislate frame an Act to lay down the service conditions of the respective services. There is a proviso to Article 309 of the Constitution of India as per that, till the Parliament or

the State Legislature frames an Act, Rules can be framed by the Central Government or State Government to regulate the service conditions of employees. The amended Article 312 also contemplates creation of All India Services common to the Union as well as the States. This is brief legal background that how service condition of the government servants are regulated under the Indian Constitution.

1.5 Since the laws are laid down by the Parliament and the Executive has to implement those laws, the Executive consists of political elected representatives as well as the bureaucracy. So far as political elected representatives are concerned, they are elected by the people, but the bureaucracy is recruited under the Rules framed under the Constitution. The elected political elected representatives and duly recruited bureaucracy together govern the country.

1.6 What should be the norms for governance? This has been a moot point through ages and the norms of the governance have changed from time to time. If we go to the past history of ancient India, we have many scriptures which have dealt with issues of governance and those norms are also relevant in the present time. Bhagwat Gita tackles many management issues at the grassroot level and offers feasible solutions on the principles of value-based ethics, enlightened leadership and human quality development. It says:

| | यद् यद् आचरति श्रेष्ठम् |

| तत् तद् ऐवेतरो जनः |

| स यत् प्रमाणम् कुरुते |

| लोकस् तद् अनुवर्तते | |

(Ch. III Karmayoga Shloka 21)

It means whatever action a great man performs, common men follow and whatever standards he sets by exemplary acts, all the world pursues. It is further stated in the Gita “यथो धर्मः तथो जयः” meaning “where there is Dharma there is victory” or, in other words, success goes hand in hand with righteousness.

1.7 Chanakya also, in his celebrated discourse “Arthashashtra,” emphasized that the Dharma Sukti is applicable to both, a ruler and the common man. It is necessary to follow Dharma in all walks of human life.

1.8 Therefore, if we have a dedicated bureaucracy, then they will provide a good leadership and good governance.

1.9 It is unfortunate that we have lost sight of relevant principles enshrined in our scriptures, and this has led to a steep decline of our administrative machinery. It needs to be resuscitated by infusing the norms of righteousness.

1.10 During the Mughal period, there was an evolution of administrative system that was further improved by the British rulers for our country, they framed elaborate norms to govern the country and created an administrative framework, which was adopted and formalised under the Indian Constitution.

1.11 To get a competent workforce, the government has laid down recruitment rules for recruiting persons who are efficient and competent. To improve efficiency, the government

has from time to time constituted Administrative Reforms Commissions to suggest ways and means to improve efficiency in administration. The Government of India has also, from time to time, set up various Pay Commissions for improving the pay structure of its employees so that they can attract better talent to public service. In this 21st century, the global economy has undergone a vast change and it has seriously impacted the living conditions of the salaried class. The economic value of the salaries paid to them earlier has diminished. The economy has become more and more consumer economy. Therefore, to keep the salary structure of the employees viable, it has become necessary to improve the pay structure of their employees so that better, more competent and talented people could be attracted for governance.

1.12 In this background, the Seventh Central Pay Commission was constituted and the government framed certain Terms of Reference for this Commission. The salient features of the terms are to examine and review the existing pay structure and to recommend changes in the pay, allowances and other facilities as are desirable and feasible for civil employees as well as for the Defence Forces, having due regard to the historical and traditional parities. The framework should be linked with the need to attract the most suitable talented candidate to the government service and promote efficiency, accountability and responsibility in the work culture. In addition, it is to review the norms of bonus, keeping in view performance and productivity, as also examine the existing pension scheme and other retirement benefits. The terms of reference enjoin that the recommendations should be made keeping in view the economic conditions and available resources of the country and also the likely impact on the State Governments. The Terms of Reference also mandated the Commission to make the recommendations keeping the best global practices and their adaptability and relevance in Indian conditions. A closer look at the terms of reference reveals, thus, that there are many newer elements which have broadened the remit of this Commission.

1.13 The approach adopted by the Commission was to reach out to all stakeholders and seek their inputs in various forms. To start with, a website was set up giving all updated information about the working of the Commission. An exhaustive questionnaire was prepared, capturing, inter alia, all the important facets of the terms of reference, for seeking suggestions from the stakeholders. We wrote to ministries/departments seeking various data on pay and allowances, staff position, age profile, recruitment rules of cadres etc.

1.14 The Commission received a large number of representations from various recognised and unrecognised bodies. The Commission also permitted oral submissions through the representatives of these organisations. Visits to remote areas like the border areas in the North, Leh, Arunachal Pradesh, Rann of Kutch and Rajasthan, and to distant parts of the country such as the north-eastern region and Andaman and Nicobar Islands were undertaken. The main objective of the visits was to have a first-hand experience of the working conditions and difficulties attached to various jobs. The Commission visited metros with significant presence of Central Government employees such as Bengaluru, Vishakhapatnam, Mumbai and Kolkata. After taking oral as well as documentary evidence, the Commission discussed all the issues which were raised by these representatives, keeping in view the terms of reference. As per our ToR, we have to capture the global best practices. Pursuant to this, we interacted with the Governments of Australia and New Zealand.

1.15 To gain insight into the principles of emoluments, workshops were organised in association with IIM, Bangalore, Administrative Staff College of India, Hyderabad and SVP National Police Academy, Hyderabad. The local country office of the World Bank was requested to provide inputs on best global practices in remuneration. The World Bank team made several presentations on relevant subjects, viz., international trends in public sector pay, allowances, pension etc.

1.16 The key expectation of employees at all levels is that there should be a significant increase in their pay and improvement in other facilities. Representatives of some of the recognised organisations have staked their claims for grant of a pay structure comparable to that of the private sector. At the core of this demand is the economic development the country has witnessed in recent times, resulting in the avenues for talented young persons having opened up; several of them are being hired by the private sector for emoluments much higher than in the government sector.

1.17 The Commission bestowed its best of consideration and has dealt with all the issues in appropriate chapters. It may be observed at the outset that government service is not merely a contract service, it provides a status in society which cannot be monetised in terms of money value. The focus for the Commission was that emoluments should be such which attract the right kind of talent by a transparent method, keeping in mind the financial limitations of the government. The attempt has been to provide wages commensurate with comfortable living. The pay structure should also need to address any significant deterioration in real value of emoluments as a consequence of inflation. One should get proper and adequate compensation for his merit. The increase in pay structure cannot keep pace with the market forces, at the same time it should not be so unattractive that talent is not attracted to government service. Therefore, we have attempted a pay structure which has as its basis the Aykroyd formula, which reflects the basic average cost of living in the country. The attempt has been to arrive at a proper pay package so that the essentials of life can be availed comfortably.

1.18 While finalizing the levels of salaries, allowances and other perquisites of compensation structure, we have tried to take a holistic approach. We also commissioned three studies by expert bodies towards this end:

1. Study by IIM, Ahmedabad to understand the nature and quantum of total compensation of select job profiles in the government sector vis-à-vis similarly placed profiles in the CPSUs and the private sector
2. Study by Institute of Defence Studies and Analyses on nature, quantum and components of defence expenditure and defence pension;
3. Study by IIM, Kolkata on fiscal implications of implementation of the V and VI CPC on the finances of the Union and State Governments.

1.19 The new pay structure has been laid out by and large broadly as an open ended, layered matrix, for civilians as well as for the armed forces personnel. It has been kept in view that a person should not stagnate but should have fair opportunity to progress by dint of merit and secure better emoluments so that frustration does not set in. The prevailing rate of increment is considered quite satisfactory and has been retained. The concept of separate grade pay has been done away with and the grade pay at all levels has been subsumed into the pay matrix.

The Modified Assured Career Progression (MACP) scheme has been further modified. It is expected that the present formulation will address the widespread dissatisfaction prevailing in the earlier system, in which the gain or progression through the MACP was considered inadequate. The remuneration package is such that employees would feel that they are valued and they are fairly paid and their remuneration is not less than a person who is similarly situated in another organisation. While addressing this aspirational need, we are also conscious of the fact that such employees who have outlived their utility, their services need not be continued, and the continuance of such persons in the system should be discouraged.

1.20 Separate pay matrices for Civilian employees, Defence Forces personnel and those of the Military Nursing Service (MNS) have been prepared, cell by cell, after due diligence and deliberations. The structure, which essentially is the same for all segments, has been simplified so that each employee can find his or her place in the proposed matrix. All the employees belonging to various services will proceed according to their respective service conditions by earning increment on the basis of merit. Any disturbance of the matrix structure will have a serious repercussion on the inter se positioning of various levels in the hierarchy, all of which have been extensively deliberated upon, along with the service conditions of all the employees serving in Government of India. Therefore, the importance of not altering **any portion of the three matrices** cannot be emphasised enough, as doing so will disturb the parity of the services and create anomalous situations.

1.21 Furthermore, the Commission's interaction with various unions/associations has revealed that there is a significant lack of standardization across cadres as far as their entry level qualifications (ELQ), pay scales, nomenclature and promotional avenues are concerned. The approach of this Commission is to bring about uniformity in the ELQs and pay scales while dealing with cadres with similar job content and responsibility across organisations.

1.22 It is also recommended that the matrix may be reviewed periodically without waiting for the long period of ten years. It can be reviewed and revised on the basis of the Aykroyd formula which takes into consideration the changes prices of the commodities that constitute a common man's basket, which the Labour Bureau at Shimla reviews periodically. It is suggested that this should be made the basis for revision of that matrix periodically without waiting for another Pay Commission.

1.23 We have also revised a large number of allowances and made them more relevant and rational. Those which have outlived their utility have been discontinued. **We also recommend that each allowance should be placed in public domain as a step towards greater transparency in governance and ease of administration.**

1.24 We have also kept in view the needs of the pensioners under the old pension system, (employees who joined before 01.01.2004) and suggested some measures to alleviate their plight. They should also not be left in straitened circumstances. We have suggested their proper fixation in the new pay matrix which will provide them a respectable living. Almost the whole lot of government employees appointed on after 01.01.2004 were unhappy with the new pension scheme. While the National Pension System does not form a part of our Terms of

Reference, we have recorded the sentiments of the affected employees. The government should take a call and step in to look into their complaints.

1.25 Great dissatisfaction has been expressed with regard to medical facilities by in-service employees as well as retired personnel. We have suggested certain measures in the appropriate chapter, to take care of medical facilities to serving as well as retired government employees. The best answer appears to be medical insurance, which will not only reduce financial liability of the government, but, if well structured, provide quality medical services to all. We have been informed by the Health Ministry that this is being actively explored by them.

1.26 A serious grievance has been made by all services that cadre reviews have not taken place for years together, which has resulted in great anguish and frustration among the services. Though it is essentially an administrative matter, it has a serious impact on the status and emolument of employees. On account of delay in cadre reviews, many Central Services lag behind and that gives rise to frustration and ultimately affects governance. We have tried to cover this issue in the appropriate chapter in this report. A great resentment and anguish has been expressed by Central Civil Service officers that they are not getting their legitimate due vis-à-vis All India Services. Therefore, the government should take a call and give them a proper representation in the government.

1.27 A number of grievances or so called anomalies have been placed before the Commission. Many have their roots not in the recommendations made by the VI CPC, but in the subsequent modifications made by the government and the resultant orders issued by it. Often these resulted in anomalies, many of which could not be rectified till date. Wherever possible we have tried to remove these anomalies. We also suggest that an appropriate body may be created to look into anomalies, if any arising out of the implementation of the recommendations of the Seventh CPC. The body so created may be in position for a period of six months at least so that if any anomaly arises in implementation of the recommendation of this Commission, it can be immediately attended to and the affected persons need not wait for another decade.

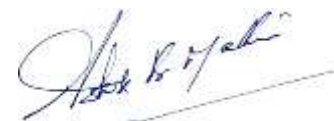
1.28 The terms of reference place emphasis on productivity, accountability and performance. This brings into focus the concept of Performance Related Pay, which has emerged over the past three Central Pay Commissions. The VI CPC recommended a framework for performance pay. In furtherance of this, guidelines were drawn up based on the performance measurement methodology of the Results Framework Document (RFD). However, at that time, the RFD system was still being put in place and many departments were in the process of adopting this system. As a result, the scheme on performance pay could not take off. RFD system has taken firm roots now. We are recommending introduction of Performance Related Pay for all categories of Central Government employees, based on RFD, Annual Performance Appraisal Reports and some broad guidelines. We are also of the view that there should not be automatic payment of bonus and all existing schemes of payment of bonuses should be linked to productivity. There is no blueprint for enhancing efficiency and productivity in the government. The organization systems in the government are generally large, multi-layered and complex. Improvement of efficiency and productivity in such a setting depends on a whole range of extrinsic and intrinsic factors. A large number of issues that were placed before this Commission by various Cadres/Associations related to cadre matters, issues of administrative

nature, organizational structure etc. The broader issues of efficiency, productivity, excellence and service delivery should ideally be dealt with administratively by a body such as the Administrative Reforms Commission or Civil Service Reforms Commission.

1.29 As we have mentioned above, government service is not a contract. It is a status. The employees expect a fair treatment from the government. The States should play role model for the services. In this connection, it will be useful to quote the observations in the case of **Bhupendra Nath Hazarika and another vs. State of Assam and others** (reported in 2013(2)Sec 516) wherein the Apex Court has observed as follows: “..... *It should always be borne in mind that legitimate aspirations of the employees are not guillotined and a situation is not created where hopes end in despair. Hope for everyone is gloriously precious and that a model employer should not convert it to be deceitful and treacherous by playing a game of chess with their seniority. A sense of calm sensibility and concerned sincerity should be reflected in every step. An atmosphere of trust has to prevail and when the employees are absolutely sure that their trust shall not be betrayed and they shall be treated with dignified fairness then only the concept of good governance can be concretized. We say no more.*”

1.30 Lastly, we must emphasize that the government should inspire confidence in mind of civil servants that they will not be hounded by unnecessary harassment by investigation agencies. The recent trend of hounding civil servants as criminals for the failure of bona fide decisions is not a happy one. This will discourage the bureaucracy to take bold decisions in fear of being hounded if such a decision misfires. Any misadventure should not be looked upon with suspicion unless it has definite criminal intent to benefit either himself or someone else. If this trend is not checked it will lead to disastrous consequences.

1.31 The sole consideration with the Commission was to ensure that employees do not suffer economic hardship so that they can deliver and render the best possible service to the country and make the governance vibrant and effective.



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