

## **Cabinet approves Implementation of the recommendations of 7th Central Pay Commission**

The Union Cabinet chaired by the Prime Minister Shri Narendra Modi has approved the implementation of the recommendations of 7<sup>th</sup> Central Pay Commission (CPC) on pay and pensionary benefits. It will come into effect from 01.01.2016.

In the past, the employees had to wait for 19 months for the implementation of the Commission's recommendations at the time of 5<sup>th</sup> CPC, and for 32 months at the time of implementation of 6<sup>th</sup> CPC. However, this time, 7<sup>th</sup> CPC recommendations are being implemented within 6 months from the due date.

The Cabinet has also decided that arrears of pay and pensionary benefits will be paid during the current financial year (2016-17) itself, unlike in the past when parts of arrears were paid in the next financial year.

The recommendations will benefit over 1 crore employees. This includes over 47 lakh central government employees and 53 lakh pensioners, of which 14 lakh employees and 18 lakh pensioners are from the defence forces.

### **Highlights:**

1. The present system of Pay Bands and Grade Pay has been dispensed with and a new Pay Matrix as recommended by the Commission has been approved. The status of the employee, hitherto determined by grade pay, will now be determined by the level in the Pay Matrix. Separate Pay Matrices have been drawn up for Civilians, Defence Personnel and for Military Nursing Service. The principle and rationale behind these matrices are the same.
2. All existing levels have been subsumed in the new structure; no new levels have been introduced nor has any level been dispensed with. Index of Rationalisation has been approved for arriving at minimum pay in each Level of the Pay Matrix depending upon the increasing role, responsibility and accountability at each step in the hierarchy.
3. The minimum pay has been increased from Rs. 7000 to 18000 p.m. Starting salary of a newly recruited employee at lowest level will now be Rs. 18000 whereas for a freshly recruited Class I officer, it will be Rs. 56100. This reflects a compression ratio of 1:3.12 signifying that pay of a Class I officer on direct recruitment will be three times the pay of an entrant at lowest level.
4. For the purpose of revision of pay and pension, a fitment factor of 2.57 will be applied across all Levels in the Pay Matrices.
5. Rate of increment has been retained at 3 %. This will benefit the employees in future on account of higher basic pay as the annual increments that they earn in future will be 2.57 times than at present.
6. The Cabinet approved further improvements in the Defence Pay Matrix by enhancing Index of Rationalisation for Level 13A (Brigadier) and providing for additional stages in Level 12A (Lieutenant Colonel), 13 (Colonel) and 13A (Brigadier) in order to bring parity with Combined Armed Police Forces (CAPF) counterparts at the maximum of the respective Levels.
7. Some other decisions impacting the employees including Defence & Combined Armed Police Forces (CAPF) personnel include :
  - Gratuity ceiling enhanced from Rs. 10 to 20 lakh. The ceiling on gratuity will increase by 25 % whenever DA rises by 50 %.
  - A common regime for payment of Ex-gratia lump sum compensation for civil and defence forces personnel payable to Next of Kin with the existing rates enhanced from Rs. 10-20 lakh to 25-45 lakh for different categories.

- Rates of Military Service Pay revised from Rs. 1000, 2000, 4200 & 6000 to 3600, 5200, 10800 & 15500 respectively for various categories of Defence Forces personnel.
- Terminal gratuity equivalent of 10.5 months of reckonable emoluments for Short Service Commissioned Officers who will be allowed to exit Armed Forces any time between 7 and 10 years of service.
- Hospital Leave, Special Disability Leave and Sick Leave subsumed into a composite new Leave named 'Work Related Illness and Injury Leave' (WRIL). Full pay and allowances will be granted to all employees during the entire period of hospitalization on account of WRIL.

8. The Cabinet also approved the recommendation of the Commission to enhance the ceiling of House Building Advance from Rs. 7.50 lakh to 25 lakh. In order to ensure that no hardship is caused to employees, four interest free advances namely Advances for Medical Treatment, TA on tour/transfer, TA for family of deceased employees and LTC have been retained. All other interest free advances have been abolished.

9. The Cabinet also decided not to accept the steep hike in monthly contribution towards Central Government Employees Group Insurance Scheme (CGEGIS) recommended by the Commission. The existing rates of monthly contribution will continue. This will increase the take home salary of employees at lower levels by Rs. 1470. However, considering the need for social security of employees, the Cabinet has asked Ministry of Finance to work out a customized group insurance scheme for Central Government Employees with low premium and high risk cover.

10. The general recommendations of the Commission on pension and related benefits have been approved by the Cabinet. Both the options recommended by the Commission as regards pension revision have been accepted subject to feasibility of their implementation. Revision of pension using the second option based on fitment factor of 2.57 shall be implemented immediately. A Committee is being constituted to address the implementation issues anticipated in the first formulation. The first formulation may be made applicable if its implementation is found feasible after examination by proposed Committee which is to submit its Report within 4 months.

11. The Commission examined a total of 196 existing Allowances and, by way of rationalization, recommended abolition of 51 Allowances and subsuming of 37 Allowances. Given the significant changes in the existing provisions for Allowances which may have wide ranging implications, the Cabinet decided to constitute a Committee headed by Finance Secretary for further examination of the recommendations of 7th CPC on Allowances. The Committee will complete its work in a time bound manner and submit its reports within a period of 4 months. Till a final decision, all existing Allowances will continue to be paid at the existing rates.

12. The Cabinet also decided to constitute two separate Committees (i) to suggest measures for streamlining the implementation of National Pension System (NPS) and (ii) to look into anomalies likely to arise out of implementation of the Commission's Report.

13. Apart from the pay, pension and other recommendations approved by the Cabinet, it was decided that the concerned Ministries may examine the issues that are administrative in nature, individual post/ cadre specific and issues in which the Commission has not been able to arrive at a consensus.

14. As estimated by the 7th CPC, the additional financial impact on account of implementation of all its recommendations in 2016-17 will be Rs. 1,02,100 crore. There will be an additional implication of Rs. 12,133 crore on account of payments of arrears of pay and pension for two months of 2015-16.