

Performance And Reward Management
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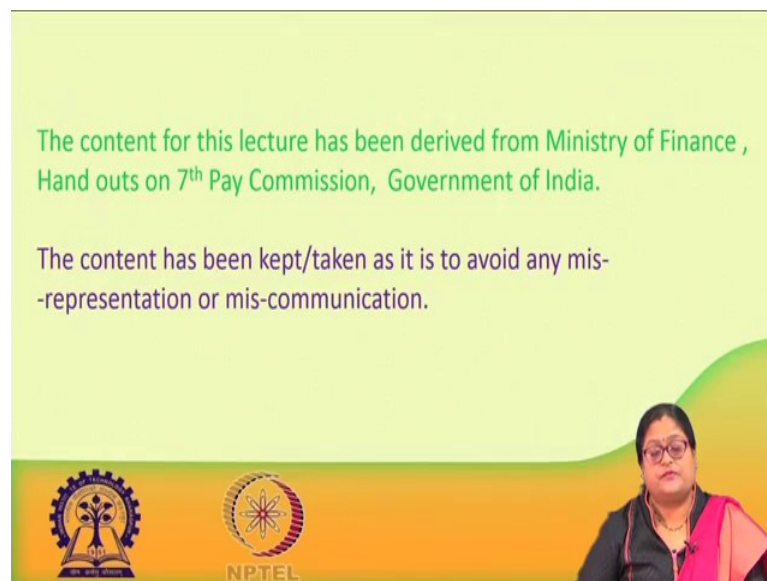
Lecture - 48

Understanding relevance of employee benefits and pension schemes, employee benefits, flexible benefits, pension scheme, 7th Pay Commission

Welcome to the current topic on Understanding the relevance of employee benefits and pension schemes, employee flexible benefits, pension scheme and the 7th Pay Commission. So, till now in the discussions we were highlighting on the various kinds of like all the different parts of the compensation of the total reward, in terms of direct monetary compensation, indirect monetary compensations. We discussed about like what are the like incentives, allowances, perks, benefits, free in terms of fringe benefits, flexible benefits.

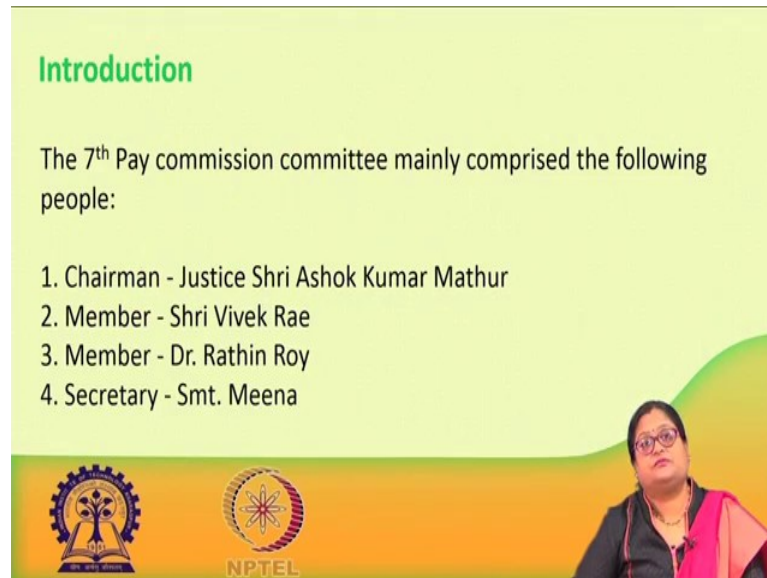
So, in today's module we are going to discuss on the highlights of the recommendations of the 7th Pay Commission in India and comparing the 6th and the 7th Pay Commission in India. So, that we get a practical example of how these things are reflected in the different like based structures, that is they are defined for the different job nature.

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So, the whole content of this lecture has been derived from ministry of finance handouts on 7th Pay Commission and Government of India. And it has been kept or like without taken as it is to avoid any misrepresentation or miscommunication.

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Introduction

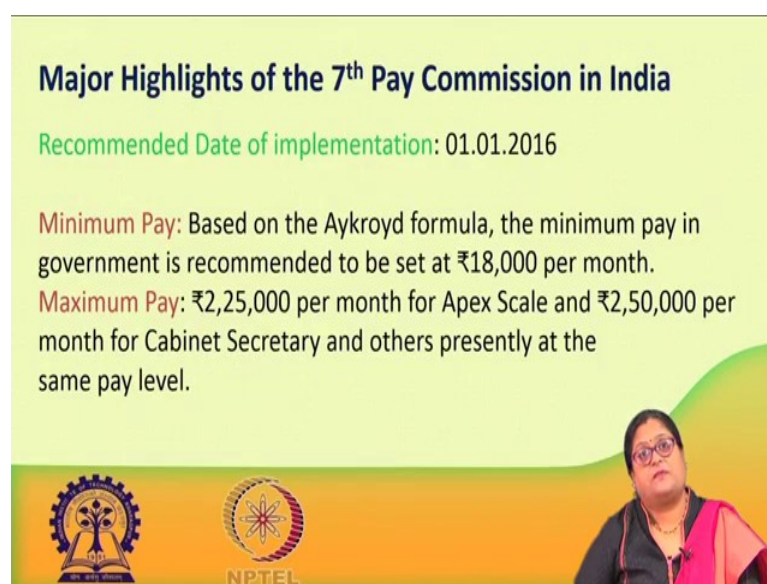
The 7th Pay commission committee mainly comprised the following people:

1. Chairman - Justice Shri Ashok Kumar Mathur
2. Member - Shri Vivek Rae
3. Member - Dr. Rathin Roy
4. Secretary - Smt. Meena

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So, the 7th Pay Commission committee mainly comprised of the following people. The Chairman justice Shri Ashok Kumar Mathur, membership Shri Vivek Rae, members Dr. Rathin Roy and secretary Smt. Meena.

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Major Highlights of the 7th Pay Commission in India

Recommended Date of implementation: 01.01.2016

Minimum Pay: Based on the Aykroyd formula, the minimum pay in government is recommended to be set at ₹18,000 per month.

Maximum Pay: ₹2,25,000 per month for Apex Scale and ₹2,50,000 per month for Cabinet Secretary and others presently at the same pay level.

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The major highlights of the 7th Pay Commission in India are so, the recommended date for implementation are 1st January 2016. Minimum pay it is based on Aykroyd formula the minimum pay of government is; paying government is recommended to be set at 18000 per month. Maximum pay is rupees 2,25,000 per month for apex scale; and 2,50,000 per month for cabinet secretary and others presently at the same pay level.

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Financial Implications:

a) The total financial impact in the FY 2016-17 is likely to be ₹1,02,100 crore, over the expenditure as per the Business As Usual scenario. Of this, the increase in pay would be ₹39,100 crore, increase in allowances would be ₹ 29,300 crore and increase in pension would be ₹33,700 crore.




Now, what are the financial implications of this? The total financial impact in the financial year 2016-17 is likely to be 1,02,100 crore over the expenditure as per the business as usual scenario. Of this the increase in pay would be 39,100 crore increase in allowance would be 29,300 crore and increase in pension would be 33,700 crore.

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b) Out of the total financial impact of ₹1,02,100 crore, ₹73,650 crore will be borne by the General Budget and ₹28,450 crore by the Railway Budget.

c) In percentage terms the overall increase in pay & allowances and pensions over the „Business As Usual“ scenario will be 23.55 percent. Within this, the increase in pay will be 16 percent, increase in allowances will be 63 percent, and increase in pension would be 24 percent.


A woman with glasses and a pink shawl is speaking. To her left are the logos of the Indian Institute of Technology (IIT) and NPTEL.

Out of the total financial impact of 1,02,100 crore, 73,650 crore will be borne by the General Budget; and 28,450 crore by the Railway Budget. In percentage terms the overall increase in pay and allowances and pensions over the business as usual scenario will be 23.55 percent. Within this, the increase in pay will be 16 percent, increases in allowances will be 63 percent and increase in pension will be 24 percent.

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d) The total impact of the Commission's recommendations are expected to entail an increase of 0.65 percentage points in the ratio of expenditure on (Pay+Allowances+ Pension) to GDP compared to 0.77 percent in case of VI CPC.

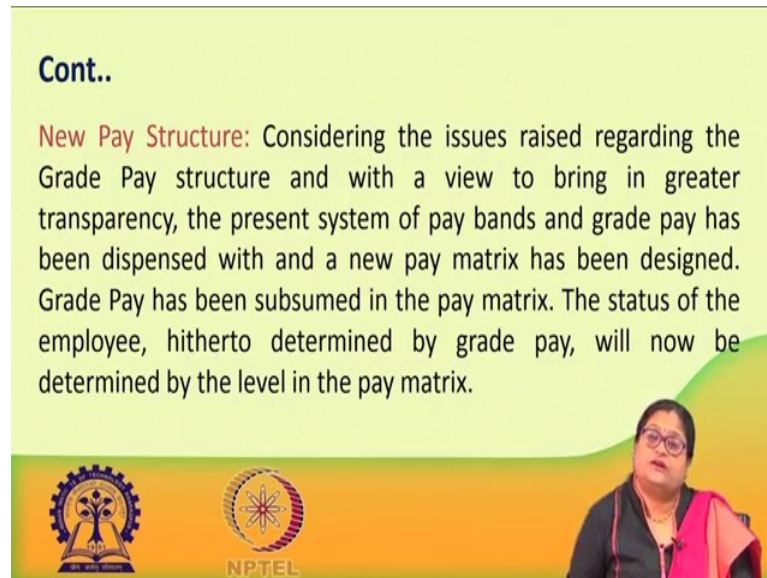
A woman with glasses and a pink shawl is speaking. To her left are the logos of the Indian Institute of Technology (IIT) and NPTEL.

The total impact of the commissions recommendations are expected to entail an increase of 0.65 percentage points in the ratio of expenditure on pay plus allowances plus pension to GDP compared to 0.77 percent in case of VI central pay commission.

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New Pay Structure: Considering the issues raised regarding the Grade Pay structure and with a view to bring in greater transparency, the present system of pay bands and grade pay has been dispensed with and a new pay matrix has been designed. Grade Pay has been subsumed in the pay matrix. The status of the employee, hitherto determined by grade pay, will now be determined by the level in the pay matrix.



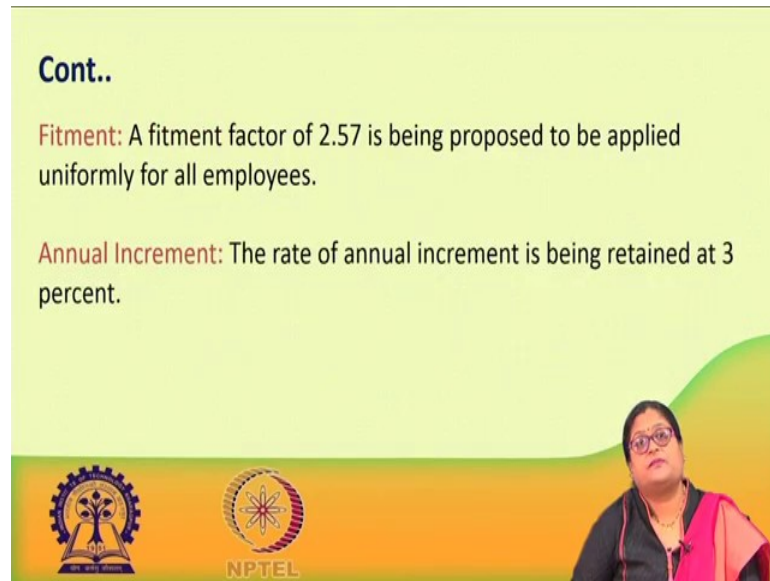
The new pay structure. Considering the issues raised regarding the grade pay structure and with the view to bring in greater transparency the present system of pay bands and grade pay has been dispensed with and the new pay matrix has been suggested. Grade pay has been subsumed in the pay matrix; the status of employee hitherto determine by grade pay will now be determined by the level in the pay matrix.

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Fitment: A fitment factor of 2.57 is being proposed to be applied uniformly for all employees.

Annual Increment: The rate of annual increment is being retained at 3 percent.

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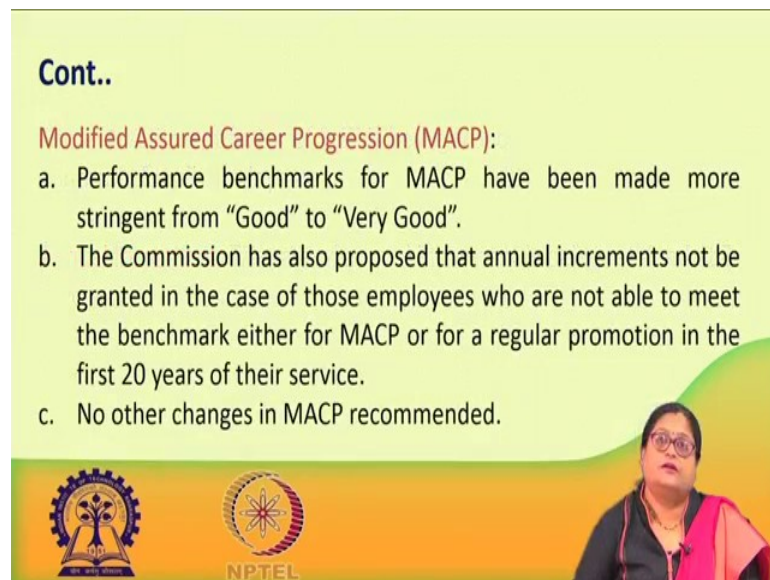
A fitment: A fitment factor of 2.57 is being proposed to be applied uniformly for all employees. Annual increment: The rate of annual increment is being retained at 3 percent.

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Modified Assured Career Progression (MACP):

- Performance benchmarks for MACP have been made more stringent from “Good” to “Very Good”.
- The Commission has also proposed that annual increments not be granted in the case of those employees who are not able to meet the benchmark either for MACP or for a regular promotion in the first 20 years of their service.
- No other changes in MACP recommended.

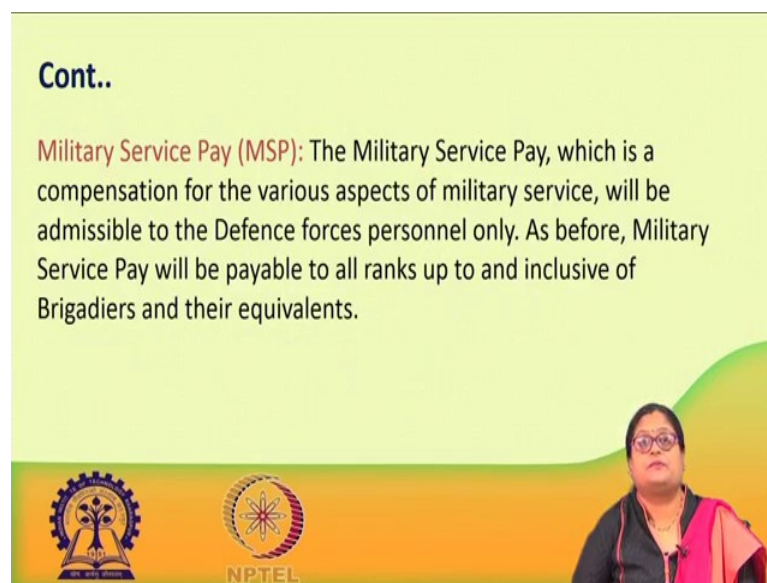
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Modified assured carrier progression: Performance benchmarks were modified assured carrier progression has been made more stringent from “Good” to “Very Good”. The commission has also proposed that annual increments not be granted in the case of those

employees who are not being able to meet the benchmark either for a MACP or for a regular promotion in the first 20 years of their service.

So, here we see like the performance based pay is more like its more connected when you are talking of with the pay that you are getting is more related to the performance of the individual. And that is how it is also getting connected the reward management and the performance management so, getting connected. No other changes in MACP recommended.

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Military Service Pay (MSP): The Military Service Pay, which is a compensation for the various aspects of military service, will be admissible to the Defence forces personnel only. As before, Military Service Pay will be payable to all ranks up to and inclusive of Brigadiers and their equivalents.


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The current MSP per month and the revised rates recommended are as follows:

		Present	Proposed
i.	Service Officers	₹6,000	₹15,500
ii.	Nursing Officers	₹4,200	₹10,800
iii.	JCO/ORs	₹2,000	₹ 5,200
iv.	Non Combatants (Enrolled) in the Air Force	₹1,000	₹ 3,600

A woman in a pink and black outfit is speaking. To her left are the logos of the Ministry of Defence and NPTEL.

The current military service pay per month and revised rates recommended are as follows. For service officers presently it is rupees 6,000 the proposed is Rs 15,500/. For nursing officers presently it is Rs 4,200/ and it is proposed to be Rs 10,800/. For JCO and ORs it is Rs 2,000/ proposed is Rs 5,200/. For non-combatants enrolls in air force presently it is Rs 1,000/ proposed it is Rs 3,600/.

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Short Service Commissioned Officers: Short Service Commissioned Officers will be allowed to exit the Armed Forces at any point in time between 7 and 10 years of service, with a terminal gratuity equivalent of 10.5 months of reckonable emoluments. They will further be entitled to a fully funded one year Executive Programme or a M.Tech. programme at a premier Institute.

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with the terminal gratuity equivalent to 10.5 months of reckonable emoluments. They will further be entitled to a fine fully funded 1 year executive program or a M Tech program at a premier institute.

So, here we see like the short service commissioned officers it is not only we here the curve recommendations are not only taking care of their financial security but, through this fully funded executive program or M Tech program. They are also looking into the competency building so that when they come to the civilian life after the short services commission is over. They can find well adjusted jobs in the other careers, the new second career that they are going to start.

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Lateral Entry/Settlement: The Commission is recommending a revised formulation for lateral entry/resettlement of defence forces personnel which keeps in view the specific requirements of organization to which such personnel will be absorbed. For lateral entry into CAPFs an attractive severance package has been recommended.

Headquarters/Field Parity: Parity between field and headquarters staff recommended for similar functionaries
e.g Assistants and Stenos.




Lateral entry or settlement: The commission is recommending a revised formulation for lateral entry or re-settlement of defence forces personnel which keeps in view the specific requirements of organization to which such personnel will be absorbed. For lateral entry into CAPFs an attractive severance package has been recommended. Headquarters and field parity: Parity between the field and headquarters are staff are recommended for similar functionaries example assistants and stenos.

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Cadre Review: Systemic change in the process of Cadre Review for Group A officers recommended.

Allowances: The Commission has recommended abolishing 52 allowances altogether. Another 36 allowances have been abolished as separate identities, but subsumed either in an existing allowance or in newly proposed allowances.



Cadre review: Systematic change in the process of cadre review for group A officers are recommended. Allowances: The commission has recommended abolishing 52 allowances altogether; another 36 allowances have been abolished as separate identities, but subsumed either in an existing allowance or in newly proposed allowance.


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Allowances relating to Risk and Hardship will be governed by the proposed Risk and Hardship Matrix.

Risk and Hardship Allowance: Allowances relating to Risk and Hardship will be governed by the newly proposed nine-cell Risk and Hardship Matrix, with one extra cell at the top, viz., RH-Max to include Siachen Allowance. The current Siachen Allowance per month and the revised rates recommended are as follows:

	Present	Proposed
i. Service Officers	₹21,000	₹31,500
iii. JCO/ORs	₹14,000	₹21,000




Allowances relating to risk and hardship will be governed by the proposed risk and hardship matrix. Allowances relating to the risk and hardship will be governed by the newly proposed nine cell risk and hardship matrix and like here with an extra cell at the

top like it should in to include the Siachen Allowance. The current Siachen Allowance per month and the revised rates and recommended as follows. For the service officers presently like it is 21,000 and for proposed it is 31,500.

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House Rent Allowance: Since the Basic Pay has been revised upwards, the Commission recommends that HRA be paid at the rate of 24 percent, 16 percent and 8 percent of the new Basic Pay for Class X, Y and Z cities respectively. The Commission also recommends that the rate of HRA will be revised to 27 percent, 18 percent and 9 percent respectively when DA crosses 50 percent, and further revised to 30 percent, 20 percent and 10 percent when DA crosses 100 percent.


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In the case of PBORs of Defence, CAPFs and Indian Coast Guard compensation for housing is presently limited to the authorized married establishment hence many users are being deprived. The HRA coverage has now been expanded to cover all. d. Any allowance not mentioned in the report shall cease to exist. e. Emphasis has been placed on simplifying the process of claiming allowances

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Advances:

- a. All non-interest bearing Advances have been abolished.
- b. Regarding interest-bearing Advances, only Personal Computer Advance and House Building Advance (HBA) have been retained. HBA ceiling has been increased to ₹25 lakhs from the present ₹7.5 lakhs

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What are the advances? All non-interest bearing advances have been abolished regarding the interest bearing advances only personal computer advanced and house building


advanced have been retained. House Building Advance ceiling has been increased to 25 lakhs from the present 7.5 lakhs.

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Central Government Employees Group Insurance Scheme (CGEGIS):
The Rates of contribution as also the insurance coverage under the CGEGIS have remained unchanged for long. They have now been enhanced suitably. The following rates of CGEGIS are recommended:

Level of Employee	Present		Proposed	
	Monthly Deduction (₹)	Insurance Amount (₹)	Monthly Deduction (₹)	Insurance Amount (₹)
10 and above	120	1,20,000	5000	50,00,000
6 to 9	60	60,000	2500	25,00,000
1 to 5	30	30,000	1500	15,00,000



Central Government Employees Group Insurance Scheme: The rates of contribution is also the insurance coverage under the central government group insurance employees, group insurance scheme have remained unchanged for long. They have now been enhanced suitably. The following rates are recommended. For the levels of employee from where it is 10 and above monthly deduction is Rs 120/ and insurance amount is Rs 1,20,000/ which is at present and the proposed is monthly deduction is Rs 5,000/ and insurance amount is 50,00,000.

So, for again 6-9 monthly deduction is presently to be 60 and insurance amount is Rs 60,000. But it has been increased to monthly deduction Rs 2500 and insurance amount is up to 25,00,000. And from grade 1 to 5 it is monthly deduction Rs 30/ insurance amount is Rs 30,000/, but now the monthly deduction is Rs 1500/ and the insurance amount is like Rs 15,00,000/.

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Medical Facilities:

- Introduction of a Health Insurance Scheme for Central Government employees and pensioners has been recommended.
- Meanwhile, for the benefit of pensioners residing outside the CGHS areas, CGHS should empanel those hospitals which are already empanelled under CS (MA)/ECHS for catering to the medical requirement of these pensioners on a cashless basis.
- All postal pensioners should be covered under CGHS.
All postal dispensaries should be merged with CGHS.

A woman in a pink and black sari is speaking. To her left are the logos of the Government of India and NPTEL.


Medical facilities: Introduction of health insurance scheme for Central Government employees and pensioners have been recommended. Meanwhile for the benefit of pensioners residing outside the CGHS areas; CGHS should empanel those hospitals which are already empanelled under CS (MA)/ ECHS for catering to the medical treatment of those pensioners on a cashless basis. All postal pensioner should be covered under central government health scheme. All postal dispensaries should be merged with CGHS.

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Recommendations for Pension

Pension:

The Commission recommends a revised pension formulation for civil employees including CAPF personnel as well as for Defence personnel, who have retired before 01.01.2016. This formulation will bring about parity between past pensioners and current retirees for the same length of service in the pay scale at the time of retirement




A woman in a pink and black sari is speaking. To her left are the logos of the Government of India and NPTEL.

The recommendations for pension: The commission recommends a revised pension formulation for civil employees including CAPF personnel as well as for the defence personnel who have retired before 1st January 2016. This formulation will bring about parity between past pensioners and current retirees for the same length of service in the pay scale at the time of retirement. We will be discussing more on pensions in the upcoming sessions of this module.

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The past pensioners shall first be fixed in the Pay Matrix being recommended by the Commission on the basis of Pay Band and Grade Pay at which they retired, at the minimum of the corresponding level in the pay matrix. This amount shall be raised to arrive at the notional pay of retirees, by adding number of increments he/she had earned in that level while in service at the rate of 3 percent.




The past pensioners shall first be fixed in the pay matrix being recommended by the commission on the basis of payment and grade pay at which they retired at the minimum of corresponding level in the pay matrix. This amount shall be raised to arrive at the notional pay of retirees by adding number of increments he/she had earned in that level while in service at the rate of 3 percent.

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In the case of defence forces personnel this amount will include Military Service Pay as admissible. Fifty percent of the total amount so arrived at shall be the new pension. An alternative calculation will be carried out, which will be a multiple of 2.57 times of the current basic pension. The pensioner will get the higher of the two.

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In the case of defence forces personnel this amount will include Military Service Pay as admissible. 50 percent of the total amount so arrived at shall be the new pension. An alternative calculation will be carried out which will be a multiple of 2.57 times of the current basic pension. The pensioner is going to get the higher of the two.

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Gratuity: Enhancement in the ceiling of gratuity from the existing ₹10 lakh to ₹20 lakh. The ceiling on gratuity may be raised by 25 percent whenever DA rises by 50 percent.

Disability Pension for Armed Forces: The Commission is recommending reverting to a slab based system for disability element, instead of existing percentile based disability pension regime.

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Gratuity: Enhancement in the ceiling of gratuity from the existing Rs10 lakh to Rs 20 lakh. The ceiling on gratuity may be raised by 25 percent whenever DA rises by 50 percent. Disability pension for armed forces, the commission is recommending reverting

to a slab based system for a disability element instead of existing percentile based disability pension regime.

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Ex-gratia Lump sum Compensation to Next of Kin: The Commission is recommending the revision of rates of lump sum compensation for next of kin (NOK) in case of death arising in various circumstances relating to performance of duties, to be applied uniformly for the defence forces personnel and civilians including CAPF personnel.

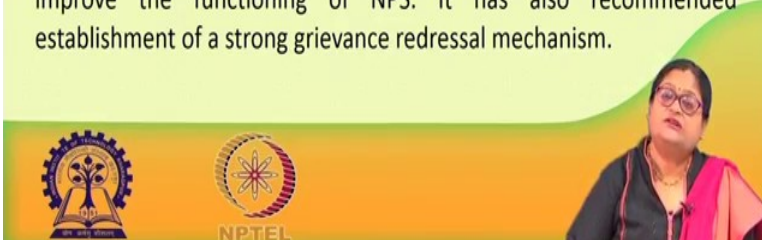


Ex gratia lump sum compensation to the next of kin: The commission is recommending the revisions of rates of lump sum compensation for next of kin in case of death arising out of various circumstances relating to performance of duties, to be applied uniformly for all the defence personnels and civilians including CAPF personnel.

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Martyr Status for CAPF Personnel: The Commission is of the view that in case of death in the line of duty, the force personnel of CAPFs should be accorded martyr status, at par with the defence forces personnel. **New Pension System:** The Commission received many grievances relating to NPS. It has recommended a number of steps to improve the functioning of NPS. It has also recommended establishment of a strong grievance redressal mechanism.




Martyr status for CAPF personnel: The commission is also of the view that in case of death in line of duty. The force personnel of CAPF should be accorded martyrs status at par with the defence forces of the personnel. New pension system, the commission received many grievances relating to new pension system. It has recommended a number of steps to improve a functioning of new pension systems. It is also recommended the establishment of a strong grievance redressal mechanism.

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Regulatory Bodies: The Commission has recommended a consolidated pay package of ₹4,50,000 and ₹4,00,000 per month for Chairpersons and Members respectively of select Regulatory bodies. In case of retired government servants, their pension will not be deducted from their consolidated pay. The consolidated pay package will be raised by 25 percent as and when Dearness Allowance goes up by 50 percent. For Members of the remaining Regulatory bodies normal replacement pay has been recommended.


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Regulatory bodies: The commission is recommended a consolidated pay package of 4,50,000 and Rs 4,00,000 per month for chairpersons and members respectively of select regulatory bodies. In case of retired government servants their pension will not be deducted from their consolidated pay. The consolidated pay package will be raised by 25 percent as an when Dearness Allowance goes up to 50 percent. For members of the remaining regulatory bodies normal replacement pay has been recommended.

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Performance Related Pay: The Commission has recommended introduction of the Performance Related Pay (PRP) for all categories of Central Government employees, based on quality Results Framework Documents, reformed Annual Performance Appraisal Reports and some other broad Guidelines. The Commission has also recommended that the PRP should subsume the existing Bonus schemes.

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Performance related pay: The commission has recommended introduction of performance related pay for all categories of central government employees based on quality results framework documents, reformed Annual Performance Appraisal Reports and some other broad guidelines. The commission also has recommended that performance related pay should sub sum the existing bonus schemes.

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Comparing 6th and 7th Pay Commission

The 7th Pay Commission has adopted Aykroyd formula to determine the minimum salary for central government employees. According the panel's recommendation the minimum salary for central government employees has been set at Rs 18,000 compared to Rs 6,660 under the current system.

Source: <https://www.jagranjosh.com/articles/7th-pay-commission-vs-6th-pay-commission-comparative-analysis-1448028026-1>

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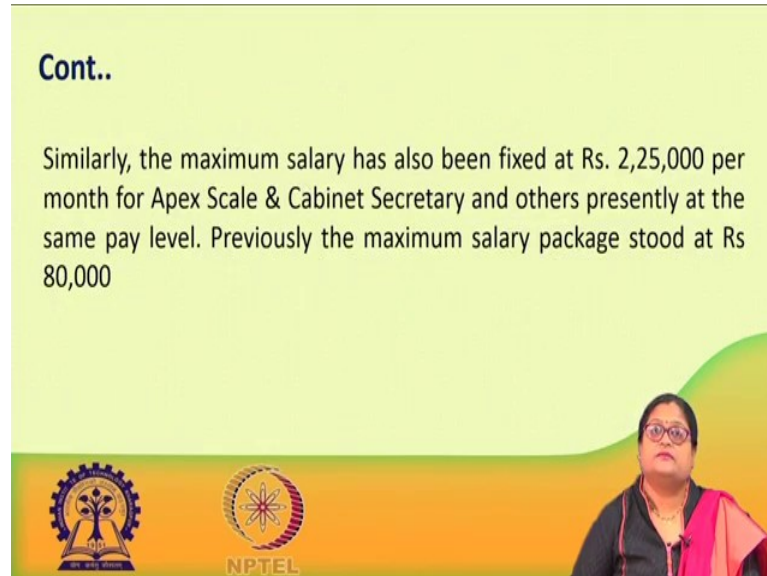
Now, what are the comparisons of the 6th and the 7th Pay Commission? The 7th Pay Commission has adapted Aykroyd formula to determine the minimum salary for central

government employees. According to the panel's recommendation a minimum salary for central government employees has been set at Rs 18,000/ and compared to Rs 6,660/ under the current system.

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Similarly, the maximum salary has also been fixed at Rs. 2,25,000 per month for Apex Scale & Cabinet Secretary and others presently at the same pay level. Previously the maximum salary package stood at Rs 80,000

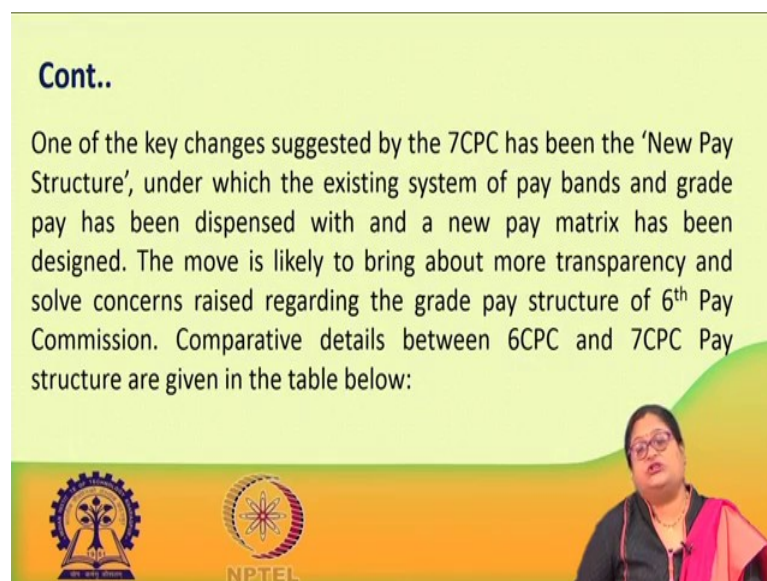


Similarly, the maximum salary has also been fixed at Rs 2,25,000 per month for apex scale and cabinet secretary and others presently at the same pay level. Previously, the maximum salary package to that Rs 80,000/.

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One of the key changes suggested by the 7CPC has been the 'New Pay Structure', under which the existing system of pay bands and grade pay has been dispensed with and a new pay matrix has been designed. The move is likely to bring about more transparency and solve concerns raised regarding the grade pay structure of 6th Pay Commission. Comparative details between 6CPC and 7CPC Pay structure are given in the table below:





One of the key changes suggested by the 7th Pay Commission has been the new pay structure. Under which, the existing system of pay bands and grade pay has been dispensed with and a new pay matrix has been designed. The move is likely to bring about more transparency and solve current concerns raised regarding the great pay structure of 6th pay commission. Comparative details between the 6th pay and the 7th Pay Commission pay structures are given here.

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SIXTH CPC PAY STRUCTURE				PROJECTED PAY STRUCTURE FOR 7 th PAY COMMISSION		
Name of Pay Band/ Scale	Corresponding Pay Bands	Corresponding Grade Pay	Entry Grade Band pay	Projected entry level pay using uniform multiplying factor of 3 rd		
				Band Pay	Grade Pay	Entry Pay
PB-1	5200-20200	1800	7000	15600-60600	5400	21000
PB-1	5200-20200	1900	7730	15600-60600	5700	23190
PB-1	5200-20200	2000	8460	15600-60600	6000	25380
PB-1	5200-20200	2400	9910	15600-60600	7200	29730
PB-1	5200-20200	2900	11360	15600-60600	8400	34080
PB-2	9300-34800	4200	13850	29900-104400	12600	40500
PB-2	9300-34800	4600	17140	29900-104400	13800	51420
PB-2	9300-34800	4800	18150	29900-104400	14400	54450
PB-3	15600-39100	5400	21000	29900-104400	16200	63000
PB-3	15600-39100	6600	25530	46800-117300	19800	76590
PB-3	15600-39100	7600	29950	46800-117300	22800	88500
PB-4	37400-67000	8700	46100	112200-20100	26100	138300
PB-4	37400-67000	8900	49100	112200-20100	26700	147300
PB-4	37400-67000	10000	53000	112200-20100	30000	159000
HAG	67000- (ann increment @ 3%) -79000	Nil				201000
HAG+ Scale	75500- (ann increment @ 3%) -80000	Nil				226500
Apex Scale	80000 (Fixed)	Nil				240000
Cab. Sec.	90000 (Fixed)	Nil				270000

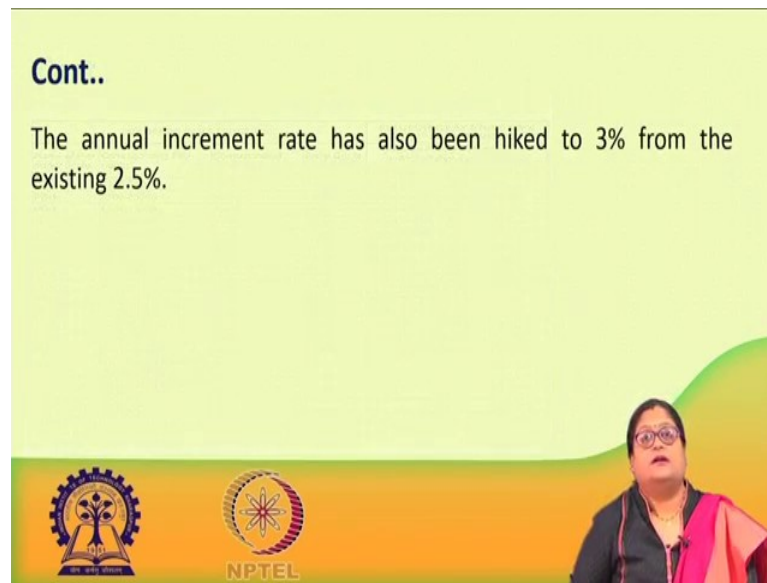



If you see, if you go through it they please study this in details in terms of like the what are the changes made in terms of like the pay band 1. And the corresponding pay bands and the corresponding pay grade pay and integrated a grade pay band what are the protected these structures for the 7th Pay Commission.

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The annual increment rate has also been hiked to 3% from the existing 2.5%.

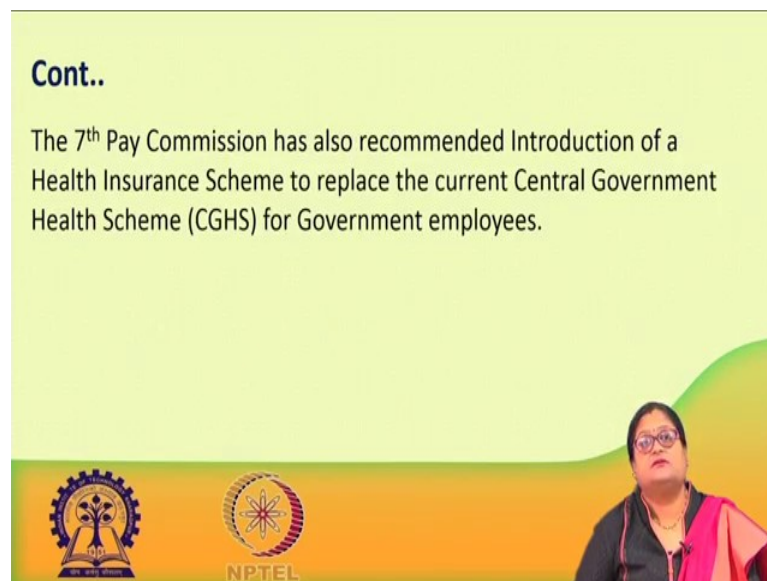


The annual increment rate has been hiked to 3 percent from the existing 2.5 percent.

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The 7th Pay Commission has also recommended Introduction of a Health Insurance Scheme to replace the current Central Government Health Scheme (CGHS) for Government employees.




The 7th Pay Commission has also recommended introduction of a Health Insurance Scheme, to replace the current Central Government Health Scheme for Government employees.

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One Rank One Pension (OROP)

The 7th Central Pay Commission has also advised implementation of a new pension scheme on lines of one-rank-one-pension (OROP) model. Under this new pension scheme, the pensioners will be first included in the new Pay Matrix being suggested by the panel on basis of Pay Band and Grade Pay at which they retired, and their pension will be calculated on basis of current pay scale.




One rank one pension: The 7th Central Pay Commission has also advised implementation of a new pension scheme on lines of one rank one pension audit.

Under this new pension scheme the pensioners will be first included in the new pay matrix being suggested by the panel. And on the basis of pay band and grade pay at which they are retired, their pension will be calculated based on the current pay scale.

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The move is aimed at bringing about parity between past pensioners and current retirees for the same length of service in the pay scale at the time of retirement.




The move is aimed at bringing about parity between past pensioners and current retirees for the same length of service at the pay scale and time of retirement.

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The 7th Pay Panel has also prescribed enhancement of the Gratuity pay for central government employees from the existing Rs 10 lakh to Rs 20 lakh.

The slide features a light green background with a decorative wavy line at the bottom. On the left, there are two circular logos: the first is the Indian National Emblem, and the second is the NPTEL logo. On the right, a woman with glasses and a pink shawl is visible, appearing to be speaking.

The 7th Pay Commission has also prescribed enhancement of the gratuity pay for central government employees from the existing 10 lakh to Rs 20 lakh.

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References :

https://www.finmin.nic.in/sites/default/files/7thCPC_Highlight.pdf?download=1

The content for this lecture has been derived from Ministry of Finance , Hand outs on 7th Pay Commission, Government of India.

Source for Comparative Analysis : <https://www.jagranjosh.com/articles/7th-pay-commission-vs-6th-pay-commission-comparative-analysis-1448028026-1>

The slide features a light green background with a decorative wavy line at the bottom. On the left, there are two circular logos: the first is the Indian National Emblem, and the second is the NPTEL logo. On the right, a woman with glasses and a pink shawl is visible, appearing to be speaking.

So, these are the references from which the slides have been developed. For comparative analysis you can view these websites, which are very detailed discussions even and you can see like what are the improvements done in the various components of the like compensation package. From the next one sessions of this module will be focusing on the pension schemes.

Thank you.