

CHAPTER. IX

FINANCIAL IMPLICATION

- 9.1** It is customary for all Pay Revision Commissions to indicate what will be the extra financial commitment to the Government in the event of the recommendations of the Pay Revision Commission being accepted by Government. Past experience however indicates, that the projections made by :Pay Revision Commissions are off target. One of the reasons, presumably is because, several spin off benefits which are availed off by the employees like fixation, assignment of higher scales to certain posts and beneficial dates of option are not taken into account while calculating the extra overall financial burden on Government..
- 9.2** In order to arrive at the financial commitment that is likely to be faced by the Government, the Commission undertook various exercises out of which two alternatives seemed to be more appropriate. In the first case, the difference between the basic pay in the pre-revised scale of an employee on an average time span plus DA at 64% as on the date of effect of the revised scales, ie. 01/7/2004 and the corresponding stage in the revised scale of pay with two increments plus 5% DA was calculated and multiplied by the number of employees drawing salary in each scale of pay. The number of employees for such calculation was taken as 4,80,246 which was by excluding those of the All India Services, those drawing UGC and AICTE scale of pay , NJPC scales and the staff of the High Court, from the figure of 4,96,529, the latter figure being the total number of Government employees indicated in the staff appendix to the latest budget documents.
- 9.3** The second method was to calculate the difference between the average of each pre-revised scale of pay plus DA at 64% and average of the stages corresponding to minimum and maximum of the revised scale of pay plus three additional increments.
- 9.4** According to the first method, the annual additional financial commitment works out to Rs 648.53 crores and according to the second method , it works out to Rs.754.904 crores. The second method perhaps provides a more realistic base for calculation. These figures could be lesser when the interim relief already granted from 01/8/2005 is adjusted.

In addition to the financial commitment on account of pay revision, there are increases in House Rent Allowance, Special Allowances and expenditure on account of grade promotions, beneficial dates of option etc. It has not been possible to work out an accurate estimate of these items, but roughly this would work out to about Rs. 100 crores per annum.

9.5 Illustrations including tables are given to highlight the methods of calculation.

a.	Existing scale of pay.	: 3590-85-4100-100-5400 (19 years)
	Revised scale of pay.	: 5930-150-6680-160-7480-170-7990-200-9590
	Pay (9 years of service)	: 4400
	DA (59%)	: 2596
	Weightage (6% Rs. 350/-)	: 350
	(Minimum)	
	Total	:7346
	Stage in the revised scale.	: 7480
	Add two increment for 9 years service (@ 170 x 2)	: 340
	Pay fixed in the revised scale.	: 7820
	DA @ 5%	: 391
	Total: (Pay + DA)	: 8211
	Pre-revised pay.	: 4400
	DA @ 64% (01/07/2004)	: 2816
	Total:	: 7216
	Benefit on revision.	: 995

Additional commitment on account of employees drawing pay in the scale of Rs 3590-5400

(average benefit X no. of employees): $995 \times 21267 = \text{Rs. } 2,11,60,665/-$

b.	Existing scale of pay.	: 10000-300-10600-325-15150 (16 years)
	Revised scale of pay.	: 16650-450-20700-500-23200
	Pay (8 years of service)	: 12550
	DA (59%)	: 7405
	Weightage (6% Rs. 350/-)	: 753
	Total.	: 20708
	Stage in the revised scale.	: 21200
	Add two increment for 9 years service (@ 500x2)	: 1000
	Pay fixed in the revised scale.	: 22200
	DA @ 5%	: 1110
	Total (Pay + DA)	23310
	Pre-revised pay.	: 12550
	DA @ 64% (01/07/2004)	: 8032
	Total:	: 20582
	Benefit on revision.	: 2728

Additional commitment on account of employees drawing pay in the scale of Rs. 10000-15150 (average benefit X no. of employees).

2728 x 1131 = Rs. 30,85,368/-.

As per the above method the total additional monthly commitment in respect of 4,80,246 employees. = **Rs. 54,04,43,139/-.**

Annual additional financial commitment. = **Rs. 648,53,17,672/-**
(Statement No.1)

The difference between the average of each scale of pay (pre-revised) plus DA @ 64% and average of the stages corresponding to minimum and maximum (plus 3 additional increments) of the revised scale of pay)

Existing scale of pay. : 2610-60-3150-65-3540-70-3680
Revised scale of pay. : 4300-100-4400-110-4510-120-4990-130-5510-140-5930.

	Minimum.	Maximum.
Basic pay.	2610	3680
DA @ 59%	1540	3171
Weightage.	350	350
Total:	4500	6201
Stage in the Revised scale.	4510	6230
		450 (Add 3 increment @ Rs 150/-)
Total:	Rs.4510	Rs.6680
Average (4510+6680)/2 =	5595	
DA @ 5%	280	
Total:	Rs. 5875	
Average of pre-revised scale.	3145 (2610+3680)/2	
DA @ 64%	2013	
Total	Rs. 5158	
Benefit		5875 – 5188 = 717

Total additional commitment in respect of the employees drawing salary in the Scale of pay of 2610 – 3680.

(Benefit X No. of employees) 717 x 27839 = **1,99,59,171/-.**

As per this method the total additional monthly commitment in respect of 4,80,246 employees is = **Rs. 62,90,84,930/-.**

Annual additional financial commitment = **Rs 754,90,19,160/-.**
(Statement No. 2)

9.6 The additional financial commitment on account of increases in wages for part-time contingent employees can also be calculated only on an approximate basis and the figure could be taken as Rs. 2 crores per annum.

9.7 As regards pension what prompted the previous two Pay Revision Commissions to postpone the issue of one rank one pension is the heavy liability that can

accrue to the State by agreeing to this concept. This legitimate entitlement supported by pronouncements of the highest legal authority of the country can no longer be postponed even assuming that the financial burden is unbearably high. Any further postponement may result in injustice that cannot be compensated because time factor is an important element in the life of a pensioner who is advancing in age.

- 9.8** An exercise was undertaken by gathering available data to make an analysis of the age group of retired employees. It is seen that the total number of pensioners who attained superannuation prior to 1983 are 13,997 constituting only 4.26% of pensioners (3,28,710) as on today. These 13,997 surviving members are out of 84,493 as it stood in 1983. In the proposed pension reform the maximum benefits go to this category to the extent of 43 percent increase in their emoluments which in volume may add up to only 41.92 crores of rupees per annum. In addition to this 13,997 pensioners, we have another 3,28,710 and their age wise analysis is also indicated in the accompanying table. In their case the benefits vary from 16% to 30%. The total amount of pension expenditure today is 2,288.44 crores per year which constitutes 28.4% of the state revenue. The increase is not exorbitantly high as thought of as the averaged increase is only 12.02% as illustrated in the statement below.

Sl.No.	Details.	No.of pen- sioners.	Current expendi- ture in Crores.	% of in- crease in pension.	Increase expendi- ture in Crores.
1	Pensioners in the range of 83 years and above.	6121	42.9	6	2.57
2	Pensioners in the range of 77 and 83 years.	7876	54.6	20	10.92
3.	Pensioners in the range of 72 and 77 years	26898	187.19	7	13.1
4	Pensioners in the range of 67 and 72 years	50816	353.79	5	17.69
5	Pensioners in the range of 62 and 67 years	79668	553.8	4.5	24.92
6	Pensioners in the range of 57 and 62 years.	106350	741.45	4	29.66
7	Pensioners in the range of 55 and 57 years.	50981	354.71	4	14.19
	No. of pensioners.	328710	2288.44		113.05
1.	No. of Family Pensioners coming under minimum pension.	56286	168.70	12	20.24
2	No. of Family Pensioners drawing pension at different stages.	14072	56.22	6	3.37

No. of Family Pensioners.	70358	224.92	23.61
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Total expenditure for pension increase. = **136.66 (Rounded to 137 crores)**

9.9 To summarise, the extra financial commitment anticipated by the Commission is

For pay revision.	Rs. 755 crores.
For pension and family pension.	Rs. 137 crores.
HRA, fixation etc.	Rs. 100 crores.
Part-time contingent.	Rs. 2 crores.

Total:- Rs. 994 crores per annum.

9.10 The extra financial burden on the Government on account of pay revision is a serious matter that affects the functioning of Government in various ways because of increasing fiscal deficits. As already pointed out in para 2.104 of our report, the forecast of revenues upto the year 2009-2010 does not present a comfortable financial position. The average revenue deficit figure is 3000 crores and the budgetary deficiency is around 320 crores. It is therefore necessary to ensure that the position does not worsen, for which there is a need to contain the growth of the bureaucracy. The total number of employees including staff of the aided educational institutions has remained more or less static over the past four years as can be seen from the following statistics.

Total number of employees including staff of aided educational institutions.

Year.	Total No. of staff.
2003 – 2004	493214
2004 – 2005	490012
2005 – 2006	486131
2006 – 2007	496536

9.11 However, since salary levels are being raised, there is need to downsize the number of employees in selected areas where through automation, modern tools of administration, simplification of rules and avoidance of duplication, total strength can be reduced. This does not mean that the Commission are recommending an across the board reduction of the bureaucracy. The Commission is aware that there are certain critical areas where, by providing extra manpower the quality and efficiency of administration would improve. Such areas, with the help of MGP, have to be identified and conscious efforts made to fill up the gaps. However, in the overall context, when approximately 20000 employees retire on superannuation every year, induction of fresh entrants should be restricted to around 50 to 60% of this figure. By adopting bold policies, reduction of the total strength can be achieved without adversely affecting the administration. One such area on which the Commission would

like to specifically comment is on 'General Education' where the Government are bearing the entire establishment and pensionary expenditure of aided educational institutions. Available statistics show that there is a total of 1,37,754 employees, both teaching and non-teaching staff, in the aided institutions as at present. Many of the institutions do not fulfill the role that they are expected to play and the results of the public examinations are pathetic in such institutions. Government should take the initiative to see to it that such institutions would be derecognized if the percentage of failure in public examinations is more than a pre-determined figure for two consecutive years. If such apparently drastic decisions are taken, in the final analysis, the benefit will be for the public at large. The expenditure on salaries and pensions can be controlled and maintained within manageable proportions.

Statement - I

Scale of pay	No of employees	Service	Stage in the pre-revised	DA @ 64%	Total (column 4+5)	Stage in revised pay	DA @ 5%	Total (column 7+8)	Benefit	Additional Commitment
1	2	3	4	5	6	7	8	9	10	11
2610-3680	27839	8	3090	1978	5068	5250	263	5513	445	12385571
2650-4150	26049	9	3235	2070	5305	5650	283	5933	627	16335328
2750-4625	11621	11	3520	2253	5773	6380	319	6699	926	10763370
3050-5230	57968	10	3800	2432	6232	6830	342	7172	940	54460936
3350-5275	9145	10	4170	2669	6839	7320	366	7686	847	7747644
3590-5400	21267	10	4400	2816	7216	7820	391	8211	995	21160665
4000-6090	73139	9	4890	3130	8020	8590	430	9020	1000	73131686
4500-7000	43947	9	5375	3440	8815	9390	470	9860	1045	45902642
4600-7125	26356	8	5625	3600	9225					
4600-8000	16284	9	5750	3680	9430	10070	504	10574	1246	53129440
5000-8150	39963	10	6350	4064	10414	11070	554	11624	1210	48335249
5250-8150	18596	8	6350	4064	10414	11070	554	11624	1210	22491862
5500-9075	46041	8	6800	4352	11152	11910	596	12506	1354	62316494
5800-9425	1509	8	7150	4576	11726	12590	630	13220	1494	2253692
6500-10550	16348	8	8150	5216	13366	14370	719	15089	1723	28159430
6675-10550	30745	9	8350	5344	13694	14750	738	15488	1794	55141158
7200-11400	5567	9	8925	5712	14637	15510	776	16286	1649	9177200
7450-11475	2162	8	9225	5904	15129	16270	814	17084	1955	4225629
7800-12975	2543	8	9725	6224	15949	17100	855	17955	2006	5101258
8250-13650	731	8	10350	6624	16974	18000	900	18900	1926	1407906
10000-15150	1131	8	12550	8032	20582	22200	1110	23310	2728	3085368
12000-15325	40	5	13825	8848	22673					
12600-15600	482	4	14100	9024	23124	24300	1215	25515	2617	1365813
14000-18000	347	5	16000	10240	26240	27900	1395	29295	3055	1060085
14300-18300	395	5	16000	10240	26240	27900	1395	29295	3055	1206725
16300-18300	15	2	17100	10944	28044					
16300-19900	16	4	18100	11584	29684	30500	1525	32025	3161	97991
Total Employees	480246							Total / month		540443139
								Total / year		6485317672

Statement - II

Sl.No	existing scale	No.of employees	Average(Pre-revised)	DA @ 64%	Total	Average (revised)	DA @ 5%	Total	Benefit	Commitment
1	2610-3680	27839	3145	2013	5158	5595	280	5875	717	19959171
2	2650-4150	26049	3400	2176	5576	5975	299	6274	698	18175690
3	2750-4625	11621	3688	2360	6048	6370	319	6689	640	7439532
4	3050-5230	57968	3838	2456	6294	7320	366	7686	1392	80672906
5	3350-5275	9145	4313	2760	7073	7490	375	7865	791	7235341
6	3590-5400	21267	4495	2877	7372	7835	392	8227	855	18182222
7	4000-6090	73139	5045	3229	8274	8815	441	9256	982	71818841
8	4500-7000	43947	5750	3680	9430	10120	506	10626	1196	52560612
9	4600-7125	26356	5863	3752	9615					
10	4600-8000	16284	6300	4032	10332	11180	559	11739	1765	75274098
11	5000-8150	39963	6575	4208	10783	11570	579	12149	1366	54569477
12	5250-8150	18596	6675	4272	10947	11770	589	12359	1412	26248254
13	5500-9075	46041	7288	4664	11952	13275	664	13939	1986	91457224
14	5800-9425	1509	7613	4872	12485	13345	667	14012	1527	2304137
15	6500-10550	16348	8525	5456	13981	14812	741	15553	1572	25692517
16	6675-10550	30745	8613	5512	14125	14985	749	15734	1609	49466553
17	7200-11400	5567	9300	5952	15252	16305	815	17120	1868	10400548
18	7450-11475	2162	9463	6056	15519	16645	832	17477	1958	4233045
19	7800-12975	2543	10388	6648	17036	18065	903	18968	1932	4912898
20	8250-13650	731	10950	7008	17958	19145	957	20102	2144	1567447
21	10000-15150	1131	12575	8048	20623	21950	1098	23048	2425	2742110
22	12000-15325	40	13663	8744	22407					
23	12600-15600	482	14100	9024	23124	24325	1216	25541	2776	1448858
24	14000-18000	347	16000	10240	26240	27525	1376	28901	2661	923454
25	14300-18300	395	16300	10432	26732	29575	1479	31054	4322	1707091
26	16300-18300	15	17300	11072	28372					
27	16300-19900	16	18100	11584	29684	30500	1525	32025	2997	92907
Total/month										629084930
Total/year										7549019160