

Memorandum to Seventh Central Pay Commission



Submitted by

RAILWAY SENIOR CITIZENS WELFARE SOCIETY

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MAY, 2014

Memorandum to 7th Pay Commission by RSCWS May, 2014
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RAILWAYS SENIOR CITIZENS WELFARE SOCIETY

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Dated: 27th May, 2014

Hon'ble Chairman,
7th Central Pay Commission,
New Delhi.

(Through – Secretary, Seventh CPC by email to secy-7cpc@nic.in)

Respected Sir,

Subject: - **MEMORANDUM TO THE 7TH PAY COMMISSION.**

Reference:- Terms of Reference item 2 f) & 5 of the Pay Commission vide Gazette Notification of Government of India No.1/1/2013-E.III(A) Dated 28.2.2014 & Public Notification of 7th CPC dated 5-5-2014 – inviting Memorandums from Associations and others.

We submit as under, for the kind consideration of the Pay Commission, in response to it Public Notification cited above, in regard to the following Terms of Reference of the Seventh Pay Commission which inter-alia state that:

Item 2 f) of ToR: To examine the principles which should govern the structure of pension and other retirement benefits, including revision of pension in the case of employees who have retired prior to the date of effect of these recommendations, keeping in view that retirement benefits of all Central Government employees appointed on and after 01.01.2004 are covered by the New Pension Scheme (NPS).

Item 5 of ToR “----It (the Commission) may consider, if necessary, sending interim report on any of matters as and when recommendations are finalized.”

0.1 INTRODUCTION:

About RSCWS: Railway Senior Citizens Welfare Society (RSCWS) was formed in 1991, to represent & pursue the cause of the Pensioners and for redressal of their grievances and problems. RSCWS now has Membership spread in various parts of the Country.

RSCWS is an identified and Recognised Association by the Department of Pension & Pensioners Welfare (DOP&PW) under the Pensioners' Portal - for the welfare and redressal of grievances of Pensioners.

RSCWS is, as such, a stake holder on the issues before the 7th Pay Commission.

0.2 Preamble:

The pensioners have all along been given a raw deal by the Government as well as by the previous Pay Commissions – especially those who had retired prior to each Pay Commission – in spite of various judgements of the honorable courts to remove the discrimination between the past and future Pensioners.

The Provision of modified parity of Pension for existing Pensioners, introduced by the 5th CPC, and reiterated by the Sixth Pay Commission - (as a stopgap measure to reduce the financial implications of full parity as accepted by the Fifth CPC) should

now at least belatedly be replaced with the full parity between the pre & post Pay Commission Pensioners.

0.3 In support of our demands and submissions made in this Memorandum, we would like to draw the kind attention of the Seventh Pay Commission towards the following observation of the Fifth Pay Commission and the Supreme Court

i) 5th CPC in Para 127.6 observed as under:

"It needs to be averred emphatically that pension is not in the nature of alms being doled out to beggars. Senior Citizens (Retired Government employees) need to be treated with dignity and courtesy befitting their age. Pension is their statutory, inalienable, enforceable right & it has been earned by the sweat of their brow"

ii) Hon'ble Supreme Court, in its landmark Constitutional Bench judgement dated 17.12.1982 in the case of D.S. Nakara Vs Union of India, ruled as under:

"A Pension scheme consistent with available resources must provide (adequate pension) so that the Pensioner would be able to live:

i) free from want, with decency, independence and self respect and

ii) At a standard equivalent at pre-retirement level.

iii) Pensioners form a homogenous class. Different formulae affording unequal treatment cannot be adopted to compute their pension solely on the ground that some retired earlier and those retired later.

0.4 Disproportionate Rise in Minimum Pension of Pre-2006 Pensioners:

Unfortunately the Sixth Pay Commission created very serious anomalies especially on account of disproportionate rise given to employees at various levels – varying between 2.5 times rise in Pension of those who retired from the pre-revised scales from S 4 to S 23 as compared to 3.4 times to those retired from S 24 and above – as highlighted in Annexure I II attached to this memorandum. This resulted in serious discontentment among the concerned Pensioners and it was in clear violation of the above said judgement of the Apex Court. This needs to be remedied as all past pensioners, irrespective of the post/grade from where they retired, form a homogenous group and deserve equal treatment.

0.5 PRAYER FOR HEARING & ORAL EVIDENCE BY RSCWS BEFOR 7TH CPC:

- a) We urge upon the Seventh Pay Commission to favorably consider our submissions made here below; AND
- b) We also request the Pay Commission to grant a hearing to RSCWS - as an identified Association to represent and give oral evidence about the problem, aspirations and grievances of the Pensioners.

REG: PENSIONARY BENEFITS

1. New Pension Scheme (NPS)

1.1 New Pension Scheme (NPS) was introduced w.e.f 1-1-2004, replacing the existing non-contributory Pension Scheme in existence since 1957 for the post 1-1-2004 appointees who are required to make a compulsory contribution of 10% to the NPS with a matching contribution by the Government and the Fund being invested in specified manner to be dispersed to the employee after his Retirement. This is totally against the spirit of the judgement of the Supreme Court in DS Nakara case where the Apex Court had defined the Pension and had laid down that "*Pension is not a bounty, a grace or an Ex-gratia payment, but a payment for past services rendered*".

But with the introduction of NPS, the Government has absolved itself of ensuring any specified amount of pension after the retirement and forcing the employees to contribute to the scheme even if they can't afford to do so.

1.2 NPS has led to extreme discontentment and resentment amongst the concerned employees as it tantamount to the following anomalies and disparities:

- i) It amounts to withdrawal of an existing benefit of Pension as available to Pre 2004 appointees – thus unjustly creating a class within a class of government employees and unjustly snatching away the Pension which was held to be deferred wage for service rendered as per judgement of the Apex Court in D. S. Nakara case. NPS violates the spirit of this judgement on both the said grounds.
- ii) Lesser net wages to Post 2004 appointees by 10% of Pay thus discriminating between the similarly placed employees working at the same place/ on the same job/same post.
- iii) Post 1-1-2004 appointees had also even been deprived of interest @ 8.33% of govt. matching contribution to PF – as was paid earlier to SRPF optees – prior to introduction of existing Pension Scheme.
- iv) NPS is subject to market forces thus depriving them of any assured returns on their Contribution or on that of the Govt.
- v) It also creates uncertainty as the employees are not assured of any fixed amount of Pension – which is essentially required as a social security.
- v) The service conditions on the Railways are very hazardous, involving higher risk to life and higher responsibilities which are totally different from other Central Government Employees. As such the Railways should in any case be exempted from NPS, as rightly recommended by the Minister For Railways to Minister of Finance (vide letter No. No. 2012/F(E)III/1/4-Part dated 29th March 2014 - copy attached as Annexure I).

1.3 It is therefore requested as under:

- a) New Pension Scheme (NPS) should be withdrawn for Post 2004 appointee Central Government / Railway employees and they should be covered under the existing Pension Scheme.
- b) Post 2004 appointees should be given the option to continue with the NPS as an additional Pensionery Benefit to supplement their post retirement income.
- c) As for the amount already on the credit of the Post 2004 appointees, if they opt out of the NPS, they should be given the option to either withdraw the same or to deposit it in their Provident Fund Account.

2. Superannuation Pension

2.1 Determination of Minimum and Maximum Pension

Pension is directly related to the pay, obviously the Pay needs to be determined first.

2.2.1 Determination of Maximum Salary

It is requested that instead of determining the Minimum Salary first as in the past, the Maximum Salary should be determined first; and then the Minimum Salary should be determined in an appropriate Ratio between the Maximum and the Minimum – so as to ensure equity and adequate Social justice.

2.2.2 Ratio between Minimum and Maximum salary and Pension should be 1:9 – to ensure social justice to employees at all levels (instead of the existing Ratio of 1:12.85 between the Minimum Salary of Rs.7000 and that of the Cabinet

Secretary (at Rs.90000 Fixed) and a Ratio of 1:11.42 with Secretary (at Rs.80000 Fixed) - after 6th CPC.

2.2.3 Maximum Salary may please be first determined based on the following criteria and then the Minimum Pay be determined as per ratio of 9:1 as stated above.

Maximum Salary be fixed as per rise of the NNP since the last Pay Commission on Constant Prices - (as adopted by 5th CPC for determining Common Multiple Factor for Minimum Pay of each Pay Scale).

Proposed Minimum & Maximum Salary w.e.f. 1.1.2016	
Based on Rise of NNP at Constant Price between 1.1.2006 to 1.1.2016	
(As per details placed at in the Annexure -----)	
<i>(As per formula adopted by Fifth Pay Commission for determining Common Multiple Factor)</i>	
Minimum Basic pay after VI CPC	Rs.7000
Anticipated DA 140% (as on 1.1.2016)	Rs.9800
BP+DA	Rs.16800
Compensation factor 65% of BP(as per rise of NNP) (* As per details in the above Table)	Rs.10920
Proposed Minimum Pay	Rs.27720
Proposed Common Multiple Factor or Compensation Factor	3.96
Maximum Proposed revised Pay (BP x 3.96 as per Rise of NNP from 1-1-2006 tp 1-1-2016)	80000x3.96 =316800 or Rs.3,20.000
Minimum Proposed Revised Pay Based on Rise of NNP - (BP x 3.96 as per Rise of NNP from 1-1-2006 tp 1-1-2016)	7000x3.96 = Rs.27720 Or Rs 27750
Minimum Proposed Revised Pay Based on Proposed Ratio of 1:9 with Maximum Pay	320000 / 9 = Rs.35550

2.3 Minimum Pension:

2.3.1 Minimum Pension may please be fixed as per Ratio of 1:9 between Minimum and Maximum of Pay & Pension - to uphold the Principles of Social justice enshrined in the Constitution of India.

2.4 QUANTUM of Pension:

Full Pension may please be fixed as 65 % and Family Pension as 45% of last Pay Drawn or of 10 months average Pay whichever is higher – keeping in view much higher level of Pension available in other countries – even going up to 100 % in some advanced countries.

3 Qualifying Service for Pension:

3.1 Sixth Pay Commission had made the following recommendations in Para 5.1.33 of its Report:

- i) Once an employee renders the minimum pensionable service of 20 years, pension should be paid at 50% of the average emoluments received during the past 10 months or the pay last drawn, whichever is more beneficial to the retiring employee.

Government implemented the above said recommendation

3.2 However the benefit of Full pension after 20 years of service was extended only prospectively and not to those who had retired prior to 1-1-2006. This was against the spirit of judgement of the Apex Court and in violation of Articles 14, 16 and 39 of the Constitution.

3.3 It is requested to grant as under:

Full Pension on pay plus D.A. last drawn or average of last 10 months – whichever is higher — after 20 years service – with proportionate Pension for less than 20 years of service for both Pre & Post-2006 Pensioners.

4. Additional Pension / Family Pension:

4.1 Sixth Pay Commission had recommended additional Pension of 20, 30, 40, 50 and 100 % for retirees and family pensioners on attaining the age of 80, 85, 90, 95 and 100 years respectively. But this did not meet with the requirements of those in the age group of 65 to 80 years of age for meeting additional expenses on old age diseases and disabilities and other unforeseen exigencies, which further increase even faster in later years. *Recommendation of Sixth Pay Commission for grant of 100% additional Pension after 100 years of age was illusionary and unjust in view of rare chances of survival up to or beyond 100 years of age.*

4.2 It is, therefore, requested that 10% Additional Pension should be granted every 5 years from the age of 65 to 75 years; 20% every 5 years from 80 years onwards and 100% after 90 years of age – to meet with much higher additional expenses on Medicines, health care and other exigencies of old age.

10% additional Pension/Family Pension after 65 years of age
20% Additional Pension/Family Pension after 70 years of age
30 % additional Pension/Family Pension after 75 years of age
50% additional Pension/Family Pension after 80 years of age
70% additional Pension/Family Pension after 85 years of age
100% additional Pension/Family Pension after 90 years of age

4.3 Alternatively > Annual Rise of Pension: Additional Pension be given in the shape of an Annual rise 3% (like the Increment to the employees) to meet with the ever rising requirements of Medicines and other similar exigencies which increase with every of aging.

5. Full Parity in Pension of Pre & Post Pay Commission Pensioners:

5.1 Fifth Pay Commission had favoured grant of full parity to past Pensioners with the future Pensioners, but restricted its recommendations to Modified Parity at Minimum of Pay scale, leaving the grant of full parity for the future Pay Commissions. Sixth Pay Commission followed suit but again restricted itself to recommend only to Modified Parity to Pre 2006 Pensioners with the Minimum of the Pension being fixed at 50% of the sum of the Minimum of the Pay in the Pay Band and the Grade Pay thereon corresponding the pre-revised pay scale from which the pensioner had retired.

5.2 Government accepted this recommendation of 6th CPC but later distorted the intent vide DOP&PW orders dated 3-10-2008. This denied even the modified parity to pre 2006 pensioners forcing them to take a legal course for getting justice.

5.3 However, the main issue of full parity to past Pensioners with Post Pay Commission Pensioners hangs fire and needs to be addressed by the Seventh Pay Commission for the sake of natural justice.

5.4 It is, therefore, requested to please grant the following:

- a) Full Parity of Pension to Pre-2016 Pensioners with Post-2016 Pensioners – retiring from the same post.
- b) Notional Fixation of pay of every retired person as if he had not retired and then his pension be computed under the revised rules. This alone will protect the value of pension of a retired person.

6 Additional Increment to employees retiring on 30th June to compensate for loss of increment even after completing 365 days – due to grant of increment once a year in July every year:

The employees whose retirement falls on 30th June, suffer a loss of one Increment even after working for 365 days and the consequential lifelong loss in Pension which they incur on account of introduction of new system of grant of Increment once in a year in July every year after the implementation of Sixth CPC Report.

It is therefore, requested to grant an Additional Increment to employees retiring on 30th June to compensate for loss of increment falling due on 1st July.

7. Fixation of Revised Pension: Fixation of Revised Pension of existing Pensioners w.e.f. 1-1-2016 may please be granted as under:

- i) Pension of Existing Pensioners be Re-fixed on the same pattern and formula as for the serving employees - at 3.96 times of Basic Pension based on the – as per %age rise of NNP on Constant Prices (as per calculations indicated in Para 2).
- ii) Provided that, the Pension of the Past Pensioners shall not be less than the Post 7th CPC Pension.

8. **Restoration of commuted value of Pension after 12 years** – as recommended by Fifth Pay Commission and as the amount gets recovered in less than 12 years – with interest thereon, on reducing balance. Non-acceptance of this recommendation was quite unjustified – especially in view of the Recommendation of the Sixth Pay Commission (in the Chapter on Advances) that the Government will give an interest subsidy equal to two percentage points on the rate of interest being charged by the Banks.

Judgement of the Supreme Court in Writ Petition No. 3958-61 of 1983, could not be applied in parts. The Apex Court in its orders in the said case - (while upholding the restoration after 15 years) had also held that the pension had to be restored once the lump-sum commutation paid and the interest thereon was fully adjusted (as cited by 6th Pay Commission in Para 5.1.28 of its Report).

The last part of the said judgement needs to be implemented as the entire amount is recovered with interest in 12 years.

It is therefore requested that the Commutation of Pension may please be restored after 12 years.

9. Rates of Family Pension may please be revised as under :-

Proposed Amount of Family Pension Per Month		
On death in Harness	On death between 60 to 67 years of age.	After limits indicated in columns 2 and 3
80% of last pay drawn as Family Pension for 10 years (if the Employee had survived)	Full Pension as Family Pension for 10 years (if the Employee had survived)	80% of Normal Pension if the Employee had survived

10. **Gratuity:** One month's pay plus D.A. last drawn or average of last 10 months – whichever is higher as Death-Cum-Retirement Gratuity / Special Contribution to Provident Fund, instead of half month's pay for each year of qualifying service as at present, and without any ceiling.

11. a) **Ex-gratia Pension:** Ex-gratia Pension of at least Minimum Pension to the surviving PF Optees be granted – in view of their extreme hardship due to heavy inflation and valuable services rendered by them during active years of service.

b) **Option to PF Optees:** One time Option may please be given to all PF Optees to join Pension Scheme by refunding Contributed Provident Fund with interest thereon which may be adjusted against the Pension as due to them.

12. **House Rent Allowance to Pensioners:** Pensioners may please be granted House Rent Allowance as granted to serving employees – since most Pensioners are unable to build their own House even with the House Building Advance - due to exorbitant rise of land & property as well as due to frequent transfers, especially of the Railway employee to different places and different zones etc, and keeping in view the Government responsibility to provide a dignified living in old age – as per spirit of Apex Court judgement in Nakara's case and as per Directive Principles of the Constitution.
13. Re-employment in appropriate fields to utilize valuable experience and expertise of suitable and talented Technical, Professional and Specialised Personnel against Supernumerary posts – through a suitable mechanism of selection – without favour or bias.

MEDICAL ALLOWANCE & Treatment

14. Revision of FMA (Fixed Medical Allowance) to Rs.2500 PM on the following grounds:

14.1 Background:

- i) FMA (Fixed Medical Allowance) to Rs.100 per month was introduced in 1999 as per recommendations of the Fifth Pay Commission, for day to day Medical treatment of Pensioners residing in non-CGHS areas (and more than 2.5 KMs from Railway Hospitals – if they opt out of OPD Treatment from the CGHS or Railway Hospital or do not join the CGHS or RELHS (since residing away from such Hospitals etc).
- ii) This amount was revised to only Rs.300 per month after much representation, agitation and acute suffering by the Pensioners and their dependents.
- iii) Meanwhile, the cost of Medicines, Diagnostics and Consultations has increased many folds for day-to-day medical treatment – especially in old age.
- iv) Even the average expenditure per patient, for OPD treatment in CGHS Hospitals is much over Rs.2000 per month (as per information received under RTI from Ministry of Health & Family Welfare). This expenditure is bound to cross much beyond Rs.2500 by 2016 – in view of ever rising cost of Medicines, Diagnostics and Consultation for day to day medical treatment.
- v) The proposal of the Sixth Pay Commission has not been found feasible by Ministry of Health, for introduction of “a new medical insurance scheme recommended for Government employees. The scheme to be optional for existing Central Government employees and pensioners.” The idea had to be abandoned by the Government due to the refusal of the Insurance Companies to provide Medical Insurance for day-to-day treatment or to charge very heavy premium for the same.

14.2 It is, therefore, requested that:

- a) Grant of adequate FMA (Fixed Medical Allowance) and periodical revision thereof for day-to-day Medical Treatment to employees & Pensioners posted & residing in far flung areas – away from CGHS Dispensaries & Railway Hospitals. (Sentence does not convey anything)
- b) Fixed Medical Allowance (FMA) to Pensioners and Family Pensioners be increased to at least Rs.2500 per month (with periodic revision thereof) for outdoor treatment – where no such facility is available nearby.

- 15 Waiver or at least adequate reduction of Contributions by the Pensioners / Retiring Employees for CGHS & RELHS (Railway Employees Liberated Health Scheme) - with balance contribution by the Government / Railways – keeping in view the true

spirit of Social Responsibility towards the Pensioners – as defined by the Apex Court in Nakra's Case.

16. Free / Cashless Treatment of Central Government - including Railways Employees & Pensioners in Specialised Government Hospitals like AIIMS / NIMS / NIMHANS / JIPMER / CMC / PGI - especially, since these Hospitals are run by the Union Government.
17. Empanelment of more specialised Private Hospitals for Treatment of Central Government & Railway employees & Pensioners – on Cashless Billing system in Emergency and on Reference by CGHS / Railway Doctors.

INCOME TAX

18. Exemption of all allowances – including DA/DP - from Income Tax – as recommended by Fifth Pay Commission.
19. Raising of Exemption Limit for Income Tax to Rs. 5 Lakhs for Individuals, Rs.7 Lakhs for Senior Citizens above 60 years and Rs.10 Lakhs for the very old – above 80 years of age.
20. Exemption of Fixed Medical Allowance (FMA) from Income Tax – as it is a reimbursement of expenses for day-to-day Medical Treatment.

Interim Relief & Merger of DA

(Please see detailed Justification submitted herewith as Annexure III)

21. Grant of Interim Relief of at least 40% of the Pay/Pension + D.A to all Central Government Employees & Pensioners w.e.f 01.01.2014 - pending finalization & implementation of recommendations of the Pay Commission, to mitigate the sufferings of the employees and Pensioners - to compensate them, at least partially, for the large-scale erosion of their Pay / Pensions due to heavy inflation and long gap between two successive Pay Commissions.
22. a) Merger of 100% DA/DR w.e.f. 1-1-2014.
- b) Merger of DA/DR every time DA crosses 50%.

Periodicity of Revision

23. Need for permanent Pay Body & Reduction of Periodicity of Wage Revision:-
 - i) The Fifth Pay Commission had recommended as under in its report vide Chapter 171 of its report (as per Para 99 of *Summary of Recommendations*):-
Para.99(of Summary of Recommendations of V CPC) Need for continuing machinery for pay revision:
"The Commission has recommended that pay revision should, in future, be entrusted to a permanent Pay Commission drawing its authority from a Constitutional provision, whose recommendations should have a binding character. Pay should be revised annually as in other countries. As an alternative, it has been suggested that dearness allowance should be converted into dearness pay every time the cost of living rises by 50% over the base level. This would imply a revision of pay every 4 to 5 years. The final option is to have a decennial exercise as at present, but with fixed dates. The Commission has suggested that the date of constitution of the next Pay Commission should not be later than 01.01.2003, and the date of implementation of its recommendations should be 01.01.2006, irrespective of when its report is submitted".
 - ii) The above said recommendations of the Fifth Pay Commission were unfortunately not accepted by the Government. Consequently the gap between

the two Pay Commissions and the consequent periodicity of wage revision of Central Government employees continues to be 10 years – as against only 5 years in PSUs and even lesser in the Private and Corporate Sectors, thereby increasing the disparity between them.

- iii) Grant of Interim relief therefore becomes all the more imperative and essential to make good for the larger gap between the wage revision of the Central Government employees.
- iv) Continual Revision of Wages, if not annually, then at least every 5 years (like all PSUs) OR whenever the Dearness Allowance rises above 50 per cent.

Thanking you

Yours faithfully,



Harchandan Singh,
Secretary General, RSCWS

Encls: 4 Annexures

Copy by post to:

*Secretary, Seventh Central Pay Commission,
Post Box No. 4599, Hauz Khas P.O, New Delhi 110 016*

MINISTER FOR RAILWAYS
GOVERNMENT OF INDIA
NEW DELHI

No. 2012/F(E)III/1/4-Part

29 MAR 2014

Dear Shri P. Chidambaramji

Through this letter, I wish to draw your attention to a long standing demand raised by both Staff Federations of Railways on National Pension Scheme (NPS) for employees of Indian Railways. The Federations have been expressing resentment over operation in the Railways of the National Pension Scheme, which is perceived as a lower social security cover for Railway employees. Their contention is that there are enough grounds for Railway employees to be treated differently from other civil employees of the Government, and that Indian Railways should operate the traditional defined benefit pension scheme available to pre-01-01-2004 appointees.

You will recall that a few organizations/categories of Government employees were specifically exempted from the purview of NPS on consideration of special, riskier and more onerous nature of duties. The Federations have been drawing parallel with of nature of duties performed by most categories of Railway employees with those in the Armed Forces. They contend that during British period, Railways was conceived and operated as an auxiliary wing of the Army. It was also realized that by virtue of its complex nature, Railways required a high level of discipline and efficiency to be able to perform its role as the prime transport mode. Railways is an operational organization required to be run round the clock through the year. Railway employees have to work in inhospitable conditions, braving extreme weather, unfriendly law and order scenario, and inherent risks associated with the Railway operations itself. As in the Armed Forces, many have to stay away from their families for long periods while performing duties in areas where adequate facilities are lacking.

I feel that there is considerable merit in the contention of the Staff Federations. Besides the critical and complex nature of duties of Railway employees, the hazards involved are also high. Despite best efforts for enhanced safety measures, a large number of Railway employees lose their lives or meet with serious injuries in the course of performance of their duties each year.

During the period 2007-08 to October 2011, the number of Railway employees killed during the course of their duty has been more than number of passengers/other members of public killed in Rail related accidents including accidents at unmanned level crossings. While the nature of duties of Railway employees is inherently high risk during peace time, they also perform functions of critical importance during war time and times of natural calamities, in moving men and materials across the country to maintain supply of essential commodities and safeguard integrity of the nation.

In my view, there are adequate grounds for the Government to consider exemption for Railway employees from the purview of NPS. The Implications of this would be that Government expenditure would reduce over the next few years through discontinuance of Government Contribution under the NPS, but the long term liabilities would increase, as financial commitments in the defined benefit pension scheme would be higher. Since Railways are required to meet the pensionary outgo from their internal resources, switchover to defined benefit pension scheme would call for a more systematic provisioning under the Pension Fund through appropriate revenue generating measures. With Rail Tariff Authority on the horizon, I believe that this would be possible.

In the light of the above, I suggest that our request for exemption from operation of the NPS be considered sympathetically and necessary approvals communicated.

A copy of each demands raised by the two Federations is enclosed.

With regards,

Yours sincerely

sd/-

(Mallikarjun Kharge)

Annexure II

Disproportionate Rise in Minimum Pension of Pre-2006 Pensioners - in various scales after Sixth Pay Commission						
1	2	3	4	5	6	7
Existing Pay Scales as per 5th PC	Pay Band	Revised Pay Structure	Min basic pension	Pension drawn on 1-1-06 (BPx1.86)	Min. Revised pension (OM of 28-1-13)	Multi- plication Factor (col.6 w.r.t min. BP)
S-4(2750-4400)	PB-1	5200-20200+1800	1375	2558	3665	2.7
S-5(3050-4590)	PB-1	5200-20200+1900	1525	2837	3890	2.6
S-6(3200-4900)	PB-1	5200-20200+2000	1600	2976	4030	2.5
S-7(4000-6000)	PB-1	5200-20200+2400	2000	3720	4920	2.5
S-8(4500-7000)	PB-1	5200-20200+2800	2250	4185	5585	2.5
S-9 (5000-8000)	PB-2	9300-34800+4200	2500	4650	6750	2.7
S-10 (5500-9000)	PB-2	9300-34800+4200	2750	5115	7215	2.6
S-11(6500-6900)	PB-2	9300-34800+4200	3250	6045	8145	2.5
S12((6500-10500)	PB-2	9300-34800+4200	3250	6045	8145	2.5
S-13 (7450-11500)	PB-2	9300-34800+4600	3725	6928	9230	2.5
S-14 (7500-12000)	PB-2	9300-34800+4800	3750	6975	9375	2.5
S-15 (8000-13500)	PB-2	9300-34800+5400	4000	7440	10140	2.5
New scal- (Group A entry) (8000-13500)	PB-3	15600-39100+5400	4000	7440	10500	2.6
S-16,(9000)	PB-3	15600-39100+5400	4500	8370	11070	2.5
S-17(9000-9550)	PB-3	15600-39100+5400	4500	8370	11070	2.5
S-18(10325-10975)	PB-3	15600-39100+6600	5163	9601.32	12905	2.5
S-19 (10000-15200)	PB-3	15600-39100+6600	5000	9300	12600	2.5
S-20 10650-15850)	PB-3	15600-39100+6600	5325	9905.12	13205	2.5
S-21(12000-16500)	PB-3	15600-39100+7600	6000	11160	14960	2.5
S-22 (12750-16500)	PB-3	15600-39100+7600	6375	11858.12	15660	2.5
S-23(12000-18000)	PB-3	15600-39100+7600	6000	11160	14960	2.5
S-24 (14300-18300)	PB-4	37400-67000+8700	7150	13299	23050	3.2
S-25 (15100-18300)	PB-4	37400-67000+8700	7550	14043	24195	3.2
S-26 (16400-20000)	PB-4	37400-67000+8900	8200	15252	24295	3.0
S-27(16400-20900)	PB-4	37400-67000+8900	8200	15252	24295	3.0
S-28 (14300-22400)	PB-4	37400-67000 +10000	7150	13299	23700	3.3
S-29 (18400-22400)	PB-4	37400-67000 +10000	9200	17112	27350	3.0
S-30 (22400-24500)	HAG	67000-79000	11200	20832	33500	3.0
S-31 (22400-26000)	HAG+ Scale	75500-80000	11200	20832	37750	3.4
S-32 (24050-26000)	HAG+ Scale	75500-80000	12025	22367	38883	3.2
S-33 (26000)(fixed)	Secy.	80000 (Fixed)	13000	24180	40000	3.1
S-34 (30000)	Cab. Sec.	90000 (Fixed)	15000	27900	45000	3.0

JUSTIFICATION FOR GRANT OF INTERIM RELIEF & MERGER OF DA TO CENTRAL GOVERNMENT EMPLOYEES & PENSIONERS

Reference:- Para 5 of Terms of Reference of the Pay Commission - Gazette Notification of Government of India No.1/1/2013-E.III(A) Dated 28.2.2014.

We submit as under, for the kind consideration of the Pay Commission in regard to Para '5'- of Terms of Reference of the Seventh Pay Commission which inter-alia states as under:

“----- It (the Commission) may consider, if necessary, sending interim report on any of matters as and when recommendations are finalized.”

1. INTRODUCTION & PRAYER FOR HEARING:

About RSCWS: Railway Senior Citizens Welfare Society (RSCWS) is an identified and Recognised Association by the Department of Pension & Pensioners Welfare (DOP&PW) under the Pensioners' Portal - for the welfare and redressal of grievance of Pensioners. RSCWS is, as such, a stake holder on the issues before the 7th Pay Commission.

We earnestly hope and pray that our submissions made in this interim Memorandum and in the subsequent Final Memorandum, may kindly be given favourable consideration by the Pay Commission, and we may kindly be given an opportunity to be heard in person about the same.

2. URGENT NEED FOR GRANT OF INTERIM RELIEF & MERGER OF DA:

2.1 There is an urgent need for grant of Interim Relief and Merger of DA (Dearness Allowance) to the Central Government Employees & Pensioners to mitigate the serious hardship suffered by them over the last few years because of:

- i) Serious Impact of heavy inflation and price rise and consequential erosion of real wages since the implementation of the Sixth Pay Commission;
- ii) Unrealistic and erroneous compilation of Price Index (for Industrial Workers) on which calculation of DA is based;
- iii) Non-Merger of DA on crossing 50% DA since 1st January, 2011 and 100% DA since 1st January, 2014 – which is unprecedented & unjust;
- iv) Changes in the Economic scenario since Sixth CPC;
- v) More frequent revision in the Wages in PSUs & elsewhere in the country;
- vi) Other related factors.

2.1.1 impact of heavy inflation and price rise and consequential erosion of real wages:

i) Cost of living had increased in “back-breaking” proportions. Inflation had touched new heights in recent years but the DA granted does not adequately compensate for the same as many factors which cause inflation are not adequately reflected in the compilation of Consumer Price Index etc.

ii) Lot of changes have taken place all around. High inflation has eroded the real value of money. The Pay & Allowances fixed after the Sixth Pay Commission, had lost their real value which has seriously eroded over the years due to fast changes happening around the world as well as within the Country. In fact, major Changes in the Economic scenario have all added to the burden of the common man whose priorities and requirements have also changed. What used to be a luxury in the yesteryears, has become essential today. Major changes in the pattern & requirement of Education, Housing & Health system in the country and changes in the diet and food requirements have all added to the financial needs of a common man— especially at the Lower and Middle levels. Need for attracting talent to Government employment in the Global scenario has vastly increased but this cannot be effectively done without offering attractive wages and careers.

2.1.2.a) Unrealistic and erroneous compilation of Price Index (for Industrial Workers) on which calculation of DA is based;

i) Compilation of Consumer Price Index for Industrial Workers (CPI – IR) (on which payment of DA is based) –is totally unrealistic and not in accordance with the actual Market rates prevailing all over the Country for all the Consumer items.

ii) Weightage given to various items for compilation of Consumer Price Index, are disproportionate and not in accordance to the existing pattern of consumption by the working class due to changed economic and social requirements, especially in respect of Housing, Education and Other elements due to following reasons:

- i. Food has been given more (percentage) weightage than its actual contribution in the consumer's basket due to changed economic scenario.
- ii. Pan, Supari, tobacco and intoxicants which are being banned in public interest, continue to be reflected in the compilation of the CPI (IW) and given weightage in compilation thereof.
- iii. Indices of high inflation like Education, Medical care and Transport are not given adequate weight in the compilation of Price Index.
- iv. The percentage of weightage given to various items in compilation of Consumer Price Index for Industrial Workers is not justified and not keeping in line with the present day requirements of the salaried class and, as such, it requires a revision as proposed in the table below,

2.1.2 b) Proposed/Projected percentage Weightage for Various Items of Consumption by the Salaried/working Class:

Considering the existing pattern of consumption by the working class due to changed economic and social requirements, we propose that the following percentage of wages should be given to various items of consumption, while compiling the Consumer Price Index:

Existing & Proposed/Projected percentage Weightage to various items of consumption in CPI

Sl No	Groups	Existing %age Weight-age in CPI-IW Base 2001	Proposed %age Weight-age in CPI for Salaried Class
1	Food a) Cereals & Cereal Products b) Pulses and Pulse Products c) Oils and Fats d) Meat, Fish and Eggs e) Milk and Milk Products f) Condiments & Spices g) Vegetables & Fruits h) Other Food	46.19%	25.00%
2	Pan, Supari, tobacco and intoxicants	2.27%	NIL
3	Fuel and light	6.43%	7.00%
4	Housing	15.27%	25.00%
5	Clothing, bedding and footwear	6.58%	8.00%
6	Miscellaneous a) Medical Care b) Education, Recreation & Amusement c) Transport & Communication d) Personal Care & Effects e) Others	23.26%	35.00%
Grand Total		100.00%	100.00%

2.1.3 Non-Merger of DA on crossing 50% DA since 1st January, 2011 and 100% DA since 1st January, 2014 DA had crossed 50% mark in January 2011, and the 100% mark in January 2014. But unlike in the past, it had not been merged with Pay on the grounds that it had not been recommended by the Sixth Pay Commission. This was one of the most retrograde part of the Sixth Pay Commission' Recommendations. Employees have become very restless and frustrated – both on account of erosion of wages due to inflation and refusal of the Government to merge the Dearness Allowance. 6th Pay Commission (vide Para 4.1.18) had mentioned as under:

“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.”

This was most unjustified and against the practice and recommendations of all the previous three Pay Commissions (from 3rd CPC to 5th CPC) all of whom had recommended for automatic Merger of DA with Basic Pay/Pension whenever it crosses 50%. Fifth CPC In the Chapter on Dearness Allowance had recommended that “each time the CPI increases by 50% over the basic index used by the last Pay Commission it should be converted into Dearness Pay. Such DP should be counted for all purposes, including retirement benefits.”

The main justification for merger of DA is on account of inadequate compensation against the inflation provided by DA. As stated heretofore - many of the factors leading to inflation; do not get reflected in the Consumer Price Index (CPI). Many unwanted items are included which reduces the weightage of vital items in compilation of CPI – as they are not given due weightage while compiling the CPI (for Industrial Workers) – on which the DA is Based. Consequently, Cost of living as per actual cost of prices has gone up by over 200% but the DA being paid is only 100% from January, 2014.

2.1.4.1 CHANGES IN ECONOMIC SCENARIO SINCE SIXTH CPC:- Major changes have taken place in the economic scenario especially in India, during the last 8 years – after the implementation of Sixth Central Pay Commission recommendations effective from 01.01.2006 – as apparent from the VITAL STATISTICS given below:

S.N	Description	2005-06	2011-12	%age Variation
1. a	Per capita NNP at factor cost (Base year 2004-05) i. Current Price * ii. Constant Price **	Rs.27,13,100 Cr Rs. 26,01,500 Cr	Rs. 61,56,400 Cr Rs. 38,03,700 Cr	(+)126.9% (+) 46.2%
1.b	National Net Product (N.N.P.) at constant price (Base year 2004-05) i. at factor price ii. at market price	Rs. 28,77,280 Cr Rs. 31,67,450 Cr	Rs. 45,72,080 Cr Rs. 49,59,870 Cr	(+) 58.9% (+) 56.6%
1.c	GDP (Gross Domestic Product)	Rs.32,53,073 Cr	Rs.5,243,582 Cr	(+) 61.2%
2.	Total Revenue Receipts	Rs.4,30,940 Cr	Rs.9,10,556 Cr	(+) 111.3%
3.	Total Revenue Expenditure	Rs.5,40,637 Cr	Rs.13,05,195 Cr	(+) 141.4%
4. a)	Total Pay & Allowances (Incl. Traveling Allowance)	Rs. 40,418 Cr.	Rs. 95,291 Cr	(+) 135.8%
b)	Pay & Allowances as percentage of total Expenditure	7.48%	7.3%	(-) 2.4%
5.	Total Strength of Employees	31,09,274 (as on 1.3.2006)	30,84,530 (as on 1.3.2012)	(-) 0.8%

* SOURCE:- Column 22 of table -1 Macro Economic Aggregates – Statistics of Indian Economy, RBI 2012-13

**- Column 18 of table -2 Macro Economic Aggregates – Statistics of Indian Economy, RBI 2012-13

2.1.4.2 Following facts emerge from the foregoing table:

- i) Per Capita Net National Product (NNP) had grown by 126.9% between the financial year 2005-06 and 2011-12 as per Current Prices and by 46.2% between the financial year 2005-06 and 2011-12 as per Constant Prices.
- ii) Major increase in Revenue Receipts:- Total Revenue Receipts of Central Government have increased from Rs. 4,30,940 crores in 2005-06 to Rs. 9,10,556 crores in 2011-12 i.e. by (+) 111.3%.
- iii) Revenue Expenditure has also grown by 141.4% and GDP (Gross Domestic Product) has also grown by 61.2%.

iv) **DECLINE IN PERCENTAGE OF EXPENDITURE ON PAY & ALLOWANCES:**
Expenditure on Pay & Allowances – as percentage of Total Expenditure has gone down by 2.4%.

2.1.5 MORE FREQUENT REVISION OF WAGES IN PSUs & ELSEWHERE IN THE COUNTRY:

i).Public Sector Enterprises owned by Central Government revise the Pay of their employees once in five years. Pay and allowances of Central Government employees are revised after 10 years. Wages in Public undertakings were revised thrice in recent years i.e. from varied dates in 1997, 2002 and 2007. Fourth revision thereof is due from 2012 and may soon be effected – as per ongoing negotiations thereon.

ii) In case of employees of MNCs and in Private Corporate Sectors the pay revision happens at much shorter intervals, say almost every year.

iii) All this is one of the main reasons for large and ever-increasing Pay disparities in the country. This had a crushing impact on the Government employees – both in the shape of demoralization and deprivation. Heightened disparities have added to their woes and frustration, especially due to their low purchasing power - which has eroded, over the years.

iv) Disparity of wages with Public Sector Undertaking is not only on account of higher Pay Scales but also on account of other benefits – including much higher HRA, C.C.A. and other allowances. It becomes even more enormous on account of Ex-gratia payment in lieu of Bonus – ranging from Rs.25,000 to Rs.50,000 or even more P.A. In comparison Railway-men are paid less than Rs.9000 P.A. as P.L.B. Thus the gap or disparity of wages is actually much higher.

2.2. CONCLUSION & DETERMINATION OF QUANTUM OF INTERIM RELIEF:-

i) All the forgoing facts fully justify the need and desirability for grant of Interim Relief to the Central Government employees, forthwith, pending final recommendations of the Seventh Pay Commission. The criteria adopted by the Fifth Pay Commission to determine the Minimum Pay of each Pay Scale could be adopted by the Seventh Pay Commission to determine the quantum of Interim relief to be granted forthwith.

ii) The quantum of Interim relief may therefore, be 50% of the Basic Pay as per calculation shown in the Table placed at Annexure I for the %age rise of NNP on Constant Prices since 1-1-2006 (i.e. the date of effect of Sixth Pay Commission).

3. APPEAL:- It is, therefore, requested that:-

i) 50% of basic pay (Pay in Pay Band + Grade Pay) based on rise of per capita NNP on constant prices may please be granted as Interim Relief w.e.f. 1.1.2014, to all serving employees.

ii) 50% of Pension & family pension may please be granted as Interim Relief w.e.f. 1.1.2014.

iii) 100% DA may please be merged with basic pay & pension for all purposes w.e.f. 1.1.2014.



(Harchandan Singh)
Secretary General RSCWS

Enclosures:-

1. Table showing the calculation for 50% Interim Relief based on rise in per capita NNP at factor cost on constant price between the year 2005-06 and 2012-13

ANNEXURE IV

**TABLE SHOWING DETERMINATION OF MINIMUM & MAXIMUM PAY
BASED ON %AGE RISE OF NNP AT FACTOR COST AT CONSTANT PRICES
AS FOLLOWED BY V CPC FOR DECIDING COMMON MULTIPLE FACTOR**

Proposed Minimum Salary w.e.f. 1.1.2016 on %age increase of NNP At factor cost at Constant Price between 1.1.2006 to 1.1.2016 (As per formula adopted by Fifth Pay Commission)	
Minimum Basic Pay + DA 140%+ Compensation factor 65% of BP + DA	
Minimum Basic pay after VI CPC	Rs.7000
Projected DA 140% (as on 1.1.2016)	Rs.9800
BP+DA	Rs.16800
Compensation factor (65%)	Rs.10920
Proposed Minimum Pay	Rs.27720
Proposed Number of times increase of BP or Compensation Factor	3.96

Year	Per Capita NNP at factor cost At constant price	Increase over previous year
2004-05	24143	
2005-06	26015	1872
2006-07	28067	2052
2007-08	30332	2265
2008-09	31754	1422
2009-10	33901	2147
2010-11	36342	2441
2011-12	38037	1695
2012-13	39168	1131
2013-14*	41046	1878
2014-15*	42924	1878
% Increase of NNP at factor cost on Constant Prices for the period of ten years		65%

* Assumed figures as per average increase

Proposed Minimum & Maximum Salary w.e.f. 1.1.2016 Based on Rise of NNP at Constant Price between 1.1.2006 to 1.1.2016 (As per formula adopted by Fifth Pay Commission for determining Common Multiple Factor)	
Minimum Basic pay after VI CPC	Rs.7000
Anticipated DA 140% (as on 1.1.2016)	Rs.9800
BP+DA	Rs.16800
Compensation factor 65% of BP(as per rise of NNP) <i>(* As per details in the above Table)</i>	Rs.10920
Proposed Minimum Pay	Rs.27720
Proposed Number of times increase of BP or Compensation Factor	3.96
MAXIMUM PROPOSED REVISED PAY (BP x 3.96 as per Rise of NNP from 1-1-2006 tp 1-1-2016)	80000x3.96 =316800 or Rs.3,20,000
MINIMUM PROPOSED REVISED PAY BASED ON RISE OF NNP (BP x 3.96 as per Rise of NNP from 1-1-2006 tp 1-1-2016)	7000x3.96 = Rs.27720
MINIMUM REVISED PAY BASED ON RATIO OF 1:9 WITH MAXIMUM PAY	320000/9 =Rs.35550