Chapter 4.1

Dearness Allowance

Introduction

4.1.1 The payment of dearness allowance stems from the need to protect the erosion in the real value of basic salary on account of inflation. Consequently, the DA admissible is positively correlated to the level of inflation.

Views of earlier Pay Commissions

4.1.2 Successive Pay Commissions have made changes to the DA formula, suggesting their own methodology for determining the quantum and frequency.

Fifth CPC recommendations

4.1.3 The Fifth Central Pay Commission recommended uniform neutralization of DA at 100% to employees at all levels; conversion of DA into Dearness Pay each time the CPI increases by 50% over the base index with Dearness Pay counting for all purposes including retirement benefits; and Dearness Allowance including Dearness Pay being paid net of tax. The Commission did not favor the option of employing separate indices for each category of employee because of the sheer impracticality of the task and, therefore, recommended using the 12 monthly average of All India CPI (IW) with base 1982 for calculating DA.

Existing position

4.1.4 The Government of India presently calculates the level of inflation for purposes of grant of dearness allowance to Central Government Employees on the basis of the All India Consumer Price index Number for Industrial Workers (1982=100) (AICPI). The twelve monthly average of the AICPI (1982 base) as on 1st January and 1st July of each year is used for calculating the Dearness Allowance (DA). Increase in DA is calculated with reference to the AICPI (IW) average (base 1982=100), as on 1st January 1996 of 306.33. The compensation for price rise is admissible twice a year i.e. on 1st January and 1st July of each year. Only the whole number component of the percentage increase in prices is adopted for estimation of DA. The rates of DA paid by the Central Government during the period 1.1.96 to 1.1.04 are as follows:

As on	Rates of DA (%)
1.1.96	0
1.7.96	4
1.1.97	8
1.7.97	13
1.1.98	16
1.7.98	22
1.1.99	32
1.7.99	37
1.1.2000	38
1.7.00	41
1.1.01	43
1.7.01	45
1.1.02	49
1.7.02	52
1.1.03	55
1.7.03	59
1.1.04	61

4.1.5 The Government merged 50% of the DA with basic pay w.e.f. 1.4.04 and the dearness allowance continued to be calculated with reference to the AICPI (IW) average as on 1st January 1996 of 306.33 without changing the base consequent to the merger. Accordingly, DA at following rates was sanctioned by the Government from 1.7.04 till 1.7.07:-

As on	Rates of DA (%)
1.7.04	14
1.1.05	17
1.7.05	21
1.1.06	24
1.7.06	29
1.1.07	35
1.7.07	41

As a consequence, salaries of Government employees are being neutralized more than hundred per cent.

Demands made

4.1.6 In the demands made before the Commission, it has been suggested that the existing DA formula continue with the following modifications:-

- Instead of revising the DA once in six months, it should be revised once in three months.
- The principle laid down by the 5th CPC for merger of 50% of DA with the Pay as DP should be modified to 25% to remove distortions in the pay structures.

- DA should be paid net of taxes on the same line as recommended by the 5th CPC to make the concept of 100% neutralization somewhat meaningful.

Determining the level of inflation-methodology

4.1.7 While considering the issue of the quantum of DA admissible, the Commission considered at length the procedure for estimation of inflation. Presently, inflation as determined by the AICPI (IW), is estimated using the Laspeyere's Fixed base methodology. The inflation index using this methodology captures the cost of buying a basket of goods (fixed in the base year) at current prices relative to the cost of buying the same basket of goods at base year prices.

4.1.8 Economic theory postulates that, generally, if the price of a commodity rises vis-à-vis other goods, the consumer adjusts his consumption basket to buy less of the goods the prices of which have increased relatively and more of those goods the prices of which have fallen relatively. This envisaged shift in consumption pattern should be considered for calculating inflation. A 'chain-base index' captures the inflation taking into account the changes in quantities purchased consequent upon changes in the relative prices. Moreover, it also considers new products in the consumers' basket as well as quality of the existing products improving every year. Therefore, inflation captured using 'Chain-base' technique would generally tend to be lower than the 'Laspeyre's price index'. [Under certain circumstances, however, the chain-base index could be higher than the Laspeyer's index, i.e. if there is an increase in the price of basic items, which are necessities, having low substitutability and which form a sizeable chunk of the consumption basket. The increase in prices of such goods would result in less than proportionate reduction in quantity, thereby translating into higher expenditure in value terms. Therefore, the weightage (calculated in terms of percentage value of total consumption expenditure) attributed to these items in the construction of the composite price index would increase. This would result in the chain base price index being higher than the price index estimated using the fixed base technique.]

Analysis

4.1.9 India is on the growth path. Growth leads to wider choice with enlarged availability of substitutes. Such availability of substitutes would impact the price-demand relationship. Given this backdrop, the feasibility of developing chain base index was explored by the Commission. It was observed from the Reports of the National Sample Survey Organization on Consumer Expenditure Survey, that while expenditure data in value terms was generated through the survey, its breakup in terms of quantity and price was available only for a few items under food,

clothing, bedding, etc. Data on durables consumed poses a problem as consumption of individual items is very infrequent and reporting irregular. This issue gets compounded when aggregation is attempted at the All India level.

Recommendation on chain base index

4.1.10 The feasibility of developing a Chain based index is dependent on the availability of time series data on both prices and the corresponding quantities demanded of each item. While there is merit in developing a chain based index for capturing inflation, this would be feasible only if the Consumer Expenditure Survey generates time series data, on both quantity consumed as well as value of expenditure for fairly large list of items in the consumption basket providing the possibility of substitution over short time span. The Government may explore this possibility**. In the meantime, the Government should keep revising the base year in the existing fixed base index method as frequently as feasible.**

Use of AICPI (IW) for estimation of DA

4.1.11 Presently, the estimation of DA for Central Government Employees is based on the movements in the AICPI (IW) (1982=100). The Fourth Central Pay Commission, while considering the issue of suitability of the AICPI, opined that the Government should examine whether a more suitable index could be prepared for Government employees taking into account their consumption pattern and other relevant factors. This recommendation was based on the view that the AICPI does not truly represent the consumption pattern of all central Government employees. On the other hand, the Fifth Central Pay Commission took the view that consumption patterns of Group A,B,C,D employees within Government are bound to be different due to different income levels and hence a suitable index based on consumption pattern for Government employees as recommended by the Fourth Central Pay Commission is likely to suffer from the same set of problems which the AICPI(IW) suffers. The Fifth Central Pay Commission opined that even though the option of employing separate indices for each category of employees did exist, it was devoid of merit because of the sheer impracticality of the task as well as needless suspicion such an arrangement was likely to arouse between various groups. Therefore, they recommended that the AICPI (IW) should continue to be the index used for calculating DA for Government employees.

4.1.12 The Fifth Central Pay Commission, observed that for the purpose of estimation of AICPI (IW) by Labour Bureau, the coverage of 'Industrial Workers' extended to 70 selected centres in

seven sectors namely Factories, Mines, Plantations, Railways, Public Motor Transport Undertakings , Electricity Generation and Distribution Establishments, and Ports and Docks. A Working Class family was defined as one where one of the members worked as a manual worker in any of the seven sectors and which derived one half or more of its income through manual work defined on the basis of classification of occupations and jobs involving sufficient physical labour but at the same time not requiring much of educational background in the field of general, scientific, technical and other areas. The Fifth Central Pay Commission also observed that in the Family Living Survey , which is the basis for estimation of the AICPI (IW), the design of the monthly family income classes is open ended, ranging from 'less than Rs.750' to 'Rs.5000 and above'. The Working Class family Income and Expenditure Survey (1999-2000) for Delhi points to the fact that 53% of the families fall in the income class 'less than Rs.5000 per month', which is less than the minimum earning of a Government employee in Delhi. This implies that a composite price index generated from this survey may not adequately represent the price index for Government employees. This is because consumption pattern of the Government employees vis-à-vis the 'Working Class Family' sample selected in the Family Living Survey would be considerably different.

Recommendation

4.1.13 The Government of India has set up the National Statistical Commission to serve as a nodal and empowered body for all statistical activities of the country; to evolve, monitor and enforce statistical priorities and standards and to ensure statistical coordination among different agencies involved. The Commission is mandated to evolve standard statistical concepts, definitions, classification and methodologies in different areas of statistics and lay down national quality standards on those statistics. **The Commission is of the view that the National Statistical Commission may be asked to explore the possibility of a specific survey covering Government employees exclusively, so as to construct a consumption basket representative of Government employees and formulate a separate index. Meanwhile, the Government may continue to use the AICPI (IW) for estimating the DA, subject to the modifications proposed in the subsequent paras.**

Revision of Base of AICPI (IW) for calculation of DA

4.1.14 The Fifth CPC had adopted the AICPI (IW) using the 1982 series for estimation of DA. The Government has developed a new series with base 2001, with effect from January 2006. It is possible to generate the back data series with base 2001, with the help of the stipulated linking factor of 4.63. The 2001 series has an extended coverage of 78 centers compared to the 70 centers in the 1982 series. The weightage emerging from the series with 2001

base, being recent, is more representative of the current consumption basket. **The Commission, therefore, recommends that the AICPI (IW) with base 2001 may, henceforth, be used for the purpose of calculating DA till it gets revised. As mentioned earlier, the base year should be revised as frequently as feasible.** The Commission also looked into the weightages assigned to various components of consumption and the manner in which the Labour Bureau conducts the survey. **The examination has revealed a direct correlation in the movement of the price index for housing and the movement of the HRA rates of Government employees. If a representative sample is used for construction of the price index for housing, there should not be such a direct correlation keeping in view the fact that for industrial workers, the escalation in rental should not be so steep for various obvious reasons. Since housing has a large weightage in AICPI (IW), there is a possibility of substantial distortion in DA calculations. The Commission recommends that the Government take expeditious steps to rectify these noticed distortions in the construction of the current AICPI (IW) series. The National Statistical Commission may also take these factors into consideration while evolving a separate index for Government employees.**

Formula for calculation of DA

4.1.15 The rate of dearness allowance is calculated in terms of the percentage increase in 12 monthly average of AICPI (base 1982) over the average index of 306.33, which was the reference base for the existing scales of pay recommended by the Fifth Central Pay Commission.

4.1.16 The extant formula for calculation of DA till 1-1-2004 was:

$$\frac{\text{12 Monthly Average} - 306.33}{306.33} \times 100 = \text{percentage increase in prices (ignoring fractions) and inflation neutralization at 100\% at all levels)}$$

4.1.17 The Fifth Pay Commission had recommended that DA should be converted into DP each time the CPI increased by 50% over the base index. The Government merged 50% of DA with the basic pay w.e.f. 1-4-2004. The formula for calculation of DA for the period from 1-7-2004 is:

$$\left\{\frac{\text{12 Monthly Average} - 306.33}{306.33} \times 100\right\} - 50 = \text{percentage increase in prices (ignoring fractions and inflation neutralization at 100\% at all levels)}$$

4.1.18 The corollary to this merger should necessarily have been a revision in the existing reference base of price index of 306.33. The new reference base, therefore, should have been the 12 monthly average index when the index increased by 50 percent. The reference base index would have, therefore, been higher than 306.33, given the uptrend in price levels, which would translate to a lower DA rate compared to the extant rates. **Logically, therefore, conversion of dearness allowance as dearness pay should invariably be accompanied with simultaneous revision of the base index. This conversion, however, is not necessary in the revised structure being recommended where increments are payable as a percentage of the pay in the pay band and grade pay thereon and provision has been made for all allowances/benefits to be revised periodically linked to the increase in the price index. The Commission is, therefore, not recommending merger of dearness allowance with basic pay at any stage.**

4.1.19 No real justification exists for revising DA once in 3 months. **Accordingly, DA may continue to be sanctioned twice a year as on 1st January and 1st July payable with the salary of March and September respectively for administrative convenience with inflation neutralization being maintained at 100% at all levels.**

Chapter 4.2

Allowances other than Dearness Allowance

Introduction

4.2.1 Compensation for price rise is given in the form of Dearness Allowance. This allowance has been dealt with separately as it compensates the variation in the purchasing power of the salary. Apart from Dearness Allowance, a variety of allowances are payable to the Central Government employees. Following allowances of this nature have been considered in this Chapter:

(i) Compensatory allowances.
(ii) Traveling Allowance & T.A. on Transfer.
(iii) Transport Allowance.
(iv) Non-practicing Allowance.
(v) House Rent Allowance.
(vi) Education Allowance.
(vii) Risk Allowance.
(viii) Uniform related Allowances.
(ix) Deputation Allowance.
(x) Miscellaneous Allowances.

General principles followed for revising allowances

4.2.2 A plethora of Compensatory and other allowances presently exists in the Government. The rates of some of these allowances have now become insignificant. Further, continued grant of a few of these allowances may not be justified in the present situation. Another factor that had to be taken into account by the Commission is that many allowances will now be payable on the basis of the grade pay since in the revised scheme of pay scales (pay bands), entitlements are to be governed on the basis of the grade pay. This required some adjustment in the existing scheme of allowances particularly to ensure that the existing entitlements are not lowered in the case of any employee. The Commission has made necessary adjustments in the existing scheme of allowances for the Government employees.

Compensatory allowances

4.2.3 Compensatory allowances are paid on account of peculiar local difficulties or to compensate for the high cost of living in bigger cities. These allowances can broadly be divided into City Compensatory Allowance and Other Compensatory Allowances.

4.2.4 City Compensatory Allowance (CCA) is granted to Central Government employees to adjust the high cost of living in certain specified localities.

Demands

4.2.5 The Commission has received many memoranda seeking increase in the rates of CCA. Revised classification for payment of this allowance has also been demanded.

Analysis

4.2.6 The existing rates of City Compensatory Allowance are as under :

BP + SI + DP + NPA#	**Amount of CCA p.m.**			
Rs.	`A-1′ Rs.	`A′ Rs.	`B-1′ Rs.	`B-2′ Rs.
Below 3,000	90	65	45	25
3,000 – 4,499	125	95	65	35
4,500 – 5,999	200	150	100	65
6,000 and above	300	240	180	120

Basic Pay + Stagnation Increment(s) + Dearness Pay + Non-Practicing Allowance

4.2.7 The present rates of CCA work out to approximately 1% to 5% of the Basic Pay. For most of the employees, the rates vary between 1 to 2% of the Basic Pay. Big cities usually have problems of accommodation and transportation. Specific allowances in form of House Rent Allowance (HRA) and Transport Allowance already exist to address these problems. The classification of regions for the purposes of CCA is mainly based on the size of the population. It has been contended that size of the population cannot be an adequate index of the expensiveness of the localities. The Commission also notes that the Consumer Price Index numbers measure the changes in the price level over a period of time at a given place and do not indicate variations in the price levels from place to place at one time. The index, therefore, does not provide any criteria for classifying cities on the basis of relative expensiveness.

Recommendations

4.2.8 Facts discussed in preceding paragraphs may reveal that CCA does not really address the problem of providing proper compensation for relative expensiveness of a particular region/city. The Commission also notes that, apart from the problems of Housing and Transportation, larger cities and towns have much better facilities than smaller places. As such, no rationale may now exist for compensating any other factor other than accommodation and transportation in order to meet the high cost of living in large cities designated as A1/A/B1/B2 localities. The Commission is recommending adequate revised rates of HRA and Transport Allowance separately. Consequently, no rationale exists for

continued payment of City Compensatory Allowance. Rates of Transport Allowance are being increased substantially and will subsume the element of CCA. **Accordingly, the Commission recommends abolition of City Compensatory Allowance.** The Commission is aware that as per the extant rules, not all employees are eligible for Transport Allowance. The Commission has recommended certain liberalization in the rules relating to payment of Transport Allowance. This may not, however, benefit all the employees and there could still be some isolated cases where the employee remains ineligible for Transport Allowance. This category of employees will face a loss in terms of withdrawal of CCA. Such loss, however, cannot be termed iniquitous as these employees are already well-placed and most of these will already be enjoying the facility of Government transport. Further, the loss will be notional as the adequate increase being recommended by the Commission in salaries and other allowances will more than make up the loss on account of withdrawal of CCA in respect of this category of employees.

Other Compensatory allowances

4.2.9 **Special Compensatory Allowance (Hill Areas/Remote Locality/Border Area/Gandhinagar)** - Special Compensatory Allowances are paid on account of exceptionally difficult local conditions in various places.

4.2.10 **Hill Area allowance -** It is granted to Central Government employees posted at Hill stations located at an altitude of 1000 Mtrs. or more above sea level. The rates of Special Compensatory (Hill Area) Allowance vary between Rs.40 to Rs.300 per month.

4.2.11 **Special Compensatory (Remote Locality) Allowance** - It is payable to the employees serving in specified remote localities at rates varying between Rs.40 to Rs.1300 per month.

4.2.12 **Special Compensatory Allowance to Gandhinagar –** It is paid at the rate of 2.5% of the Basic Pay. Group C & D employees and Group B non-Gazetted employees drawing salary in scales corresponding to the scales of Group C employees are eligible for this allowance while posted at Gandhinagar.

4.2.13 **Special Compensatory (Border Area) Allowance** - It is paid at rates varying between Rs.40 to Rs.200 per month. This is payable to Central Government employees during the period of their posting within 16 Kms. of the international border in Punjab or within 30 miles of the international border in Rajasthan. No other Special Compensatory allowance can be paid along with this allowance. Members of Security forces and Central Government employees whose conditions of recruitment primarily include service in border areas are not eligible for Border Area allowance.

4.2.14 **Special (Duty) Allowance –** It is given at the rate of 12.5% of the Basic Pay to offset the security environment and the difficult working and living conditions prevailing in North Eastern Region. The allowance is payable to AIS officers and Central Government employees having all India transfer liability on their posting to any station in the North Eastern Region from outside the region.

4.2.15 **Island Special (Duty) Allowance –** It is given at rates varying between 12.5% to 25% of the Basic Pay to Central Government employees on their posting to the Andaman & Nicobar Islands and Lakshadweep. This is paid in lieu of Special (Duty) Allowance.

4.2.16 **Project Allowance** - It is granted to employees to compensate for lack of amenities like Schools, Markets, proper Housing and Medical facilities at the places of construction of major projects. This is mainly paid to Railway employees whose offices are located in project area and who have to reside within a nearby locality. It is payable at fixed rates varying between Rs.150 to Rs.750 per month.

4.2.17 **Tribal Area Allowance –** It is paid in certain Tribal Talukas and pockets in certain States and is payable at rates varying between Rs.40 to Rs.200 per month.

4.2.18 **Sunderban Allowance –** It is paid to the Central Government employees during the course of their postings in the Sunderban area of West Bengal. The allowance is payable on slab basis at rates varying between Rs.30 to Rs.120 per month.

4.2.19 **Hard Area Allowance –** It was granted w.e.f. 1/4/2004 to the Central Government employees posted in the Nicobar Group of Islands. This allowance is payable at the rate of 25% of the Basic Pay.

4.2.20 **Bad Climate Allowance –** It is paid to the employees serving in areas designated as Bad Climate Area/Unhealthy Locality by the Government. It is paid at rates varying between Rs.40 to Rs.200 per month. The rates are identical to those attached to the Tribal Area Allowance.

Demands

4.2.21 A large number of employees & their service associations have desired that Special (Duty) Allowance should also be paid to Group B, C & D Central Government employees during their posting in the North East in case they are transferred from one area in the North East to another irrespective of whether they have all India transfer liability or not. These employees and their service

associations have contended that appointment letters in their cases also mention that they are liable to be posted anywhere in India and as such the clause of all India transfer liability applies equally in their cases as well. Substantial increase in the existing rates of the allowances which are currently paid as fixed amount and not as a percentage of pay (viz. Special Compensatory Allowance, Project Allowance, Risk Allowance, etc.) has also been sought.

Analysis

4.2.22 Presently, many allowances exist to compensate for the hardship of service in certain areas or where the employee, because of special conditions of living, is unable to keep his family. In many cases, the employee fulfills the condition for grant of more than one such compensatory allowance. Ministry of Finance Order (O.M. dated 18/7/1990) stipulates that in cases where CCA, Composite Hill Compensatory Allowance [now redesignated Special (Hill Areas) Allowance] and Special Compensatory Allowance are admissible, an employee can draw only one of these allowances most beneficial to him. Some of the allowances also appear to have outlived their utility and may need to be abolished\merged.

4.2.23 Special Duty Allowance (SDA) is presently payable to only such of those employees as have All India transfer liability and are posted to North East area from outside the region. All India transfer liability exists when a person is recruited through an All India examination and belongs to a cadre which has inter-se seniority on All India basis and whose members are liable to be posted anywhere in India. Group C & D employees do not fulfill these criteria and are, therefore, ineligible for SDA. This issue has led to a lot of controversy because All India Services/Group A officers who have All India transfer liability get this allowance even though they may be original inhabitants of North East region. Further, North East region comprises seven States and an employee on his/her transfer from one North East State to another will not be entitled for SDA even though he/she has to move the entire establishment to a new State. The situation has become even more complex due to a large number of court cases due to which Group C & D employees of certain Departments are in receipt of this allowance on account of orders of the Courts/Tribunals. Some modifications in the scheme of this allowance are, therefore, necessary.

Recommendations

4.2.24 The rates of various Compensatory allowances that are paid as a fixed amount were revised in the second half of 1998 when DA was payable at 22%. Since then the inflation has increased by more than 50% (it was 74% as on 1/1/2006 and 91% as on 1/7/2007). A case, therefore, exists for doubling the rates of these allowances. **The Commission, accordingly, recommends revision of the rates of Special Compensatory (Hill Area/Remote Locality), Tribal Area**

Allowance, Project Allowance and Bad Climate Allowance as follows :

4.2.24.1 Special Compensatory (Hill Area) Allowance/Bad Climate Allowance/Tribal Area Allowance

Category	Bad climate/Tribal Area allowance	Special Compensatory (Hill Area) Allowance
For posts in the grade pay of Rs.5400 and above	**Rs.400 p.m.**	**Rs.600 p.m.**
For other posts	**Rs.240 p.m.**	**Rs.480 p.m.**

4.2.24.2 Special Compensatory (Remote Locality) Allowance

Category	Part A (Rs. p.m.)	Part B (Rs. p.m.)	Part C (Rs. p.m.)	Part D (Rs. p.m.)
For posts in the grade pay of Rs.5400 and above	**2600**	**2100**	**1500**	**400**
For posts in the grade pay of less than Rs.5400	**2000**	**1600**	**1200**	**320**

4.2.24.3 Project Allowance

Category	Project allowance
For posts in the grade pay of Rs.5400 and above	**Rs.1500 p.m.**
For posts in the grade pay of less than Rs.5400	**Rs.1000 p.m.**

4.2.24.4 The rates of all the above allowances shall automatically increase by 25% whenever the Dearness Allowance payable on the revised pay bands goes up by 50%.

4.2.24.5 The Commission is unable to find any rationale for continued payment of Special Allowance in Gandhinagar. Similarly, no justification exists for continuing border area allowance unless of course the area qualifies for the Special Compensatory Allowance on account of its remoteness or hilly terrain. The present rates of these allowances is also very low. The impact of withdrawing these allowances will be negligible, especially in light of substantial increase in the pay and other allowances being recommended in the Report. **The Commission recommends abolition of Special**

Compensatory Allowance for Gandhinagar and Special Compensatory (Border Area) Allowance.

4.2.25 **As regards Special (Duty) Allowance for postings to North East Regions, the allowance at the existing rates should be paid to all Central Government employees on their posting on transfer to any North East Region irrespective of whether the transfer is from outside the North East Region or from another area of that region. The condition that the employees have all India transfer liability should also be dispensed with**. This will ensure that all employees, irrespective of their group, get the benefit of this allowance on their posting to a new city in North East on transfer. This will also benefit autonomous institutions like IIT that are located in North East and which follow Central Government pattern of allowances. Currently, no SDA is payable in these institutions because no all India transfer liability exists. Consequently, very few candidates from outside the region like to work in these institutes. The problem will be resolved as SDA can then be paid in these institutes also. No increase in the rate of this allowance is being recommended as the allowance is paid as a percentage of the pay, which will ensure a suitable increase in the actual amount of this allowance in the revised pay bands even if the existing percentages are retained. The employees posted in Ladakh also face similar difficulties as being faced by the employees posted to North East region. In the Commission's opinion, these employees also need to be treated similarly. The Commission recommends that the **Special (Duty) Allowance as well as other concessions allowed to the Government employees in North East region should also be extended to the Government employees posted in Ladakh.**

4.2.26 **Island Special (Duty) allowance is presently payable at rates varying from 12.5% to 25% of pay. No change is recommended in respect of this allowance. However, this allowance should, henceforth, also be paid to all Central Government employees on their posting on transfer to any place in these Islands without insisting on an all India transfer liability.** The Commission notes that Hard Area allowance was introduced in 2004 for Central Government employees posted in the Nicobar group of Islands at the rate of 25% of pay. The orders granting this allowance, however, specify that either Island Special (Duty) Allowance or Hard Area Allowance can be drawn by an employee. This condition makes the grant of Hard Area Allowance, which was given keeping in view the very harsh living conditions in Nicobar group of Islands, meaningless as Island Special (Duty) Allowance, in any case, is also payable in Nicobar group of Islands at the rate of 25% of pay. Obviously, the intention behind orders dated 1/3/2004 issued by Department of Expenditure for sanctioning Hard Area Allowance would have been to pay this allowance over and above

the Island Special (Duty) Allowance. **The Commission, accordingly, recommends that Hard Area Allowance to the employees posted in the Nicobar group of Islands should be paid separately along with Island Special (Duty) Allowance. Further, this allowance should also be extended to the Lakshadweep group of islands.**

Traveling Allowance

4.2.27 Traveling Allowance on tour comprises fares for journey by rail/road/air/sea; road mileage for road journeys otherwise than by bus and Daily Allowance for the period of absence from Headquarters.

Travel entitlements

4.2.28 Presently, Government employees drawing basic pay + NPA + Stagnation Increment of Rs.16400 and above are allowed travel by First Class AC in train; those drawing salary between Rs.8000 to Rs.16399 can travel by AC II Tier; employees in the pay range of Rs.7999 to Rs.4100 are entitled to travel by AC III Tier/First Class while those drawing below Rs.4100 are allowed travel by Sleeper Class. Air travel is allowed to officers in receipt of pay of Rs.16400 and above. Officers drawing pay between Rs.12300 and 16400 can, at their option, travel by air in case the distance is more than 500 Kms. and the journey cannot be performed overnight. Some concessions are also available for air travel to Port Blair and Lakshadweep.

4.2.29 The Fifth Central Pay Commission recommended that all Group A officers should be allowed air travel with Group B, C & D employees being allowed to travel by AC II Tier train, First Class/AC III Tier Train and Sleeper Class Train respectively. This was recommended on the ground that since Government officials have to undertake tours specifically in public interest, it is necessary to allow appropriate entitlements to travel by rail/air.

4.2.30 These recommendations of Fifth Pay Commission were not accepted by the Government. The conditions today have changed. With the opening up of skies to private airlines, cheap air-tickets are now available. Accordingly, air-travel in the lowest (economy) class may need to be allowed for many more grades of employees. This will improve productivity of the employee as the time spent on travel would be considerably reduced. The travel entitlements of all employees will, in any case, increase and no employee's travel entitlement will be restricted to sleeper class due to various steps like upgradation of all Group D posts; proposed introduction of the new scheme of pay scales (pay bands) where all entitlements will be governed by the corresponding grade pay, etc. **The Commission, therefore, recommends that the travel entitlements while on tour and transfer should be revised as under :**

Pay Range	Travel entitlements
For posts in the grade pay of Rs.9000 and above	**J Class by air/AC First Class by train**
For posts carrying grade pay from Rs.6600 to Rs.8400	**Y Class by air/AC First Class by train**
For posts carrying grade pay from Rs.5400 to Rs.6500	**Y Class by air/AC II Tier Class by train**
For posts carrying grade pay from Rs.4200 to Rs.4800	**AC II Tier Class by train**
For posts carrying grade pay of less than Rs.4200	**First Class/AC III Tier/AC Chair Car by train**

4.2.31 **No change is recommended in the travel entitlement for travel outside India. In case of road travel between places connected by rail, travel by any means of public transport may be allowed provided the total fare does not exceed the train fare by the entitled class. In case of places not connected by train, travel by AC bus for all those entitled to travel by AC II Tier and above in train and by Deluxe/Ordinary bus for those who are entitled to travel by First Class/AC III Tier/AC Chair Car/Sleeper Class in train is recommended.** The Commission has also observed that there is an increasing tendency on part of Government officers to travel by air in order to gain mileage points which are then used by them for private travel. The Commission is strongly of the view that official tours cannot be made a source of any profit. **Accordingly, the Commission recommends that henceforth all mileage points earned by Government employees on tickets purchased for official travel should be utilized by the concerned department for other official travel by their respective officers. Any usage of these mileage points for purposes of private travel by an officer should be viewed seriously and appropriate departmental action initiated.**

Daily Allowance

4.2.32 The present entitlements of Daily Allowance are as under :

Pay Range	`A-1' Class cities		`A'-Class cities and specially expensive localities		`B'-Class cities and specially expensive localities		Other localities	
	Ordy.	Hotel	Ordy.	Hotel	Ordy.	Hotel	Ordy.	Hotel
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rs.16,000 and above	260	650	210	525	170	425	135	335
Rs.8,000 to Rs.16,399	230	505	185	405	150	330	120	225
Rs.6,500 to Rs.7,999	200	380	160	305	130	250	105	200
Rs.4,100 to Rs.6,499	170	245	135	195	110	160	90	130
Below Rs.4,100	105	125	85	100	70	85	55	65

4.2.33 These rates are grossly inadequate. Most of the employees and their service associations have requested rationalization of the present entitlements of Daily Allowance for stay in hotels. The Fifth CPC had also observed that considerable difficulties were being faced by officials in securing decent accommodation while on official tour and had recommended accommodation entitlements ranging from reimbursement of actual expenditure incurred towards normal single room rent in a hotel of a category not above 5 star in case of Top Executives (corresponding to Senior Administrative Grade (SAG)/equivalent) to any hotel upto a specified amount for auxiliary staff (corresponding to Group D) while on official tour. These recommendations were not accepted. The situation today is, therefore, that the existing rates are totally unrealistic and Government employees, while on official tour, are unable to find any decent accommodation at the prevailing commercial rates. Accordingly, the rates of Daily Allowance have to be modified appropriately. **The Commission, therefore, recommends following entitlements of accommodation while on official tour :**

Grade Pay	Daily Allowance
Rs.9000 and above	**Reimbursement for Hotel accommodation of up-to Rs.5000 per day; reimbursement of AC taxi charges of up-to 50 Kms. for travel within the city and reimbursement of food bills not exceeding Rs.500 per day.**
Rs.6600 to Rs.8400	**Reimbursement for Hotel accommodation of up-to Rs.3000 per day; reimbursement of non-AC taxi charges of up-to 50 Kms. per diem for travel within the city and reimbursement of food bills not exceeding Rs.300 per day.**
Rs.5400 to Rs.6500	**Reimbursement for Hotel accommodation of up-to Rs.1500 per day; reimbursement of taxi charges of up-to Rs.150 per diem for travel within the city and reimbursement of food bills not exceeding Rs.200 per day.**
Rs.4200 to 4800	**Reimbursement for Hotel accommodation of up-to Rs.500 per day; reimbursement of travel charges of up-to Rs.100 per diem for travel within the city and reimbursement of food bills not exceeding Rs.150 per day.**
Below Rs.4200	**Reimbursement for Hotel accommodation of up-to Rs.300 per day; reimbursement of travel charges of up-to Rs.50 per diem for travel within the city and reimbursement of food bills not exceeding Rs.100 per day.**

The rates of all the components of Daily Allowance shall automatically increase by 25% whenever the Dearness Allowance payable on the revised pay bands goes up by 50%.

4.2.34 **The above rates do away with all distinction between hotel and ordinary rates because all reasonable expenditure incurred by an employee while on official tour has been made reimbursable. In order to keep the expenditure on this account in check, the Commission recommends that budget for travel should be sanctioned stringently, which would allow official travel only for very important official business.**

4.2.35 In case of stay or journey on Government ships, boats etc. or journey to remote places on foot/mules etc. for scientific/data collection purposes in organisations like FSI, Survey of India, GSI etc., daily allowance will be paid at rate equivalent to that provided for reimbursement of food bill. However, in this case the amount will be sanctioned irrespective of the actual expenditure incurred on this account with the approval of the Head of Department/Controlling Officer. For journey on foot, an allowance of Rs.5 per kilometer traveled on foot shall be payable additionally. This rate will also be increased by 25% whenever DA payable on revised pay scales goes up by 50%.

T.A. on Transfer

4.2.36 Presently, T.A. on transfer comprises a Composite Transfer Grant equal to one month's Basic Pay + Dearness Pay along with actual fares for self & family as per the entitled class and cost of transportation of personal effects and conveyance possessed by the employee. No T.A. on transfer is payable in case no change of residence is involved or if the transfer is made at one's own request. While the rates of Composite Transfer Grant are adequate and would, in any case, increase once the revised pay bands and grade pay are introduced, problems exist for transportation of personal effects. This is because the transportation of personal effects is governed by the existing rates of Transport by train and in case of employees drawing pay range of Rs.8000 and above the same is full-four wheeler wagon or 6000 Kgs. by goods train or one double container. Double container is usually unavailable and transportation by goods train is very cumbersome. The employees, therefore, have to carry their personal effects by road while on transfer. In such cases, however, the entitlement is limited to 1.25 times the fare payable for transportation of similar quantity of goods by goods train. This results in pecuniary loss to the employee because the rates of transportation by road are much higher. The Commission observes that extant rules provide for transport by road in case of places not connected by train. The rates of transport by road in this case are as follows:-

Basic pay + NPA + Stagnation Increment	By Train/Steamer	Rate per Km for transport by road	
		A-1, A and B-1 cities (Rs.P.)	Other places (Rs.P.)
Rs.16,400 and above	6000 Kgs. by Goods Train/ 4 wheeler wagon/1 double container	30.00 (Rs.0.5 per kg. per km.)	18.00 (Rs.0.3per kg. per km.)
Rs.8,000 to 16,399	6000 Kgs. by Goods Train/ 4 wheeler wagon/1 single container	30.00 (Rs.0.5 per kg. per km.)	18.00 (Rs.0.3per kg. per km.)
Rs.6,500 to 7,999	3000 Kgs.	15.00 (Rs.0.5 per kg. per km.)	9.00 (Rs.0.31 per kg. per km.)
Rs.4,100 to 6,499	1500 Kgs.	7.60 (Rs.0.51 per kg. per km.)	4.60 (Rs.0.31 per kg. per km.)
Rs.3,350 to 4,099	1500 Kgs.	7.60 (Rs.0.51 per kg. per km.)	4.60 (Rs.0.31 per kg. per km.)
Below Rs.3,350	1000 Kgs.	6.00 (Rs.0.60 per kg. per km.)	4.00 (Rs.0.4 per kg. per km.)

4.2.37 No justification exists for prescribing different rates in case of places connected by train and places not connected by train especially when the facility of transporting personal effects at Government cost is only available in case of transfer on public interest. Further, the employee has to be allowed the discretion of choosing the mode of transporting the household effects while on transfer as per his/her own convenience. **The Commission recommends that transportation of personal effects by road at the rates prescribed for 'other places' should be allowed in respect of places connected by train as well without subjecting it to the extant restriction that these can not exceed 1.25 times of the eligible train fare. The revised entitlements of transport while on transfer shall, therefore, be as follows :-**

Grade Pay	By Train/Steamer	Rate per Km for transport by road (Rs. Per. Km.)
Rs.6600 and above	6000 Kgs. by Goods Train/4 wheeler wagon/1 double container	18.00 (Rs.0.3per kg. per km.)
Rs.4200 to Rs.6500	6000 Kgs. by Goods Train/4 wheeler wagon/1 single container	18.00 (Rs.0.3per kg. per km.)
Rs.2800	3000 Kgs.	9.00 (Rs.0.31 per kg. per km.)
Below Rs.2800	1500 Kgs.	4.60 (Rs.0.31 per kg. per km.)

These rates shall automatically increase by 25% whenever the Dearness Allowance payable on the revised pay bands goes up by 50%. This will ensure that Government employees are not put to a financial loss while transporting their personal effects on transfer at any point in future.

4.2.38 Another problem stated to exist on this account is in case of transfer to Andaman & Nicobar Islands and Lakshadweep Islands. It has been mentioned that the existing rates for transporting personal effects by Steamer on transfer to these Islands are inadequate and a Government employee has to shell out a large amount of money from the pocket in order to transport the personal effects while being transferred to these Islands. The Commission, however, notes that special provisions exist in case of transfer to Andaman & Nicobar Islands and Lakshadweep and the extant rules provide that entitlements for transporting personal effects on sea by Steamer would be on the basis of the maximum admissible weight of personal effects according to the grade to which the officer belongs, irrespective of the weight of the baggage actually carried. The Commission finds the existing provisions to be appropriate. However, **the Commission recommends that the rates for transporting the entitled weight by Steamer should always be kept equal to the prevailing rates prescribed for such transport in ships operated by Shipping Corporation of India.**

Transport Allowance

4.2.39 Presently, Government employees are entitled to Transport Allowance at the following rates :

Employees drawing pay in the scale of (Rs.)	Rate of Transport Allowance per month	
	A-1/A Class City (Rs.)	Other Places (Rs.)
8000-13500 & above	800	400
6500-6900 & above but below 8000-13500	400	200
Below the scale of 6500-6900	100	75

4.2.40 Transport Allowance was recommended by the Fifth CPC to defray the cost of travel between office and residence. This allowance was introduced w.e.f. 1/8/1997. This allowance is one of the very few allowances that are payable on the basis of pay scale rather than pay range. All Central Government employees who are not living in Government accommodation within the same campus or within one Kilometer of the office and have not been provided with official transport are entitled to this allowance.

4.2.41 The Commission has received many demands for increasing the rate of this allowance keeping in view the rising cost of transportation. Many employees and their service associations have demanded that this allowance should also be paid on the basis of pay range. It has also been contended that the huge gap between A-1/A Class cities and other places needs to be bridged as the distances may be shorter in other places but the means of public transport are also woeful, therefore, the employees in these areas have to per-force travel by private vehicles or by personal vehicles which is considerably costlier than the public transport. It has been suggested that rates of this allowance in other places needs to be adjusted suitably.

4.2.42 Insofar as the issue of paying this allowance on the basis of pay range is concerned, the demand is solely based on the argument that since all other allowances are based on pay range, same principle needs to be followed in respect of this allowance as well. This, however, is not a cogent reason because Transport Allowance is a new allowance proposed by the Fifth CPC for the first time and they had specifically recommended that this allowance shall be based on the classification based on pay scales. **In any case, in the revised scheme of pay scales, all the allowances and facilities will be governed by Grade Pay.**

4.2.43 As regards increasing the rates of this allowance and reducing the difference between at the rates existing in A-1/A class

cities and other places, the demands made have considerable force. The rates of petrol have risen continuously in the recent past and an employee will have to spend considerably higher amount on traveling to and fro to office from his residence. Not only the existing rates of this allowance need to be increased but the allowance has to be made inflation proof so as to ensure that any future increase in petrol prices and/or in price of transport does not affect the real value of this allowance. **The Commission recommends following rates for Transport Allowance :**

Employees drawing grade pay of (Rs.)	**Rate of Transport Allowance per month**	
	A-1/A Class City (Rs.)	**Other Places (Rs.)**
5400 & above and posts in the apex scale and Cabinet Secy./equivalent	**Rs.3200 + DA thereon**	**Rs.1600 + DA thereon**
4200 to 4800	**Rs.1600 + DA thereon**	**Rs.800 + DA thereon**
Below 4200	**Rs.400 + DA thereon**	**Rs.300 + DA thereon**

4.2.44 **Simultaneously, the existing condition which prohibits grant of Transport Allowance to the employees who have been provided with official accommodation within one Kilometer of the office should also be removed because this creates an artificial distinction between the employees living in private accommodation within one Kilometer of the office vis-à-vis those living within one Kilometer of the office in Government accommodation. Other conditions regulating the grant of this allowance shall remain unchanged. Physically disabled employees shall continue to draw this allowance at double the normal rates. This, however, will be further subject to the condition that Transport Allowance in the case of physically disabled employees shall, in no case, be less than Rs.1000 per month plus the applicable rate of dearness allowance. Employees in pay band PB-4 who are entitled to the use of official car for travel between residence and office may be given the option to draw transport allowance at a higher rate of Rs.7000 p.m. plus dearness allowance provided they give up the use of official car for travel between residence and office.**

Non-Practicing Allowance (NPA)

4.2.45 Presently, Doctors are given Non-Practicing Allowance (NPA) at the rate of 25% of the basic pay subject to the condition that NPA + basic pay + dearness pay does not exceed Rs.44,250. NPA is counted as pay for all service and pensionary benefits.

History

4.2.46 Earlier, Doctors in the Government were allowed private practice. The Ministry of Railways was the biggest employer of the medical staff under the Central Government. In Railways, the private practice was allowed for all medical officers barring the Chief Medical Officer subject to the condition that it did not interfere with other official duties. Outside Railways, medical officers were generally debarred from private practice and were consequently granted a Non-Practicing Allowance. At the time of the constitution of the Commission of Enquiry on emoluments and conditions of service of Central Government employees (1957-59), medical officers working under the Contributory Health Service Scheme in Delhi were given an NPA at the rate of 50% of pay subject to a maximum of Rs.400. Doctors working in Willingdon (now renamed Dr. Ram Manohar Lohia Hospital) and Safdarjung Hospitals were given NPA at the rate of 25% of pay. Outside Delhi, Doctors were given NPA at varying rates. The allowance was not allowed to the Doctors holding purely administrative posts such as DG, Health Service etc.

4.2.47 The Commission of Enquiry recommended stoppage of private practice with all Doctors in Central Government being paid NPA at the rates approved for the Central Health Service which was 25% of pay subject to a minimum of Rs.150 and maximum of Rs.400.

4.2.48 The issue was thereafter considered by the Third Pay Commission. Most of the associations representing non-medical service had contended that it was discriminatory to grant NPA only to the Doctors while denying it to others. The Third Pay Commission, however, did not agree to extend NPA to other categories. At the time of Third Pay Commission, the rate of NPA in Central Health Service was 50% subject to a maximum of Rs.600 per month for all Doctors except General Duty Medical Officer (GDMO) Grade II who were paid the NPA at the rate of 33.33% subject to a minimum of Rs.150 per month. In Railways, the Doctors were paid NPA at the rate of 35% subject to a maximum of Rs.500 per month. Assistant Medical Officers were paid NPA at the rate of 33.33% subject to a minimum of Rs.150 per month. Third Pay Commission recommended payment of NPA on slab basis with Doctors in various grades being paid NPA at fixed rates varying between Rs.150 to Rs.600 per month. Significantly, NPA at the rate of Rs.600 per month was payable to Doctors in the Super Time/Specialized grade of Rs.1800-2250. Thus, the rate of NPA for them at that time varied from 33.33% to 26.66% of the basic pay.

4.2.49 The Fourth CPC also considered the demand for extension of NPA to other categories of employees but did not recommend it. Fourth CPC changed the rates of NPA from Rs.125 to Rs.250 per month. The rates of NPA recommended by the Fourth CPC signified

a decrease in percentage terms because the NPA recommended by Fourth CPC for Doctors worked out to approximately 12% to 18% of the basic pay.

4.2.50 The Fifth CPC considered the issued of NPA in light of the submissions made by the Doctors that its rate had gone down from 25% - 40% of the basic pay earlier to 12.5% - 16% and recommended that NPA should be paid at the rate of 25% of the basic pay subject to the condition that NPA + basic pay does not exceed Rs.29,500. The Fifth CPC also did not recommend extension of NPA to any other category. It was also recommended that the NPA shall continue to count towards all service and pensionary benefits without any change. These recommendations of Fifth CPC have been accepted. Consequently, the situation today is that Doctors are getting NPA at the rate of 25% of the Basic Pay + Dearness Pay + Stagnation Increment.

Demands

4.2.51 Most of the employees & their service associations before the Sixth Central Pay Commission have demanded NPA at par with that payable to medical Doctors. The class of employees who have sought this benefit does not only include the para-medical staff like nurses, pharmacists, physiotherapists, technicians (like OT technicians, dental hygienists etc.) but also technical categories like engineers as well as other services/organizations. The common refrain of all the employees and their service associations is that they can also utilize their expertise for private practice outside the Government. Since private practice is not allowed, the employees and their service associations have sought NPA on par with Doctors.

Analysis

4.2.52 Doctors have been given NPA on some specific grounds which can briefly be enumerated as under :

(i) Earlier, Doctors in Government service were allowed the privilege of private practice or non-practicing allowance in lieu thereof. At such time, the emoluments of Doctors were deliberately kept low with the presumption that they will make good the loss by private practice.

(ii) The basic medical course is of a longer duration (4 ½ + 1 year internship). Due to this, the Doctors are able to enter Government service at a late stage. Whereas in other services the average age of entry of a graduate direct recruit is about 23 years, in the medical branch it is about 27 years. Due to this they have shorter effective service.

(iii) The entry level posts in the cadre of Doctors have to be filled by direct recruitment. Accordingly, promotion prospects for them are lesser vis-à-vis officers in other organized services.

(iv) The nature of duties and condition of work of Doctors involve certain uncommon deprivations. They have to often work at odd hours. Beyond the prescribed working hours, often they have to attend to urgent cases.

Recommendations

4.2.53 It is noted that the demand for extension of NPA to categories other than Doctors had consistently been made before all the earlier Pay Commissions (barring First CPC) and none of the Commissions had recommended extension of NPA to the other categories. The Commission is of the view that a case exists for treating the Doctors as a distinct category in so far as payment of NPA is concerned. **Accordingly, the Commissions recommends that Doctors should continue to be paid NPA at the existing rate of 25% of the aggregate of the band pay and grade pay subject to the condition that the Basic Pay + NPA does not exceed Rs.85,000.** While recommending this, the Commission would like to emphasize the fact that NPA to Doctors is paid not only for the loss of private practice but also to compensate for longer duration of studies, longer working hours/nature of duties and to compensate for the relatively lesser promotional prospects that exist on account of entry level posts of Doctors necessarily having to be filled by direct recruitment without any posts in the entry level being filled by promotion. **The facility of NPA cannot, therefore, be extended to any other category. NPA should be restricted only to the medical Doctors occupying posts for which minimum qualifications of a medical degree is prescribed.**

House Rent Allowance

4.2.54 House Rent Allowance is presently payable at the following rates :

Classification of Cities/Towns	**Population**	**Rates of HRA as a percentage of Basic Pay + SI + DP + NPA**
A-1	50 lakh & above	30
A, B-1 & B-2	A 20-50 lakh B-1 10-20 lakh B-2 5-10 lakh	15
C	C 50,000 to 5 lakh	7.5
Unclassified	Below 50,000	5

4.2.55 The Fifth CPC had recommended a high increase in the HRA of Metropolitan towns like Delhi & Mumbai in view of the inordinate increase in monthly rents for residential accommodation in the period upto 1995 in these cities. The Fifth CPC also persisted with the population criteria for classification of cities and towns and recommended creation of a new category of A-1 cities for cities having a population of 50 lakh and above.

Demands

4.2.56 The Commission has received many demands relating to payment of HRA. Most of the demands seek an increase in the rates of HRA especially in cities other than A-1. Demands have also been received for granting A-1 status to the cities of Bengaluru and Hyderabad. This demand was, however, conceded by the Government during the term of the Commission and Bengaluru and Hyderabad already stand classified as A-1 cities.

Analysis

4.2.57 The situation after implementation of recommendations (in a modified manner) of Fifth CPC is that in A-1 Cities, the percentage of pay for meeting the House Rent is 30% + 8.67% of the Dearness Allowance because the weightage of housing in the Consumer Price Index 1982 (being 8.67%) gets subsumed in the pay. The percentage of pay for meeting the expenditure on house rent in other classes of cities is as under :-

Classification of Cities/Towns	**Percentage of salary available for meeting expenditure on House Rent**
A, B-1 & B-2	15 + 8.67% of DA
C	7.5 + 8.67% of DA
Unclassified	5 + 8.67% of DA

4.2.58 This is not adequate for meeting the expenditure towards House Rent in these Cities/Towns. The present situation is that while housing remains costly in Metro cities, the house rents in smaller cities and towns have galloped on account of economic development as well as a dearth of residential accommodation in such cities/towns. Accordingly, Government employees posted to smaller towns and cities face problems in getting appropriate accommodation. The problem is further compounded because the Consumer Price Index gives lesser weightage (Central Weightage in All India) to the smaller regions. For example, while Mumbai, Kolkata and Chennai carry weightages of 7.87, 4.24 and 3.47 respectively, the weightages allotted to relatively smaller towns like Guwahati (0.66), Surat (0.86), Haldia (0.83), Solapur (1.24), Jaipur (1.25) is much lower. Accordingly, the increase in House Rent in these regions is not appropriately neutralized by grant of Dearness Allowance. The problem is more acute in very small towns having population of below 50,000 that presently carry the classification of

`Unclassified Towns' where very little residential accommodation is available on rent. A strong case, therefore, exists for increasing the rates of HRA in regions other than A-1 Class Cities.

Recommendations

4.2.59 **Keeping the various factors in view, the Commission recommends merger of C Class Cities (having population of 50,000 to 5 lakh) with `Unclassified Towns' (having population of less than 50,000). The existing population criterion for classifying towns and cities for purposes of HRA is being retained. It is, however, recommended that population in the urban agglomeration should be taken into account for classifying a city for purposes of HRA. The Commission recommends retention of the existing rate of HRA in A-1 cities which will, therefore, now be paid at the rate of 30% of the total of revised pay in the running pay band and grade pay thereon. Despite the same percentage, the HRA in real terms will increase substantially for A1 cities as the revised pay band and grade pay are substantially higher than the total of corresponding basic pay and dearness pay on which the HRA is payable presently. The rates of HRA in other cities are proposed to be adjusted suitably so as to meet the increased cost of housing in these regions. Erstwhile A, B-1 and B-2 categories are being merged. Similarly C & Unclassified categories are also being merged. These mergers are recommended so as to give a better deal to the employees posted in smaller towns in so far as their housing requirement is concerned. Keeping these factors in view, the Commission recommends the following rates of House Rent Allowance:**

Revised classification of Cities and Towns on Population Criteria	Revised Classification of Cities/Towns	Rates of HRA as a percentage of Pay in the pay band + Grade Pay + MSP* + NPA*
50 lakhs & above	X (Earlier classified as A-1)	30
50 - 5 lakhs	Y (Earlier classified as A, B-1 & B-2)	20
Below 5 lakhs	Z (Earlier classified as C and Unclassified)	10

* where applicable

Thus, the rate of HRA for cities presently classified as A, B-1 and B-2 will go up from 15% at present to 20%, for cities presently classified

as C - from 7.5% to 10% and for cities presently classified as unclassified – from 5% at present to 10%.

Education Allowance

4.2.60 Presently, assistance for education of children is available to all Central Government employees without any pay limit. The assistance is in the form of :-

i) Reimbursement of Tuition Fee of upto Rs.40 per month for students in Class I to X and Rs.50 per month for students in Class XI & XII. In case of physically handicapped and mentally retarded children, the maximum limit is Rs.100 per month.
ii) Children's Education Allowance is payable at the rate of Rs.100 per month in case the Government employee is compelled to send his child to a school away from the Station of his posting.
iii) Hostel subsidy at the rate of Rs.300 per month is paid in case the employee is obliged to keep his children in a hostel away from the Station of his posting and residence on account of transfer.

4.2.61 In all these cases, the benefit is available up-to 3 children in respect of children born upto 31/12/1987 and 2 children born thereafter.

Demands

4.2.62 The Commission has received numerous demands seeking an appropriate increase in the rate of education assistance available to Central Government employees so that the same has some relevance to the school fees actually being charged by most of the schools. Department of Personnel & Training had also forwarded demand of the Staff Side for revision of rates of Children Education Allowance, Reimbursement of Tuition Fee and Hostel Subsidy to Rs.200 per month, Rs.100-300 per month and Rs.750 per month respectively. This demand was raised by the Staff Side in the National Council of JCM and a disagreement recorded thereon. Subsequently, the demand was discussed again wherein it was decided to remit the matter for consideration of this Commission.

Analysis

4.2.63 The rates of school fees were last increased following the recommendations of the Fifth Central Pay Commission. No change in the rates has been made since then even though nearly a decade has elapsed. It is also noted that rates of school fees went up considerably after the implementation of the Fifth CPC Report which recommended a substantial increase in the salary structure of Teachers. Since most of the reputed private schools also follow salary structure of Government schools, the salaries of Teachers in these schools were also increased and the burden passed on to the parents of students in form of increased fees. The present rates of education assistance are inadequate. The demands made by the Staff Side for increasing the rates of these allowances are, therefore,

justified. The Commission also observes that Government has increased the budget on Sarva Shiksha Abhiyan Scheme to Rs.6993 crores for the year 2007-08. The total budget on elementary education stands at Rs.16934.16 crores for the year 2007-08. This clearly shows the increased emphasis of the Government in the field of education. Accordingly, the existing rates of education assistance need to be overhauled so that these are in conformity with the fee structure prevailing in most of the schools.

Recommendations

4.2.64 **Keeping the various factors in view, the Commission recommends merger of Children Education Allowance and Reimbursement of Tuition Fee which will henceforth be reimbursement upto the maximum of Rs.1000 per child per month subject to a maximum of 2 children. Hostel subsidy may be reimbursed upto the maximum limit of Rs.3000 per month per child. The limits would be automatically raised by 25% every time the Dearness Allowance on the revised pay bands goes up by 50%.**

Risk Allowance

4.2.65 Risk Allowance is presently given to employees engaged in hazardous duties or whose work will have deleterious effect on health over a period of time. Risk Allowance is also paid to Sweepers and Safaiwalas engaged in cleaning of underground drains, sewer lines as well as to the employees working in trenching grounds and infectious diseases hospitals. The Risk Allowance is being paid at following rates :

Class	Rate (Rs.) p.m.
Unskilled workers	20
Semi-skilled workers	30
Skilled workers	40
Supervisors	50
Gazetted officers engaged in Nitro Glycerin preparations	150
Non-Gazetted officers engaged in Nitro Glycerin preparations	90
Dangerous Buildings Officers	200

Demands

4.2.66 Many Government employees and their service associations, presently not in receipt of this allowance have demanded extension of the allowance in their case on the ground that their job also involves various degrees of risk. Enhancement in the rate of this allowance has also been sought.

Analysis

4.2.67 The Fifth CPC had recommended that risk allowance should be restricted only for jobs where the element of risk was inherent

and continuous with adverse effect on health. The Fifth CPC had specifically recommended withdrawal of this allowance in jobs which involved only contingent risks relating to one time events where the event itself was uncertain. The Fifth CPC had also identified a few categories from which the allowance was to be withdrawn. Simultaneously, the Commission had recommended that each Ministry should set up a Committee to review the categories of employees in receipt of Risk Allowance in line with the revised guidelines. **The Commission is in partial agreement with the recommendations of the Fifth CPC to the extent that Risk Allowance is only justified for jobs which are inherently risky with adverse effect on health. However, the Commission is of the view that any pecuniary allowance cannot suitably compensate the element of risk.** What the Government as an employer has to ensure is that the risk element in these jobs is reduced to the maximum extent and an employee is fully covered in case any mishap takes place even after observing the maximum level of care and precaution. Appropriate insurance cover, therefore, needs to be provided free of cost to compensate for the risk of any immediate injury and suitable medical and other appropriate facilities like longer leave entitlement provided to ward off any long term deleterious effect on health due to these jobs. This has to be coupled with the use of latest technology and utmost care to ensure that the risk element inherent in the job is minimized.

Recommendations

4.2.68 **The Commission, accordingly, recommends withdrawal of Risk Allowance. All categories of jobs that involve inherent element of risk with deleterious effect on health over a period of time should instead be provided with free medical and life insurance of Rs.5 lakhs for employees in PB-1 pay band; Rs.7 lakhs for employees in PB-2 pay band; Rs.10 lakhs for employees in PB-3 pay band/higher pay bands/scales. To offset the effect of inflation, amount of the insurance should automatically be increased by 50% every time the DA payable on the revised pay goes up by 50%. The entire expenditure on paying premium for this insurance will be borne by the Government. The amount insured will be paid in case of any serious injury/death sustained in the course of employment and will be over and above the other benefits available to all categories of Government employees. These employees should also be provided with additional health benefits with mandatory health check-ups every quarter and enhanced leave, wherever the same is necessary for proper recuperation. Further, the Government should ensure that latest technology and greatest level of care is observed in these jobs so that the element of risk involved therein is minimized.**

Uniform related Allowances

4.2.69 Uniform Allowance is admissible to IPS officers, personnel of Central Para Military Forces, Central Police Organizations,

Railway Protection Force, National Cadet Corps, Border Roads Organization and Nursing staff. Nurses are paid Uniform Allowance at the rate of Rs.250 per month. Police personnel belonging to IPS, CPMFs, RPF etc. are paid this allowance at the following rates :

Grant	Rate
Initial grant	Rs.6500
Renewal grant	Rs.3000 (payable after every seven years)

4.2.70 Uniform Allowance is also paid to certain categories of officers in Customs & Central Excise as well as the officers belonging to Coast Guard organization. The later category is also paid Kit Maintenance Allowance in addition to the Uniform Allowance.

Demands

4.2.71 A substantial raise in the existing rates of this allowance has been demanded on the ground that existing limits are totally inadequate to meet the expenditure on purchase of uniforms.

Analysis

4.2.72 The Fifth CPC had considered the issue of Uniform Allowance and recommended different amounts for various categories of employees. The approach adopted by the Fifth CPC appears to be appropriate as different organizations perform different functions and have to maintain different sets of uniform for this purpose.

Recommendations

4.2.73 **Keeping in view the functions performed by various uniformed personnel, the Commission recommends the following rates of Uniform Allowance for different categories of such personnel :**

4.2.74 **For CPMFs/CPOs/RPF/IPS**

Grant	Rate
Initial grant	Rs.14000
Renewal grant	Rs.3000 (payable after every three years)

4.2.75 Higher rates of uniform allowance are warranted for Coast Guard officers as they face bigger problem in maintaining their white uniforms during sea duties. **The Commission, accordingly, recommends following rates of uniform allowance for Coast Guard officers:-**

Grant	Amount
Initial grant	Rs.16000
Renewal grant	Rs.5000 (payable after every three years)

4.2.76 **Existing rates of Kit Maintenance Allowance should be doubled for all categories of employees presently in receipt of this allowance. Uniform Allowance for nurses should also be increased to Rs.500 per month.**

4.2.77 **The rates of Uniform Allowance and Kit Maintenance Allowance for all the above categories shall be increased by 25% every time the Dearness Allowance on revised pay bands goes up by 50%.**

Deputation Allowance

4.2.78 Deputation (Duty) Allowance is presently payable in case of appointments made in public interest outside the normal field of deployment. In case of deputation within the same station the allowance is paid at the rate of 5% of basic pay plus dearness pay thereon subject to a maximum of Rs.500 p.m. In other cases, Deputation (Duty) Allowance is payable at the rate of 10% of basic play plus dearness pay subject to a maximum of Rs.1000 p.m. Payment of Deputation (Duty) Allowance is further subject to the condition that the sum of basic pay and Deputation (Duty) Allowance should not exceed Rs.22400 p.m. or the maximum of the scale of the post held on deputation. Officers belonging to All India Services and other Group A Central Services on their appointment to posts below Joint Secretary under the Central Staffing Scheme are eligible for Central (Deputation on Tenure) Allowance that is payable at the rate of 15% of basic pay and dearness pay subject to a maximum of Rs.800 for Under Secretaries and Rs.1000 p.m. for Deputy Secretaries and Directors. The Fifth CPC had recommended that the ceilings on Deputation (Duty) Allowance should be removed. As regards Central (Deputation on Tenure) Allowance, the Fifth CPC had recommended that the monetary ceilings should be removed subject to the condition that the aggregate of the pay drawn and the allowance did not exceed the maximum of the scale of pay of the deputation post in case of appointments as Under Secretary and the aggregate was less than the minimum of the scale of pay of Joint Secretary by Rs.50 in case of appointments to the posts of Deputy Secretary/Director. The Commission is in agreement with the recommendations given by the Fifth CPC to the extent that no pecuniary limits should be prescribed for grant of Deputation (Duty) Allowance or Central (Deputation on Tenure) Allowance as the same operates harshly against senior persons deputed to these posts. The only limit that may need to be prescribed would be to ensure that the aggregate of pay and deputation allowance does not exceed the minimum pay attached to the posts for which no such allowance is prescribed. **The Commission, accordingly, recommends that the rates of Deputation (Duty) Allowance and Central (Deputation on Tenure) Allowance may continue to be paid at the rate of 5%, 10% and 15% of the aggregate of pay in the pay band and grade pay without any**

pecuniary limit. This will, however, be subject to the limit that the aggregate of pay in the pay band and Deputation (Duty) Allowance/Central (Deputation on Tenure) Allowance does not exceed Rs.39,200 being the minimum pay in the pay band PB-4. As at present, Central (Deputation on Tenure) will continue to be paid only to the posts upto the level of Director.

Miscellaneous Allowances

4.2.79 These allowances include :

i) Cycle Allowance admissible where the duties attached to the post require extensive traveling on bicycle. The allowance is paid at the rate of Rs.30 per month and the official concerned has to maintain and use his own cycle for official journeys.

ii) Washing Allowance which is paid at the rate of Rs.30 per month to all categories of Group C & D employees who have been supplied with uniforms.

iii) Cash Handling Allowance paid at rates varying between Rs.75 to Rs.300 per month to LDCs/UDCs/Assistants appointed to perform the duty of Cashier. Group D staff assisting Cashier in depositing or bringing cash from bank is paid special allowance at the rate of Rs.30 per month.

iv) Machine allowance payable at the rate of Rs.100 per month to the staff working on Multi-purpose counter machine in post offices.

v) Care Taking Allowance payable at the rate of Rs.100 to Rs.200 per month to Group C & D employees deployed on caretaking duties.

vi) Night Duty Allowance payable at the rate of Rs.25 to Rs.34 to Cipher Assistants in MEA.

vii) Split Duty Allowance payable at the rate of Rs.100 per month to Sweepers and Farashes in the Central Secretariat/allied offices performing split duties where the break in between the shift is at least 2 hours and who have not been provided residential accommodation within 1 Km. of the office premises.

Analysis

4.2.80 Continued grant of Cycle Allowance, Washing Allowance, Cash Handling Allowance, Special Allowance, Care Taking Allowance, Night Duty Allowance and Split Duty Allowance appears justified on functional considerations. The rates of these allowances may, therefore, need to be enhanced appropriately. No rationale, however, appears for continued grant of Machine Allowance in post offices. This allowance, therefore, may need to be withdrawn.

Recommendations

4.2.81 **The Commission recommends doubling of the extant rates of Cycle Allowance, Washing Allowance, Cash Handling Allowance, Special Allowance, Night Duty Allowance and Split Duty Allowance. Similarly, rates of allowances specific to**

different Ministries/Departments/Organisations not covered in this Report will also be doubled. The rates of these allowances will be increased by 25% every time the Dearness Allowance payable on revised pay scales goes up by 50%. Simultaneously, Machine Allowance should henceforth be withdrawn. Caretaking allowance is discussed in Chapter 3.8 on Common Categories.

Chapter 4.3

LTC & other benefits

Introduction

4.3.1 Leave Travel Concession (LTC) is presently available to all persons appointed to Civil Services and posts including civilians in the defence services and members of All India Services serving in Central Government. Employees with one year of continuous service on the date of journey performed by them/their family are eligible. Railway employees and Government employees whose spouse is working in Indian Railways/National airlines are not eligible for LTC as they are entitled for free rail/air passes from their respective organisations. Under the LTC scheme, a Government employee and his/her family can travel to the declared home town once in a period of two calendar years. Journey on LTC can also be performed to any place in India in lieu of one of the two journeys to Home Town in a block of 4 years. The employees have the option of availing LTC to home town once every year. In that case they are not entitled to LTC to anywhere in India.

Demands

4.3.2 The Commission has received a large number of demands relating to LTC. Most of these demands seek an increase in the frequency of LTC or facility of travel anywhere in the world at least once in the entire career under the scheme or encashment of LTC.

Analysis of demands

4.3.3 The scheme of LTC was introduced to enable Central Government employees to discharge their social obligations at their home town as well as to acquaint themselves with different regions and cultures in the country. The facility was never intended as a supplement to the pay. The issue of encashment of LTC was also considered by the Fifth CPC who negated the demand for giving cash compensation in lieu of LTC. This Commission endorses the view of the Fifth Central Pay Commission. **Accordingly, the demand for paying cash compensation in lieu of LTC cannot be accepted.**

4.3.4 The demand for allowing travel abroad at least once in the entire career under the scheme is not in consonance with the basic objective of the scheme. The Government employee cannot gain

any perspective of the Indian culture by traveling abroad. Besides, the attendant cost in foreign travel would also make the expenditure under this scheme much higher. **The Commission is, therefore, not inclined to concede the demand to allow foreign travel under LTC.**

4.3.5 As regards the frequency of travel allowed under LTC, it is noted that an employee having his/her family at home town can avail of this concession for self alone every year instead of availing it for both himself/herself and family once in two years. The benefit of LTC to any place in India is also not available in this case. While this provision allows the employee to travel to meet the family every year, it curtails the facility for the family members who cannot make use of this benefit at all. The Fifth CPC had recommended that Government employees who are posted outside their home town should be given an option to avail of the concession to travel to their home town on three occasions in a block of four years by surrendering their claim to the all India LTC. The Government, however, has not implemented this recommendation. The Commission is of the view that the problem of traveling to home town is more acute for young officials as at that time the requirement to visit home town is higher and also the salaries are not sufficiently high to permit even annual travel on their own cost to their home town. Clearly, a more liberal LTC package needs to be given to the officers during their early career in the Government. **The Commission, accordingly, recommends that Central Government employees should be allowed to travel to their home town along with their families on three occasions in a block of four years and to any place in India on the fourth occasion. This facility shall be available to the Government officers only for the first two blocks of four years applicable after joining the Government for the first time. The blocs of 4 years shall apply with reference to the initial date of joining the Government even though the employee changes the job within Government subsequently. The existing blocks will remain the same but the entitlements of the new recruit will be different in the first eight years of service. All other provisions concerning frequency of travel under LTC are proposed to be retained.**

Recommendations

4.3.6 Presently, entitlements for class travel under LTC are slightly more strict vis-à-vis the travel entitlements during official tours and transfer. The Commission is of the view that travel entitlements under LTC should also be same as those on official tour and transfer. **It is, therefore, recommended that travel entitlements, whether for the purpose of official tour/transfer or LTC, should be same but no daily allowance shall be payable for travel on LTC. Further, the facility shall be admissible only in respect of journeys performed in vehicles operated by the**

Government or any Corporation in the public sector run by the Central or State Government or a local body.

4.3.7 Presently, the definition of family for the purposes of LTC includes parents and/or stepmother residing with and wholly dependent on the Government employee. Stepfathers residing with and wholly dependent on the Government employee are denied the benefit available to similarly placed stepmothers. The definition also places an unreasonable restriction in such of those cases where parents, despite not having any source of income and being totally dependent on the Government employees, continue to live in the native place. The parents in such cases are denied the option to travel to the place of posting of the Government official under LTC. **The Commission, therefore, recommends that parents and/or step parents (stepmother and stepfather) who are wholly dependent on the Government employee shall be included in the definition of family for the purpose of LTC irrespective of whether they are residing with the Government employee or not. The definition of dependency is being linked to the minimum family pension for all purposes. Accordingly, all parents and/or step parents whose total income from all sources is less than the minimum family pension prescribed in Central Government and dearness relief thereon would be included in the definition of family for this purpose. The extant conditions in respect of other relations included in the family including married /divorced /abandoned /separated /widowed daughters shall continue without any change.**

Recommendations for defraying incidentals

4.3.8 Another demand frequently made concerns defraying the incidental expenses during LTC. The Fifth CPC had considered the issue and recommended encashment of Earned Leave of 10 days along with LTC subject to a maximum of 60 days in the entire career. The Earned Leave so encashed during LTC was, however, deductible from the maximum limit of Earned Leave encashable at the time of retirement. The recommendation was accepted by the Government but has not been of much use to the Government employees as any prudent employee would like to preserve the maximum available encashment for their retirement. Many employees, especially those belonging to Group C and D, are loath to utilize the benefit of LTC because they are unable to bear the incidental expenses involved on travel. This is not justified. The Commission would like to rectify this situation. It is, accordingly, recommended that **while encashment of Earned Leave upto 10 days along with LTC to the extent of total of 60 days may be continued, the leave encashed at the time of availing LTC should not be deducted from the maximum amount of Earned Leave encashable at the time of retirement. Consequently, the employees would be eligible to encash 300 days of Earned Leave**

at the time of their retirement, even though they may have encashed Earned Leave of upto 60 days during their career while availing LTC, whether to their home town or to any place in India. Insofar as Railways is concerned, the employees shall be allowed to avail of this encashment at the time of availing of passes for a maximum of 60 days in the entire career subject to the condition that successive encashment cannot be made before a minimum period of two years has elapsed.

Chapter 4.4

Over Time Allowance and Bonus

Over Time Allowance

4.4.1 Prior to Fifth Central Pay Commission, all non-gazetted employees in receipt of monthly basic pay of upto Rs.2200 were entitled to Over Time Allowance for performing duties beyond the designated working hours. The Fifth Pay Commission had recommended abolition of Over Time Allowance for all categories except the Staff Car Driver, operational staff and industrial employees. The Pay Commission had also recommended that the staff deployed on weekly off days should be given a compensatory leave rather than any cash compensation in the form of OTA or otherwise. The recommendations of the Fifth CPC were, however, not accepted and status-quo was maintained with notional pay admissible in pre-revised (Fourth Central Pay Commission) pay scales being taken into account for this purpose.

Recommendations

4.4.2 The emphasis of this Report is to herald a proper work culture and result orientation in all the Government offices with increased productivity and efficiency being rewarded in the form of Performance Related Incentive Scheme (PRIS) that will be payable as an extra component over and above the salary. In such a scenario, continued payment of Over Time Allowance will be totally without any justification. **The Commission, accordingly, recommends abolition of compensation in the form of Over Time Allowance or any other similar allowance to any of the Central Government employees except those belonging to the categories of operational staff and industrial employees governed by statute. The categories of operational staff and industrial employees who are governed by statutory provisions will need to be paid this allowance in accordance with the extant rules and instructions because payment of this allowance in their case is a statutory requirement.**

4.4.3 In regard to bonus, the Terms of Reference of the Commission are as follows:-

"F. To make recommendations with respect to the general principles, financial parameters and conditions which should

govern payment of bonus and the desirability and feasibility of introducing Productivity Linked Incentive Scheme in place of the existing ad hoc bonus scheme in various Departments and to recommend specific formulae for determining the productivity index and other related parameters."

4.4.5 Presently, Productivity Linked Bonus (PLB) schemes exist in industries run departmentally like Railways, Post & Telegraphs, etc. In other departments where, in view of the Government, the nature of the work placed limitations on measuring productivity of the employees, non-PLB bonus is paid. The amount of non-PLB bonus is determined by Department of Expenditure and announced every year. In accordance with the terms of reference, the Commission has, after analyzing the existing PLB schemes, made recommendations regarding the general principles and financial parameters which should govern these schemes. As far as the ad-hoc bonus scheme is concerned, the question of its replacement by productivity linked scheme and the specific formulae to be followed has been considered.

Background of PLB

4.4.4 Workers employed in industrial establishments are entitled for bonus under the Payment of Bonus Act, 1965. The Act originally provided for a minimum bonus of 4% of pay including dearness allowance. The minimum limit of 4% was raised to 8.33% from 1971-72 onwards. In 1966, the Government decided that the benefits available under the Bonus Act will also be extended to other industries that were hitherto outside the purview of the Act. Subsequently, the employees of Government industries run departmentally like Railways etc. started demanding bonus as well. The Railway employees also went on strike on this issue in 1974. The PLB scheme was implemented for the first time in Railways in 1979 and the functioning of the scheme was reviewed in 1982-83 by the Bazle Karim Committee. This Committee recommended the evolution of PLB for all the Government employees as a whole. However, evolving a formula under which such PLB could be extended to all the employees was not found feasible and presently, the Government employees not covered by the PLB are paid bonus as per the Ad-Hoc Bonus Scheme.

Recommendations

4.4.5 PLB, as the name suggests, has to have a linkage with the increase in profitability and productivity of an organization. It is based on the assumption that the increased profitability/productivity is primarily due to the endeavor and efforts of the employees who should, therefore, be rewarded for such increase. If bonus scheme is to meet its objectives, the nexus between payment of bonus and the increase in productivity/profitability has to be drawn clearly in discernable

and quantifiable financial parameters. The Commission has separately recommended introduction of Performance Related Incentive Scheme (PRIS) in various Government organisations. PRIS will be payable over and above the salary and will be based on the productivity and the attendant savings made to the Government on this account. A portion of these savings would then be paid to the concerned employee/group of employees. The full contours of the scheme are discussed in Chapter 2.2. Ultimately, PRIS should replace the existing schemes of bonus, whether productivity linked or ad-hoc. **The Commission, accordingly, recommends that all Departments should ultimately replace the existing productivity linked bonus schemes with Performance Related Incentive Scheme. The ad-hoc bonus schemes should cease immediately and be replaced with PRIS. In places where PLB is applicable and it is not found feasible to implement PRIS immediately, the existing productivity linked bonus schemes may be continued in a modified manner where the formula for computing the bonus has a direct nexus with the increased profitability/productivity under well-defined financial parameters and in the meantime, PRIS can be tried out on pilot basis for some selected areas of work**.

PLB Schemes in specific organisations

4.4.6 Although the Commission recommends that all PLB schemes should also be replaced by PRIS, the existing PLB schemes in 3 of the largest departments/ministries in Government of India were examined to analyze critically the extant formulae and the nexus between the increased profitability/productivity and payment of bonus under these formulae so as to correct any infirmities till such time PRIS is implemented. These 3 departments/ministries are: -

Department of Posts
Ministry of Railways
Ministry of Defence (Ordnance Factories)

PLB scheme in Department of Posts

4.4.7 In Department of Posts, formula for computing PLB was based on the performance of the year 1976-77 for which 25 days wages as bonus is payable. The productivity for the base year i.e. 1976-77 is taken as 100. For each point increase beyond the base figure of 100, 1 day's additional bonus is payable over and above the 25 days wages. Similarly, for every 0.75 decrease below the base figure, the bonus is to be reduced by 1 day. The point increase/decrease called Productivity Index (PI) is computed by the following formula :-

$$PI = \frac{\text{Total workload in equivalent units}}{\text{Total staff [All Departmental staff + 18.7\% of GDS (BPM*) and 50\% of other categories of GDS]}}$$

*Branch Post Master of GDS.

The above formula had resulted in payment of bonus of 65 days in 2002-03. In 2003-04, the formula would have resulted in payment of PLB equal to 74 days wages. However, Department of Expenditure (whose approval is essential before any PLB can be declared by any individual department) had allowed payment of ad hoc bonus equal to 60 days wages for the said year. Earlier, a ceiling of 40 days existed in so far as payment of PLB to Department of Posts employees was concerned. In 1998, the Government approved removal of this ceiling of 40 days and also approved the revised formula presently in vogue for calculating the PLB as a transitional arrangement till arrangements for Multi Stage Stratified Random Sample Survey were operationalised. The transitional arrangements for computing the PLB was to be used only till 2002-2003 with a revised formula being operationalised in the year 2003-04. This could not be done as the requisite survey had not been completed. Accordingly, for the year 2003-04, the Department of Posts gave PLB to its employees on ad-hoc basis. The position has not changed much as a formula based on Multi Stage Stratified Random Sample Survey has not been finalized till date. Department of Posts, instead, has favored continuing the interim formula for payment of PLB on a permanent basis with the only modifications that:-

(i) the weightage given to Gramin Dak Sevaks (GDSs) is changed from existing 18.75% to 50% of the actual strength of permanent staff; and
(ii) the volume of the unregistered traffic is estimated on the basis of the revenue accruing from unregistered articles (excluding revenue generated from Money Order commission) with reference to the base year 1995-96.

Analysis of the extant formula

4.4.8 The formula of Department of Posts for computing PLB is not satisfactory as it does not operationalise the Multi Stage Stratified Random Sample Survey as a permanent method of computing PLB for its employees. Further, it also suffers from an apparent infirmity in the computation of the total workload in equivalent units, as under the existing formula, computation of the total workload in equivalent units for the entire year is done by counting all articles at the delivery point twice in a year for a

period of 2 weeks each. The volume of annual traffic is then computed on the basis of the enumerated traffic during these 4 weeks. The revenue from such annual traffic is thereafter calculated by multiplying it with figures of 'average revenue' derived on the basis of a separate annual survey. The estimated total revenue based on this exercise is compared with the accounted revenue from the sale of stamps and stationary minus the revenue generated through registered posts. A correction factor is thereafter applied. Past trends have invariably showed that the estimated total revenue worked out as per the above exercise is invariably higher than the actual revenue generated. In fact, in the past, the administrative department itself has applied a correction factor of as high as 70% to rectify this mismatch. This method of computing the estimated total revenue cannot, therefore, be held as correct. Further, the formula is broadly based on the increase in physical parameters without any reference to the increase in profit in real terms. It also does not take into account the natural increase in output that would be there in any case on account of modern technology that are also being applied in the department. The investments made on modern tools and technologies and which result in an increased output per employee should justifiably be set off against any increase in the revenue so as to arrive at a fair estimate of the increase in productivity on account of the endeavor of the employees alone.

Recommendations

4.4.9 The extant formula for computing PLB in Department of Posts, therefore, does not give the correct picture about the actual productivity of the employees of the department. The formula, therefore, needs to be completely overhauled. As an illustration, far better and accurate way to compute the total revenue would be by taking the actual net revenue generated from sale of stamps/stationary/other items. The base figure could then be drawn with reference to the average net revenue generated in the last 3 years. The ratio of these figures as adjusted to neutralize the effect of increase in the prices of various products and infusion of new technology would give a very good indication of the increase in productivity and be utilized to give PLB to the employees concerned. **The Commission recommends that the extant formula for computing PLB in Department of Posts be examined and revised to incorporate the above aspects till the scheme of PRIS is introduced.**

PLB scheme in Ministry of Railways

4.4.10 PLB Scheme for Railways employees was introduced in 1979 and is reviewed every three years. The principles of Payment of Bonus Act were kept in view while evolving this scheme. Productivity Linked Bonus in Ministry of Railways is payable to all non-gazetted Group 'B', 'C' and 'D' employees (excluding

RPF/RPSF personnel) in the Railways. Where wages of the employees exceed Rs.2500 per month, PLB payable is calculated assuming their wages to be Rs.2500 per month. The limit of Rs.2500 was revised in 1993-94 and has remained unchanged since then. The Fifth CPC had recommended that the existing calculation ceiling of Rs.2500 per month should be retained.

Analysis of the formula

4.4.11 The existing formula for computing PLB in the Railways is rather complex and based on the ratio between the productivity index in the year under consideration and the base year productivity index. The result and figure is multiplied by the actual PLB paid during the last 3 years to arrive at the PLB for the year. The base year productivity index is the ratio of average Equated Net Tonne Kilometers (ENTK) to the average total number of non-gazetted employees for the years. This details of the PLB formula are as under:-

$$\text{PLB} = \frac{\text{Productivity Index X Average Number of PLB days paid during the base index years}}{\text{Base year productivity index}}$$

In this formula

Average Number of PLB Days Paid During the Base Index Years = Ratio of average PLB paid during the last 3 years.

Base Year Productivity Index denotes the ratio of Average ENTK to the Average of Non-Gazetted Group 'B', 'C' and 'D' staff for the last 3 years.

$$\text{Productivity Index} = \frac{\text{Output}}{\text{Input}}$$

Where

Output = Equated Net Tonne Km. (ENTK)
[i.e. Total Goods Revenue Net Tonne Kms. + (Non-Suburban Passenger Kms. X 0.076) + (Suburban Passenger Kms. X 0.053)].

And

Input = Total strength of Non-Gazetted staff + (Total strength of Non-Gazetted Group 'B', 'C' and 'D' Staff X Percentage increase in the incremental capital)

Percentage Increase in Incremental Capital = (Increase in Traction Effort X 0.5) + (Increase in Wagon Capacity X 0.2) + (increase in Coach Capacity X 0.3).

Recommendations

4.4.12 The existing formula is, therefore, based purely on physical parameters without any reference to the financial viability and does not take into account the capital investments made by the Railways in areas other than the Rolling Stock. This means that capital investments made by Ministry of Railways in various staff welfare measures like providing for housing, medical facilities, subsidized catering etc. are not taken into account for purposes of computing the PLB. Other factors like quality of service, customer satisfaction, punctuality etc. also are not given any weightage. **A new formula for computing PLB that is based on financial parameters and where profit is computed as per the established principles of commercial accounting, wages with appropriate adjustments for increases, the impact of capital investment; element of subsidy, etc. would, therefore, need to be devised in case the PRIS is not implemented immediately in Ministry of Railways. The Commission recommends accordingly.** As an illustration, keeping in view the existing methods of accounting, a formula for computing PLB in Railways is given in Annex 4.4.1 of the Report for reference of the administrative ministry.

PLB scheme in Ordnance factories

4.4.13 The PLB scheme in various production units under Ministry of Defence was originally implemented in August, 1980. The scheme covers only the civilian employees and Defence Forces personnel are not covered under it. The PLB in the initial years varied between 25 days in 1980-81 to 36 days in 1985-86. The PLB scheme in Ordnance Factories was last revised in 2000. Average Piece Work Profit of the Ordnance Factories forms the basis to determine PLB payable in a year. The revised PLB formula has a base of 30 days for 25% Piece Work Profit and for every 2% increase in Piece Work Profit, one additional day of PLB will be payable provided that this payment for more than 30 days will be due only when Piece Work Profit exceeds the index of 25% by 4% i.e. in other words for 29% PW profit, the PLB payable will be 31 days. Thereafter, for every 2% increase, PLB will increase by one day. If the average Piece Work Profit exceeds 30% in any year, it is restricted to 50% for purposes of PLB. PLB is thus not paid in excess of 41 days in any year. In case average Piece Work Profit percentages fall below 25%, the PLB is to be reduced, i.e. if the Piece Work Profit falls by 4% below 25%, PLB will be reduced by one day (if Piece Work Profit is 21% PLB will be paid for 29 days). Then for each subsequent reduction of 2%, PLB will be reduced by one day. Under the existing scheme, Ordnance Factory Board is

required to review the standard man-hours for jobs whenever there is a change in production processes or when new labour saving machines are introduced. While the present formula for payment of PLB in Ordnance Factories takes into account the piece work profits and aspects related to changes in technology, care must be taken to ensure that proper discounting is done when revision in salary are carried out so that the mere impact of increase in salary does not entitle the employees to higher PLB.

Concluding remarks

4.4.14 The Commission would like to observe that the extant formulae of paying PLB in none of the 3 major ministries/departments are geared towards rewarding an actual increase in productivity/efficiency. The introduction of PRIS will ensure that actual performance of each employee or group of employees is measured using objective criteria and incentive given based on performance rather than uniformly across the organisation. The concerned Ministries should, therefore, seriously consider devising an appropriate PRIS. The Government, as a policy, should also consider replacing all form of bonus schemes by that of PRIS. **It is also clarified that in the revised scheme of emoluments being recommended by the Commission, all increase in productivity/profitability should reflect in form of PRIS. The ad-hoc bonus schemes should cease immediately and be replaced with PRIS. Payment of Bonus with the modified formula in PLB schemes shall be continued only till the time a scheme for implementing PRIS is formulated. This should be done within the time period of three years, after which all incentives presently being paid in form of bonus, etc. shall be allowed only in form of PRIS. The Government may also implement the scheme of variable increments for all groups of employees to reward individual performances.**

Chapter 4.5

Holidays and leave facilities

Introduction

4.5.1 Various offices of the Central Government are allowed 17 closed days in a year including the three National Holidays and 14 Gazetted Holidays. Additionally, Central Government employees are also entitled to avail of 2 Restricted Holidays in a year. Over and above this, civilian Government employees are allowed 8 days Casual Leave, 20 days' Half Pay Leave (which can be commuted to Medical Leave) and Earned Leave of 30 days. Government employees are also entitled to Study Leave and Extraordinary Leave separately.

Present position and the view of earlier Pay Commissions

4.5.2 The issue of the large number of holidays has to be examined in the light of the fact that the Government offices observe five day week which result in over 104 Saturdays and Sundays as off days every year. The Fifth Central Pay Commission had strongly recommended keeping the Central Government Offices closed only on the three National Holidays with the individual employees being permitted to avail of a larger number of Restricted Holidays annually to enable them to celebrate their festivals and other occasions of special significance and interest. The Fifth CPC had also recommended revival of the six day week along with second Saturday of the month being declared as a closed holiday. This was the position that existed prior to the introduction of the five day week.

Analysis

4.5.3 As far as Gazetted Holidays are concerned, the position, as rightly elucidated by the Fifth Central Pay Commission, is that the proliferation of these holidays is primarily due to festivals. In a culturally diverse nation like India, once the principle of declaring holidays on festivals is allowed, the number of holidays cannot but increase to a very high figure in order to accommodate the sentiments of the different communities and segments within the society. The Fifth CPC had observed that in order to promote a sense of true secularism, festivals should be treated as personal to individual employee. These observations are justified and the principle has to be accepted unreservedly to curtail closure of Government offices on different occasions which inconveniences the public at large. It has to be understood that uniform closure of

all governmental organizations, which incidentally also includes Banks especially Nationalized Banks, commercial establishments, educational institutions, etc. not only hinders production activity, trade and commerce but also causes inconvenience to the public and a great deal of misery to the various daily wage earners whose existence depends on their daily earnings.

Declaration of holidays on demise of leaders

4.5.4 Apart from the recommendations relating to closure of Government offices on various festivals, the Fifth Central Pay Commission had also made recommendations regarding declaration of holidays on demise of leaders. The recommendation of Fifth CPC relating to declaration of holidays on demise of leaders has been accepted by the Government but the recommendations on revival of the six day week and declaration of holidays on festivals have not been accepted.

Six day week

4.5.5 Insofar as the issue of revival of the six days week is concerned, it is seen that most of the States are now following the five day week pattern. It is observed that the major factor for the introduction of five day week, apart from conserving electricity etc., was that the same would provide more time to the employees for rest and recreation and also enable them to fulfill their domestic and social obligations. This premise holds true even now and actually contributes to their physical and mental well-being and consequently to increase of efficiency. As more and more women are now joining the Government, the five day week facilitates them to look after their dual responsibilities in a better manner. It is also noteworthy that loss of one working day in a week was compensated by a corresponding increase in the daily working hours which continue to be 40 hours per week. In all the developed countries with high level of productivity and better work ethics, five day week is almost universally in vogue. The five day week is now well entrenched and accepted by all the Government employees and reverting to the six day week at this stage would lead to discontent amongst Government employees without any commensurate benefits accruing in terms of productivity and efficiency. **The Commission, therefore, recommends continuation of the five day week in the offices of the Central Government.**

Holiday policy

4.5.6 As regards the issue of holidays, there can be no rationale for observing a large number of closed holidays in the Government along with a five day week. It is also very true that in a secular nation, religious festivals should be treated as personal to each individual employee without the Government offices having to be closed on that account. Keeping in view the recommendations of the Fifth Central Pay Commission in this regard, **the Commission**

recommends that, henceforth, the Government offices should remain closed only on the 3 National holidays. No other closed holidays should be allowed. To enable the Government employees the freedom to celebrate their festivals and other occasions of special significance to them, the number of Restricted Holidays available to an employee shall be increased to 8 with the list of Restricted Holidays being suitably enlarged to include all the erstwhile Gazetted Holidays therein. The Commission is aware that on few occasions, it may not be possible to open the office due to local considerations like lack of availability of adequate transport facilities on that day or some other practical problem. Every Head of Department (HoD) should, therefore, be allowed the option of declaring the office closed for a maximum of two Restricted Holidays in a year based on local considerations. These days should be decided by the HoD at the beginning of the year in consultation with the Staff Side of the organization and be prominently displayed in the office premises. All employees of the office will be deemed to have availed Restricted Holiday on those two days. This will not only ensure that Government offices remain open for a larger number of days even though a few employees may be absent on certain specific occasions but will also allow sufficient leeway to the individual organizations to keep the office closed on upto 2 specific occasions in a year when it is not practical to run the office. The number of Casual Leave, Half Pay Leave and Earned Leave available to Government employees shall remain unchanged. In Chapter 4.8, the Commission has recommended 12 days casual leave for physically disabled employees. The number of casual leave for this category of employees, therefore, will stand increased to 12 days. From 1/9/1981, Teachers, Principals and Head Masters working in schools and from 28/7/1984, Librarians, Laboratory Assistants and Watermen working in schools have not been allowed the facility of half pay leave. This facility needs to be restored for these categories as the present rules place them in difficulties in times of sickness, etc. **These categories should be made eligible for half pay leave on par with other Central Government employees.**

Chapter 4.6

Advances

Introduction

4.6.1 Two types of advances are available to the Government employees. These are:-

(1) Interest free advances; and
(2) Interest-bearing advances

4.6.2 The details of these advances are as follows:-

Interest free advances

Name of advance	Amount (Rs.)	Eligibility
1. Advance of Pay on transfer	1 months pay. 2 months pay in case of transfer due to shift of headquarters as a result of Government policy.	Available to all officers transferred to another station in public interest
2. Advance of T.A. on tour/ transfer/ retirement	An amount sufficient to cover the officials' personal traveling expenses for a month or six weeks in case of prolonged tours	All cases where TA is admissible.
3. Advance of T.A. to the family of a deceased Government employee	Limited to 3/4th of the probable expenses admissible under the rules	Same as for retirement/transfer
4. Advance of LTC	Upto 90% of the fare.	All eligible Central Government employees

Name of advance	Amount (Rs.)	Eligibility
5. Leave Salary Advance	An amount not exceeding the leave salary including the allowances for the first 30 days of leave after making due deductions.	All officials provided the leave taken is not less than 30 days.
6. Advance in connection with medical treatment	90% of the package deal for specific major illnesses. Rs.10,000 for indoor treatment or outdoor treatment of 3 months or less for cancer. Rs.36000 for treatment of TB where duration is more than 3 months.	Admissible to all Central Government employees.
7. Festival Advance	1500	Non-gazetted employees whose basic pay plus DP plus stagnation increment does not exceed Rs.12,450 p.m.
8. Advance in the event of natural calamity like flood, drought, cyclone, etc.	2500	Only non-gazetted employees
9. Advance for training in Hindi through Correspondence Course.	150	For those Central Government employees who undergo training through Correspondence Course conducted by the Central Hindi Directorate

Interest-bearing advances

Name of advance	Amount (Rs.)	Eligibility
1. Advance for purchase of warm clothing.	1500	All Group C & D employees posted at a hill station either on first appointment or on transfer, for a period of not less than one year
2. Advance for purchase of table fan.	1000 or actual whichever is less	Group D employees
3. Advance to Postal and RMS Inspectors for purchase of typewriter.	1500 or actual, whichever is less	Inspector of Post Offices/Inspector of RMS
4. Advance for purchase of conveyance, i.e.		
motor car,	1,80,000 for first time 1,60,000 subsequently	Officials drawing pay of Rs.15,750 p.m. or more.
motor cycle/ scooter	30,000 for first time 24,000 subsequently	Officials drawing pay of Rs.6900 p.m. or more.
bicycle	1500	Non-gazetted Government employee with pay not exceeding Rs.7500 p.m.
5. Advance for purchase of Personal Computer	80,000 for first time 75,000 subsequently	Same as for Motor Car Advance
6. Advance for construction/ purchase of house/flat/ enlargement of living accommodation	7,50,000	All permanent officials or officials with at least 10 years of continuous service

4.6.3 Apart from above, two more interest free advances are also available to Government employees. These are advance on first appointment/deputation and leave ex-India and advance in connection with legal proceedings.

Interest Free Advances

4.6.4 It is observed that the interest free advances are usually given to defray the cost of purchasing tickets etc. on tour, transfer, travel, retirement or in connection with medical treatment, legal proceedings or for taking training in certain specified courses. Apart from this, interest free advances of small amounts are also given to some categories of non-gazetted employees in specific circumstances like festivals and in calamities. These advances are recovered from the employees within a short period. The interest free advances may, therefore, need to be continued. **The Commission, accordingly, recommends that the existing amount of following interest free advances should be doubled:-**

- Festival Advance
- Advance in the event of natural calamity like flood, drought, cyclone, etc.
- Advance for training in Hindi through Correspondence Course.

The rates of these allowances shall be increased by 25% every time dearness allowance on revised pay bands increases by 50%.

4.6.5 **All other existing conditions in respect of various interest free advances shall be maintained without any change.**

Interest Bearing Advances

4.6.6 **Insofar as interest bearing advances are concerned, the Commission is of the view that the loan for purchase of typewriters should be dispensed with as these are no longer relevant after introduction of computers. Advance for purchase of table fan is available only to Group D employees who are, in any case, being upgraded to Group C. Consequently, no need exists to retain this advance.** Other advances include some advances for Group C or non-gazetted employees like warm clothing advance and bicycle advance. Some advances are given for major items like purchase of houses, vehicles etc. These advances will, therefore, need to be continued so as to facilitate their purchase by the Government employee. Advances for purchase of warm clothing and bicycle are for small amounts and are mainly utilized by employees drawing lower salaries. It may, therefore, not be appropriate to charge interest on these two advances. **The Commission, accordingly, recommends that no interest should be charged on advances for purchase of warm clothing and bicycle**. **Like in the case of other interest free advances, the existing rates of advances for purchase of warm**

clothing and bicycle should also be doubled. Insofar as grant of advances for purchase of major items like motorcar, house, etc. is concerned, it is observed that the grant of these advances by the Government locks up Government funds for a long period that could otherwise be used for other welfare purposes. Further, as the amount available for being given as advances is specified, all Government employees wanting to avail these advances do not always get them despite being eligible as sufficient funds are not available under that head. Although the advances are interest-bearing, these incorporate an inherent interest subsidy since the interest is only paid after the principal has been fully repaid and simple interest is chargeable on the advance. The rates of interest payable by the employee, therefore, are somewhat lower than the existing market rates. The Commission is of the view that in order to spread the benefit in a more equitable manner, it is desirable to provide only for the element of interest subsidy and make available various interest bearing advances to Government employees through arrangements with public sector banks. This will not only give the Government employee the freedom to approach the specified bank for a loan but would also simplify the existing procedures saving a lot of administrative work which is presently being done in Government offices for grant of loans and servicing thereof. It will also enable every eligible Government employee to get the requisite loan/advance from the specified bank(s) as shortage of funds under that specific head will no longer be a constraint. Given the size of the Government machinery, the Government can also negotiate with leading PSU banks to offer loans to employees at reduced rates of interest. Banks, keeping in view the large volume, should be able to offer a competitive rate of interest. The deal would be made even more attractive for the Government employees because the Government will give interest subsidy (such subsidy is being given even at present), on the negotiated rate of interest being charged by the specified bank(s). **The Commission, accordingly, recommends that the Government should not give any interest bearing advances. Instead the Government should enter into agreement with leading PSU banks to extend this facility at pre-determined competitive rates to Government employees. While the employee shall take the loans/advances directly from the bank with the approval of the sanctioning authority in the Government and also repay the installments directly to the bank. The Government will give an interest subsidy equal to 2 percentage points in rate of interest being charged by the bank to the employee. The interest subsidy for employees with disabilities will be equal to four percentage points in the rate of interest being charged by the bank. Simultaneously, the existing limit of various interest bearing advances should also be doubled for the purpose of getting the subsidy. This limit should automatically be increased by 25%**

every time the dearness allowance payable on revised pay bands goes up by 50%. The eligibility for taking the advances should also be removed because the repaying capacity would, in any case, be considered by the concerned bank at the time of processing the loan application. This will also extend to the ceiling of Rs.18 lakhs presently prescribed on the cost of house for purposes of house building advance. Therefore, this ceiling should also be removed.

Chapter 4.7

Women employees in Central Government

Introduction

4.7.1 As per the Census of Central Government employees, 2001, women constitute 7.53% (2.92 lakhs) of the total regular Central Government employees. The participation of women is the highest in the Communications and IT Ministries. Ministries of Defence and Railways also have a substantial number of women employees.

Views of previous Pay Commissions and present scenario

4.7.2 Keeping in view the dual responsibilities borne by working women and the increasing practical difficulties in balancing work and family responsibilities, previous Pay Commissions made recommendations for providing special facilities for women in terms of provision of residential accommodation for single women, provision of transport facilities, introduction of concepts such as flexi-time and flexi-place on trial basis, options for working half time during the period that children are young , etc. The provisions made by the Central Government for women employees include age relaxation for appointment in Group 'C' and 'D' posts, exemption from educational qualifications for compassionate appointments to widows of deceased Government employees, maternity and paternity leave benefits, guidelines for provision of crèche facilities as well as for posting of husband and wife at the same station.

Demands of the Staff Side

4.7.3 In the memoranda received by the Sixth Pay Commission, it has been suggested that earlier recommendations of flexi-time, flexi-place as well as half day working should be implemented and that the guidelines for posting of husband and wife at the same station made mandatory. Other suggestions in regard to women employees include provision of rest rooms and refreshment rooms at the work place, safe transport facilities, child care allowance at the rate of Rs.1000 per child till the child attains the age of 10, voluntary retirement for women after 15 years of service, etc.

Position in other countries

4.7.4 A number of countries have provided facilities to working women by either providing for longer maternity leave or day-care centers, staggered working hours to start and finish work early or late, restricting overtime and late night working, part time leave of up to two hours a day till the child is 3 years old, child-care leave which can be divided into periods for both parents to take care of the child alternately, spouse maternity leave, etc.

Recommendations

4.7.5 The Commission has studied the facilities provided in other countries and taken into account the demands made in this regard. It is the considered opinion of the Commission that adequate facilities need to be provided to ensure that more women take up public employment and to enable them to balance the dual responsibilities of looking after children and work. In pursuance of this, the **Commission makes the following recommendations: -**

(i) The concept of staggered working hours needs to be introduced for women employees as it would give flexibility to employees to work either early or late depending on their requirements at the home front. Under this scheme, 11 AM to 4 PM will be core hours during which all women employees will necessarily need to be present in the office. They will, however, have the option of either coming upto one and a half hours earlier or leaving upto two hours late depending upon the actual time they have clocked in. The time may be adjusted in case the office follows different work hours. For this arrangement to succeed, biometric entry/exit would be required.

(ii) The concept of child care leave exists in countries like Japan & Netherlands where women employees are allowed leave to look after the needs of their children. A similar facility needs to be extended in Central Government as it will facilitate women employees to take care of their children at the time of need. All women employees having minor children may, therefore, be allowed total leave of upto two years (i.e. 730 days) for taking care of upto 2 children whether for rearing the children or looking after any of their needs like examination, sickness, etc. Child care leave should also be allowed for the third year as leave not due. However, no child care leave shall be given for a child who is eighteen years of age or older.

(iii) Although instructions exist in regard to setting up of day-care-centers/crèches in offices or major residential areas, most Departments have not created such facilities. The setting up of these crèches should be made mandatory in offices where the employees, male and female, have pre-school or primary school going children. This will enable male employees also to keep their children in such crèches. These crèches could also be run on contributory basis so that appropriate standard of facilities is maintained.

(iv) Maternity leave of 135 days is presently permitted to women employees for two children. Further, leave up to a

period of one year can be availed of in continuation of maternity leave. Keeping in view the guidelines of Ministry of Health & FW which recommends nursing of children till the age of 6 months, the Commission recommends that maternity leave should be increased from 135 days at present to 180 days. Further, the period of leave which can be availed of in continuation of maternity leave should be increased to 2 years instead of one year at present.

(v) **One of the major problems faced by single working women is that of residential accommodation. The Commission recommends that Government should address this issue in all seriousness and either build or lease working women's hostels so that the initial years of service are smooth.**

(vi) **Government has enacted several legislations for the protection of women such as the Domestic Violence Act. It is recommended that the provisions of these Acts may be incorporated in the CCS (Conduct) Rules and violations should call for disciplinary action. Government will, therefore, serve as an example by ensuring that provisions of these Acts are first implemented within.**

(vii) **Insofar as Transfer TA is concerned, only one transfer grant is permitted if the transfer of husband and wife takes place within 6 months of each other from the same place to the same place. This condition places unreasonable difficulty because the transferred spouse has to take some essential household items even for periods less than six months. It is recommended that fifty percent of the transfer grant on transfer should be allowed to the spouse transferred later in case the transfer takes place within six months but after 60 days of the transfer of the spouse transferred earlier. No such transfer grant shall be admissible in case where both the transfers are ordered within 60 days. The existing provisions shall continue in case of transfers after a period of six months or more. Other rules precluding transfer grant in case of request transfer or transfer other than on public interest shall continue to apply unchanged in their case.**

Chapter 4.8

Persons with disabilities in Central Government

Introduction

4.8.1 Government of India has given various incentives for employing persons with disabilities. Three percent reservation is given to persons suffering from:-

Blindness or low vision;
Hearing impairment;
Locomotor Disability or cerebral palsy;

Persons with minimum disability of 40% or higher are eligible. The 3% reservation in Group C & D is with reference to total strength of the cadre and in Group A & B, it is with reference to identified posts in the cadre. Existing percentage of persons with disabilities in various grades in the Government is as under: -

Group A	3.07%
Group B	4.41%
Group C	3.76%
Group D	3.18%

Facilities currently available

4.8.2 Apart from reservation in the initial appointment, other facilities are also available for these employees. These facilities apply during in-service employment and are briefly enumerated as under:-

(i) Relaxation in upper age limit of upto 10 years when recruitment is made through open competitive examinations and of 5 years when recruitment is made otherwise through competitive examination.

(ii) As far as possible, they are to be posted near their native region.

(iii) Exemption from typing test in case of clerical post.

(iv) Transport allowance at double the normal rates.

(v) An employee who acquires a disability during his service cannot be dispensed with or reduced in rank.

(vi) Promotion cannot be denied to a person merely on the ground of his/her disability.

(vii) Employees who are disabled or incapacitated on account of causes attributable to or aggravated by Government service are eligible for special benefits under the CCS (Extraordinary) Pension Rules. Similar provisions also exist for Defence Forces personnel.

Demands

4.8.3 Associations of employees with disabilities projected the following demands before the Commission:-

(i) Provision of necessary facilities in place of work so as to enable them to discharge their functions efficiently.

(ii) Making available the best prosthetics which would increase their efficiency.

(iii) Grant of liberal conveyance loans as vehicles have to be specifically modified in their case and are, therefore, costlier.

(iv) Better facilities for transportation.

Analysis

4.8.4 Proper facilities for employees with disabilities are essential. Vide Notification dated 1st January, 1996, the Government has also notified guidelines for equal opportunities to the persons with disabilities. National Policy for Persons with Disabilities (enunciated in February, 2006) lists out various measures to be taken by the Government for providing gainful employment to persons with disabilities. United Nation's Convention on the Rights of Persons with Disabilities (61st Session held in December, 2006) also stresses the protection of the rights of these persons to just and favorable conditions of work and safe and healthy working conditions. Provisions for the benefit of persons with disabilities are, therefore, not only justified but also mandatory.

Recommendations

4.8.5 A package of benefits over and above the facilities currently available is, therefore, desirable for persons with disabilities working in the Central Government/UTs. **The Commission has made recommendations giving special dispensation to this category in various Chapters of the Report.**

These recommendations are being recounted here. Additionally, some other benefits are also being recommended for persons with disabilities which should be implemented at the earliest :-

(i) **Number of Casual Leave available for employees with disabilities should be 12 days as against 8 days for other employees.**

(ii) **Aids and appliances like dictaphones, braille writing equipments, CD player/tape recorder, low vision aids and other learning equipments that will enable the employees with disabilities to discharge their official functions better should invariably be made available free of charge**.

(iii) **The office environment should be made user friendly for employees with disabilities.** This is also in accordance with the guidelines prescribed in the National Policy for Persons with Disabilities which provide for modifications in the designs of machinery work station and work environment necessary for the persons with disabilities to operate without barriers in the office. Specifically, the guidelines direct the Government to ensure that industrial establishments and offices provide disabled friendly work place for their employees with adequate safety standards being developed and strictly enforced. All Government offices have to follow these guidelines. Article 9 of the UN Convention on the Rights of Persons with Disabilities also enjoins upon the States to ensure accessible work place for these persons. These **guidelines are contained in paras 50 and 51 of the National Policy of persons with disabilities and have been reproduced in Annex 4.8.1 of the Report. These guidelines should invariably be observed in all Government offices.**

(iv) **A higher interest subsidy (4%) has been recommended for automobile loans for employees with disabilities in the relevant chapter.**

(v) **Liberal flexi hours should be allowed for these employees. Concept of flexi week should be introduced in their case wherein these employees will need to put in the stipulated hours of duty every week which can be calculated with reference to their time of arrival and departure in the office and the number of days they actually attend the office.** This is necessary because these employees face difficulties in commuting and also are

susceptible to higher medical problems necessitating frequent hospital visits. As such, maintaining regular working hours in their case poses many problems that can be alleviated by liberal flexi hours. This will not have any adverse effect on their output or productivity as they will still need to put in the stipulated weekly hours of duty prescribed.

(vi) Women with disabilities have to face even higher problems while looking after their children. National Policy for Persons with Disabilities mandates the Government to take up a programme to provide financial support to women with disabilities so that they may hire services to look after their children. Article 6 of the UN Convention on the rights of Persons with Disabilities also recognizes the multiple discriminations faced by women and girls with disabilities and provides that all States shall take appropriate measures in this regard. The Government, as a model employer, therefore, has a duty to provide for extra benefits to the women employees with disabilities especially when they have young children. **In view of this, an extra allowance of Rs.1000 p.m. (to be called Special Allowance for Child Care) is recommended for women with disabilities. The allowance shall be payable from the time of child's birth till the child is two years old. It will be payable for a maximum of two children. This allowance will go up by 25% every time the DA crosses 50%. Education allowance for disabled children of Government employees shall be payable at double the normal rates prescribed.**

(vii) **Higher Transport allowance at double the rates subject to a minimum of Rs.1000 p.m. for persons with disabilities employed in the Government has been proposed in the Chapter on Allowances other than Dearness Allowance.**

(viii) Government of India has been assisting persons with disabilities in procuring modern prosthetic aids and appliances that reduce the effect of disabilities. National Policy for Persons with Disabilities provides for extension of the availability of these devices further with financial support being provided by the public sector banks for enterprises involved in the manufacture of high-tech assistive devices for persons with disabilities. Government has to ensure that all such employees are able to obtain the most modern devices available that will

enhance their productivity by reducing the effect of disability. Medical Rules may need to be amended so as to allow the best possible prosthetic aids to the physically handicapped employees. **Modification of the extant provisions to provide for Government bearing 50% of the cost exceeding the prescribed limit in case the employee with disabilities opts for a better quality prosthetic aid/appliances whose value exceeds the prescribed limit is, accordingly, being recommended.**

(ix) **A proper grievance redressal machinery for looking into the interest and welfare of persons with disabilities employed in the Government should be put in place in every office where one or more such employees are posted.**

The aforesaid measures along with the extant provisions should go a long way in alleviating the problems faced by persons with disabilities employed in the Government.

Chapter 4.9

Central Government Employees Group Insurance Scheme & General Provident Fund Scheme

Central Government Employees Group Insurance Scheme

4.9.1 The Central Government Employees Group Insurance Scheme (CGEGIS) was introduced in January, 1982 to provide insurance cover to the employees so as to enable their families to get a lump-sum amount in the event of employee's death. The scheme also envisages a lump-sum payment on cessation of employment. The scheme is wholly contributory and is run on self-financing basis. The rates of subscription and the insurance cover under this scheme vary for different groups. The present rates of subscription and insurance cover for the different categories of employees are as under :

Group	Rate of monthly subscription	Insurance cover
A	120	1,20,000
B	60	60,000
C	30	30,000
D	15	15,000

Subscription under the scheme is apportioned between the insurance fund and the savings fund in the ratio of 30:70. The rates of monthly subscription as well as the insurance cover are supposed to be revised periodically.

Demands & Analysis

4.9.2 The foremost demand from the Staff Side on this issue is for increasing the insurance cover under this scheme. In this context, it is observed that the rates of subscription and insurance cover were last revised in January, 1990. Thereafter, the Fifth CPC, taking in account the erosion in the real value of the rupee, recommended doubling of the rates of monthly subscription as well as the insurance cover available to various categories of employees under this scheme. The Government has not implemented this recommendation till date.

Present position

4.9.3 The rates of subscription and the amount of insurance cover not having been revised for almost 18 years, the insurance cover presently available under the scheme has become totally

inadequate and an amount of Rs.15,000 cannot provide financial support to the family of a deceased Group D employee. Clearly, a need exists to substantially increase the amount of insurance cover provided under the scheme. Since the scheme is self-financing, it will naturally entail an increase in the amount of monthly subscription as well. Another aspect that will have to be kept in view is that the Commission has recommended upgradation of Group D in the Government with all existing Group D employees being upgraded and placed in the entry grade of Group C. Accordingly, no separate slab for Group D would now be necessary. When the rates of subscription and the insurance cover under this scheme were last revised in 1990, the pay scales recommended by Fourth CPC were in vogue. The minimum salary in the Fourth CPC pay scales was Rs.750. As against this, the minimum salary recommended by this Commission for PB-1 pay band is Rs.6660 (Rs.4860 as pay band + Rs.1800 as grade pay). Another factor that will have to be kept in view is that DA equal to 38% of basic pay was payable as on 1/1/1990. The minimum salary as on 1/1/1990 was, therefore, Rs.1035. The increase in the minimum salary between 1/1/1990 and the date of implementation, viz. 1.1.2006, of the pay scales being recommended by this Commission, therefore, works out to more than six times. To restore the actual value of insurance cover provided under the scheme, the present amount for various categories will need to be enhanced by at least six times with a similar enhancement being done in respect of the monthly subscription as well.

Recommendations

4.9.4 **The Commission recommends that the rate of monthly subscription and the amount of insurance cover under the Central Government Employees Group Insurance Scheme should be enhanced as under:-**

Group	Rate of monthly subscription	Insurance cover
A	**720**	**7,20,000**
B	**360**	**3,60,000**
C	**180**	**1,80,000**

Such of those employees belonging to erstwhile Group D who are continuing in the -1S pay band till the time they are retrained will also be covered under the rates of subscription and the amount of insurance prescribed for Group C employees. No other changes are being recommended in the existing scheme. Government should, however, take a view on the apportionment of subscription from employees between the insurance fund and the saving fund keeping in view the changes in the average

mortality rates. This exercise should have no bearing on the rate of subscription and the amount of insurance cover recommended.

General Provident Fund

4.9.5 General Provident Fund (GPF) for Central Government employees has been in vogue since 1960. It covers all Government employees who have completed one year service as well as all re-employed pensioners who are not covered under the Contributory Provident Fund scheme.

Making GPF optional

4.9.6 The scheme was introduced to foster the habit of saving amongst Government employees and also to provide them some pecuniary help in times of need. The earlier Pay Commissions had considered the issue of making the fund optional. The demand to make the fund optional had arisen because of increased availability of other, more attractive, saving instruments and the growing tendency amongst employees to withdraw frequently from the fund using it like a savings account. The Fourth Central Pay Commission did not favour making the scheme optional on the ground that the fund provided relief to employees in times of genuine need and allowed more convenient withdrawals than that provided under other similar schemes like Public Provident Fund. The Fifth CPC endorsed the observations of the earlier Pay Commissions, adding that accretions to the fund also improved the Government's ways and means position. The Fifth CPC also considered that, in case the scheme was made optional, the State Governments would also be compelled to follow suit, which they could ill afford due to severe resource constraints. No change in the minimum subscription of 6% of emoluments was recommended by the Fifth CPC.

Analysis

4.9.7 The conditions today have changed. With the introduction of New Pension Scheme w.e.f. 1/1/2004, all the employees joining the Government on or after this date are not covered under the GPF scheme. Further, the New Pension Scheme is expected to have two tiers and while the Government is to make an equal contribution for employees covered under Tier I, no contribution will be made by the Government for Tier II and accretions will be generated only from investments made. Although the second tier under the New Pension Scheme is still to be operationalised, the said tier would be open to all employees irrespective of whether they have joined before or after 1/1/2004. Since the employees should be given a choice to decide the best scheme of investment for their future well-being, making GPF compulsory for all pre-1/1/2004 Central Government employees may not be the most justified course any longer.

Recommendations 4.9.8 The resource position of the Central Government is comfortable and the revenues are showing a steady growth. Similar is the position with State Governments which can now also raise the necessary resources for defined projects from the market. At present, employees have the option of a variety of market instruments to choose from for investment purposes. In any case, with the liberalization of rules for taking advances and withdrawals from the fund, the net accretions in the fund are not very significant especially due to the growing tendency among the employees to resort to frequent withdrawals. Another factor that needs to be taken into account is that the Commission has separately recommended a significant increase in the amount of monthly subscription and insurance cover under the Central Government Employees Group Insurance Scheme (CGEGIS). Since 70% of the subscription under CGEGIS is for saving purposes, the Government employees will, in any case, be making a much higher saving under this scheme. Their family would also be assured of a significant amount in case of death of the employee. In such a scenario, no further rationale exists for continuing the GPF scheme as a compulsory scheme for all Central Government employees. **The Commission, therefore, recommends that future investments in GPF should be allowed purely on voluntary basis with no minimum being prescribed for all Central Government employees covered under the CCS (Pension) Rules, 1972.** This will also provide ample choice for all Central Government employees to opt either for contributions under the second tier of the New Pension Scheme where the amount contributed by the employee will not be matched by the employer or under the GPF scheme or go in for suitable investment schemes available in the market. Another benefit will be that it will also make the Government prescribe a competitive rate of interest on investments made in GPF in order to ensure that the Government employees continue investing in the scheme.

Chapter 4.10

Allowances & conditions of service of Defence Forces personnel

Introduction

4.10.1 Defence Forces personnel are in receipt of a variety of allowances, some identical to those granted to civilian employees and others granted exclusively to them taking into account their specific conditions of service. Among the allowances that are common to civilians and defence personnel are Dearness Allowance, City Compensatory Allowance, Deputation (Duty) Allowance, Transport Allowance, Non-Practicing Allowance, House Rent Allowance, special compensatory allowances etc.

Fifth Pay Commission and thereafter

4.10.2 The Fifth CPC had recommended doubling of the allowances of civilian as well as Defence Forces personnel in general with a few exceptions such as Flying Allowance for which a higher multiplication factor had been used in the case of fighter fliers, and field service concessions for which a lower factor was used as these concessions had last been revised in 1993. While implementing the recommendations of the Fifth CPC, Government revised the rates of the Flying Allowance, Submarine Allowance and the Siachen Allowance. Thereafter, a number of other allowances such as Field Area Concessions, Counter Insurgency Operations Allowance, Technical Allowance, MARCOS/Chariot Allowance, Para Allowance, Special Forces allowance, etc. were revised upward by the Government. The Government also extended the Island Special (Duty) Allowance and Special Compensatory Allowance to Defence Personnel and certain new allowances such as Instructional Allowance, Air Worthiness Certificate Allowance, Aeronautical Technical Allowance, Qualification Pay for Air Traffic Controllers and Fighter Controller Officers as well as a Highly Active Field Area Allowance were introduced. Such revision took place in a majority of cases with effect from 2000 or 2001.

Proposals in Defence Forces memoranda

4.10.3 In their memoranda to the Sixth Pay Commission, the Defence Forces have generally sought a four and a half times increase in the existing rates of allowances in line with their demand for a four and a half times increase in pay. For certain allowances, however, such as the highly active field area allowance, Counter Insurgency Operations allowance, Air Despatch Pay, Composite

Personal Maintenance Allowance, etc., a higher increase has been sought. Introduction of certain new allowances such as Skill Allowance, Boiler Watch Keeping Allowance, UAV Crew Skill Allowance, Hardship Allowance, Assessors allowance and a Service Incentive Allowance has also been sought. Specific demands in respect of individual allowances have been discussed in the forthcoming paragraphs of this chapter.

The Commission's approach

4.10.4 Elsewhere in the Report, the Commission has brought out the rationale governing the revision of allowances on the civilian side. While examining the demands made by the Defence Forces, the Commission has gone into the rationale for grant of individual allowances and has also considered the demand for a four and a half times revision in the context of the revision of allowances of other categories of employees including those in the CPMFs. Also, in spite of the fact that a number of allowances were revised in 2000/2001 and may not have called for the same multiplication factor, the Commission has decided not to disturb the existing relativities between the rates of allowances and has, therefore, in general, doubled the rates of allowances. It also has to be noted that recommended rates of allowances have been made inflation proof and are recommended to be increased automatically every time the dearness allowance payable on revised pay bands goes up by 50%.

Allowances common to Civilians and Defence Forces personnel

4.10.5 **Insofar as the allowances common to civilian and Defence Forces personnel are concerned, the recommendations made by the Commission in Chapters 4.1 & 4.2 on Dearness Allowance, City Compensatory Allowance, Transport Allowance, Children's Education Allowance, Conveyance Allowance, Non-Practicing Allowance, will apply equally to Defence Forces personnel.** These recommendations have been formulated after taking, among other factors, due note of the specific suggestions made by the Defence Forces personnel in respect of these allowances.

4.10.6 In addition to the allowances mentioned above, the following compensatory allowances are admissible to Defence Forces personnel on terms and conditions as are applicable to civilian employees. However, if field service concessions are admissible in such areas, the Defence Forces personnel have the option of receiving the higher of the two allowances.

Special Compensatory (Hill Area) Allowance
Special Compensatory (Remote Locality) Allowance
Island Special Duty Allowance
Project Allowance
Hard Area Allowance
Special Compensatory (Bad Climate) Allowance

4.10.7 The revised rates recommended in regard to the above allowances for civilian employees in the relevant chapter will also apply in the case of Defence Forces personnel. It has been brought out by the Defence Forces that in certain remote locations where there are no Central Government establishments other than defence organizations, these allowances are not paid. It has been suggested that the Ministry competent to declare areas as remote should consider even these locations so as to make them eligible for compensatory allowances as applicable. Further, areas in which Defence Forces have to provide relief and rescue during disasters and calamities should be declared hard areas automatically and Hard Area Allowance should be granted.

4.10.8 **The Commission is unable to agree to the demand related to declaration of areas affected by natural disasters and calamities as hard areas because of its repercussions on other Central Government and State Government employees**. As far as the areas eligible for grant of compensatory allowances are concerned, the existing system is to follow the State Government's classification for remote/difficult areas etc. Although the facilities available in cantonments are generally reasonably adequate, there may be some locations where grant of the allowance can be justified based on the existing criteria. **The Commission, therefore, recommends that the Central Government may issue instructions to State Governments to also consider the difficulties in areas where only Defence Forces establishments are situated for the purpose of determining whether such areas qualify for grant of compensatory allowances.**

Deputation (Duty) Allowance

4.10.9 In the case of Defence Forces personnel, Deputation Allowance is restricted to 50% of the rates applicable to civilian personnel on account of service concessions that service officers continue to receive while on deputation. It has been demanded that Defence Forces personnel should be granted Deputation (Duty) Allowance at the same rates as for civilians and the allowance extended to service officers posted to DRDO and Assam Rifles. Further, Service Officers should be considered for deputation on the basis of equivalent pay rather than by rank.

4.10.10 The Commission is of the view that while lifting the restriction on Deputation Allowance completely will have repercussions on other deputationists, Defence Forces personnel could be given an option to draw 100% of the deputation allowance if they do not carry their service concessions on deputation**. Defence Forces personnel may, therefore, be given an option to either (a) draw 50% of deputation duty allowance along with service concessions or (b) draw 100% of deputation allowance but forego the service concessions. However, no change is**

recommended for officers posted to the DRDO and Assam Rifles as these postings are not out of the regular line of postings for Service Officers. As far as the demand for deputation to posts on the basis of equivalent pay rather than rank is concerned, the problem would automatically be resolved in the revised pay structure recommended by this Commission as **equivalent grade pay for analogous ranks of civilian and defence personnel has been recommended which should govern deputations to civilian organizations in future.**

Compensation in lieu of quarter ***(CILQ)***

4.10.11 The service conditions of the Defence Forces personnel demand that personnel reside in cantonments close to their Units. The entitlement of accommodation, therefore, forms a part of service conditions. Keeping in view functional requirements, an authorization of married establishment has been decided by the Government. In the case of PBORs of the Defence Forces, the existing authorized married establishment is as follows: -

(a)	JCOs & equivalent	100%
(b)	Havaldars & equivalent	95%
(c)	Naik & equivalent	90%
(d)	Sepoy & equivalent	50%

4.10.12 PBORs who fall within this percentage and cannot be provided married accommodation are entitled to Compensation in lieu of quarters (CILQ). CILQ is a composite allowance, meant to compensate for hiring of house, furniture, electricity and water etc. The existing rates of CILQ are as under: -

	A1 class	**A, B1 & B2 class**	**C class**	**Unclass. Cities**
Sep/Nk	1800	900	600	450
Hav	2100	1050	750	510
JCOs	2700	1350	900	600
NCs(E)	900	450	300	150

4.10.13 The Defence Forces have demanded that HRA as admissible to Central Government employees be admissible to PBORs who should have the option to draw either HRA or CILQ, whichever is more beneficial. It has also been suggested that adequate compensation for furniture, electricity and water charges should be included in CILQ. It has further been demanded that authorized married establishments in respect of all PBORs be increased to 100% for CILQ and that age for marriage be brought down from existing 25 to 21 years. The authorized married establishment for DSC personnel is sought to be revised to 100% irrespective of rank and

Non Combatants (Enrolled) of the Air Force have been proposed to be granted CILQ at lowest rates as applicable to PBORs.

4.10.14 The Commission has observed that the rates of CILQ are expected to include compensation for hiring of house, furniture, electricity and water etc. The Commission has also observed that while the rates of HRA for civilians are percentage based, the rates of CILQ are slab rates which did not get revised when Government decided to merge 50% of dearness allowance with pay as Dearness Pay w.e.f. 1.4.2004. This has created an anomalous situation disturbing the relativity between the rates of CILQ and HRA. Keeping in view the fact that provision for periodic revision of all allowances, including HRA, has been made, a similar dispensation will need to be extended in respect of CILQ also. **The Commission recommends the following rates of CILQ which may be increased by 25% every time the dearness allowance payable on revised pay bands goes up by 50%:-**

Posts	City Classification		
	X	Y	Z
Sepoy/Nk.	3600	2400	1600
Hav.	4200	2800	2000
JCOs	5400	3600	2400
NC (E)	1800	1200	800

In addition, in order to iron out any inconsistencies, it is further recommended that PBORs may have the option to choose CILQ or HRA, whichever is more beneficial. In consonance with the dispensation recommended for CPMFs, introduction of Family Accommodation Allowance equal to minimum HRA payable in the Government to civilian employees is recommended for those PBORs who do not fall within the authorized married establishment in order to provide some compensation for housing of the families of these personnel. The rate of this allowance will increase by 25% each time the price index increases by 50%.

House Rent Allowance

4.10.15 Officers of the Defence Forces are entitled to HRA if they are within the authorized married establishment and are not provided Government owned or hired accommodation. **The Commission recommends that House Rent Allowance may be granted under the existing terms and conditions to Defence officers at the same rate as for civilians. For the purpose of computation of HRA, the existing basic pay plus grade pay and the military service pay shall be taken into account.** The Defence Forces have also proposed that the rates for hiring of

accommodation may be revised on an annual basis to bring them in line with market rents. **Ministry of Defence may take action to revise the rental ceilings from time to time keeping in view the market situation.**

Bhutan Compensatory Allowance

4.10.16 Bhutan Compensatory Allowance is admissible to Defence Forces personnel posted to IMTRAT (Bhutan) at a depression in the standard rates promulgated by the Ministry of External Affairs. This was done because certain service concessions such as mess and canteen facilities were provided to Defence Forces personnel while in Bhutan. It has been represented in the memorandum of the Defence Forces that the depression in the allowance is not justified since these facilities are extended to all defence personnel posted in Bhutan including those in the Indian Embassy in Bhutan for whom no depression is made. The Commission observes that after September, 2005, the depression in the allowance has been removed but charges at the rate of 6% of the allowance from officers and 4% from PBORs for the free facilities are recovered. **The existing position seems to be reasonable and the Commission is of the view that no further change is warranted.**

Educational concession to children of missing /disabled/killed in action

4.10.17 Apart from the normal educational concessions granted to civilian and defence personnel, special educational concessions are available to children of defence personnel who are killed or disabled in action. The existing provisions in this regard are:

Tuition Fees	Full Reimbursement
Hostel Charges	Full Reimbursement
Cost of Books/Stationery	Rs.250 p.a.
Cost of Uniform	Rs.850 (1st year) Rs.350 p.a. (subsequent year)
Clothing	Rs.250 (1st year) Rs.150 p.a. (subsequent year)

4.10.18 The Defence Forces have demanded substantial increases in the rates related to the reimbursement of cost of books, uniforms and clothing. **After an assessment of the cost of the concerned items, the Commission recommends the following revised rates:-**

Tution Fees	**Full Reimbursement**
Hostel Charges	**Full Reimbursement**
Cost of Books/Stationery	**Rs.1000 p.a.**
Cost of Uniform	**Rs.1700 (1st year)** **Rs.700 p.a. (subsequent year)**
Clothing	**Rs.500 (1st year)** **Rs.300 p.a. (subsequent year)**

Instructional Allowance

4.10.19 Instructional Allowance, which is granted to Defence Forces personnel posted to field training establishments as Instructors, was introduced in February, 2000. The existing rates of Instructional Allowance are as follows: -

Officers	Rs.900 p.m.
JCOs & equivalent	Rs.500 p.m.
NCOs & equivalent	Rs.300 p.m.

4.10.20 The Defence Forces have proposed a four and a half times increase in the rates of the allowance on the ground that training is a vital aspect of the Defence Forces and Instructors are selected only from the best as not only must they be highly qualified but also have a flair, aptitude and dedication to become an Instructor. **In view of the fact that postings as Instructor are normally prestigious peace postings and a large hike in the allowance would disturb the relativity vis-à-vis the allowances granted in field areas, the Commission recommends that the rate of the allowance may be doubled.**

Army Medical Corps (AMC), Army Dental Corps (ADC) and Remount and Veterinary Corps (RVC) Officers

4.10.21 A Specialist Allowance at the following rates is paid to specialist medical officers when posted to fill vacancies of specialists in the medical establishment: -

(a)	Graded specialist	-	Rs 800 pm.
(b)	Classified specialist	-	Rs 1000 pm.
(c)	Consultant/Advisor/Professor	-	Rs 1200 pm.

4.10.22 **The Commission, in line with its general approach on allowances and keeping in view the fact that non-practicing allowance is also payable to Doctors, recommends that the rate of the existing allowance may be doubled.** A Post Graduate Allowance at the rate of Rs.500 p.m. for post graduate degree holders and Rs.300 for PG diploma holders is payable to specialist doctors for the duration that they are not eligible for grant of a Specialist Allowance. **The Commission recommends that the rate of this allowance may also be doubled.**

Language Award/Allowance

4.10.23 Service Officers and PBORs are granted Language Awards to encourage them to learn foreign languages and carry out instructional translations and interpretership duties as and when required. The Award for passing Diploma Part-II examination is granted to those achieving 65% and above marks and the quantum of award varies from Rs.500 to Rs.1000 for sponsored candidates and Rs.700 to Rs.1500 for non-sponsored candidates depending on the categorization of the language. Similarly, for passing Interpretership examination with 70% and above marks, for the first

3 positions in order of merit, an award ranging from Rs.1000 to Rs.2000 is admissible to the sponsored candidates while non-sponsored candidates get an award ranging from Rs.1500 to Rs.3000, depending on the categorization of the language. While the awards are one-time in nature, a monthly Language Allowance of Rs.300 p.m. for category I languages, Rs.250 p.m. for category II and Rs.200 p.m. for category III languages is granted to Defence personnel for the period they actually perform instructional/translation/interpretation duties. Continuance of the allowance is subject to the recipient passing the proficiency test conducted every year. The Defence Forces have proposed an increase of five and a half times for Language Allowances so as to attract quality volunteers for meeting their requirements related to technological documents as most technologies available with the Defence Forces at present are imported with documentation in the foreign language which is needed to be translated urgently. **Keeping in view the onerous nature of duties involved and the fact that continuance of this allowance is subject to the recipient clearing the proficiency test every year, a higher rate of increase is considered justified in their case. Accordingly, the rates of these awards and allowances may be increased three times.**

Flying Allowance, Submarine Allowance, Siachen Allowance

4.10.24 To compensate Defence Forces personnel for the risk and hardships to which they are exposed, a number of allowances are granted by the Government. These allowances include the Flying Allowance, Siachen Allowance and Submarine Allowance. Flying allowance is admissible to officers of the flying branch and Technical Officers and Airmen performing air crew duties in the Air Force and to corresponding aviation personnel of the Army and the Navy. Although the allowance, when initially introduced, was admissible only when the prescribed number of hours were flown annually, this was waived in pursuance of the recommendations of the Third Pay Commission and now, a monthly amount is granted. Submarine Allowance is granted to Naval Officers and Sailors appointed as crew for service on submarines keeping in view the additional risks and arduous conditions of service on-board submarines. Siachen Allowance is admissible to troops serving in the Siachen region keeping in view the extremely difficult conditions in the area. There is an established relativity in the rates of Flying Allowance, Submarine Allowance and Siachen Allowance. The exiting rates of the allowances are as follows: -

FLYING ALLOWANCE		SUBMARINE ALLOWANCE	
Air Cmde & Equiv & above (Capt IN with > 3yrs seniority)	Rs 5250 p.m.	Capt (with >3 yrs service in the rank) and above	Rs 5250 pm
Sqn Ldr to Gp Capt & Equi (Capt IN with < 3yrs seniority)	Rs 7000 pm	Lt Cdr/Cdr/Capt (with < 3 years Service in the rank)	Rs 7000 pm
Flight Lt and Equivalent	Rs 5500pm	Lt	Rs 5500 pm
Flying Offr and Equivalent	Rs 4500 pm	Sub Lt	Rs 4500 pm
Warrant Ranks	Rs 4200 pm	MCPO II/I	Rs 4200 pm
Senior NCO	Rs 3500 pm	CPO & below	Rs 3500 pm

Siachen Allowance

(a) Officers Rs.7000 p.m
(b) JCOs/equivalent Rs.4667 p.m.

4.10.25 The Defence Forces in their memorandum have suggested a four and a half times increase in the rates of these three allowances and have also made the following proposals in regard to the interpretation of eligibility: -

- The Chief Petty Officers in the Navy have been placed one below their entitlement compared to the Air Force counterparts resulting in an anomaly in the grant of Flying Allowance. Correction of this anomaly has been sought.
- At present, on promotion from Group Captain to Air Commodore, there is a reduction in Flying Allowance which is not compensated by the increase in basic pay and rank pay of the officer. Increasing the Flying Allowance admissible to Air Commodore and above and their equivalents has been proposed.
- Army Aviation Pilots are not granted Flying Allowance when they are posted to non-flying units while their Air

Force and Navy counterparts continue to draw the same. A similar position exists in respect of PBORs of MMG Units. It has been suggested that the allowance may be continued as long as these personnel continue to be borne in the Aviation Cadre.

- While Field Area Allowance and Siachen Allowance are exempt from income tax, Flying, Submarine, MARCOS and Chariot Allowance are not exempted. The Defence Forces have suggested that all these allowances should also be made exempt from income Tax.

4.10.26 **As in the case of other allowances, it is recommended that the rates of these allowances may be doubled. This will also apply in the case of MARCOS and Chariot Allowance which is granted to marine commandos at rates equal to Submarine Allowance. Insofar as the other demands made by the Defence Forces are concerned, the following are recommended: -**

a) Flying Allowance may be granted to the Chief Petty Officer at the same rates as Junior Warrant Officer of the Air Force.

b) Extension of Navy and Indian Air Force eligibility conditions to the Army Aviation Pilots making them eligible for grant of the Flying Allowance as long as they continue to be borne in the Aviation Cadre may be done.

c) As regards exemption of risk related allowances from income tax, the Commission is of view that it is for the Government to consider the matter taking into account all relevant factors.

Test Pilot Allowance

4.10.27 The Defence Forces have proposed that the existing Test Pilot Allowance of Rs.1000 and Rs.500 per month which is granted to Test Pilots and Flight Test Engineers while they are on the posted strength or on detachment to any units for Test Pilot duties may be enhanced to Rs.4500 per month and Rs.2250 per month respectively. Extension of the allowance to Air Crew posted to aerobatic teams is also demanded on the ground that the performance of these teams depicts the level of flying skills of the Defence Forces and conveys to the adversaries the might of Forces in the air. Further, members of aerobatic teams require very high professional skills. **The Commission recommends that the existing rates of Test Pilot Allowance may be doubled and it should be extended to the air crew of aerobatic teams.**

Submarine Duty Allowance

4.10.28 Submarine Duty Allowance is admissible to personnel who are not qualified Submariners but embark on a submarine for training, passage etc. The existing rates of this allowance are Rs.45 per day for officers and Rs.15 per day for PBORs. This has been sought to be increased by more than four times. Keeping in view the

discomforts inherent in sailing in submarines, the **Commission recommends that the existing rates may be enhanced to Rs.90 per day for officers and Rs.30 per day for PBORs.**

Diving Allowance, Dip Money and Attendant Allowance

4.10.29 All naval personnel on the authorized diving cadre are entitled to Diving Allowance at monthly rates varying from Rs.200 to Rs.400 depending on whether they belong to the category of Ships Divers who dive to the depth of 35 meters, or Clearance Divers who are required to dive to a depth of 160 meters. In addition to Diving Allowance, Dip Money is also admissible depending on depth and time spent under water. An Attendant Allowance is also paid one-fifth of Dip Money to Divers' Attendants. As in the case of other allowances, the Defence Forces have proposed an enhancement of four and a half times for Diving Allowance and Dip Money. Further, extension of the allowance to qualified Divers of Army and Air Force on similar terms and conditions as admissible to Naval Divers has been proposed. **The Commission recommends that the existing rates of Diving Allowance and Dip Money may be doubled. The requirement for diving in the case of Army and Air Force personnel may be occasional and it would be unfair to compensate them continuously for their limited instances of diving. However, they should be paid Dip Money and Diving Allowance on pro rata basis as and when they are required to dive.**

Special Forces Allowance

4.10.30 The Special Forces of the Army and Air Force are granted an allowance which ranges from Rs.1000 per month for Sepoys, Naiks and equivalent to Rs.2600 per month for Lt. Col and above. The Defence Forces have demanded grant of this allowance at rates admissible to MARCOS and Charioteers who are special forces of the Navy and are in receipt of a MARCOS allowance at rates similar to Submarine Allowance on the ground that Special Forces of Army and Air Force are also elite forces with comparable standards in regard to selection and training. The Commission observes that at present the rates of the Special Forces Allowance, the Field Area Allowance and Counter Insurgency (Ops) Allowance in peace areas are the same. Disturbance of this parity by granting a higher increase to Special Forces Allowance will generate demands for similar increase in the rates of these allowances. **The Commission, therefore, recommends that the rates of Special Forces Allowance may be doubled.**

Para Jump Instructor Allowance and Free Fall Jump Instructor Allowance

4.10.31 Para Jump Instructor Allowance at the rate of Rs.1200 p.m. for officers and Rs.900 p.m. for PBORs is granted to Indian Air Force personnel who are Parachute Jumping Instructors. A Free Fall Jump Instructors Allowance at the rate of Rs.1000 p.m. for officers and Rs.600 p.m. for PBORs is payable to Free Fall Jump Instructors. **The Commission recommends that the existing rates be doubled without any change in the existing conditions of grant.**

Para Allowance and Para Reserve Allowance

4.10.32 Para Allowance is granted to officers and PBORs holding appointments of operational parachutists authorized in the war/peace establishments of their units. For continuance of grant of Para Pay, a Parachute Refresher course including a minimum of two jumps is required to be attended. The allowance ceases on shifting from operational Parachutist appointment and Para Reserve Allowance is granted thereafter subject to the condition that the individual has rendered a minimum of 3 years service in a para unit and is less than 35 years of age. The Para Refresher Course is required to be attended in this case also. The existing rates of Para Allowance and Para Reserve Allowance are as follows:-

Officers	Rs.600 p.m.
PBORs	Rs.400 p.m.
Para Reserves	Rs.100 p.m.

4.10.33 Apart from increase in the rates of these allowances, extension to naval and air force personnel has been sought by the Defence Forces. **The Commission, while recommending that the rates of these allowances may be doubled, does not find justification for extending the allowance to Naval and Air Force personnel as they are not similarly placed.**

Highly Active Field Area Allowance and Counter Insurgency Operations Allowance

4.10.34 Personnel of the Defence Forces while deployed in field areas and in counter-insurgency areas are granted Field Area Allowances and Counter Insurgency Operations Allowance respectively at the following rates: -

Field Area Allowance

Posts	Highly Active Field Areas	Field Areas	Modified Field Areas
Lt.Col.& above & equ.	4200	2600	1000
Maj.& Equ.	3880	2400	930
Capt & Equ.	3550	2200	860
Lt. & Equ.	3390	2100	800
JCOs & Equ.	2910	1800	600
Hav & Equ.	1940	1200	460
Sep/Nk & Equ.	1620	1000	400

Counter Insurgency Operations (CIOps) Allowance

Posts	CI Ops in Fd Areas (Rs/p.m.)	CI Ops in Mod Fd Area (Rs/p.m.)	CI Ops in Peace Area (Rs/p.m.)
Lt.Col.& above & equ.	3900	3000	2600
Maj.& Equ.	3600	2770	2400
Capt & Equ.	3300	2540	2200
Lt. & Equ.	3150	2420	2100
JCOs & Equ.	2700	2080	1800
Hav & Equ.	1800	1380	1200
Sep/Nk & Equ.	1500	1150	1000

4.10.35 It has been demanded that the categories of Counter Insurgency Operations Allowance may be reduced to two from the existing three with Counter Insurgency (Intense) Allowance being given the same rates as for CI Ops in Field Areas and Counter Insurgency (Moderate) Allowance at the same rates as in CI Ops in modified field areas. Extension of the CI Ops Allowance to Naval personnel and removal of the applicability condition of 30 days for drawal of the Allowance for Naval personnel has been suggested. Enhancement of the rates to five and a half times the existing rates in the case of Highly Active Field Area Allowance and CI Ops Allowance has been sought and enhancement of 4 ½ times has been demanded for field area and modified field area allowance.

4.10.36 The Commission has observed that the existing categorization of these allowances has established an equation in the rates of CI Ops Allowance in peace areas with the field area allowance. **This equation appears to be quite rational and well thought out. In the circumstances, the Commission does not recommend any change in the categorization. The existing rates of the field area allowances and the CI Ops allowance may, however, be doubled. As far as the extension of CI Ops allowance to Naval personnel is concerned, the suggestion for grant of the allowance based on specific orders of the Government may be accepted with conditions for eligibility being same as for grant of Sea Going/Sea Duty Allowance.**

High Altitude Allowance

4.10.37 At present, High Altitude Allowance is granted to Defence Forces personnel deployed between 9000 to 15000 ft and above 15000 ft. at the following rates:

Posts	Cat I (9000 to 15000 ft) Rs	Cat II (Above 15000 ft.) Rs
Lt.Col.& above & equ.	1060	1600
Maj.& Equ.	930	1400
Capt & Equ.	660	1000
Lt. & Equ.	530	800
JCOs & Equ.	480	720
Hav & Equ.	370	560
Sep/Nk & Equ.	270	400

4.10.38 As in the case of other allowances, a four and a half times increase in the rates of these two allowances has been demanded and a new category has been sought in the list of High Altitude Areas to cover those areas where conditions similar to Siachen exist. An allowance equal to 80% of the Siachen Allowance has been proposed for these areas.

4.10.39 **In line with its general approach on allowances, the Commission recommends doubling of the existing rates of High Altitude Allowance. As regards the demand for a High Altitude Allowance in certain areas at 80% of the rates of Siachen Allowance, the Commission observes that Government has already granted this allowance in July, 2007. Taking note of the rates recommended for this allowance, the Commission recommends that 80% of the revised Siachen Allowance shall be granted in these areas in future.**

Sea Going/Sea Duty Allowance

4.10.40 Sea Going/Sea duty Allowance is granted to officers and PBORs of the Navy at rates equal to field area allowance of the Army on pro rata basis with the condition that the vessels should be deployed for a minimum of 12 hours a day. The Defence Forces have demanded that the 12 hours a day condition be removed and the allowance be made admissible on all sea going vessels which are deployed at sea for 120 hours or more in a month in the case of minor war vessels and 180 hours or more in the case of major war vessels. **The Commission recommends that retaining the relativity with the field area allowance, the existing rates of the Sea Going/Sea Duty Allowance may be doubled. The Commission has also noted that the genesis of the Sea Going/Sea Duty Allowance is separation from the family. As such, it is of the view that the condition of 12 hours a day is reasonable and does not warrant any change.**

Hardlying Money

4.10.41 Hardlying Money is paid to Naval personnel as compensation for extra discomforts on board the smaller ships and

submarines. In the smaller ships like minesweepers, ocean going tugs and submarines, it is paid at full rates and in relatively more comfortable vessels at half rates. The existing rates are:

Category	Existing rates	
	Full	**Half**
Officers including Midshipmen & Cadets	Rs.200 p.m.	Rs.100 p.m.
Sailors	Rs.140 p.m.	Rs.70 p.m.

4.10.42 **In line with its general approach, the Commission recommends that the existing rates shall be doubled.**

Official Hospitality Grant

4.10.43 Official Hospitality Grant is given to specified appointments in the Defence Forces at rates ranging from Rs.2000 per month to Rs.1000 per month. **The Commission recommends that the rates of the allowance shall be doubled without extension to any new category.**

Technical Allowance and Professional Allowance

4.10.44 Technical Allowance is admissible to Defence Forces officers belonging to the technical branches at the rate of Rs.1000 per month for Tier-I courses and Rs.1500 per month for Tier-II courses. If an officer qualifies both the courses, a maximum of Rs.2500 per month can be paid. It has been suggested that the rates may be enhanced four and a half times and the allowance be extended to all officers who undergo such or similar courses. **In line with the approach followed for allowances, the Commission recommends that the existing rates of the allowance shall be doubled. The Commission is, however, unable to recommend extension of this allowance to all officers who undergo such courses as obtaining the qualification does not bear a direct relationship with duties in their case.** The Defence Forces have also proposed that non-technical officers who attain higher qualifications and higher levels of competence should be compensated by grant of Professional Allowance at Tier-I and II rates applicable to technical officers based on the sensitivity and importance of the qualifications achieved. **The Commission is unable to find adequate justification for the same.**

Aeronautical Allowance

4.10.45 An Aeronautical Allowance at the rate of Rs.100 per month is admissible to those technicians who have successfully qualified in any of the prescribed courses. **These technicians are authorized to maintain or service aircraft and related systems. The Commission recommends that rate of this allowance shall be doubled.**

Flight Charge Certificate Allowance

4.10.46 Flight Charge Certificate Allowance is granted to Senior Air Artificers/Mechanicians of ship borne helicopter flights for discharging higher responsibilities of maintaining and clearing aircraft for air worthiness in the absence of a Technical Officer. The present rates of the allowance are Rs.125 per month for Air Artificers/mechnicians and Rs.200 per month for Chief Air Artificer/Mechancians and above. The Defence Forces have suggested some correction in the applicability of this Allowance in the Army and Air Force stating that the allowance should also be granted to ranks above Junior Warrant Officer in the Air Force and Naib Subedars of the Navy since it is given to ranks above Chief Artificer in the Navy. **The Commission recommends that the rates of the allowance may be doubled and that this anomaly may be removed provided such certification in the absence of Technical Officers is not part of the normal charter of duties of the ranks above Junior Warrant Officers in the Air Force and corresponding ranks in the Army. Further, extension of the Allowance to PBORs below Air Artificer and equivalent as proposed by the Defence Forces may be done provided they are given independent charge of machinery/equipment and perform these duties i.e. the existing eligibility conditions for grant are not changed.**

Air Worthiness Certificate Allowance

4.10.47 An Air Worthiness Certificate Allowance was introduced in 2000 for the technical tradesmen in aircraft trades based on the recommendations made by the Group of Officers. It is granted at the rate of Rs.75 per month to Aviation trade PBORs with service of 2-10 years and at the rate of Rs.150 per month to those with more than 10 years service. Keeping in view the high level of responsibility borne by these PBORs, a four and a half times increase in the allowance has been demanded. **The Commission recommends that the existing rates shall be doubled.**

Air Steward Allowance

4.10.48 Air Steward Allowance is granted to catering assistants performing duties of air stewards in VIP flights at the rate of Rs.300 per month. Grant of the allowance at the rate of Rs.1800 per month and extension to Air Stewards in the Communication and VIP flights at commands has been demanded. **The Commission recommends doubling of the allowance without extension to any new category.**

Air Despatch Pay

4.10.49 Air Despatch Pay at the rate of Rs.120 p.m. is granted to PBORs employed on air dropping of supplies in forward areas. **The Commission recommends doubling of the allowance which may also be renamed as Air Despatch Allowance.**

Qualification Grant

4.10.50 At present, a lump sum Qualification Grant is paid to officers who qualify in various specified courses. The list of eligible courses for the grant is revised by the Government from time to time. The existing quantum of the grant is:

Category	Existing
Category I Courses	Rs.10,000
Category II Courses	Rs.7,500
Category III Courses	Rs.4,500
Category IV Courses	Rs.3,000
MNS Officers	Rs.3,000

4.10.51 A four and a half times enhancement in the rates of qualification grant has been demanded by the Defence Services with extension to Medical Officers on the same terms and conditions. Extension of Qualification Grant to PBORs in four categories has also been proposed. **The Commission recommends that the existing rates of the Qualification Grant may be doubled but is unable to recommend extension to Medical Officers as they are granted a Specialist Allowance or a PG Allowance on acquiring higher qualifications.**

Qualification Allowance

4.10.52 A monthly Qualification Allowance is granted for obtaining flying qualifications at rates ranging from Rs.140 per month to Rs.800 per month for different qualifications. **The Commission recommends doubling of the rates of the allowance.**

Shorthand Allowance

4.10.53 Shorthand Allowance is payable to PBORs of Air Force and Navy employed on shorthand duties at the rate of Rs.150 per month. While proposing enhancement of the rates, extension to PBORs of the Army has also been proposed. **The Commission recommends that the rate of the allowance may be doubled.** In the Army, however, personnel on shorthand duties are usually appointed on re-deployment. **Extension to Army PBORs is, therefore, not recommended.**

Judge Advocate General Department Examination Rewards

4.10.54 Officers of the three Services are granted a reward of Rs.3200 on qualifying the JAG Branch exam. **The Commission recommends that the rate of this award may be doubled.**

Uniform related allowances (Officers)

4.10.55 The following allowances related to uniforms are granted to Defence Forces Officers and Officers of the Military Nursing Service:-

Allowance	Service	Rate (Rs)
One Time Kit	Army, IAF	6000 per 7 years
One Time Kit	Navy	7000 per 7 years
One Time Kit	MNS Officers	2000 per 7 years
Distinctive Uniform	MNS Officers	200
Kit Maintenance	All three services	200 per month
Kit Maintenance	MNS officers	100 per month

4.10.56 The Defence Forces have suggested a four and a half times increase in the rates of initial one time kit allowance including the distinctive allowance admissible to MNS officers. Thereafter, the allowance is proposed to be subsumed in the kit maintenance allowance which is sought to be renamed as Kit Maintenance & Renewal Allowance and granted at the rate of Rs.2000 per month for officers and Rs.1000 per month for MNS officers.

4.10.57 The Commission has examined the proposal keeping in view the need for replacement for various items of uniform from time to time. A lump sum grant every few years is a better method of compensation than a monthly allowance as it will ensure that the officer has sums of money available to replace various items of uniform. However, the frequency of the renewal grant which is seven years at present could be increased. **The Commission, therefore, recommends the following revised rates of the allowance:-**

Allowance	Service	Rate (Rs)
One Time Kit	**Army, IAF**	**14000 (initial grant) 3000 (every 3 yrs)**
One Time Kit	**Navy**	**16000 (initial grant) 5000(every 3 yrs)**
One Time Kit	**MNS Officers**	**7000 (initial grant) 1500(every 3 yrs)**
Distinctive Uniform	**MNS Officers**	**400**
Kit Maintenance	**All three services**	**400 per month**
Kit Maintenance	**MNS officers**	**400 per month**

4.10.58 **It is further recommended that the rates of uniform allowance granted to officers shall be increased by 25% each time the Dearness Allowance on revised pay bands goes up by 50%.**

Uniform related allowances (PBORs)

4.10.59 The following uniform related allowances are granted to PBORs of the 3 Services: -

One time Outfit Allowance to JCOs granted Honorary Commission	Rs.3200
One time Outfit Allowance to NCOs promoted as JCOs	Rs.500
Mufti Allowance for Recruits in three Services (one time)	Rs.200

4.10.60 **The Commission recommends that the existing rates of these allowances shall also be doubled and may be increased by 25% each time the Dearness Allowance goes up by 50%.**

Composite Personal Maintenance Allowance (PBORs)

4.10.61 PBORs of the Defence Forces are granted a Composite Personal Maintenance Allowance of Rs.75 per month which consists of the following components: -

Hair Cutting Allowance	Rs.10/pm
Washing Allowance	Rs.30/pm
Rum Allowance	Rs.15/pm
Soap Toilet Allowance	Rs.10/pm
Clothing Maintenance Allowance	Rs.10/pm
Total	Rs.75 pm

4.10.62 The rates of the rum allowance component, however, vary as follows: -

Peace Areas	Rs.15 pm
Field Areas below 3000 ft	Rs.35 pm
Field Areas 3000 ft – 4999 ft	Rs.50 pm
Field Areas 5000 ft – 8999 ft	Rs.55 pm
High Altitude Areas	Rs.80 pm

4.10.63 A ten times increase in the rate of this Allowance has been sought by the Defence Forces and for PBORs of units deployed on ceremonial duties, a Personal Maintenance Allowance of Rs.1500 per month has been demanded. It has also been proposed that Nursing Assistants in the Defence Forces be paid a Washing Allowance at civil rates over and above the Composite Personal Maintenance Allowance. **The Commission, keeping in view the enhancement made for such allowances on the civilian side including those applicable to the CPMFs, recommends doubling of the rates of the allowance.**

Spectacle Allowance

4.10.64 Spectacles are issued free to those Defence Forces personnel in whose case impairment of vision is either attributable to service or their sight is so defective that it interferes with their efficiency. When spectacles are not issued, reimbursement at the rates of Rs.65 for spectacles with normal lenses and Rs.125 for those with bi-focal lenses is permitted. **Keeping in view the general increase in prices since 1996-97, the following rates of reimbursement are recommended: -**

Category	Rate
For spectacles with normal lenses	**Rs.130**
For spectacles with bifocal lenses	**Rs.250**

4.10.65 **No new allowance for purchase of Contact Lenses is, however, recommended.**

Acting Allowance

4.10.66 Acting Allowance at the following rates is granted to JCOs appointed in Officers' vacancies due to shortage of officers: -

For appointments tenable by Captain/equivalent	Rs.300 pm
For Appointments tenable by Major/equivalent	Rs 400 pm

4.10.67 **The Commission recommends that the existing rates of the Allowance shall be doubled.**

Funeral Allowance

4.10.68 In all cases where death occurs while on active field service or serving in a mission/post abroad, the entire funeral expenses are a charge against the State. However, when death occurs in peace areas, a funeral allowance of Rs.1000 is granted and mortuary charges are reimbursed. The Defence Forces have proposed that the rate of funeral allowance may be increased to Rs.10,000. **The Commission, however, recommends that the rate of funeral allowance shall be enhanced to Rs.4000.**

Monetary Allowance for Gallantry Awardees

4.10.69 The Defence Forces have proposed a ten fold increase in the rates of the monetary allowance attached to the existing Gallantry Awards which presently range from Rs.250 per month for Sena/Nau Sena/Vayu Sena Medal for gallantry to Rs.1500 per month for the Param Vir Chakra. **In the case of gallantry awards, the Commission is of the view that since these monetary allowances are granted for conspicuous gallantry in the face of the enemy or anti-national elements over and above the normal call of duty, the Central Government should revise the rates of these Gallantry Awards on their own without waiting for a Pay Commission as was the practice followed before the Fifth CPC.**

Rewards for meritorious service

4.10.70 Rewards for meritorious service are admissible to PBORs at the following rates: -

Category	Existing
Annuity for MSM to JCOs	Rs.200 (pa)
Gratuity for Long service & Good Conduct Medal	Rs.200 (one time)

4.10.71 **The Commission recommends that the rewards for meritorious service should ultimately be incorporated in the Performance Related Incentive Scheme (PRIS) for Defence Forces. In the meantime, the rate of annuity shall be doubled.**

Submarine Technical Allowance

4.10.72 Submarine Technical Allowance is paid at the rate of Rs.100 per month to Naval Artificers and Mechanicians for the period they are deployed for submarine maintenance duties. **In line with the recommendations made for other allowances, the rate may be doubled to Rs.200 per month without any change in the conditions for grant of the Allowance.**

Hydrographic Survey Allowance

4.10.73 Hydrographic Survey Allowance is presently paid at rates varying from Rs.50 p.m. to Rs.400 p.m. as compensation for the working conditions of hydrographical survey ships. The Defence Forces have recommended a 4-1/2 times increase in the existing rate of the Allowance. **The Commission recommends that the existing rates shall be doubled.**

Unit Charge & Charge Certificate Allowance

4.10.74 Artificers and Mechanicians of the Navy, after passing prescribed examinations, are granted Unit Certificate and Charge Certificate Allowance on being certified by a designated Board/Authority. The Unit Certificate authorizes Artificers to take independent charge of machinery during watch at sea. The Charge Certificate authorizes the Artificers to take overall charge of machinery at sea. The existing rates of Unit Certificate and Charge Certificate Allowance are as under: -

	Rs. p.m.
(a) Unit Certificate	
i) Lower rate	75
ii) Higher rate	150
(b) Charge Certificate	
(i) Lower rate	150
(ii) Higher rate	225
(iii) Special rate	270

4.10.75 The Defence Forces have proposed a substantial increase in the rates of these allowances stating that the rates of these allowances as a percentage of salary have gone down successively. It has also been proposed that Artificers and Mechanicians of Power and Radio Track as well as Technical Sailors of 'Y' Group may be extended this Allowance. **The Commission recommends that the rates of Unit and Charge Certificate Allowance shall be doubled without extension to any new category.**

Boiler Watch Keeping Allowance

4.10.76 Introduction of a Boiler Watch Keeping Allowance for Boiler Watch Keepers on Naval Ships has been proposed by the Defence Forces on the ground that

(i) there is an acute shortage of Boiler Watch Keeping Certificate qualified Steam Sailors as their working conditions are extremely difficult due to the high temperatures near boiler drums

(ii) these sailors remain posted on ships for 90 per cent of their engagement period.

(iii) higher level of responsibilities are discharged by these Sailors and working hours in the harbours are extended due to the long time taken to prepare and shut the steam propulsion plant .

4.10.77 **The Commission, finding merit in the proposal, and taking into account the difficult working conditions near boilers, recommends introduction of a Boiler Watchkeeping allowance at the rate of Rs.2000 per month to be granted to these sailors. Corresponding personnel on board Coast Guard and survey ships shall also be extended this allowance at the same rate.**

Free ceiling for electricity

4.10.78 Personnel belonging to the Defence Forces are permitted reimbursement of electricity charges for the first 100 units of electricity. The ceiling limit for free electricity has been sought to be revised to 350, 300 and 250 units for officers, JCOs and ORs respectively. **The existing provisions are adequate. Therefore, the Commission does not recommend any change in the existing position.**

Extra Duty Allowance

4.10.79 Extra Duty Allowance is paid to regular ranks of Naik and Havaldar in the Army holding certain appointments in peace and war establishments. The existing rates of this Allowance range from Rs.50 per month to Rs.80 per month. Defence Forces have suggested enhancement of rates ranging from Rs.200 to Rs.350 per month adding that the rates of the Extra Duty Allowance be granted to PBORs of the three Services. **The Commission recommends that the existing rates of the Extra Duty Allowance may be doubled and the Allowance may be subsumed in the PRIS in future. In view of this, no rationale exists for extending this allowance to new categories.**

Classification Allowance

4.10.80 Classification Allowance is presently granted to PBORs in the Army on attaining certain trade related qualifications in each group. Fifty per cent of the Classification Allowance is reckoned for pension. The existing rates of Classification Allowance are as follows: -

Group	C14 to C13	C13 to C12	C12 to C11
X	-	Rs.60 p.m.	Rs.60 p.m.
Y	Rs.50 p.m.	Rs.50 p.m.	Rs.50 p.m.
Z	-	Rs.20 p.m.	Rs.20 p.m.

4.10.81 The Defence Forces have proposed extension of the Classification Allowance to the Naval and Air Force PBORs in the context of the common pay scales proposed by them for PBORs of the three Services so as to maintain parity in the overall compensation package in terms of pay and pension. The proposed rates are four and a half times of the existing rates.

4.10.82 With the proposed common scales for the PBORs of the three Services, the pay scales of PBORs of the Army which were earlier lower than the other two Services, would be brought on par with the Navy and Air Force. The justification for a separate Classification Allowance would, therefore, not appear to exist. However, keeping in view the fact that Army personnel have been in receipt of this Allowance for a long time, and its removal would be perceived as a reduction in emoluments, **the Commission recommends that the existing rates of Classification Allowance may be doubled and the allowance may be extended to the PBORs of the Navy and Air Force under similar conditions as available in the Army by prescribing specific trade qualifications for grant of the allowance. It is further recommended that 100% of the classification allowance shall be reckoned for grant of pension.**

Good Service/Good Conduct/Badge Pay

4.10.83 PBORs of the three Services are granted Good Service Pay after completion of certain specified service so as to maintain high degree of discipline, good conduct and professional competence. The Good Service/Conduct/Badge Pay is not admissible to JCOs. The existing rates of Good Service Pay vary from Rs.32 p.m. to Rs.96 p.m. in the Army and Rs.40 p.m. to Rs.120 p.m. in the Navy and Air Force.

4.10.84 The Defence Forces have suggested a uniform period of 4 years, 8 years and 12 years for grant of the first, second and third Good Service Pay to PBORs of the three Services without any restriction on the rank. The rates suggested are Rs.180 per month subject to a maximum of Rs.540 per month.

4.10.85 **The Commission has separately recommended introduction of Performance Related Incentive Scheme (PRIS) for the Defence Forces. It is, therefore, suggested that Good Service Pay may be subsumed in the PRIS to be evolved for Defence**

Forces personnel. However, till such time the detailed scheme is evolved, the existing rates should be doubled and the allowance be given without any change in the conditions of grant.

Travel related entitlements

4.10.86 The recommendations made by the Commission in regard to TA/DA, Transfer Grant, Baggage entitlements etc. for civilian employees will apply equally to Defence Forces personnel. For the purpose of working out the entitlements, the grade pay proposed for various ranks will be reckoned. Certain other demands have been made in regard to travel entitlements related to movement of families from one Service Hospital to another, conveyance of dead bodies by air, evacuation of dangerously ill, seriously ill members of family, conveyance of relatives of service personnel placed on dangerously ill list/attending funeral of deceased personnel, authorization of travel/baggage entitlements, option to use railway forms, payment of daily allowance to civilian candidates called for interviews for grant of Commission in the Defence Forces. Suggestions have also been made regarding the class of travel for officers going for hospital admission, reimbursement of road mileage allowance, conveyance of servants for the purpose, grant of full composite transfer grant instead of 1/3 composite transfer grant after retirement in NCR region, TA entitlement on first appointment, grant of additional warrant to bring the family at the new duty station on allotment of married accommodation/dispatch of family to selected place of residence etc. The Commission has examined each of the demands on merits and while it is unable to accept some of them, **the following are recommended: -**

(i) **Travel by fastest means including air shall be authorized for onward and return journeys to dependents of deceased Defence Forces personnel for conducting customary social rites.**

(ii) **The authorized class of travel for hospital admission shall be the same as that authorized for official tours.**

(iii) **Conveyance granted to two relatives of battle casualties at Government expense to meet service personnel admitted in a military hospital is presently limited to the rank of Lieutenant Colonels and equivalent only. Provisions of this rule should be extended to all defence personnel irrespective of rank.**

(iv) **The existing rates of daily allowance payable to civilian candidate called for interviews for grant of Commission in the Defence Forces should be doubled.**

(v) It has been suggested that the option to use railway forms for travel may be left to the individual and reimbursable expenditure should be limited to that admissible by authorized class of travel. **The Commission recommends that the Ministry of Defence may examine administrative**

feasibility of such an arrangement and take further action thereon accordingly.

Hardship allowance, Assessors allowance, UAV crew allowance

4.10.87 Certain new allowances such as hardship allowance, skill allowance, super specialist allowance, assessors allowance, UAV crew skill allowance, service incentive allowance etc.have been proposed for introduction by the Defence Forces. **The Commission, after examining the rationale given in regard to these allowances, could not find adequate justification for their introduction.**

Leave Travel Concession

4.10.88 Service personnel are entitled to the following Leave Travel Concessions: -

Entitlements of service officers

Officers

(a) **Home Town**

(i) Officers and their dependant family members are entitled to free warrant to visit home town once in the second year of service for the first time and thereafter once in a block of two years.

(ii) The officers' families have independent title to avail of home town LTC but their return journey should be completed within six months from the date of onward journey.

(iii) An officer may visit old duty station instead of hometown in case the family is residing at old duty station due to non-availability of accommodation at the new duty station.

(b) **LTC to visit any station in India**

(i) Officers are entitled to free warrant once in a calendar year to visit any station in India at a distance not exceeding 1450 Kms. However, this concession is not admissible in the year in which concession for home town is availed of.

(ii) Similar concession is also admissible to wife and dependant children to visit the same station which the officer visits. The journey is required to be performed on payment of cash and officer has to claim the entitled fare. The family has independent title but their return journey should be completed within six months from the date of onward journey.

(c) Apart from the above provisions, officers serving with units/formations in receipt of field service concessions are entitled to free warrant to visit selected place of residence/home town where family is residing once every year.

(d) Army Aviation Officers who are on the posted strength of the Air Observation Post Flight Squadrons and who are engaged on regular flying duties against authorized vacancies involving regular flying are entitled to free warrant for journey upto a total distance of 1600 Kms for the onward and return journey. This is in addition to other entitlements for LTC.

(e) **Entitlement of Form D**

(i) Service Officers when traveling by rail on leave at their own expense can use Form D to travel by entitled class. This form cannot be used for journey during week ends/closed holidays unless these are combined with or covered by leave duly sanctioned.

(ii) Total number of Forms D admissible to the officer, his/her wife/husband and dependent children are for six one way journeys in a calendar year. Officer's dependent parents, sisters and minor brothers who are residing with officer can use two of these six one way journey forms.

Entitlement of PBORs

4.10.89 **JCOs/ORs/NCsE/Hony Commissioned Officers**

PBORs and Hony. Commissioned officers can visit hometown every year on free warrant irrespective of limit of distance. Every alternate year they can visit any leave station of choice. The leave station of all the family members is required to be the same.

Demands & Recommendations

4.10.90 In the demands made in the memorandum, Defence Forces have made suggestions in regard to travel by air, allowing service personnel and family members to avail LTC to different places, making the use of Form D/free railway warrant optional as well as increase in Form D entitlement of officers. It has also been suggested that an additional free railway warrant/fare for both onward and return journey be authorized for personnel deployed in CI Ops/field service concession areas. During the tenure of the Commission, the Government allowed certain concession like removing the ceiling of 1450 Kms and permitting an additional free railway warrant/fare to those serving in field areas/CI Ops areas. These two concessions had been demanded by the Defence Forces before the Commission and have already been addressed. As regards the other demands made, the intention behind allowing service personnel and family members to avail LTC for visiting the same station is to allow the family to spend time together as separation from family is one of the major hardships faced by Defence Forces personnel. **The Commission does not recommend**

any change in this provision except that where the children are staying in hostels, they may be permitted to visit parents on LTC. As far as the question of making use of railway warrants/D Forms optional is concerned, the Ministry of Defence may examine the administrative feasibility of such an arrangement. The Commission also does not recommend any increase or any change in the entitlement of Form D.

4.10.91 Certain other suggestions have been made by the Defence Forces in the supplementary memoranda relating to travel by personal car on LTC, inclusion of dependent parents in the definition of family for purpose of all India LTC, LTC by air during road closure period to personnel of Ladakh Scout Regiment posted outside Ladakh , notional calculation of rail fare if an officer entitled to travel by AC Ist class opts to travel by air, grant of emergency passages to service personnel posted in the north east, islands of Andaman & Nicobar and Lakshadweep as well as journey on concession vouchers. **In regard to proposals related to travel by personal car, inclusion of dependent parents and notional calculation of rail fare, recommendations made by the Commission for civilian employees will apply equally to Defence Forces personnel. Insofar as the provisions related to emergency passages to those posted in north eastern region etc. and journey on concession vouchers are concerned, the Commission does not recommend any change as the existing LTC entitlements of Defence Forces personnel are already more liberal than those for civilians and journeys on concession vouchers are provided mainly to spend time with the family. In the case of travel of Ladakh Scout Regiment posted outside Ladakh during road closure period, travel from Delhi/Chandigarh or J&K to Ladakh and back should be permitted on the lines of recommendations made for annual and emergency passage to the employees domiciled in A&N Islands.**

Enhancement of educational standard for enrolment

4.10.92 It has been proposed that the educational standards for enrolment in the Defence Forces may be revised as below: -

Pay Group	Existing	Proposed
X	**Diploma**	**Diploma**
Y	**Matric**	**10+2**
Z	**Non-Matric**	**Matric & below**

4.10.93 Consistent with recommendations made for civilian employees, particularly the CPMF personnel, and in view of the merger of Groups Y and Z, **it is recommended that the minimum educational qualifications for entry into the Defence Forces should be Matriculation or ITI. However, Government may**

provide necessary exemptions from these minimum qualifications for groups which are traditionally recruited for certain regiments.

Acting promotion

4.10.94 Acting promotions are granted to service personnel at Service Headquarters as well as at the formation level. A PBOR becomes eligible for the pay of his acting rank after 28 consecutive days of duty in the higher rank and an officer after 21 days. The grant of pay is, however, with retrospective effect. The Defence Forces have proposed to abolish the condition of holding the higher rank for 28/21 consecutive days before converting the same to paid acting rank. This demand is justified. **It is, accordingly, recommended that the condition of holding the higher rank for a fixed number of consecutive days before the acting rank is paid, should be removed.**

Conditions of service of PBOR in Territorial Army

4.10.95 It has been proposed to enhance the terms of engagement of Territorial Army PBORs from existing 17 years for Sepoy and Naik and 20 years for Havaldar to 19, 22 and 24 years for Sepoy, Naik and Havaldar respectively. **The Commission is of the view that Government should take a view on the matter taking into account the requirements related to age profile.**

Conditions of service – Officers

4.10.96 The Defence Forces have made the following proposals in regard to the conditions of service during the training period of Officers: -

(i) Training at NDA/Naval Academy – At present, no stipend or allowance is paid to cadets at NDA/Naval Academy and similar Academies like AFMC, MCTE, MCME, CME, etc. during the period of training in these academies. The Defence Forces have suggested that a stipend of Rs.10000 per month may be paid to these Cadets during the entire period of training.

(ii) Pay during training after graduation – Gentlemen Cadets, Flight Cadets and Midshipmen receive a stipend of Rs.8000 per month during the last year of training at IMA/AFA and at sea in the case of Navy. On successful completion of training, however, this stipend is converted to pay and all applicable allowances are paid as arrears to the cadets. The Defence Forces have suggested that provisional Commission may be granted in the last year of training with full pay and allowances and all attendant benefits of the commissioned rank. This period of training is proposed to be counted as service for all purposes. On successful completion of training, the Provisional Commission be converted into regular commission. Further, PBORs under training for grant of Commission as officers should be allowed the same dispensation as applicable to other trainees of the three

Services. However, during the period of training, they should continue to draw pay and allowances appropriate to the rank held at the time of commencement of training and on successful completion of training, they should become entitled to the arrears.

Recommendations

4.10.97 The justification given in regard to Cadets is that the change will bring the Services at par with the entry level conditions prevailing in other Central Government services and will make service conditions more attractive resulting in qualitative and quantitative improvement. In view of the fact that no payment is required to be made by Cadets to training academies like NDA/AFMC and the training results in award of a degree and subsequent employment in the Defence Forces, the Commission does not recommend grant of a stipend in NDA and similar training academies. As far as the grant of provisional commission in the last one year of training in Service Academies is concerned, the successful completion of training is a pre-requisite for the grant of Commission in the Defence Forces, a situation which is not totally comparable with the civilian side. Further, counting of the service spent under training for all purposes would imply that officers would get promoted as Captain one year after Commission instead of 2 years at present and this residency period appears to be extremely short. **Keeping these factors in view, the Commission does not recommend any change in the present provisions related to training academies.**

Substantive promotions

4.10.98 Substantive promotions are granted by time scale up to the rank of Lt Colonel and equivalent. Promotion to the rank of Colonel and above is by selection and is vacancy based. The existing eligibility for promotion to substantive rank of Colonel is 20 years of service. The Defence Forces have proposed to reduce the service requirement to 15 years in line with the A.V. Singh Committee recommendations stating that this will ensure reduction in existing deficiency of officers in junior ranks, provide faster career progression and reduce stagnation. This demand is in consonance with the approach adopted by the Commission. Further, this needs to be extended to all the higher posts which will go a long way in ensuring a younger age profile for the senior posts in Defence Forces and also allow deep selection. **It is, accordingly, recommended that the minimum service prescribed for promotions to the ranks of Colonel/equivalent and above in Defence Forces should be reduced. The Government should evolve the minimum residency periods for this purpose afresh keeping in view the functional considerations.**

Ages of retirement

4.10.99 Proposals have been made by the Defence Forces in regard to the age of retirement of flying branch officers in the Air Force and for Law Officers in the Navy so as to bring about parity within the services and increase satisfaction levels among the officer cadres in the Defence Forces. It has also been suggested that if the retirement age of civilian services is enhanced, the same may be made applicable to the Defence Forces personnel also. The ages of retirement in the defence forces should be based on functional requirements, requirements of age profile etc. **The Commission, therefore, is of the view that a decision on this matter needs to be taken by the Government keeping in view these and other relevant considerations.**

Leave entitlements

4.10.100 The existing entitlement of leave for Defence Forces personnel are as under: -

Leave of officers, JCOs and Ors

Type of leave	**Officers**	**JCOs/OR**	**Recruits /Boys**
Annual Leave	60 days	60 days	30 days
Casual Leave	20 days	30 days	30 days
Furlough Leave (at half pay)	60 days in a cycle of three years	NA	NA
Sick Leave	Upto a maximum of 180 days at full pay to be extended on sanction	(i) Entire period spent in a military or a recognized civil hospital is treated as duty subject to individual falling sick whilst on duty. (ii) After discharge from hospital, further sick leave may be granted, if advised by medical auth. (iii) There is no limit for sick leave.	Admiss-ible as to Other Ranks.

Type of leave	Officers	JCOs/OR	Recruits/ Boys
Maternity leave to women officers	Two months leave on full pay to be extended by one month without pay in exceptional cases.	NA	NA

4.10.101 Personnel of the Defence Forces can accumulate Annual Leave upto 30 days in a year subject to the maximum ceiling of 300 days during their complete service. Personnel who proceed on retirement/discharge on their own request can encash leave as under:-

Service at the time of Invalidment	Quantum of leave admissible for encashment
22 years and above	300 days
20 years and above but less than 22 years	265 days
17 years and above but less than 22 years	132 days
Less than 17 years	113 days

4.10.102 In the case of Defence Forces personnel, the leave encashment allowed is based on number of years of service at the time of superannuation/death/invalidment/voluntary retirement, etc. It has been demanded that the quantum of encashment of leave should be delinked from the number of years of service and should be identical to civilian employees. This demand is appropriate**. It is, accordingly, recommended that the quantum of encashment of leave for Defence Forces personnel should be delinked from the numbers of years of service and all Defence Forces personnel shall be allowed encashment of leave of upto 300 days. The relaxation made in the case of civilian employees in regard to encashment of leave during LTC and the ceiling for leave encashment shall also apply to Defence Forces personnel. The demand for extending the provisions of accumulation, commutation and encashment applicable to half pay leave to Furlough cannot, however, be accepted as it would introduce a distinction between the nature of the leave permitted to be encashed by officers and PBORs. The Commission, therefore, does not recommend encashment of Furlough.**

4.10.103 At present, sick leave is granted to officers for a maximum period of 6 months inclusive of annual leave at full rates of pay. It can be extended to 24 months but after the first six months, the extended leave is on half pay. Every case for prolonged hospitalization/sick leave beyond 6 months has to be forwarded to Ministry of Defence for obtaining waiver of the time limit. It has been proposed to grant full pay to officers during the entire period of sick leave irrespective of duration, provided the sickness/hospitalization is attributable/aggravated due to service conditions. **The Commission recommends that the entire period of hospitalization should be covered by grant of full pay and allowances.** Thereafter, further sick leave with full pay may be granted in case the sickness is attributable to service conditions. Lady Officers in the Defence Forces with less than two surviving children are granted maternity leave of 2 months. It has been proposed that this may be enhanced to 135 days for each confinement. In Chapter 4.7, the Commission has recommended that maternity leave for civilian women employees may be increased to 180 days keeping in view the guidelines of the WHO on nursing of babies. **A similar provision should be followed in the case of women officers of the Defence Forces and they should be granted maternity leave for 180 days for each confinement subject to a maximum of two children.**

House Building Advance and Conveyance Advance

4.10.104 The Defence Forces, in their memorandum, have proposed substantial increases in the quantum of HBA and have sought that adequate budgetary provisions be made to ensure availability of funds for grant of HBA. In the case of conveyance advance also, substantial enhancement in the rates of conveyance advance have been proposed. Elsewhere in the report, the Commission has recommended that instead of providing House Building or Conveyance Advance, the Government may provide a subsidy in the interest rates of these advances and Government employees may avail of loans granted by Public Sector Banks. **In consonance with these recommendations made for civilian employees, the Commission recommends that Defence Forces personnel may also be provided the subsidy in the interest rates for availing of these loans from Public Sector Banks subject to the same limits as have been laid down for civilian employees.**

Income Tax

4.10.105 The Defence Forces have proposed that all allowances which are peculiar to Services and are provided in the form of compensation should be exempted from levy of Income Tax. Further, all payments to the Defence Forces pensioners on account of pension should be fully exempt from Income Tax. **The Commission is of the view that it is for the Government to consider exemptions from Income Tax keeping in view all relevant factors.**

Common ration scale for PBORs

4.10.106 It has been brought out by the Defence Forces that the scales of standard ration authorized to PBORs in the 3 Services are different and a common ration scale has been proposed. Such a rationalization has been considered necessary to bring in parity where differences are noticed during joint operations. The Commission is of the view that different scales of rations may be dependent on the functional requirements as well as the levels of physical activity. **As such, the Commission is not in a position to make any recommendation in the matter. It is for the Government to decide scales of ration required keeping in view all relevant factors.**

Encashment of leave of Territorial Army personnel

4.10.107 It has been represented that Territorial Army personnel may also be allowed to encash leave upto a maximum of 300 days on par with the provisions applicable to regular Army personnel. It has been brought out in support of the proposal that the rules for encashment of leave for Territorial Army personnel were brought on par with the regular Army in 1994 but after the Fifth CPC, when the limit was revised to 300 days for regular Army personnel, the same was not done for Territorial Army personnel. **The Commission recommends that parity be maintained in the provisions related to leave encashment between Territorial Army personnel and regular Army personnel.**

Future revision of allowances

4.10.108 **As far as future revision of allowances is concerned, revision as specified elsewhere may be done in respect of allowances common to civilians and Defence Forces. In the case of allowances specific to Defence Forces, the rate of these allowances should be enhanced by 25% automatically each time the dearness allowance payable on the revised pay band goes up by 50%.**

General recommendation on allowances

4.10.109 Although the Commission has recommended revised rates for the various allowances granted to Defence Forces personnel, the Commission is of the view that a majority of these allowances are amenable to conversion into performance related incentive. **The Commission, therefore, recommends that the MoD and Service Headquarters may devise a PRI Scheme subsuming those of the allowances which can form part of PRIS.**

Chapter 4.11

Medical facilities for serving employees & pensioners

Introduction

4.11.1 Presently, serving Government employees paid from civil estimates other than those working in Railways and Delhi Administration are covered under the Central Government Health Scheme (CGHS) which is a compulsory scheme for all Central Government employees residing within the area covered by the CGHS Dispensaries. CGHS is a contributory scheme and the Government employees have to contribute varying sums between Rs.15 to Rs.150 p.m. for this facility. Pensioners/family pensioners can also avail CGHS facilities on payment of registration fee. It is not necessary for pensioners/family pensioners to be living in the areas covered under the CGHS for joining it. Railways and Defence have their own medical infrastructure and their employees/pensioners are not covered under CGHS. Presently, the coverage of CGHS is available in 24 cities. Central Government employees living outside these cities are not covered under CGHS. Employees and their family members living outside the CGHS areas are entitled to reimbursement for medical attendance and treatment under the Central Services (Medical Attendance) Rules [CS(MA) Rules]. These CS (MA) Rules, however, are available only to the serving Government employees and the pensioners are not covered under these rules. Pensioners living in non-CGHS areas are allowed a sum of Rs.100 p.m. for meeting their medical expenditure that does not require hospitalization. The amount of Rs.100 was recommended by the Fifth CPC and has remained unchanged since then. Pensioners living in non-CGHS areas are, however, eligible for reimbursement of expenditure incurred on hospitalization in accordance with the prescribed rules.

Demands

4.11.2 Some associations of Government employees in their submissions to the Commission have lamented the poor quality of service available under CGHS and sought an alternative to it. The Central Government pensioners living in non-CGHS areas and their associations have demanded reimbursement of medical expenditure under the CS (MA) Rules on par with what is available to the serving employees. Substantial enhancement in the amount

of medical allowance of Rs.100 presently payable to pensioners living in non-CGHS areas has also been demanded.

Analysis and recommendations

4.11.3 The Commission is aware that there is increasing pressure on CGHS which sometimes results in less than satisfactory services being provided to its beneficiaries. On the obverse, CGHS is appreciated by a number of employees and most of the pensioners. In fact, most of the pensioners associations, in their submissions to the Commission, have requested continuance of CGHS facilities. The need of the hour may, therefore, be to retain the existing scheme of CGHS while simultaneously providing optional in-patient facilities (IPD) through medical insurance. This will provide an alternative to such of those employees/ pensioners who are not satisfied or are not living in the areas covered by CGHS. **The Commission, therefore, recommends that the Government should revise entitlements for treatment in IPD for CGHS card holders so that private ward facilities are available at least to the employees in PB-2 pay band. The Commission is not in favour of extending CS(MA) Rules to the pensioners as not only it will prove to be very costly (estimates given by the Government peg it at Rs.1,820 crore p.a.) but will also suffer from problems relating to submission of bills, its verification and subsequent payment, etc. This will pose additional problems for the pensioners claiming reimbursement and will generate additional administrative work with attendant problems for the Government. The Commission is of the view that an insurance scheme should be devised for meeting the OPD needs as well. In the interregnum, the Government should consider enhancing the amount of medical allowance for pensioners living in non-CGHS areas appropriately.**

Health insurance for Government employees & pensioners

4.11.4 Availability of health service providers in the private sector has increased discernibly in the recent past. Therefore, making available the in-patient facilities through a set up outside CGHS is now viable. CGHS, by way of referrals, is already using this both private and Government network. CS (MA) Rules, in any case, operate through a system of Authorized Medical Attendants (AMA) where adequate number of Government Doctors is not available. CS (MA) Rules also provide for a set of empanelled hospitals where the concerned employees can take treatment. The Commission was informed that the Government is in the final stages of introducing a health insurance scheme for its employees so as to provide them with wider facilities and quality health care without directly burdening the Government with the administrative responsibility of verifying bills and/or expanding public sector medical infrastructure. The scheme being formulated by the Government, however, had not been formalized till the time of finalization of this Report. Accordingly, the Commission is

recommending a scheme of health insurance for Central Government employees and pensioners in this Report.

Recommendations

4.11.5 **The Commission, accordingly, recommends introduction of a Health Insurance Scheme for Central Government employees/pensioners as under :-**

i) **For the existing employees and pensioners, the Insurance Scheme would be available on voluntary basis subject to paying the prescribed contribution. Contributions should be based on the actual premium paid. Group A, B and C employees should contribute 30%, 25% and 20% of the annual premium respectively with the Government paying the remainder. This arrangement should be reviewed periodically.**

ii) **The Health Insurance Scheme would be compulsory for new Government employees who would be joining service after the introduction of the Scheme. Similarly, new retirees after the introduction of the Insurance Scheme would be covered under the Scheme. The new recruits and pensioners will consequently not be provided CGHS / CS (MA) facilities. The new recruits and the new retirees may be paid an appropriate amount for meeting their OPD expenditure till the time an insurance scheme for providing OPD facilities is devised.**

iii) **Serving employees and existing pensioners shall have the option to opt out of CGHS and subscribe only to the Insurance Scheme, thus making their own arrangements for OPD needs. In such cases, they will not pay contributions to the CGHS. On par with new recruits, they will need to contribute only the amounts prescribed for similarly placed class of employees/pensioners under CGHS and may also be paid an appropriate amount for their OPD expenditure till the time an insurance scheme for providing OPD facilities is devised. The serving employees in non-CGHS areas may also opt for Health Insurance Scheme and subscribe to the same.**

iv) **All personnel of the Central Government including All India Service officers, serving and retired, and others who are covered under the existing CGHS and under CS (MA) Rules may be offered the health insurance scheme on a voluntary basis.**

Railways & Defence (combatants)

4.11.6 The aforesaid scheme has been recommended for Government employees paid from civil estimates other than those working in Railways. However, **Railways and Defence (combatants), who are having their own medical infrastructure, should also devise a similar scheme for their employees.**