UPSC Preparation

The 7th Central Pay Commission

The 7th Pay Commission was formed by the UPA government on 28 February 2014. It was chaired by Justice Ashok Kumar Mathur and given a time period of 18 months to submit its report.

The Commission is headquartered in **Delhi**.

Background of the 7th Pay Commission

The 7th Central Pay Commission (7 CPC), constituted in February 2014 to review the principles and structure of emoluments of all central government civilian employees including defence forces in India, submitted its report on 19 November 2015. CPC's recommendations would affect the organization, rank structure, pay, allowances and pension, of 13,86,171 armed forces personnel.

Following the submission of the 7 CPC report, the Chiefs of Staff of the Armed Forces in a submission to the Government stated that the recommendations of the 7th CPC are anomalous, discriminatory, and at variance with historical parities. The anomalies identified by the armed forces are about the use of different principles, policies, and formulas by the 7CPC for determining armed forces pay, allowances, level, rank equivalence, pension, and status in comparison with the civil services, including defense civilians, police and intelligence services. These anomalies they have argued affect morale, command and control, and cohesion.

This Commission is required by its Terms of Reference to make its recommendations keeping in view, inter alia:

- The economic conditions in the country and the need for fiscal prudence;
- The need to ensure that adequate resources are available for development expenditures and welfare measures;
- The likely impact of the recommendations on the finances of the State Governments, which usually adopt the recommendations with some modifications.
- The best global practices and their adaptability and relevance in Indian conditions.

- The prevailing emolument structure and retirement benefits available to employees of Central Public Sector Undertakings.

Composition of Seventh Pay Commission

The Government of India decided to appoint the Seventh Central Pay Commission, comprising the following members:

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

Purpose of 7th Pay Commission

The Seventh CPC has been mandated by its terms of reference to examine, review and recommend changes in the principles that govern the emoluments structure for a number of employees' categories which include:

- Central Government employees,
- Those belonging to All India Services,
- Personnel of Union Territories,
- Officers and employees of the Indian Audit and Accounts Department,
- Members of Regulatory Bodies,
- Officers and employees of the Supreme Court and
- Personnel belonging to the Defence Forces.

The focus of the Commission is primarily on personnel serving the Central Government. Therefore, an essential aspect of the work of the Commission involved obtaining a clear picture of the size, composition and profile of Central Government personnel.

The core focus of this Commission is on **Pay, Allowances and Pensions (PAP),** which is fully revenue expenditure.

To know:

The government has two instruments to secure resources for the expenditures that they must undertake:

- Revenue Mobilisation
- Borrowing

Implications of 7th Pay Commission

Two implications of the positive future growth and macroeconomic scenario that are of direct interest to this Commission are:

- The incremental fiscal space will be secured through such improved macro performance.
- The constraints imposed by the macro-fiscal framework that government will adopt through to 2017-18, which will be underpinned by its FRBM (Fiscal Responsibility and Budget Management) legislation.

The Seventh CPC recommendations can cause macroeconomic stress in two ways:

- The awards of the previous Pay Commissions, both V and the VI, involved payment of arrears. If awards are made with an arrears component then the cumulative impact of arrears would temporarily increase government expenditure on PAP, thereby causing an appreciable shock, albeit for a short time. This shock impacts both fiscal stability and the price level through demand and supply channels. However, the Seventh CPC recommendations entail, at best, payments of marginal arrears, and, therefore, does not envisage any macroeconomic shock on this score.
- A pay commission award can cause a significant increase in the ratio of PAP to GDP in the year the award is implemented. This happens for two reasons:
  - Due to the fact that many allowances are not fully indexed to DA, and some allowances are not indexed at all, there is some increase in expenditure on PAP that happens when basic pay and DA are merged.
  - Total government spending on PAP increases due to an increase in the real value of PAP as a consequence of a pay commission award.

Highlights of 7th Pay Commission

Some important highlights of the Seventh Central Pay Commission are as follows:

- **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.
- **New Pay Structure -** Considering the issues raised regarding the Grade Pay structure and with a view to bringing 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.
- **Annual Increment -** The rate of annual increment is being retained at 3 per cent.

Challenges before the Commission

The real challenge before this Commission is to provide a pay structure that is competitive yet affordable, attractive yet acceptable, forward-looking yet adaptable, simple yet rational, and one which matches with the current socio-economic and political conditions as well as the changing perception of the overall administrative machinery and the public governance system.

- One of the peculiarities of the Indian civil structure and the pay structure that has been in vogue is the high degree of emphasis on uniformity and relativity.
- From the employees' perspective, the uppermost aspect is naturally that the emoluments should appropriately reflect the qualifications and the skill sets that each individual brings to this system.
- Over the years, due to the downsizing of bureaucracy, issues relating to diminishing or in some cases non-existent promotional avenues have impacted the employees' motivational levels.

FAQ about Seventh Central Pay Commission

What is the pay matrix of the 7th Pay Commission?

The 7th Pay Commission pay matrix is a tabular representation of various pay levels in one single chart. The table enables government employees to view their current pay level and assess their current status and growth potential over the years of their careers.

What is the 7th CPC allowance?

The allowance varies across responsibilities. However, as per the 7th CPC allowance structure, the central government employees and pensioners will get dearness allowance at the rate of 21 per cent of basic pay from the earlier 17 per cent of the basic pay with effect from January 1, 2020.

Does the 7th Pay Commission apply to pensioners?

The pension of an individual who retired prior to 1 January 2016 will be a part of the 7th Pay Commission matrix.