

PRESS NOTE

The Union Cabinet chaired by the Prime Minister Shri Narendra Modi approved the recommendations of the 7th CPC on allowances with some modifications. The revised rates of the allowances shall come into effect from 1st July, 2017 and shall affect more than 48 lakh central government employees.

While approving the recommendations of the 7th CPC on 29th June, 2016, the Cabinet had decided to set up the Committee on Allowances (CoA) in view of substantial changes in the existing provisions and a number of representations received. The modifications are based on suggestions made by the CoA in its Report submitted to Finance Minister on 27th April, 2017 and the Empowered Committee of Secretaries set up to screen the recommendations of 7th CPC.

7th CPC recommendations on Allowances

The 7th CPC had adopted a three-pronged approach in examining a total of 197 allowances which involved an assessment of the need for continuation of each allowance, appropriateness of the set of people covered by the allowance and rationalisation which involved clubbing of allowances with similar objectives. Based on the examination on these lines, the 7th CPC recommended that 53 allowances be abolished and 37 be subsumed in an existing or a newly proposed allowance.

For most of the allowances that were retained, the 7th CPC recommended a raise commensurate with inflation as reflected in the rates of Dearness Allowance (DA). Accordingly, fully DA-indexed allowances such as Transport Allowance were not given any raise. Allowances not indexed to DA were raised by a factor of 2.25 and the partially indexed ones by a factor of 1.5. The quantum of allowances paid as a percentage of pay was rationalised by a factor of 0.8.

A new paradigm has been evolved to administer the allowances linked to risk and hardship. The myriad allowances, their categories and sub-categories pertaining to civilians employees, CAPF and defence personnel have been fitted into a table called the Risk and Hardship Matrix (R&H Matrix). The Matrix has nine cells denoting varying

degrees of risk and hardship with one extra cell at the top named as RH - Max to include Siachen Allowance. Multiple rates applicable to individual allowances will be replaced by two slab rates for every cell of the R&H Matrix.

Modifications approved by the Cabinet

The modifications approved today were finalised by the E-CoS based on the recommendations of the CoA. The CoA had undertaken extensive stakeholder consultations before finalising its recommendations. It had interacted with Joint Consultative Machinery (Staff side) and representatives from various staff associations. Most of the modifications are on account of continuing requirement of some of the existing arrangements, administrative exigencies and to further the rationalization of the allowances structure.

Financial Implications

The modifications approved by the Government in the recommendations of the 7th CPC on allowances will lead to a modest increase of ₹1448.23 crore per annum over the projections made by the 7th CPC. The 7th CPC, in its Report, had projected the additional financial implication on allowances at ₹29,300 crore per annum. The combined additional financial implication on account of the 7th CPC recommendations along with the modifications approved by the Cabinet is estimated at ₹30748.23 crore per annum.

Highlights of Cabinet approval on Allowances

1. Number of allowances recommended to be abolished and subsumed:

Government has decided not to abolish 12 of the 53 allowances which were recommended to be abolished by the 7th CPC. The decision to retain these allowances has been taken keeping in view the specific functional requirements of Railways, Posts and Scientific Departments such as Space and Atomic Energy. It has also been decided that 3 of the 37 allowances recommended to be subsumed by the 7th CPC will continue as separate identities. This has been done on account of the unique nature of these allowances. The rates of these allowances have also been enhanced as per the formula

adopted by the 7th CPC. **This will benefit over one lakh employees belonging to specific categories in Railways, Posts, Defence and Scientific Departments.**

2. House Rent Allowance

HRA is currently paid @ 30% for X (population of 50 lakh & above), 20% for Y (5 to 50 lakh) and 10% for Z (below 5 lakh) category of cities. 7th CPC has recommended reduction in the existing rates to 24% for X, 16% for Y and 8% for Z category of cities. As the HRA at the reduced rates may not be sufficient for employees falling in lower pay bracket, it has been decided that HRA shall not be less than ₹5400, ₹3600 and ₹1800 for X, Y and Z category of cities respectively. This floor rate has been calculated @ 30%, 20% and 10% of the minimum pay of ₹18000. **This will benefit more than 7.5 lakh employees belonging to Levels 1 to 3.**

7th CPC had also recommended that HRA rates will be revised upwards in two phases to 27%, 18% and 9% when DA crosses 50% and to 30%, 20% and 10% when DA crosses 100%. Keeping in view the current inflation trends, the Government has decided that these rates will be revised upwards when DA crosses 25% and 50% respectively. This will benefit all employees who do not reside in government accommodation and get HRA.

3. Siachen Allowance

7th CPC had placed Siachen Allowance in the RH-Max cell of the R&H Matrix with two slabs of ₹21,000 and ₹31,500. Recognizing the extreme nature of risk and hardship faced by officers / PBORs on continuous basis in Siachen, the Government has decided to further enhance the rates of Siachen Allowance which will now go up from the existing rate from ₹14,000 to ₹30,000 per month for Jawans & JCOs (Level 8 and below) and from ₹21,000 to ₹42,500 per month for Officers (Level 9 and above). With this enhancement, Siachen Allowance will become more than twice the existing rates. **It will benefit all the soldiers and officers of Indian Army who are posted in Siachen.**

4. Dress Allowance

At present, various types of allowances are paid for provisioning and maintenance of uniforms/outfits such as Washing Allowance, Uniform Allowance, Kit Maintenance

Allowance, Outfit Allowance etc. These have been rationalised and subsumed in newly proposed Dress Allowance to be paid annually in four slabs @ ₹5000, ₹10,000, ₹15,000 and ₹20,000 per annum for various category of employees. This allowance will continue to be paid to Nurses on a monthly basis in view of high maintenance and hygiene requirements. Government has decided to pay higher rate of Dress Allowance to SPG personnel keeping in view the existing rates of Uniform Allowance paid to them (which is higher than the rates recommended by the 7th CPC) as also their specific requirements. The rates for specific clothing for different categories of employees will be governed separately.

5. Tough Location Allowance

Some allowances based on geographical location such as Special Compensatory (Remote Locality) Allowance (SCRLA), Sunderban Allowance & Tribal Area Allowance have been subsumed in Tough Location Allowance. The areas under TLA have been classified into three categories and the rates will be governed as per different cells of R&H Matrix and will be in the range of ₹1000 - ₹5300 per month. The 7th CPC had recommended that TLA will not be admissible with Special Duty Allowance (SDA) payable in North-East, Ladakh and the Islands. Government has decided that employees will be given the option to avail of the benefit of SCRLA at pre-revised rates along with SDA at revised rates.

6. Recommendations in respect of some important allowances paid to all employees:

- (i) Rate of **Children Education Allowance (CEA)** has been increased from ₹1500 per month / child (max. 2) to ₹2250 per month / child (max.2). Hostel Subsidy will also go up from ₹4500 per month to ₹6750 per month.
- (ii) Existing rates of **Special Allowance for Child Care for Women with Disabilities** has been doubled from ₹1500 per month to ₹3000 per month.
- (iii) **Higher Qualification Incentive for Civilians** has been increased from ₹2000 - ₹10000 (Grant) to ₹10000 - ₹30000 (Grant).

7. Recommendations in respect of some important allowances paid to Uniformed Services: Defence, CAPFs, Police, Indian Coast Guard and Security Agencies

- i. The 7th CPC has recommended abolition of **Ration Money Allowance (RMA)** and free ration to Defence officers posted in peace areas. It has been decided that Ration Money Allowance will continue to be paid to them and directly credited to their account. It will benefit 43000 Defence officers.
- ii. **Technical Allowance (Tier - I & II)** are paid to Defence officers belonging to technical branches @₹3000 per month and ₹4500 per month. 7th CPC has recommended that Technical Allowance (Tier - II) be merged with Higher Qualification Incentive for Defence personnel. In view of the specific requirements of Defence Forces for the Defence personnel to keep pace with changing Defence requirements and technologies, the Government has decided not to discontinue Technical Allowance. The list of courses for these allowances will be reviewed to remain in sync with the latest technical advancements in Defence.
- iii. The facility of one additional free railway warrant (**Leave Travel Concession**) presently granted to personnel of Defence Forces serving in field/high altitude/CI Ops shall also be extended to all personnels of CAPFs and the Indian Coast Guard.
- iv. Rates of **High Altitude Allowance** granted to Defence Forces and CAPF personnel will be governed by the R&H Matrix. The rates will go up from ₹810 - ₹16800 per month to ₹2700 – ₹25000 per month.
- v. **Field Area Allowances** are granted to Indian Army, Air Force & CAPF personnel. The rates of Field Area Allowances (Modified Field, Field & Highly Active) will be governed by the R&H Matrix. The rates will go up

from ₹1200 - ₹12600 per month to ₹6000 - ₹16900 per month. Classification of field areas for this allowance will be done by Ministry of Defence for Defence personnel and by Ministry of Home Affairs for CAPFs.

- vi. The rates of **Counter Insurgency Ops (CI Ops) Allowance**, granted to Defence and CAPFs while deployed in counter – insurgency operations will be governed by the R&H Matrix. The rates will go up from ₹3000 - ₹11700 per month to ₹6000 – ₹16900 per month.
- vii. Rates of **MARCOS and Chariot Allowance** granted to marine commandos of Indian Navy will be governed by the R&H Matrix. The rates will go up from ₹10500 - ₹15750 per month to ₹17300 – ₹25000 per month.
- viii. Rates of **Sea Going Allowance** granted to personnel of Indian Navy will be governed by the R&H Matrix. **The twelve hour conditionality for determining the eligibility of Sea Going Allowance has been reduced to four hours.** The rates will go up from ₹3000 - ₹7800 per month to ₹6000 – ₹10500 per month.
- ix. Rates of **Commando Battalion for Resolute Action (COBRA) Allowance** granted to CRPF personnel deployed in Naxal hit areas will be governed by the R&H Matrix. The rates will go up from ₹8400 - ₹16800 per month to ₹17300 – ₹25000 per month.
- x. Rates of **Flying Allowance** granted to flying branch and technical officers of Defence Forces will be governed by the R&H Matrix. The rates will go up from ₹10500 - ₹15750 per month to ₹17300 – ₹25000 per month. It has been extended mutatis mutandis to BSF Air Wing also.

- xi. Rates of **Higher Qualification Incentive for Defence Personnel** have been increased from ₹9000 – ₹30000 (Grant) to ₹10000 – ₹30000 (Grant).
- xii. **Aeronautical Allowance**, presently paid to personnel of Indian Navy, has been extended to Indian Coast Guard. The rate of this allowance has been increased from ₹300 per month to ₹450 per month.
- xiii. Rates of **Test Pilot and Flight Test Engineer Allowance** will be governed by the R&H Matrix. The rates will go up from ₹1500 / ₹3000 per month to ₹4100 / ₹5300 per month.
- xiv. Rates of **Territorial Army Allowance** have been increased from ₹175 - ₹450 per month to ₹1000 - ₹2000 per month.
- xv. Ceilings of **Deputation (Duty) Allowance for Defence Personnel** have been increased from ₹2000 - ₹4500 per month to ₹4500 - ₹9000 per month.
- xvi. Rates of **Detachment Allowance** have been increased ₹165 - ₹780 per day to ₹405 – ₹1170 per day.
- xvii. Rates of **Para Jump Instructor Allowance** have been increased from ₹2700/3600 per month to ₹6000 / 10500 per month.
- xviii. **Special Incident / Investigation / Security Allowance** has been rationalized. Rates for Special Protection Group (SPG) have been revised to 55% and 27.5% of Basic Pay for operational and non – operational duties respectively.

8. Recommendations in respect of some important allowances paid to Indian Railways

- i. Rates of **Additional Allowance** have been increased from ₹500 / 1000 per month to ₹1125 / 2250 per month. This has also been extended to Loco Pilot Goods and Senior Passenger Guards also @₹750 per month.
- ii. In view of strenuous nature of the job, new Allowance namely **Special Train Controller's Allowance** @5000 per month for Train Controllers of Railways has been introduced.

9. Recommendations in respect of some important allowances paid to Nurses & Ministerial Staffs of Hospital

- i. Existing rate of **Nursing Allowance** has been increased from ₹4800 per month to ₹7200 per month.
- ii. Rate of **Operation Theatre Allowance** has been increased from ₹360 per month to ₹540 per month.
- iii. Rates of **Hospital Patient Care Allowance / Patient Care Allowance** have been increased from ₹2070 - ₹2100 per month to ₹4100 – ₹5300 per month. 7th CPC recommendations modified to the extent that it will be granted to Ministerial staff also.

10. Recommendations in respect of some important allowances paid to Pensioners

- i. Rate of **Fixed Medical Allowance (FMA)** for Pensioners has been increased from ₹500 per month to ₹1000 per month. This will benefit more than 5 lakh central government pensioners not availing CGHS facilities.
- ii. The rate of **Constant Attendance Allowance** granted on 100% disablement has been increased from ₹4500 per month to ₹6750 per month.

11. Allowances to Scientific Departments

- i. The recommendations of 7th CPC to abolish **Launch Campaign Allowance** and **Space Technology Allowance** has not been accepted. In order to incentivize the supporting employees in Space and Atomic Energy sector, the rate of Launch Campaign and Space Technology Allowance has been increased from ₹7500 per annum to ₹11250 per annum. **Professional Update Allowance** for non-gazetted employees of Department of Atomic Energy will also continue to be paid at the enhanced rate of ₹11250 per annum.
- ii. The 7th CPC had placed **Antarctica Allowance**, paid to the Scientists and other members undertaking the expedition to Antarctica under the Indian Antarctic programme, in the RH-Max Cell of the R&H Matrix. The rates of the RH-Max Cell recommended by the 7th CPC were less than the existing rates of Antarctica Allowance which is currently paid on per day basis. Considering the specific nature of these expeditions and to provide appropriate increase in rates, Government has decided to keep Antarctica Allowance out of the R&H Matrix and the allowance will continue to be paid on per day basis as per existing practice. The Rates of Antarctica Allowance will go up from ₹1125 per day (Summers) and ₹1688 per day (Winters) to ₹1500 per day (Summers) and ₹2000 per day (Winters).

12. Allowances paid to D/o Posts

- i. The recommendations of 7th CPC to abolish **Cycle Allowance**, granted mainly to Postmen and trackmen in Railways, has not been accepted. Keeping in view the specific requirement of this allowance for postmen in Department of Posts and trackmen in Railways, the cycle allowance is retained and the rates have been doubled from ₹90 per month to ₹180 per month. This will benefit more than 22,200 employees.

Conclusion

While increasing the rate of allowances affecting the central government employees, especially the Defence, CAPF and Coast Guard personnel, the staff of Railways, Postal department and nursing staff, the total number of allowances have been rationalized from 197 to 128. Thus, the Government has shown a great deal of fiscal prudence and at the same time addressed the genuine concerns of the employees and responded to some of the administrative exigencies necessitating the modifications.