REPORT OF

10TH PAY REVISION COMMISSION
ANDHRA PRADESH

2014

Volume – I

P.K. AGARWAL, I.A.S., (Retd.)
Pay Revision Commissioner

CHAPTER – I

INTRODUCTION

01.01 In response to the representations received from several Associations representing Government employees for a review in pay scales, the Government of Andhra Pradesh constituted the Tenth Pay Revision Commission Vide G.O.Ms.No.95, G.A. (Spl.A)Department,dated: 28.2.2013. The Government also appointed Sri **Pradip Kumar Agarwal**, IAS (Retd) as Pay Revision Commissioner and notified the following terms of reference for the Commission:

(i) To evolve the principles which may govern the structure of emoluments and the conditions of service of various categories of employees of the State Government, Local Bodies and Aided Institutions, Non-teaching staff of the Universities including Acharya N.G. Ranga Agricultural University, Jawaharlal Nehru Technological University, Work charged employees and full-time contingent employees, which have a financial bearing taking into account the total packet of benefits available to them and suggest changes therein which may be desirable and feasible; The Commission however shall, not deal with the teaching staff in Government Colleges and Government Aided Private Colleges drawing UGC/AICTE and ICAR scales. The Commission shall also not deal with the officers of A.P. State Higher Judicial Service and A.P. State Judicial Service who are drawing Pay Scales as recommended by the First National Judicial Pay Commission.

(ii) To examine as to what extent the existing DA may be merged in pay and, to evolve consequent new set of pay scales merging DA therein and to suggest the mode of fixation of pay in the Revised Pay Scales.

(iii) To study the Automatic Advancement Scheme as modified from time to time keeping in view the anomalies that have arisen during the implementation of the said scheme and also to examine whether the said scheme should continue in its present form and to make the recommendations in this regard.

(iv) To examine the need for various Special Pays, Compensatory and various other Allowances and other perquisites in cash or kind now allowed and to make recommendations regarding their continuance or otherwise and if continuance is recommended what modifications, if any are deemed, desirable with regard to their rates, terms and other conditions which should govern them in future.

(v) To examine and review the existing pension structure for pensioners, and make recommendations which may be desirable and feasible.

(vi) To examine the recommendations of the OMC constituted vide G.O.Ms.No.142, G.A. (Spl.A) Department, dated: 07.03.2012.

(vii) Review of the existing human resources of all departments in tune with the contemporary requirements including contract/ outsourcing personnel.

(viii) To give its recommendations on any other matter referred to it by the State Government during the tenure of its office.

(ix) In formulating its recommendations, the Commission shall take into account the overall financial position of the State.

01.02. The Pay Revision Commission commenced its work on 13.3.2013 and issued a Press note requesting the Service Associations/ Individuals/ Pensioners' Associations and employees local bodies, including Zilla Grandhalaya Samsthas, Aided Institutions, Universities including Jawaharlal Nehru Technological and Acharya N.G. Ranga Agriculture University of the State Government employees, to put forth grievances before the Commission by 30th April, 2013. Later, on the request of several associations, the period for submission of grievances was extended to 31st May, 2013 and again to 29-06-2013. The Commission also sent a Questionnaire covering various aspects of the 'Terms of Reference' to various associations, Unions, Secretaries to Government and all Heads of the Departments. The Commission requested all the respondents to send replies to the questionnaire by 31st May 2013. The Pay Revision Commission followed a flexible approach with regard to receipt of representations and allowed considerable time and freedom to the individuals and associations to present their memorandum and make presentations in person. The Commission also addressed all the Heads of the Departments to furnish information in Proforma I, II, III and IV with a brief right up on the Department. The Heads of the Departments were also requested to appoint a liaison officer to deal with the Commission and to furnish a copy of the latest service rules, special pays and special allowances, by 30th April, 2013. The working of the Commission was greatly strengthened after the Government appointed Sri M.Purushotham Reddy, I.A.S(Rtd) as Secretary to the PRC on 19.9.2013.

01.03. The Commission in all received 849written representations and it organized 761 meetings with the Service Associations, Unions and even individuals who had given representations in writing. These meetings were commenced on 5.7.2013 and continued till the middle of December, 2013. The contents of written representations were analyzed and clarifications sought in respect of about 800 categories of services. These meetings were found to be extremely useful and a number of issues got clarified. Many of these meetings were attended by the concerned Special Chief Secretaries/ Secretaries and the Heads of Departments and by the Office Bearers of Employees' Unions/Associations who all made very valuable contribution to the Proceedings of the Commission.

CHAPTER-II

Pay Revision Commissions – An Overview

02.01 Since the formation of Andhra Pradesh Government have, so far, set up ten Pay Commissions while in Government of India constitution of Seventh Pay Commission has recently been announced. While the Government of India has constituted the Commission once in 10 years the practice in the State since 1974 has been to have a Commission once in 5-6 years. A brief history of the Pay Commissions constituted by the State Government is as follows: After the formation of Andhra Pradesh the 1st Pay Revision was initiated in 1958 under the Chairmanship of Sri K.Brahmananda Reddy, the then Finance Minister. The 2nd Pay Revision Commission was constituted in 1965 as a One Man Commission under Justice N.D.Krishna Rao. The 3rd Pay Revision Commission was headed by Sri R.Prasad, I.C.S., (Retd)., the 4th Pay Revision Commission by Sri A. Krishna Swamy, I.A.S., (Retd).., the 5th Pay Revision Commission by Sri K.Subrahmanyam, IAS., the 6th Pay Revision by Sri D.Shankaraguruswamy, IAS.,. (Retd)., the 7th Pay Revision Commission by Sri R.K.R. Gonela, IAS, (Retd.), the 8th Pay Commission by Sri J.Rambabu, IAS., (Retd) and the 9th Pay Commission by Sri C. S. Rao, IAS (Retd.). The following table indicates the dates of constitution, time taken by the Commission and other details relating to various Commissions appointed since 1958.

Statement showing the particulars of Pay Revision from time to time

Sl. No	PRC	Date/Year of Constitution	Date of Submission of report	Time taken	Date of Implementation	Financial Implications
1	1958	NA	NA	NA	NA	NA
2	1965	NA	NA	NA	NA	NA
3	1974	06-06-1974	29-06-1975	Nearly 11 months	1-1-1974 with monetary benefit from 1-1-1975.	Rs.7.50 cr.
4	1978 Pay Scale + Pensions	01-01-1978	17-09-1979	Nearly 1 year 8 months	1-4-1978 with monetary benefit from 1-3-1979	Rs.31.15 cr.
5	1986	10-05-1985	13-07-1986	Nearly 1 year 2 months	1-7-1986	Rs.75 cr.
6	1993	03-05-1991	08-04-1993	Nearly 1 year 11 months (Universities Non-teaching staff included)	1-7-1992 with monetary benefit from 1-4-1993	Rs.210.50 cr.
7	1999 Pay Scales + Pensions	01-02-1998	21-07-1999 (Govt. Emp.) 25-08-1999 (Universities)	Nearly 1 year 5 months (Govt . and University Employees)	1-7-1998 with Monetary benefit from 1-4-1999	Rs.1257.82 cr.
8	2005 Scales + Pensions	23-02-2004	30-06-2005	Nearly one year 4 months	1-7-2003 with Monetary benefit w.e.f. 1-4-2005	Rs.1199.62 cr.

Sl. No	PRC	Date/Year of Constitution	Date of Submission of report	Time taken	Date of Implementation	Financial Implications
9	2008	07-07-2008	November, 2009	Nearly one year 4 months	1-7-2008 with monetary benefit from 1.2.2010	Rs.1629.78 cr.

02.02 The constitution of a Pay Commission, at regular intervals, is necessitated to examine the pay structure of employees and to revise it based upon the changing requirements. The expectation of the employee community is that their pay should be increased by the Government from time to time keeping in view the increase in the cost of living, increased expectations with regard to life style and in the case of the retired government servants the increase in life span with consequent problems arising out of age related problems.

02.03 In order to meet the situation arising due to high levels of inflation, a mechanism had also to be found by the Government to neutralize the effect of inflation on the wages of its employees to cover the interregnum between the Pay Commissions. Sanction of Dearness Allowance at periodic intervals according to a pre-determined formula was the Government response to counter the effect of increase in prices on the wages of the employees. While neutralization for increases in cost of living was extended in full to certain categories of employees others were compensated only partially till the year 1996. The 5th Central Pay Commission pointed out that in the absence of 100% neutralization for increase in cost of living to all sections of government servants there will be an erosion in the wages of the people who are not fully compensated for such increases resulting in distortion in the pay structure violently disturbing the ratio of maximum to minimum which was established in the first year of implementation of a Pay Commission's award. They therefore, recommended 100% neutralization for the increase in cost of living for all sections of government servants and pensioners. There, however, remained the issue of erosion in the real value of other allowances which are related to salary and the employees, therefore demanded an increase in other allowances also commensurate with the increase in cost of living. Since the Government of India was appointing a Commission once in 10 years they addressed this issue by providing for increases in other allowances when the DA, as a percentage of the pay, exceeded 50%. In our State, however, since the pay revisions are taking place almost every 5-6 years the necessity for considering a part of D.A., as pay for purposes of allowances has not arisen so far.

02.04 A characteristic feature of pay revisions has been the appointment of an Anomalies Committee immediately after the implementation of the report of the Pay Commission. The Anomalies Committees appointed prior to 9th PRC rectified many anomalies in the Pay structure suggested bythe respective PRCs. However, the Anomalies Committees appointed under the chairmanship of Sri R.M. Gonela, I.A.S. (Retd.) after the 9th PRC could not make any recommendation on rectification within the period of its working. On the demand of employees the Government instead of extending the tenure of the Anomalies Committee, announced the constitution of 10th PRC. It was for the first time that the Tenth PRC was announced by the Government before the due date of revision of pay, i.e. 5 years from the date of earlier PRC. This decision of the Government was widely welcomed by the employees. However, the grievances of employees with respect to the recommendations of 9th PRC remained unaddressed and their subsequent representations have been subsumed into this report.

02.05 This Commission has looked at various aspects affecting the emoluments of the employees and worked out an appropriate package consisting of a streamlined Master Scale, a span of scales that avoids stagnation, ensured that the quantum of increment is consistent with the increases in the quantum of pay and that there is a reasonable increase in other allowances etc. The Commission has also adequately recognized the special needs of women employees and employees who are physically challenged in recommending special leave and enhanced allowances. This time there was no request from the employees' side either to adopt central pay scales or to look at the private sector for working out the compensation package. All the Associations relied upon the ILC norms to work out the 'minimum pay'. Variations in the minimum pay demanded by various associations are on account of i) taking the number of members in a family unit as 4 instead of 3; ii) difference in the market price of food and clothing; and iii) addition of new items of expenditure such as mobile phone, transport, fuel, gas, electricity etc., not covered by ILC norms.

02.06. This Commission has relied upon the ILC norms to work out the 'Minimum Pay', retained the family size of 3 and adopted the market price of food and other commodities as reported by the Directorate of Economic and Statistics. The Commission also while calculating the 'Minimum Pay' adequately provided for the new items of expenditure as demanded by most employees associations and thus made the pay structure more realistic and attractive.

CHAPTER – III

STATE ECONOMY-AN OVERVIEW

Introduction

03.01 The terms of reference mandate the Pay Revision Commission to make recommendations on the revision of pay and allowances of employees of State Government, local bodies, aided institutions and non-teaching staff of universities taking into account the overall financial position of the State Government. There are a number of competing demands on the limited resources of the State Government. The demands on the resources of the State have increased considerably in recent years because of the focus on inclusive growth and the welfare of the weaker sections of the society. The associations of employees have represented to the Commission seeking considerable increase in the existing pay scales and allowances on account of among others a considerable increase in the cost of living over the last few years. Given the committed liabilities and competing demands on the resources of the State Government, these demands cannot be met fully. The Commission is of the considered view that while the pay scales of the employees have to be reasonable to attract talented people into government service and retain them, the responsibility of the State to provide its citizens basic civic amenities and its role in promoting the growth of the economy cannot be viewed in isolation. Therefore, the present financial position of the State Government, its future commitments and growth prospects of the economy are crucial for arriving at a pay structure for employees consistent with the objectives of State policy.

03.02 Andhra Pradesh has been a middle income State. While there has been considerable improvement in the levels of per capita income, the State ranks below a number of states in terms of human development indicators. In this chapter, an attempt has been made to present an outline of the State's performance in recent years and demands on its resources to arrive at an informed view of the reasonable pay structure for employees consistent with the resource position of the State Government.

Growth Performance

03.03. Until the nineties, the average growth of the Gross State Domestic Product (GSDP) of the State remained below the growth of the Gross Domestic Product (GDP) of the country. In a sharp contrast to the past trends, the State economy registered a growth of 8.16 percent in 2000-01 compared with the national growth of 4.15 percent. This was facilitated by an impressive growth of 13.16 percent in the agriculture sector following a negative growth in the previous year. Since 2003-04, there has been a turnaround in the State economy and the growth of the economy has consistently been higher than the national average with the exception of 2009-10. Lower than the national growth in 2009-10 was on account of a steep fall in the growth of agriculture and industry sectors. Growth of the industry and service sectors largely contributed to the growth of the State economy since 2003-04. The growth of the State economy which entered a higher growth trajectory in 2003-04 has been witnessing a slow down in its growth since 2008-09 following global downturn and deceleration in the growth of the national economy.

03.04. Though the growth of the State economy slipped from a peak of 12.02 percent in 2007-08 to 5.29 percent in 2012-13, it remained marginally higher than the national economy. Reviving the growth momentum is a major challenge for the State Government. Table-1 presents the trends in the growth rates of GSDP and the GDP.

Table-1: Aggregate and Sectoral Growth Rates-Andhra Pradesh and India

Period / Year	Sectoral growth %						AP - Growth of GSDP (%)	India - Growth of GDP (%)
	Agriculture		Industry		Services			
	AP	India	AP	India	AP	India		
1960-71	1.07	6.74	5.15	11.25	3.59	5.66	2.11	7.08
1970-81	1.18	7.09	5.97	0.74	5.02	4.95	3.02	5.01
1980-91	3.79	12.89	7.20	5.24	8.26	4.62	5.21	7.17
1990-01	2.95	4.02	6.56	7.33	6.43	5.19	5.42	5.29
1999-00	-2.28	2.67	3.50	5.96	8.88	12.05	4.58	8.00
2000-01	13.16	-0.01	-2.30	6.03	7.73	5.07	8.16	4.15
2001-02	-1.53	6.01	6.35	2.61	7.69	6.61	4.22	5.39
2002-03	-7.76	-6.60	12.14	7.21	6.30	6.74	2.73	3.99
2003-04	15.14	9.05	6.29	7.32	7.92	7.89	9.35	7.97
2004-05	4.44	0.18	3.95	9.81	8.27	8.28	8.15	7.05
2005-06	6.12	5.14	10.05	9.72	11.04	10.91	9.57	9.48
2006-07	1.97	4.16	17.60	12.17	12.48	10.06	11.18	9.57
2007-08	17.38	5.80	10.87	9.67	10.30	10.27	12.02	9.32
2008-09	0.76	0.09	7.15	4.44	9.50	9.98	6.88	6.72
2009-10	0.21	0.81	3.04	9.16	7.10	10.50	4.53	8.59
2010-11	7.29	7.94	7.51	9.16	11.60	9.75	9.66	9.32
2011-12	0.78	3.65	7.71	3.49	10.53	8.20	7.82	6.21
2012-13	7.13	1.91	-2.00	2.08	7.43	7.11	5.29	4.99

03.05. The per capita income of the State, which remained below the national average till 1999-2000, witnessed a turnaround since 2000-01. The per capita income of the State remained higher than the national average in all the years since 2000-01 partly due to higher than national average growth of the State economy and largely due to the moderation in the growth of population. The decennial growth of population in the State was 14.6 percent between 1991 and 2001 and 9.11 percent between 2001 and 2011 as compared with the national average of 21.54 per cent and 17.67 percent, respectively. In the year 2012-13 for which latest data is available, the per capita income of the State at current prices was Rs.78,177 as compared with the national average of Rs.68,757. Trends in per capita income of the State and the country are presented in Table-2.

Table-2: Trends in Per Capita Income-Andhra Pradesh and All-India

Period/ years	Average annual Per capita income at current prices (Rs)		Average annual growth of per capita income (%)		Ratio of per capita income of AP to all-India (%)
	AP	India	AP	India	
1960-71	4422	4965	0.26	1.23	89.1
1970-81	4904	5575	0.94	1.12	88.0
1980-91	6160	6788	3.04	3.24	90.7
1990-01	8865	9587	4.01	3.98	92.5
1999-00	15507	15881	4.26	4.56	97.6
2000-01	16622	16173	7.19	1.84	102.8
2001-02	18573	17782	11.74	9.95	104.4
2002-03	19434	18885	4.64	6.20	102.9
2003-04	21931	20871	12.85	10.52	105.1
2004-05	25321	24143	15.46	15.68	104.9
2005-06	28539	27131	12.71	12.38	105.2
2006-07	33135	31206	16.10	15.02	106.2
2007-08	39727	35825	19.89	14.80	110.9
2008-09	46345	40775	16.66	13.82	113.7
2009-10	51114	46249	10.29	13.42	110.5
2010-11	60703	54151	18.76	17.09	112.1
2011-12	68970	61564	13.62	13.69	112.0
2012-13	78177	68757	13.35	11.68	113.7

03.06. The deceleration in the growth of the State economy being witnessed in recent years is a matter of concern. Given the global uncertainties and domestic supply constraints, it is difficult to estimate the extent of likely slowdown in the State economy and the duration of the slowdown.

Section-2: Fiscal Situation of the State

03.07. The finances of the State started deteriorating towards the middle of the nineties and this continued till 2002-03. Apart from the low buoyancies of State taxes and falling transfers from the Centre as a proportion of GDP, the introduction of full prohibition in the State in 1995-96, subsidized rice scheme and the losses of the State Electricity Board largely contributed to the poor health of State finances. The revenue and fiscal deficits of the State deteriorated to 1.87 percent and 4.67 percent of GSDP, respectively in 2002-03 compared with 0.47 percent and 2.90 percent in 1990-91, respectively. There has been a major improvement in State finances since about 2003-04. The major contributory factor for such an improvement is the turnaround in the growth of the State economy as well as the national economy. The enactment of Fiscal Responsibility and Budget Management Act in 2005 mandating elimination of revenue deficit and containing fiscal deficit at 3 percent of GDP and the introduction of VAT have also greatly contributed to an improvement in the fiscal situation. The trends in the fiscal situation of the State are summarized in Table-3.

Table-3: Fiscal situation in Andhra Pradesh - 2007-08 to 2014-15

(Rs. Crores)

	Actual 07-08	Actual 08-09	Actual 09-10	Actual 10-11	Actual 11-12	Actual 12-13	R.E. 13-14	B.E. 14-15	Change: 2014-15 over 2007-08
I. Total revenue (a+d)	54143	62858	64678	80996	93554	103830	127772	149149	95007
a) Own revenue	35858	43042	42979	55859	64978	75874	87837	101043	65185
b) Own tax revenue	28794	33358	35176	45140	53283	59875	72443	84781	55987
c) Own non-tax revenue	7064	9683	7803	10720	11694	15999	15394	16262	9198
d)Transfers from the Centre	18284	19817	21699	25137	28576	27956	39936	48106	29822
II. Revenue expenditure	53984	61854	63448	78534	90415	102702	126749	148675	94692
III. Revenue deficit	-159	-1004	-1230	-2462	-3138	-1128	-1023	-474	-315
IV. Fiscal deficit	8787	12406	14010	11803	15402	17508	24487	25402	16615
As Percentage of GSDP at Current Prices									
I. Total revenue (a+d)	14.84	14.73	13.56	14.19	14.28	13.92	14.96	15.25	0.41
a) Own revenue	9.83	10.09	9.01	9.78	9.92	10.17	10.29	10.33	0.51
b) Own tax revenue	7.89	7.82	7.38	7.91	8.13	8.03	8.48	8.67	0.78
c) Own non-tax revenue	1.94	2.27	1.64	1.88	1.78	2.15	1.80	1.66	-0.27
d) Transfers from the Centre	5.01	4.64	4.55	4.40	4.36	3.75	4.68	4.92	-0.09
II. Revenue expenditure	14.80	14.49	13.31	13.75	13.80	13.77	14.84	15.21	0.41
III. Revenue deficit	-0.04	-0.24	-0.26	-0.43	-0.48	-0.15	-0.12	-0.05	0.00
IV. Fiscal deficit	2.41	2.91	2.94	2.07	2.35	2.35	2.87	2.60	0.19

03.08. The improvement in State finances which started in 2003-04 continued till 2007-08. While the fiscal deficit declined from 3.90 percent of GSDP in 2003-04 to 2.41 percent of GSDP in 2007-08, the revenue account improved from a deficit of 1.55 percent of GSDP to a surplus of 0.04 percent of GSDP in the same period. This improvement in the fiscal situation was the result of marginal augmentation in revenue and compression of revenue expenditure. During this period, there was a marginal improvement in total revenue from 14.08 percent of GSDP to 14.84 percent of GSDP while the revenue expenditure witnessed a decline from 15.63 percent of GSDP to 14.80 percent of GSDP. Within the revenue, the major improvement came from the State's own tax revenue which improved from 7.23 percent of GSDP in 2003-04 to 7.89 percent of GSDP in 2007-08. The buoyancy of State VAT coupled with an improvement in the revenue from State excise duties and stamps and registration contributed to this improvement. There was also a marginal improvement in the transfers from the Centre from 4.95 percent of GSDP to 5.01 percent of GSDP in the same period.

03.09. Since 2008-09, there has been a moderation in the growth of revenue. The deterioration in the fiscal situation could be controlled because of a marginal moderation in revenue expenditure as proportion of GSDP. Because of considerable increase in revenue expenditure, there is an increase in the fiscal deficit from 2.35 percent of GSDP in 2012-13 to 2.87 percent of GSDP in 2013-14. The actual realization of revenue receipts in 2013-14 is likely to be lower than the budget estimate by about Rs.18,000 crore because of fall in own revenue collections as well as transfers from the Centre. The deterioration in the fiscal position of the State would have been much severe but for the reduction in interest and repayment liability following the debt consolidation and relief facility recommended by the Twelfth Finance Commission for the period2005-10.

Expenditure on Salaries, Wages and Pensions

03.10. Expenditure on salaries and pensions witnessed a moderation from 76.13 percent of own revenues of the States in 2000-01 to 57.54 percent in 2013-14. As a percentage of revenue expenditure, the decline is modest from 43.88 percent to 39.87 percent in the same period. Even with the moderation, over 57 percent of the State's own revenue is spent on salaries and pensions. The moderation in the expenditure on salaries and pension as a proportion of State's own revenue and total revenue expenditure is mainly because of higher growth of State revenue and revenue expenditure relative to the growth in the expenditure on salaries and pensions. In fact, expenditure on salaries is one of the fastest growing item of expenditure. Between 2001-02 and 2013-14, while the salary expenditure increased by 21.45 percent from Rs.7,791 crores to Rs.36,331 crores, expenditure on pensions increased by 16.33 percent from Rs.2,321 crores to Rs.14,209 crores.

03.11. There are two distinct phases in the ratios of expenditure on salaries and pensions to own revenue and revenue expenditure. The moderation in the ratios which started around 2001-02 continued till 2008-09. Between 2001-02 and 2008-09, the ratios of expenditure on salaries and pension to own revenue and expenditure declined by over 20 and 15 percentage points, respectively. But there has been a reversal of this declining trend since 2009-10. In 2009-10, the ratio of expenditure on salaries and pensions to own revenue increased from 45.99 in the previous year to 55.25. The expenditure on salaries and pensions as a percentage of revenue expenditure increased from 31.49 in 2008-09 to 36.71 in 2009-10. The increase in the ratios is mainly on account of a slowdown in the revenues of the State Government. The increase in the ratio of expenditure on salaries and pensions to own revenue to 57.54 percent in 2013-14 from 54.93 percent in the previous year is mainly on account of the interim relief of 27 percent paid to the government employees.

Table-4: Expenditure on Salaries and Pensions as Proportion of State's Revenue and Expenditure

(Rs. in Crores)

Year	Expenditure on salaries, wages and pensions as %of			Expenditure on establishment as% of		
	Own revenue	Total Revenue	Revenue expenditure	Own revenue	Total Revenue	Revenue expenditure
1990-91	74.80	47.90	46.53	4.44	2.84	2.76
1991-92	72.56	46.62	45.39	5.11	3.29	3.20
1992-93	72.38	45.76	44.98	4.58	2.89	2.84
1993-94	70.46	44.27	45.56	4.35	2.73	2.81
1994-95	76.71	50.27	46.42	4.83	3.17	2.92
1995-96	82.28	47.70	44.38	3.79	2.20	2.04
1996-97	80.91	47.03	36.58	4.51	2.62	2.04
1997-98	66.82	42.97	40.90	3.22	2.07	1.97
1998-99	69.49	47.80	40.22	3.24	2.23	1.88
1999-00	73.28	49.93	46.52	2.65	1.81	1.68
2000-01	76.13	51.97	43.88	3.42	2.34	1.97
2001-02	66.65	46.53	41.11	3.71	2.63	2.32
2002-03	66.41	46.62	41.15	3.31	2.33	2.05
2003-04	65.47	42.42	38.21	3.37	2.18	1.97
2004-05	60.44	42.07	38.63	3.29	2.29	2.10
2005-06	58.82	39.96	39.10	2.59	1.76	1.72
2006-07	53.61	36.85	39.35	2.40	1.65	1.76
2007-08	51.13	33.86	33.96	2.28	1.51	1.51
2008-09	45.99	31.49	32.01	4.93	3.38	3.43
2009-10	55.25	36.71	37.43	5.58	3.71	3.78
2010-11	59.17	40.80	42.08	3.84	2.65	2.73
2011-12	57.72	40.09	41.48	6.69	4.65	4.81
2012-13	54.93	40.14	40.58	6.60	4.82	4.88
2013-14 (RE)	57.54	39.55	39.87	5.95	4.09	4.13
2014-15 (V/Ac BE)	52.30	35.43	35.55	5.18	3.51	3.52

Salary Expenditure of Central Government Employees

03.12. In the context of analysis of the trends in the expenditure of the State government on salaries and pensions, it may be relevant to compare these trends with those of the Central Government. The comparison is not straight forward because of a number of differences. Firstly, the salary expenditure of the Centre as reported in the budget documents is exclusive of the salaries of defense personnel. Secondly, expenditure on pensions reported in the budget documents of the Centre is inclusive of defense pensions but exclusive of Railways and Department of Posts which are treated as operating expenses of these departments. Even with these differences, a broad comparison of the trends in the expenditure on salaries and pensions reveal vast differences between the State and the Centre. The broad trends in the expenditure of the Centre on salaries and pensions are presented in Table-5.

Table-5: Expenditure of the Central Government on Salaries and Pensions.

Year	Salaries and allowances (Rs. Crores)	Pensions (Rs. Crores)	Expenditure on Salaries and Allowances as percentage of			Expenditure on Pensions as percentage of		
			Net tax revenue	Net revenue receipts	Total revenue expendi-ture	Net tax revenue	Net revenue receipts	Total revenue expendi-ture
1997-98	25930	6881	27.10	25.06	14.38	7.19	6.65	3.82
1998-99	28904	10057	27.62	23.38	13.35	9.61	8.13	4.65
1999-00	31500	14286	24.56	20.77	12.65	11.14	9.42	5.73
2000-01	27588	14379	20.19	17.81	9.93	10.52	9.28	5.18
2001-02	29925	14436	22.41	18.84	9.93	10.81	9.09	4.79
2002-03	31420	14496	19.82	16.74	9.28	9.14	7.72	4.28
2003-04	32155	15905	17.20	14.93	8.88	8.51	7.38	4.39
2004-05	35154	18300	15.64	13.94	9.15	8.14	7.26	4.76
2005-06	37262	20256	13.85	16.64	8.48	7.53	7.41	4.61
2006-07	39854	22104	11.35	11.54	7.74	6.29	6.40	4.29
2007-08	44361	21261	10.09	10.16	7.46	4.84	4.87	3.58
2008-09	67464	32941	15.22	12.49	8.50	7.43	6.10	4.15
2009-10	89860	56149	19.68	15.69	9.86	12.30	9.80	6.16
2010-11	88651	57405	15.56	11.24	8.52	10.07	7.28	5.52
2011-12	95291	56190	15.13	12.68	8.32	8.92	7.48	4.90
2012-13	111878	63183	15.11	12.75	9.00	8.54	7.20	5.08

03.13. The ratios of expenditure on salaries and pensions to revenue receipts and expenditure are much lower for the Centre as compared with the State. This is because of the fact that the States are assigned more functional responsibilities than the Centre under the Constitution necessitating higher deployment of personnel in relation to revenue. Added to this, there is a vertical imbalance in the revenue of the States and the Centre. On an average the Centre collects nearly 63 percent of the combined tax revenue. Thus, the lower ratios of salary and pension expenditure of the Centre are reflective of its higher resource base. Between 1997-98 and 2007-08, the ratio of expenditure on salaries and pensions of the Centre to net revenue receipts declined by one-third from 25.06 percent to 8.53 percent. The sharp increase witnessed in the years 2008-09 and 2009-10 is on account of the implementation of the recommendations of the Sixth Central Pay Commission and payment of arrears. After the absorption of the impact of the Sixth Pay Commission, the expenditure on salaries and pensions of the Central Government constitutes only 12.75 percent of net revenue receipts in 2012-13, while such percentage for the State is 54.93.

Debt Servicing Burden

03.14. The State raises debt every year to meet its plan expenditure. The loans raised by the State Government amounted to Rs.30,537 crore in 2013-14 (RE). One of the important indicators of debt sustainability is the ratio of debt redemption (repayment + interest payments) to total debt raised in a year. The ratio of debt redemption to fresh debt raised in a year indicates the net debt available to the State. The higher the ratio, higher will be the borrowings of the State to meet the gap in its resources. The following table presents the trends in the debt redemption ratios (Table-6).

Table-6: Trends in Debt Redemption Ratios.

(Rs.in Crores)

Debt	06-07	07-08	08-09	09-10	10-11	11-12	12-13	13-14 (BE)
Internal Debt of the State Government								
Loans raised	4236	10223	14956	18185	16478	16731	22128	30537
Repayments and interest payments	3526	4664	4745	5565	6997	6590	7433	12248
Net loan available	710	5559	10211	12620	9481	10141	14695	18288
Debt redemption ratio	0.83	0.46	0.32	0.31	0.42	0.39	0.34	0.40
Loans from GOI								
Loans raised	315	909	397	1569	2244	2719	1183	2693
Repayments and interest payments	2437	1978	1936	2584	2630	1919	2087	2011
Net loan available	-2123	-1069	-1539	-1016	-386	800	-904	682
Debt redemption ratio	7.75	2.18	4.88	1.65	1.17	0.71	1.76	0.75

03.15. During the year 2006-07, the debt redemption ratio in respect of internal debt was very high at 0.83 indicating that repayments and interest payments constituted 83 per cent of fresh loans. In the case of loans from the Centre, there is a reverse flow of resources in most of the recent years because termination of plan loans to states since 2005-06. There has been a moderation in the redemption ratios in recent years mainly because of policy interventions. These include debt swap scheme under which the States were allowed to swap their high cost debt by low cost additional market borrowings, debt consolidation and relief facility (DCRF) and interest reset on high cost borrowings from the National Small Savings Fund (NSSF) following the recommendations of the Twelfth Finance Commission. Though the current redemption ratio for internal debt is about 0.40, it is unlikely that the lower redemption ratio will continue as nearly 48 percent of the outstanding market loans are due for repayment in the next five to seven years.

03.16. Apart from the debt-redemption ratios, the Central Finance Commissions have been recommending certain desirable ratios with a view to maintaining debt sustainability. The Eleventh Finance Commission (2000-05) considered that interest payments as a proportion of revenue receipts of States should not exceed 18 percent for maintaining a sustainable debt level. The Twelfth Finance Commission (2005-10) felt that a debt-GSDP ratio of 28 percent would be consistent with sustainable debt levels. The Commission also felt that ideally interest payments as a percentage of revenue receipts should stabilize around 17 percent. The Thirteenth Finance Commission (2010-15) considered that a debt-GSDP ratio of 25 percent for all States was feasible. There has been a moderation in the ratios of interest payments to revenue receipts and debt-GSDP ratio. These are currently within the limits considered sustainable by the Central Finance Commissions (Table-7). As indicated earlier, the improvement was mainly on account of debt swap scheme, DCRF, reduction of interest rate on outstanding loans from NSSF, the effect of which has started tapering off. The bunching of repayments of market borrowings in the next five years will exert pressure on the debt sustainability ratios.

Table-7: Debt Sustainability Ratios in Andhra Pradesh

(Rs. in Crores)

Debt	06-07	07-08	08-09	09-10	10-11	11-12	12-13	13-14 (BE)
Interest Payments	7280	7589	8057	8914	9675	10561	11662	14519
Revenue Receipts	44245	54143	62858	64678	80996	93554	103830	127772
Interest Payments as Percentage of Revenue Receipts (%)	16.45	14.02	12.82	13.78	11.94	11.29	11.23	11.36
Outstanding Debt	75400	82479	93568	108006	121744	135653	152465	179638
GSDP at Current Prices	301035	364813	426765	476835	570992	655181	745782	858959
Outstanding Debt as Percentage of GSDP (%)	25.05	22.61	21.93	22.65	21.32	20.70	20.44	20.91

03.17. As observed by the Reserve Bank of India (RBI) in its Study of State Budgets for the year 2013-14 the conventional debt sustainability analysis though useful may not provide a comprehensive assessment of debt sustainability as it is based on a narrow coverage of debt and excludes contingent implicit and off-budget liabilities. Apart from issues of debt coverage this analysis is generally done in a static framework and therefore it does not account for fiscal and economic behaviour in response to shocks (sensitivity analysis) and fiscal vulnerabilities (stress-testing exercise).

03.18. Apart from the Government guarantees there are likely to be contingent liabilities on account of projects under public-private partnerships (PPP). Faced with resource constraints and growing infrastructure needs the State Government is constrained to undertake investment projects through PPP route. Two types of liabilities will arise on account of PPP projects. These are both current and deferred liabilities as well as contingent liabilities arising on account of guarantees issued to Special Purpose Vehicles (SPV) or State undertakings to facilitate borrowings by them. The explicit and deferred liabilities in the case of PPP projects arise from annuity payments over a number of years. PPP projects may also result in contingent liabilities arising out of obligations to compensate private sector partners in the event of changes in specifications breach of obligation or termination of contract. The traditional debt sustainability ratios do not capture these liabilities. The number of PPP projects currently under implementation in the State is 169 with an estimated investment of over Rs.58000 crore. Another 37 projects are in the pipeline with an investment of Rs.8000 crore.

03.19. Another major liability for the State Government is on account of its participation in the financial restructuring plan (FRP) of power distribution companies. The fiscal implications of the FRP for participating states are linked to four major aspects: (i) issuance of bonds by the state-owned power distribution companies (discoms) with respect to 50 per cent of short-term liabilities (STL) as on March 31 2012 and its subsequent replacement through issuance of special securities by the state governments and (ii) issuance of guarantees towards interest and principal repayment of the balance 50 per cent of STL to be restructured by banks/FIs governments arising from their participation.

Subsidies

03.20. The subsidy burden of the State Government is significant and is increasing year after year on account of the continued focus on inclusive growth extension of the coverage of the existing subsidy scheme and introduction of new schemes. Food subsidy to Andhra Pradesh Transmission Corporation (APTRANSCO) and fee reimbursement and payment of scholarships are the major subsidy schemes being administered by the Government of Andhra Pradesh. The food subsidy is on account of distribution of Re.1 per kg. rice to 2.35 crore families in the State. Subsidy to APTRANSCO is on account of supply of free electricity to farmers. Under the fee reimbursement scheme introduced in 2008 students belonging to weaker sections pursuing professional courses are reimbursed tuition fees. The expenditure on these schemes had increased from Rs.6,939 crore in 2008-09 to Rs.12,296 crore in 2013-14 (Table-8).

03.21. During the year 2013-14 the Government had introduced a new scheme called "Amma Hastam". Under the scheme essential commodities are being supplied in a package for Rs. 185 per month. The package includes one Kg. of toor dal one litre of palm oil one kg. of whole wheat atta one kg. of wheat half a kg. of sugar one kg. of salt quarter kg. of chilli powder half a kg. of tamarind and 100 grams of turmeric powder. The expenditure on this scheme is estimated at over Rs.400 crore in 2013-14. The State Government introduced another unique scheme called "Bangaru Talli" aimed at emancipating the status of the girl child eliminating the practice of female feticide and eradicating trafficking in girl children. To give statutory backing the State Government enacted the Andhra Pradesh Bangaru Talli Girl Child Promotion and Empowerment Act in June 2013. The scheme envisages periodic payments to the girl child right from her birth to the completion of collegiate education. This is likely to impose additional burden on the exchequer.

03.22. The implementation of the Right to Food Act is estimated to impose an additional financial burden of over Rs.1000 crore per annum on the State Government.

Table-8: Expenditure on Major Subsidies by the State Government

(Rs.in Crores)

Type of subsidy	06-07	07-08	08-09	09-10	10-11	11-12	12-13	13-14 (RE)
Power subsidy	1367	1175	3385	3212	3646	4300	6178	5700
Rice subsidy	704	880	2201	2350	2250	2280	2500	3000
Scholarships	332	555	815	760	504	781	887	618
Reimbursement of Tuition Fee	0	120	538	719	1764	2433	3173	2979
Total	**2403**	**2730**	**6939**	**7041**	**8164**	**9794**	**12737**	**12296**
Expenditure on major subsidies as % of Revenue Expenditure	7.17	6.20	12.09	12.50	11.91	11.64	13.35	11.13

Human Development Index

03.23. The accepted norm of what constitutes economic development had undergone a paradigm shift. The concept of development is now considered to be more comprehensive and goes beyond the mere material dimension of increase in per capita income and is complemented by non-material dimensions like education health and access to basic amenities. Average per capita income has no meaning if people lack basic education health and minimum standard of living. Human Development Index (HDI) is a comprehensive index that measures the overall status of a State in terms of education knowledge and standard of living. Further as recognized by the United Nations Development Programme (UNDP) the HDI which is basically an average across the three dimensions of health education and income conceals disparities in human development across population within a State. Two States with different distributions of achievements can have the same average HDI.

03.24. The inequality adjusted HDI (IHDI) computed by the UNDP takes into account not only the average achievements of a State on these three parameters but also how these achievements are distributed among its citizens by discounting each dimension's average according to its level of inequality. The IHDI for 19 major States computed by the UNDP are presented in the table below (Table-9). Andhra Pradesh ranks 12th among 19 states and below the southern States of Kerala, Karnataka and Tamil Nadu.It is a matter of concern that the IHDI in the State is even lower than that States like West Bengal Assam Himachal Pradesh and Uttarakhand. This is indicative of the imperative to improve the HDI in the State by improving education and health facilities.

Table-9: Inequality Adjusted Human Development Index

State	Human Development Index (HDI)	Inequality Adjusted Human Development Index (IHDI)	Rank HDI	Rank IHDI
Andhra Pradesh	0.485	0.332	11	12
Assam	0.474	0.341	12	11
Bihar	0.447	0.303	18	16
Chhattisgarh	0.449	0.291	17	18
Gujarat	0.514	0.363	8	7
Haryana	0.545	0.375	5	6
Himachal Pradesh	0.558	0.403	3	3
Jharkhand	0.464	0.308	15	14
Karnataka	0.508	0.353	10	9
Kerala	0.625	0.520	1	1
Madhya Pradesh	0.451	0.290	16	19
Maharashtra	0.549	0.397	4	4
Orissa	0.442	0.296	19	17
Punjab	0.569	0.410	2	2
Rajasthan	0.468	0.308	14	13
Tamil Nadu	0.544	0.396	6	5
Uttar Pradesh	0.468	0.307	13	15
Uttarakhand	0.515	0.345	7	10
West Bengal	0.509	0.360	9	8
India	0.**504**	**0.343**		

Source: UNDP: Inequality Adjusted Human Development Index for India's States-2011

Conclusion

03.25. The analysis presented above brings out the fact that there has been a turnaround in the State finances and economy since 2003-04 facilitated by the enactment of the FRBM Act and introduction of VAT and favourable global economic situation. The momentum in growth and improvement in State finances suffered a setback following the global downtrend and domestic supply constraints and the resultant slowdown in revenue collections and transfers from the Centre.

03.26. There has been a significant fall in the poverty ratios in the State. The overall poverty ratio in the State is 9.20 percent which is much below the nationals average of 21.92 per cent in 2011-12. It is a matter of concern that the increase in the per capita income and reduction in the poverty levels in the State have not translated into an improvement in the HDI. Ensuring that the fruits of development result in an improvement in HDI is a major challenge for the State.

03.27. The recent deceleration in growth of the economy is of serious concern. Putting the growth momentum back on track will remain the major task of the State Government. So far the State finances have remained sustainable but there are incipient signs of stress. The commitments of the State Government are likely to increase significantly following the introduction of new welfare schemes liabilities on account of PPP projects financial restructuring of DISCOMS and implementation of Right to Food Act. The proposed reorganization of the State is likely to result in additional commitments.

03.28. In the context of the growing commitments of the State the Commission has to tread the fine line between economic rationale and the aspirations of the employees and arrive at a judgment on how much of the State's resources can be spared for providing for an increase in the salaries and pensions of employees. Despite the constraints the Commission is of the considered view that reasonable increases are necessary to attract talented people to government service to retain them and to nurture in them a sense of commitment to public service. We have tried to strike a balance between the welfare of the people and the need for a fair and reasonable increase in pay and allowances. Our recommendations have been formulated keeping in view the need for meeting the legitimate aspirations of the employees without compromising on the responsibilities of the State towards the welfare of its people.

CHAPTER – IV

APPROACH TO PAY REVISION

04.01 The Pay Revision Commissions have in the past laid down several principles to be followed for evolving the pay structure of government servants. The Varadachariar Commission (1946-47) introduced the principle that as a matter of policy the lowest rate of remuneration should not be lower than a “living wage” and that the highest salaries should also as a matter of social policy be kept down as far as possible consistent with essential requirements of recruitment and efficiency. The minimum and maximum having been so determined, the intermediate salaries were fixed by the Commission largely on considerations of maintaining or establishing satisfactory vertical relativities within a service or a hierarchy of services, and horizontal relativities between one set of services and another. TheSecond Central Pay Commission (1957-58) observed that in the matter of minimum wage, the requirement of social policy was that an employee should be assured of the satisfaction of certain human and social needs, and in regard to the highest salaries, the requirement is that the salaries should while be sufficient to attract persons with the requisite talents and qualifications, and to retain them in service with their efficiency and keenness unimpaired, need not be such as would compare with the highest salaries in outside employments. The Commission was of the view that “sound and equitable internal relativities should be the most important single principle to be followed in the determination of intermediate salaries”.

04.02 The Third Central Pay Commission (1970) held the view that pay determination should take into account the initial qualifications, the training and skill, and the physical and intellectual endowments which the person brought to bear on the post. Further, the difficulty and complexity of the task to be performed as well as the responsibility to be undertaken should be given considerable weight. The third Pay Commission went beyond the idea of minimum subsistence that was adopted by the first Pay Commission. The commission report says that the true test which the government should adopt is to know whether the services are attractive and it retains the people it needs and if these persons are satisfied by that they are getting paid. The Fourth Central Pay Commission (1983) held the view that the pay of a post should be such as to attract persons of the required qualifications and calibre to fill it and the pay also should be sufficient and satisfactory enough to motivate the employee for efficient performance of his duties and responsibilities with a sense of rectitude.

04.03. The Fifth Central Pay Commission (1994) reiterated three characteristics ofa sound pay structure-inclusiveness, comprehensibility and adequacy. Inclusiveness implied that the broad patterns of pay scales that have been adopted' for the civil services will be uniformly applied everywhere, especially in areas where some autonomy has been provided. Coming next to comprehensibility a pay scale should normally give a total picture of the emoluments of a post, rather than being fragmented into anumber of allowances. The third requirement was that of adequacy. Government employees should not have a feeling that their emoluments were inadequate with respect to their skills, educational qualifications, experience, duties and responsibilities, but also as compared *to* their peers outside the Government. The Sixth Central Pay Commission (2006) noted that the role of Government itself was undergoing a change from a monopolistic supplier to be that of a facilitator and regulator in the various economic activities, and in that background sought to devise a pay package which would not only provide enough incentive to retain the brightest officers in the Government set up but also attract the best to join it in future.

04.04. Pay Revision Commissions in Andhra Pradesh have largely followed the accepted norms for salary determination evolved by various Central Pay Commissions. The 1978 Commission adopted the broad principle that services and posts whose duties and responsibilities are comparable should, other relevant circumstances being the same; carry substantially the same or comparable rates of remuneration. The PRC (1986) observed that it was well recognized that in addition to qualifications, pay scales are for duties as discharged and as such the aspects of the nature and breadth of duties, was also important. The 1993 Commission had no hesitation in holding that educational qualification alone could not serve as an adequate and sole guiding principle or factor in the determination of pay scales. It held that grouping of posts by the public service commission for conducting examinations etc., for recruitment was merely a matter of administrative convenience and did not constitute a value judgment in regard to the relativities of these posts. The 1993 Commission held the view that the existing and traditional relativities both horizontal and vertical could be used as the basic framework, bringing about only essential changes needed to reflect significant changes in the functional content of the various jobs and correction of glaring distortions which might have crept in and that this exercise inevitably would be judgemental, based on informed discussions with Associations representing various categories of employees and the Heads of Departments and Secretaries to the State Government.

04.05. The PRC (1999) held the view that the lowest rate of remuneration should not be lower than a living wage and that the highest salaries also should be kept down as far as possible as a matter of social policy (i.e. the need to reduce disparities) consistent with the essential requirements of recruitment and efficiency. While there were several definitions of living wage, a common sense interpretation was that it is one which would enable the employee to maintain himself and his family of three or four in reasonable comfort and to live in dignity as expected of a person of his official/social status. The PRC (2005) went by the principle that a sound pay structure should satisfy the important norms of inclusiveness, comprehensibility and adequacy, and of fixing the scales based on qualifications prescribed for recruitment. The Commission also sought to bring parity for similar posts having similar qualifications and scales. The PRC 2010 observed that over a period of time certain relativities had been established and a hierarchical structure had also been built up in the pay scales, but then every Pay Commission had to face the dilemma of maintaining either the existing parities or alter some of the parities depending upon the changing needs of the Government and perceptions about the availability of the skilled manpower and the ability of the Government to attract those skilled people into Government service.

04.06. The Pay Revision Commissions also assess the changes taking place in priorities of Government which find expression in the form of new schemes, the mechanism for implementation of these schemes, the availability of qualified manpower to achieve the objectives of the schemes and the incentives to be built in through an appropriate pay structure to enthuse existing incumbents and attract new talent into the service. In this process the pay scales get revised and the parities that once existed in pay may get altered and this sometimes leads to representation from employees of anomaly in pay scales. Other issues generally raised by most associations relate to variation in pay structure at the entry level in uniformed and technical services, in services recruited through a common entrance examination, and in allied services. The representations seeking parity in scales are based on similar academic qualifications, and the size of the territorial jurisdiction etc. These issues have been held not to be valid as academic qualifications alone cannot constitute the basis for determination of pay because conduct of common entrance examination can be a matter of convenience and not be the justification for equal pay and that territorial jurisdiction is determined with reference to the intensity and quality of work and not be a bench mark for pay scales etc. What determines the pay scale ultimately is a combination of many factors.

04.07. This Commission has followed these principles to a great extent in evolving the new pay structure for the employees. In our view, pay structure of posts should be such as to inspire persons of required qualifications and calibre to fill it and be sufficient to motivate the employee for efficient performance of his duties and self-fulfilment of responsibilities. Minimum pay has to be fixed at a level as would enable the employee to maintain himself and his family in reasonable comfort and to live in dignity as expected of a person of his official / social status. This commission has within the framework of ILC norms incorporated 10 per cent of the expenditure on food, clothing and other miscellaneous items in minimum pay to neutralise the cost to employees of new items of expenditure like transport, education, household accessories, mobile phone and Internet usage etc., in addition to recreation and festivals.

04.08. This Commission has used the existing and traditional relativities both horizontal and vertical in the pay structure of different sets of government employees as the basic framework, bringing about only essential changes needed to reflect the changes, if any, in the entry level qualifications, to rectify anomaly and/ or to maintain two stage step up for promotion posts falling under the ambit of Automatic Advancement Scheme.

04.09. The Commission has narrowed down the variations in salaries of employees similarly placed, more so in Group-I and II services where recruitment is done through APPSC. Similarly, gap in pay at the entry level is narrowed, though not completely eliminated, for many technical services such as Medicine, Engineering, Legal, Agriculture etc. Pay scale at the level of Joint Director / Deputy Director/ Assistant Director is largely kept at the same level across the Departments, to bring in harmony in inter-departmental functioning. We have also sought to rationalise the pay structure of the non- cadre Heads of Departments and of the Additional Directors where the post of the HOD is occupied by Cadre officers, to provide ample opportunity for growth within the Department. Important factors considered while fixing the Scales of Pay for the HOD and the Additional Directors are a) the span of jurisdiction; b) number of Unit Officers; c) Budget handled; d) number of employees in the Department; and e)degree of interaction withstake holders, viz public, non-officials, government agencies etc.

04.10. The Task Force appointed for evolving pay structure for Engineering Departments did a commendable work in articulating the aspirations of Engineers for a better scale of pay at the entry level and we have substantially accepted its recommendations. However, in doing so we had to give up the traditional one stage difference in the scale of Pay of Assistant Engineer (AE) and Assistant Executive Engineer(AEE) at the entry level.

04.11. This Commission spent considerable time in analysing the pay structure of uniform staff, particularly in Police, Prisons, Fire, Forest, Transport and Excise Departments and improved the scales of pay at various levels. The major challenge was to fix the pay at the initial level of Constable and equivalent. In the Departments, where the entry level qualification of Constable and equivalent is raised to Intermediate, we have harmonised the pay scale by allowing stage improvements. In the Department of Forest and Excise, entry level pay of constables can be brought on par with other uniformed services only when the entry level qualification is likewise enhanced.

04.12. In the Medical, Health and Family Welfare Department, a significant decision taken is to narrow down the difference in the pay scales of Doctors working in AYUSH Department, Visa Vis., the Medical Department on the allopathic side. This has been done keeping in mind the similarity in the course content and duration of studies at the graduate as well as the P.G.levels and to give due importance to the Indian System of Medicine. Panchayat Raj is yet another department that has received our due attention in the revision of pay scale, to give to the post of Panchayat Secretariesadequate importance that it deserves for improving the local self governance.

CHAPTER – V

RECOMMENDED PAY SCALES

05.01. The Pay Revision Commission 1993 introduced the concept of 'Master Scale' for the first time. This has the advantage of a single running scale for the entire gamut of the State employment, individual scales assigned to the posts / categories being merely segments thereof and the merit of predictability. For determining the Master Scale, factors taken into consideration are i) Minimum and Maximum pay; ii) Number of pay scales; iii) Span of pay scales at various levels; iv) Rates of increments; and v) Inter – scale relativity. This concept of 'Master Scale' is being continued with slight modifications from time to time by the successive Pay Revision Commissions. This time also the employees and their associations have overwhelmingly endorsed for the continuation of 'Master Scale', with minor modifications.

05.02. Following the earlier precedent, **this Commissionrecommends the continuation of 'Master Scale', and suggests in the following paragraphs a new scale of pay for adoption.**Inthe new scale we have ensured that there is a reasonable increase in the quantum of increment in absolute terms so that at no point the employee would face a situation of reduced quantum of increment as a result of fixation of pay in the revised pay scales and that the quantum of increment is not only reasonable but also attractive. We have also increased the span of the scales to accommodate people with long service so that they would not stagnate and will continue to get the benefit of increments. **In the event of stagnation which should not normally arise, we recommend grant of up to five stagnation increments.**

Minimum Pay:

05.03. Majority of Employees' Associations have suggested for the fixation of 'Minimum Pay' ranging from Rs.10000/-per month to Rs.16150/- per month adopting the norms evolved by the 15th International Labor Conference. However, in doing so some Associations have calculated the minimum pay by taking 4 members into account in a family unit and not 3 as earlier, on the ground that the maximum age of recruitment into the government service had been enhanced to 36-43 years, and many people having wife and two children were now entering the service.

05.04. The **A.P. Secretariat Employees Federation** has in itsmemorandum stated that a sound salary system needs to possess (a) inclusiveness, (b) comprehensibility, and (c) adequacy both internal and external. The pay structure needs to be commensurate with the degree of skill, responsibility undertaken, mental and physical requirement, minimum educational qualifications and promotional avenues etc. Hence the request is to adopt better scientific reasons/ criteria in arriving at the minimum basic pay and also a good master scale that takes care of the needs of the employees in future also. It is further stated in the Memorandum that per capital income of the state Government is doubled in a span of five years from Rs.33,135/- during

2006-07 to Rs.68,970/- in 2011-12. The same is at Rs.77,277/- per annum at current prices for the year 2012-13. The nuclear family consisted of husband and wife, two children and a dependant parent. The per capita income for five members come to Rs.3,86,385/- per annum or an amount of Rs.32,199/- per month. Hence income of a low paid employee cannot be less than the per capital income and suggested for a minimum pay of Rs.16,000/- and a maximum of Rs.1,65,850/- and a fitment of 75%.

05.05. The **Telangana Gazetted Officers Central Association** has worked out the 'Minimum Pay' by following three different methods, namely, Expenditure method, Calorie intake method and Income method and arrived at Rs.15,000/- to be fixed as Minimum Pay. According to the Association the monthly per capita expenditure of the household with four members as family worked out to Rs.14,703/- and hence it was essential to have at least Rs.15,000/- as Minimum Pay with the fitment of 69.10%.

05.06. The **TNGOs Central Union** has while reiterating similar facts, have taken 4 members in a family unit for calculating the minimum pay and suggested for a minimum pay of Rs.15,000/- and a maximum scale of Rs.1,25,640/- with a fitment of 69.10%.

05.07. The **Telangana Girijan Upadya Sangam (TGUS)** have suggested a Minimum Pay of Rs.15,500/- and the Maximum Pay of Rs.1,46,000/- with a fitment of 80%.The **Telangana Teachers Federation (TTF)** have suggested a Minimum Pay of Rs.14,850/- and the Maximum Pay of Rs.1,33,020/- by proposing at least four members as a family instead of three members. The fitment proposed is 60% with effect from 1.7.2013.The **Telangana United Teachers' Federation** have in their Memorandum proposed adoption of Master Scale with a Minimum Pay of Rs.15,250/- and Maximum Pay of Rs.1,16,770/-, with a fitment of 56%. The **Progressive Recognized Teachers Union Telangana** have similarly proposed Minimum Pay of Rs.15,500/- and a Maximum Pay of Rs.1,46,000/- with a fitment of 70%. The **Telangana Regional Teachers Union** have calculated the need based Minimum Pay of Rs.15,950/- to be fixed as Minimum Basic Pay and a Maximum Pay of Rs.1,29,350/- with a fitment of 75%. The **Dalitha Girijana Teachers Union** have demanded a Minimum Pay of Rs.14,720/- and a Maximum Pay of Rs.1,38,140/- with ratio of 1:9.4 between the Minimum and Maximum Pay.

05.08. The **A.P. Teachers Federation** in their representation has mentioned that the prices of consumer items were on higher side in open market as in March, 2013, when compared to Labour Bureau prices. The cost of cooking gas and house rents, medical reimbursements and electricity may have to be taken into consideration, while determining minimum pay of the employee. For the above items 15% more expenditure is required. Taking into consideration the family unit as comprising of 4 members, the request is tofix Rs.15,000/- as a minimum pay and Rs.1,22,300/- as the maximum pay, with a fitment of 69%.

05.09. The **P.R.T.U, Hyderabad** in their representation has stated that minimum requirement of pay for the lowest employee would be around Rs.14,200/- per month by taking into account the prevailing cost of essential commodities as on 1/2/2013 which included the cost of Gas Cylinder of Rs.415/. The Union suggested for adoption of a 3 member family as one unit and for a ratio of minimum and maximum pay to be 1:9.7 (14,200 : 1,37,620) with fitment @ 60%. The **A.P.U.T.F** in their representation have suggested to take 4 member family as one unit and calculated minimum needs of a family to be Rs.19,600/- pm, inclusive of Electricity, Fuel, expenditure on Education and Health. However, it requested for Rs.15,000/- pm fixed as a minimum pay and Rs.1,41,330/- pm to be the maximum pay. The ratio between minimum and maximum pay is proposed to be 1:9.42 and fitment for pay fixation in the revised pay scales 2013 to be @ 60 %.The **STU AP** in their representation has after inclusion of rates of Fuel charges, Electricity charges, Transport charges and Medical expenditure determined the minimum pay to be fixed as Rs.15,200/- pm and suggested a ratio between minimum pay and maximum pay to be 1 : 9.56 and fitment @ 62%.

05.10. The **A.P.N.G.Os association** in their representation, has stated that recent trends of human necessities and living conditions have not been reflected in the earlier method of calculation of Need Based Minimum Wage and the method adopted by Indian Labour Organization during the year 1960 is being followed even now which is not practical. Keeping in view of the recent trends in living conditions, they have arrived at the Need Based Minimum Wage of Rs.15,000/- P.M, duly taking into 3 members of family as one unit. They have proposed to include Latest essential items i.e Education, medical expenses, cell phone, Transport, Drinking water, Gas, electricity and House rent. They have proposed for Master Pay scale concept, with a minimum pay of Rs.15,000/-p.m. and a maximum pay of Rs.1,37,600/- p.m. (ratio being 1 : 9.17) with 32 grades and 80 segments. They have also proposed for a fitment of 69% and increments ranging from 2.198% to 3%.

05.11. The **Udyogakranti** has worked out the minimum pay duly taking 4 members of family as unit, taking into 2600 calories in taking, shelter, clothing and expenditure on education. The minimum pay is suggested as Rs.20000/- and the maximum pay is Rs.161300/- per month, duly taking in to account 60% DA as on 1-7-2013. The ratiobetween minimum and maximum pay being 8.065% and also suggested for continuation of master scale concept with 32 grades.

05.12. Majority of the employees associations have in their representations recommended for the adoption of ILC norms for calculating the Minimum Pay, with some modifications. The modifications proposed are i) to take 4 members in a family unit instead of 3, as the minimum age of recruitment into the Government service had been increased and many people having two children were now entering the Government service, and ii) Inclusion in the minimum pay calculation of new items of expenditure such as fuel, electricity, cooking, gas, internet and cell phone, water etc., as additional expenditure on these items had become inevitable and part of the day to day life.

05.13. This Commission has accordingly decided to follow the ILC norms for determining the need based 'Minimum Pay'. We have not agreed to increase the size of the family unit from 3 to 4 for minimum pay calculation as increase in the age for recruitment into the Government service is only a concession and this will keep changing from time to time and only a very small proportion of new entrants belong to the extended entry age group. In so far as new items of expenditure are concerned, we find that there is a substantive ground to inbuilt into the Minimum Pay structure, the additional expenditure now being incurred by employees on new items such as transport, education, household accessories, mobile phone and internet usage etc. We have accordingly incorporated in the Minimum Pay structure, 10% of the total expenditure on food and clothing and other miscellaneous items towards these new items of expenditure, in addition to recreation and festivals.

05.14. The table below shows the calculation of the need based minimum wage after incorporating the above change:

Need based Minimum Wage

Items @	Per Day PCU (in gms)	Per Month 3 CU (in Kg)	Price per KG as per rates on 01.07.2013 (In Rupees)	Total cost per month (as on 01.07.2013) (In Rupees)
Rice	475	42.75	34.99	1495.82
Dal Toor/Urad/Moong	80	7.2	73.99	532.73
Raw Vegetables	100	9.00	34.39	309.51
Green Leaf Veg	125	11.25	32.20	362.25
Other Veg Onion,Potato, Tomato	75	6.75	24.75	167.06
Fruits	120	10.8	71.38	770.90
Milk (18 Ltrs)	200 ml	18	37.44	673.92
Sugar/Jaggery	56	5.00	41.66	208.30
Edible Oil	40	3.6	138.67	499.21
Fish		2.5	272.86	682.15
Meat		5.00	395.55	1977.75
Egg		90	3.67	330.30
Detergents etc., Bath & washing soap, washing powder etc.,			329.25	329.25
Clothing#	5.5 mtrs per month	5.5	271.17 Per Mt.	1491.43
Total				**9830.58**
Misc.* @20%				**1966.11**
Total				**11796.69**
Addl.Expr. ** 10%				**1179.67**
Minimum Wage				**12976.36 or say 13,000**

PCU = Per Day Consumption Unit

3 CU = Three Consumption Unit
* = 20% Miscellaneous charges towards fuel, gas, electricity, water etc.
** =Includesexpenditure on new items viz. transport,education, household accessories, mobile phone and Internet usage etc., in addition to recreation and festivals.
#Clothing as prescribed is 70 yards per year. This works out to about 5.5 mts per month and the cost includes the ancillary charges like stitching etc.

The Commission therefore recommends the minimum pay for the lowest paid employees to be Rs.13,000/- per month as on 1.7.2013.

<u>Maximum Pay</u>

05.15. The Employees' Associations have suggested a ratio ranging from 1:7.3 to 1:10 between the minimum and maximum pay. For working out the 'Maximum Pay', the Commission has kept in mind the following three principles:

a) Annual increment to range from 3% of the pay in initial stage to 2.33% finally.
b) Existing quantum of increment to be nearly doubled in line with increase of pay; and
c) Periodicity of increase in increment to be 3 years;

05.16. The Commission accordingly worked out a 'Maximum Pay' of Rs.1,10,850/-, which represents a Minimum to Maximum ratio of 1:8.527.

<u>Master Scale and its Segments:</u>

05.17. The minimum and the maximum having been fixed the issue now for consideration is the number of scales which areto be carved out of the Master Scale and the span of each one of the scales.**Keeping in view the predominant view of employees, the Commission recommends the 'Master Scale' to comprise of 32 grades and 80 segments. Since the tradition in the State has been to revise the pay every five years, the DA sanctioned as on 1/7/2013 is subsumed in the Revised Pay Scale. The new Master Scale recommended by this Commission for adoption from 1/7/2013 is as follows:**

Rs.13000-390-14170-430-15460-470-16870-510-18400-550-20050-590-21820-640-23740-700-25840-760-28120-820-30580-880-33220-950-36070-1030-39160-1110-42490-1190-46060-1270-49870-1360-53950-1460-58330-1560-63010-1660-67990-1760-73270-1880-78910-2020-84970 – 2160– 91450– 2330- 100770-2520–110850(80)

05.18. A comparative statement giving the existing Master Scale and the corresponding segments in the revised Master Scale and the span of each of these scales is given in the following table.

Grade	EXISTING SCALE - 2010 (Rupees)	Grade	REVISED SCALE - 2014 (Rupees)
Master Scale	**6700-200-7300-220-7960-240-8680-260-9460-280-10300-300-11200-330-12190-360-13270-390-14440-420-15700-450-17050-490-18520-530-20110-570-21820-610-23650-650-25600-700-27700-750-29950-800-32350-850-34900-900-37600-970-40510-1040-43630-1110-46960-1200-51760-1300-55660 (80)**		**13000-390-14170-430-15460-470-16870-510-18400-550-20050-590-21820-640-23740-700-25840-760-28120-820-30580-880-33220-950-36070-1030-39160-1110-42490-1190-46060-1270-49870-1360-53950-1460-58330-1560-63010-1660-67990-1760-73270-1880-78910-2020-84970-2160-91450-2330-100770-2520-110850 (80)**
I	6700-200-7300-220-7960-240-8680-260-9460-280-10300-300-11200-330-12190-360-13270-390-14440-420-15700-450-17050-490-18520-530-20110(40)	I	13000-390-14170-430-15460-470-16870-510-18400-550-20050-590-21820-640-23740-700-25840-760-28120-820-30580-880-33220-950-36070-1030-39160-1110-40270 (40)
II	6900-200-7300-220-7960-240-8680-260-9460-280-10300-300-11200-330-12190-360-13270-390-14440-420-15700-450-17050-490-18520-530-20110-570-20680(40)	II	13390-390-14170-430-15460-470-16870-510-18400-550-20050-590-21820-640-23740-700-25840-760-28120-820-30580-880-33220-950-36070-1030-39160-1110-41380 (40)
III	7100-200-7300-220-7960-240-8680-260-9460-280-10300-300-11200-330-12190-360-13270-390-14440-420-15700-450-17050-490-18520-530-20110-570-21250 (40)	III	13780-390-14170-430-15460-470-16870-510-18400-550-20050-590-21820-640-23740-700-25840-760-28120-820-30580-880-33220-950-36070-1030-39160-1110-42490 (40)
IV	7520-220-7960-240-8680-260-9460-280-10300-300-11200-330-12190-360-13270-390-14440-420-15700-450-17050-490-18520-530-20110-570-21820-610-22430 (40)	IV	14600-430-15460-470-16870-510-18400-550-20050-590-21820-640-23740-700-25840-760-28120-820-30580-880-33220-950-36070-1030-39160-1110-42490-1190-44870 (40)
V	7740-220-7960-240-8680-260-9460-280-10300-300-11200-330-12190-360-13270-390-14440-420-15700-450-17050-490-18520-530-20110-570-21820-610-23040 (40)	V	15030-430-15460-470-16870-510-18400-550-20050-590-21820-640-23740-700-25840-760-28120-820-30580-880-33220-950-36070-1030-39160-1110-42490-1190-46060 (40)
VI	7960-240(2)-8680-260-9460-280-10300-300-11200-330-12190-360-13270-390-14440-420-15700-450-17050-490-18520-530-20110-570-21820-610-23650(40)	VI	15460-470-16870-510-18400-550-20050-590-21820-640-23740-700-25840-760-28120-820-30580-880 -33220-950-36070-1030-39160-1110-42490-1190-46060-1270-47330 (40)
VII	8440-240(1)-8680-260-9460-280-10300-300-11200-330-12190-360-13270-390-14440-420-15700-450-17050-490-18520-530-20110-570-21820-610-23650-650-24950(40)	VII	16400-470-16870-510-18400-550-20050-590-21820-640-23740-700-25840-760-28120-820-30580-880-33220-950-36070-1030-39160-1110-42490-1190-46060-1270-49870-(40)

Grade	EXISTING SCALE - 2010 (Rupees)	Grade	REVISED SCALE - 2014 (Rupees)
VIII	9200-260-9460-280-10300-300-11200-330-12190-360-13270-390-14440-420-15700-450-17050-490-18520-530-20110-570-21820-610-23650-650-25600-700-27000 (40)	VIII	17890-510-18400-550-20050-590-21820-640-23740-700-25840-760-28120-820-30580-880-33220-950-36070-1030-39160-1110-42490-1190-46060-1270-49870-1360-53950 (40)
IX	9460-280-10300-300-11200-330-12190-360-13270-390-14440-420-15700-450-17050-490-18520-530-20110-570-21820-610-23650-650-25600-700-27700(40)	IX	18400-550-20050-590-21820-640-23740-700-25840-760-28120-820-30580-880-33220-950-36070-1030-39160-1110-42490-1190-46060-1270-49870-1360-53950-1460-55410 (40)
X	10020-280-10300-300-11200-330-12190-360-13270-390-14440-420-15700-450-17050-490-18520-530-20110-570-21820-610-23650-650-25600-700-27700-750-29200 (40)	X	19500-550-20050-590-21820-640-23740-700-25840-760-28120-820-30580-880-33220-950-36070-1030-39160-1110-42490-1190-46060-1270-49870-1360-53950-1460-58330 (40)
XI	10900-300-11200-330-12190-360-13270-390-14440-420-15700-450-17050-490-18520-530-20110-570-21820-610-23650-650-25600-700-27700-750-29950-800-31550 (40)	XI	21230-590-21820-640-23740-700-25840-760-28120-820-30580-880-33220-950-36070-1030-39160-1110-42490-1190-46060-1270-49870-1360-53950-1460-58330-1560-63010-(40)
XII	11530-330-12190-360-13270-390-14440-420-15700-450-17050-490-18520-530-20110-570-21820-610-23650-650-25600-700-27700-750-29950 -800-32350-850-33200 (40)	XII	22460-640-23740-700-25840-760-28120-820-30580-880-33220-950-36070-1030-39160-1110-42490-1190-46060-1270-49870-1360-53950-1460-58330-1560-63010-1660-66330 (40)
XIII	11860-330-12190-360-13270-390-14440-420-15700-450-17050-490-18520-530-20110-570-21820-610-23650-650-25600-700-27700-750-29950-800-32350-850-34050 (40)	XIII	23100-640-23740-700-25840-760-28120-820-30580-880-33220-950-36070-1030-39160-1110-42490-1190-46060-1270-49870-1360-53950-1460-58330-1560-63010-1660-67990 (40)
XIV	12550-360-13270-390-14440-420-15700-450-17050-490-18520-530-20110-570-21820-610-23650-650-25600-700-27700-750-29950-800-32350-850-34900-900-35800 (40)	XIV	24440-700-25840-760-28120-820-30580-880-33220-950-36070-1030-39160-1110-42490-1190-46060-1270-49870-1360-53950-1460-58330-1560-63010-1660 -67990-1760-71510 (40)
XV	12910-360-13270-390-14440-420-15700-450-17050-490-18520-530-20110-570-21820-610-23650-650-25600-700-27700-750-29950-800-32350-850-34900-900-36700 (40)	XV	25140-700-25840-760-28120-820-30580-880-33220-950-36070-1030-39160-1110-42490-1190-46060-1270-49870-1360-53950-1460-58330-1560-63010-1660-67990-1760-73270 (40)
XVI	13660-390-14440-420-15700-450-17050-490-18520-530-20110-570-21820-610-23650-650-25600-700-27700-750-29950-800-32350-850-34900-900-37600-970-38570(40)	XVI	26600-760-28120-820-30580-880-33220-950-36070-1030-39160-1110-42490-1190-46060-1270-49870-1360-53950-1460-58330-1560-63010-1660-67990-1760-73270-1880-77030 (40)

Grade	EXISTING SCALE - 2010 (Rupees)	Grade	REVISED SCALE - 2014 (Rupees)
XVII	14860-420-15700-450-17050-490-18520-530-20110-570-21820-610-23650-650-25600-700-27700-750-29950-800-32350-850-34900-900-37600-970-39540 (38)	XVII	28940-820-30580-880-33220-950-36070-1030-39160-1110-42490-1190-46060-1270-49870-1360-53950-1460-58330-1560-63010-1660-67990-1760-73270-1880-78910 (38)
XVIII	15280-420-15700-450-17050-490-18520-530-20110-570-21820-610-23650-650-25600-700-27700-750-29950-800-32350-850-34900-900-37600-970-40510 (38)	XVIII	29760-820-30580-880-33220-950-36070-1030-39160-1110-42490-1190-46060-1270-49870-1360-53950-1460-58330-1560-63010-1660-67990-1760-73270-1880-78910-2020-80930 (38)
XIX	16150-450-17050-490-18520-530-20110-570-21820-610-23650-650-25600-700-27700-750-29950-800-32350-850-34900-900-37600-970-40510-1040-42590 (38)	XIX	31460-880-33220-950-36070-1030-39160-1110-42490-1190-46060-1270-49870-1360-53950-1460-58330-1560-63010-1660-67990-1760-73270-1880-78910-2020-84970 (38)
XX	18030-490-18520-530-20110-570-21820-610-23650-650-25600-700-27700-750-29950-800-32350-850-34900-900-37600-970-40510-1040-43630 (35)	XX	35120-950-36070-1030-39160-1110-42490-1190-46060-1270-49870-1360-53950-1460-58330-1560-63010-1660-67990-1760-73270-1880-78910-2020-84970–2160–87130 (35)
XXI	19050-530-20110-570-21820-610-23650-650-25600-700-27700-750-29950-800-32350-850-34900-900-37600-970-40510-1040-43630-1110-45850 (35)	XXI	37100-1030-39160-1110-42490-1190-46060-1270-49870-1360-53950-1460-58330-1560-63010-1660-67990-1760-73270-1880-78910-2020-84970-2160-91450 (35)
XXII	20680-570-21820-610-23650-650-25600-700-27700-750-29950-800-32350-850-34900-900-37600-970-40510-1040-43630-1110-46960(33)	XXII	40270-1110-42490-1190-46060-1270-49870-1360-53950-1460-58330-1560-63010-1660-67990-1760-73270-1880-78910-2020-84970-2160-91450-2330-93780 (33)
XXIII	21820-610-23650-650-25600-700-27700-750-29950-800-32350-850-34900-900-37600-970-40510-1040-43630-1110-46960-1200-48160(32)	XXIII	42490-1190-46060-1270-49870-1360-53950-1460-58330-1560-63010-1660-67990-1760-73270-1880-78910-2020-84970-2160-91450-2330-96110 (32)
XXIV	23650-650-25600-700-27700-750-29950-800-32350-850-34900-900-37600-970-40510-1040-43630-1110-46960--1200-49360 (30)	XXIV	46060-1270-49870-1360-53950-1460-58330-1560-63010-1660-67990-1760-73270-1880-78910-2020-84970-2160-91450-2330-98440 (30)
XXV	25600-700-27700-750-29950-800-32350-850-34900-900-37600-970-40510-1040-43630-1110-46960--1200-50560 (28)	XXV	49870-1360-53950-1460-58330-1560-63010-1660-67990-1760-73270-1880-78910-2020-84970-2160-91450-2330-100770 (28)
XXVI	27000-700-27700-750-29950-800-32350-850-34900-900-37600-970-40510-1040-43630-1110-46960--1200-51760(27)	XXVI	52590-1360-53950-1460-58330-1560-63010-1660-67990-1760-73270-1880-78910-2020-84970-2160-91450-2330-100770-2520-103290 (27)

Grade	EXISTING SCALE - 2010 (Rupees)	Grade	REVISED SCALE - 2014 (Rupees)
XXVII	29200-750-29950-800-32350-850-34900-900-37600-970-40510-1040-43630-1110-46960-1200-51760-1300-53060 (25)	XXVII	56870-1460-58330-1560-63010-1660-67990-1760-73270-1880-78910-2020-84970-2160–91450-2330-100770-2520-105810 (25)
XXVIII	31550-800-32350-850-34900-900-37600-970-40510-1040-43630-1110-46960-1200-51760-1300-53060 (22)	XXVIII	61450-1560-63010-1660-67990-1760-73270-1880-78910-2020-84970-2160-91450-2330- 100770-2520-105810 (22)
XXIX	34050-850-34900-900-37600-970-40510-1040-43630-1110-46960-1200-51760-1300-54360(20)	XXIX	66330-1660-67990-1760-73270-1880-78910-2020-84970-2160-91450-2330-100770-2520–108330 (20)
XXX	37600-970-40510-1040-43630-1110-46960-1200-51760-1300-54360 (16)	XXX	73270-1880-78910-2020-84970-2160-91450-2330-100770-2520-108330 (16)
XXXI	41550-1040-43630-1110-46960-1200-51760-1300-55660 (13)	XXXI	80930-2020- 84970-2160-91450-2330-100770-2520-110850 (13)
XXXII	44740-1110-46960-1200-51760-1300-55660 (10)	XXXII	87130-2160-91450-2330-100770-2520-110850 (10)

05.19. In the proposed scale the highest is to be assigned to Law Secretary besides Secretaries of Legislature, Additional Secretaries to Government and some Heads of Departments. If the Law Secretary is from Judicial Department, as is the current practice, he will continue to remain in the Scale recommended by the National Judicial Commission and adopted by the States.

CHAPTER – VI
PRINCIPLES OF FITMENT

06.01. One of the terms of reference fixed for the PRC is to examine, as to what extent the existing Dearness Allowance may be merged in the pay as to evolve consequent new set of pay scales merging Dearness Allowance therein and suggest the mode of pay in the revised pay scales. Regarding the merger of Dearness Allowance with the basic pay, the issue has been discussed in the earlier chapter. The revised scales are worked out based on merger of Dearness Allowance with Basic pay and fixation of minimum pay based on certain accepted principles which are discussed earlier. The new master scale is evolved by arriving at the minimum of the scale and the maximum of scale and working out reasonable increments at various stages between. An important aspect of Revised Pay Scales is the 'Fitment' formula for determining the pay of existing employees in the Revised Pay Scales, to confer reasonable monetary benefit on the employees.

06.02. The 1978 Pay Revision Commission recommended for weightage of one increment for every 3 years of service, based on the service rendered by the employees. In subsequent revisions of 1986, 1993, 1999, 2005, 2010 the Commission preferred fixation of a uniform percentage as the criteria for fitment in the Revised Pay Scales as it will spread the advantage evenly for all employees. While recommending the new pay scales, the successive PRCs also took into consideration the financial position of the State Government.

06.03. Major Associations have now represented for percentage of fitment on Basic pay ranging from 40% - 60%. Some of the Associations have represented for service weightage as fitment for determining the pay scales.

06.04. The Telangana Gazetted Officers Central Association in their representation has stated that during the period from 1.7.2008 to 31.7.2013, the accumulated inflation had increased to 104.9% where as the Dearness Allowance sanctioned to State Government employee was just 63.344% and as such there was a loss of more 41.596%. There was another loss of 27.504% in the calculation of Dearness Allowance as it was based on the basket of family living survey conducted in the year 1999-2000 and since them the consumption basket had totally changed and thus the quantum of fitment of 69.10% was essential for the employees to have a comfortable living without financial hardship.

06.05. The A.P. Non-Gazettted Officers Association in their representation has sought for a fitment of 69% on Basic pay on the basis of difference in the rate of inflation between 2012-13 and 2013-14, using the following formula.

i) D.A.as on 1.1.2013 = 54.784%

ii) Fitment required = $\frac{\text{Difference in inflation}}{\text{Average inflation in 2012-13}}$ X D.A on 1.1.2013

$$\frac{1.305}{10.43} \times 54.784 = 68.54 \text{ or } 69\%$$

06.06. The Progressive Recognized Teachers Union, AP(PRTU) in their memorandum has requested for a fitment of 60% on Basic pay by calculating a rise of 58% in the consumer price index from July, 2008 to February, 2013.

06.07. The Government Junior Lecturers Association in their representation has requested for a fitment of 69% on Basic pay by calculating a) a loss of 25% to the employees due to a difference between the accumulated inflation and the Dearness Allowance sanctioned and b) a change in the consumption basket of employees requiring addition of another 43% in Dearness Allowance to fully nullify the existing inflation.

06.08. It is evident from the representation of employees associations that in deciding the percentage of fitment two important factors have to kept in mind viz a) increase in the prices of consumer items and b) change in the consumption pattern and addition of new items of expenditure. While working out the Minimum Pay, the Commission has taken both these factors into account. The price of food and clothing are taken on the basis of market rates prevailing as on 1.7.2013. Additional expenditure of 10% of total expenditure on food and clothing and other miscellaneous items is now incorporated in the Minimum Pay to also provide for new items of expenditure and changing pattern of consumption. Minimum Pay now fixed is, in our view, a realistic assessment of the money that will be required by an employee of initial cadre to maintain himself and his family in reasonable comfort and with due dignity.

06.09. Keeping in view the raise in the quantum of minimum pay, the Commission recommends a fitment of 29% on Basic Pay. The Commission further recommends that the fitment in the revised scale may be made in the following manner:

- **(1) D.A. admissible as on 01/07/2013 i.e., 63.344% may be added to the Basic pay.**
- **(2) 29% of the basic pay may be added to the total of Basic pay + D.A. arrived at (1) above;**
- **(3) The pay of the employees should be fixed in the relevant revised scale at the stage next above the amount arrived at as at (2) above;**
- **(4) If an employee's pay when fixed as above falls short of the minimum in the revised pay scale, it shall be fixed at the minimum of the scale;**
- **(5) If the amount so fixed exceeds the maximum, the excess shall be treated as personal pay and it should be absorbed in future pay increases or in the stagnation increments sanctioned.**

06.10. The Commission recommends that the revised pay scales should come into force from 1.7.2013. As regards giving monetary benefit we deem it appropriate to leave the date from which it would come into effect to the Government keeping in view its resource position and the demands on those resources.