

PART II

**OPTIMISING
GOVERNMENT STAFF STRENGTH
-SOME GENERAL ISSUE**

OPTIMISING GOVERNMENT STAFF STRENGTH - SOME GENERAL ISSUES

The Fifth Central Pay Commission's recommendations, taken in their entirety, seek to transform the style of governance in the country towards a modern, non-feudal, honest, professional and citizen friendly one. Their new charter for the central government visualises a change in the perceived role of the government, increased delegation of authority to other levels of government, and transfer of many functions to the non-government sector. The entire gamut of central government functioning on the civilian side is to be examined de novo and redetermined in the light of three key criteria:

- (i) Does this need to be done;
- (ii) Does this need to be done by government; and
- (iii) Does this need to be done by the central government

To this list, the Expenditure Reforms Commission would add one more criterion viz. if it is to be done by the central government, which ministry/ department/ organisation is best suited for doing it.

2. The Fifth Central Pay Commission expected this process to lead to the abolition of some ministries and departments and to a drastic reduction in the size of the others. While a number of examples of such likely downsizing have been cited, the Report does not go into the details of the downsizing of functions and staff strength in each organisation. The Commission has however, taking a total picture recommended, as far as the total number of civilian posts are concerned, a 30% across the board cut, over a ten year frame @ 3% per annum, roughly equivalent to the number expected to retire each year. As part of the overall package, they have also recommended that all vacant posts, numbering over 3.5 lakh be abolished and, that there should be a total freeze on fresh recruitments in the categories of supporting and auxiliary staff and a reduction in the intake in all services that operate at the level of executives and supervisory staff. The package further includes a statutory ceiling to be enacted on total sanctioned posts in the central government, appropriate packages for compulsory retirement, voluntary retirement, golden hand shake scheme etc.

3. According to the Fifth Central Pay Commission, that the government itself has been self-conscious of this need and has been taking necessary action to contain the total work force size even from the earlier years, is evident from the fact that while the total number of sanctioned posts increased by 71.7% between 1957 and 1971, the growth rate came down sharply to only 27% between 1971 and 1984 and

further down to 10.3% between 1984 and 1994. This inference is based on the statistics set out in the Appendix to the volume I of the Expenditure Budget brought out every year. The budget documents for the subsequent years - 1994 to 2000 - show that the growth rate has further gone down to 2.4% in this six years period. If one allows for the fact that during the last fifteen years, there has been a substantial increase in the police forces as well as in some ministries like Information & Broadcasting where there has been a vast expansion in the field network, then it would appear that there has been a good measure of success in containing the growth in staff strength in most other wings of the government during this period, a containment achieved less through a conscious examination of functions with a view to reducing/abolishing these, than by measures like freeze on fresh recruitment, difficult procedures adopted for filling up of vacancies, adhoc cuts in posts from time to time and so on. All these measures reflect the growing concern that a large staff strength tends to pre-empt scarce resources and also slow down expeditious processing and thus impede quick decision-making.

4. The picture however changes considerably, and the extent of containment gets diluted, when two factors are taken into account. The first is the extent of automation that has taken place in most offices in the last two decades. The information technology revolution has indeed dramatically reduced the workload in very many areas. Just to illustrate, the budget printing now takes much less time than ten years ago, while the storage and retrieval of data relating to provident fund accounts can be handled by a much smaller number of officials, than in the earlier decades. Use of personal computers, E-mail and fax facilities and networking has not only considerably reduced the communication and correspondence time but also reduced the workload in typing and copying. Gone are the days when the preparation of a twenty page note with corrections and revisions at two or three levels in the hierarchy, necessitating taking of clean copies at each stage and in the end cutting the stencil and using a gestetner machine or laboriously photocopying the pages. Most offices already have all these equipments. As more and more officials become proficient in using these facilities, the number of officials required in these activities would go down considerably.

5 The second development is the creation of a large number of autonomous bodies and also delegating more and more powers to these organizations in various matters including creation of posts and making appointments. A study carried out last year places the number of autonomous organizations at 301 and their total budget at over Rs. 8,000 crore. Though details of the number of officials engaged in each of these organizations are not readily available, it is a safe guess that a good part of the budget is spent on salaries. In other words, the total number employed in these organizations will be quite large. A quick back of the envelop calculation, in respect of autonomous organizations in three areas viz. agriculture, human resource development

and health & family welfare shows an increase in the budget of these organizations from Rs.1,300 crore to over Rs. 6,200 crore in the last ten years. Thus, in this ten year period alone there would have been a substantial increase in the staff strength of these organizations. But, the financial allocations to most of these organizations figures in the budget is a single entry - "grants" -. In the absence of the detailed break up into items like salary etc, the staff strength of such organizations is not included in the statements relating to the ministry wise staff strengths and pay and allowances statement in the Expenditure Budget documents. If the increase in the staff strength of these autonomous organizations were also taken into account, then the growth rate of the total central government civilian staff strength would be much, higher than the percentages set out earlier.

6. The picture also changes dramatically when one looks at the total salary bill. Thanks to the last pay revision and half-yearly dearness allowance increases, the total 'civilian' salary bill (not including the expenditure on traveling allowance) of the central government has gone up from Rs.18,094 crore in the Budget Estimate for 1996-97 (this was before the impact of the pay revision) to Rs.32,843 crore, in the Budget Estimate for 2000-2001 i.e. an increase of Rs.14,749 crore. As the central government pay scales act as the bench mark for similar pay revision in the states and public sector undertakings, the total additional annual salary bill, over this four year period, for the over 20-21 million officials, in the central and state governments, public sector undertakings, local bodies and aided institutions would work out to a whopping Rs.70,000 crores. If one takes into account the pension payments that have registered a three-fold increase during this four year period, the increase will be much larger. No wonder some states are finding it difficult even to meet the salary bill while many others are left with very little resources, after meeting the wage bill and other non plan expenditure like interest etc., for investment requirements, human resources development or poverty alleviation. As the Centre will have to necessarily step in to bail out these states sooner or later, the Centre's own financial position will be seriously threatened.

7. Thus, a drastic downsizing of the government staff strength becomes necessary not only for securing modern and professional governance as visualised by the Fifth Central Pay Commission, but also to ensure that the burgeoning salary bill does not pre-empt scarce resources, that could otherwise be applied to priority areas like infrastructure development, human resource development and poverty alleviation.

8. The Expenditure Reforms Commission has so far taken up for study the functions and activities of more than 20 ministries/departments/organisations of the Government of India. While it may take a little time to complete these studies, it is already becoming evident that there is enormous scope for abolishing/reducing

functions and activities, leading to reduction in the staff complement required. Spelling out clearly the lines on which action should be taken for dealing with personnel rendered surplus due to abolition/reduction of functions and activities thus becomes a pre-requisite. Equally important is ensuring that the problems do not get aggravated through creation of new posts, filling up of vacancies, etc. which would result in further increase in staff strength.

9. Suggestions for rationalising staff strength and also how the issue of surplus personnel should be tackled are set out in the succeeding paragraphs.

- (i) In order to bring about fiscal prudence and austerity, government imposed a 10% cut across the board in the number of sanctioned posts as on 1st January, 1992. Instructions were also issued in January, 2000 directing a 10% reduction in the number of posts created between January, 1992 to December, 1999. The Expenditure Reforms Commission would recommend a further 10% cut in the sanctioned strength of staff as on 1.1.2000 to be carried out by each ministry/department by the year 2004-2005. In the process, ministries/departments may (a) go into the prevailing organizational structure; (b) keep in view the changing work load in each division/wing/ branch; (c) identify areas which are amenable to computerization; and (d) effect reorganization where considered necessary so as to achieve the prescribed percentage cut by 2004-2005. This would provide a certain flexibility to departments in determining posts required at various levels keeping in view functional requirements. While the above would result in appropriately rationalizing the organizational structure, it would also substantially reduce the need for additional direct recruitment. The Commission feels that there is a need to regulate and monitor the scale of direct recruitment in each department so that there is an additional check on the growth of government work force. For this purpose, the Expenditure Reforms Commission recommends that each ministry/department should prepare annual direct recruitment plans covering the requirements of all cadres, whether managed by that ministry/department itself, or managed by the Department of Personnel and Training (DOPT) etc. The task for preparing annual recruitment plans should be undertaken in each ministry/department by a screening committee headed by the secretary of that ministry/department and one senior representative each of the Department of Personnel and Training and the Department of Expenditure with the Financial Adviser concerned acting as the member secretary of the committee. The association of the Department of Personnel and Training would ensure that the recruitment plan drawn up for each Ministry/

Department also reflects fully the concerns of the centralized cadres administered by Department of Personnel and Training etc., while the association of the Department of Expenditure will enable them to ensure that these recruitment plans take into account the instructions issued from time to time by way of effecting economy in expenditure. While the annual recruitment plans for groups B, C and D could be cleared by this Committee itself, in the case of Group 'A' Services, the annual recruitment plan should be cleared by a committee headed by Cabinet Secretary with secretary of the department concerned, Secretary (DOPT) and Secretary (Expenditure) as members. This procedure should result in the direct recruitment being kept at the minimum. The Expenditure Reforms Commission hopes that the direct recruitment would not exceed 25% of the total vacancies in the year.

- (ii) There has also to be a total ban on creation of new posts, at least for a two year period. The Commission notes that a number of new departments, and autonomous organizations have been created in recent years and a number of commissions set up in recent years. In each case there has been creation of a number of fresh posts. Considering the general perception that there is a large excess staff at almost all levels, the Expenditure Reforms Commission would recommend a total ban on creation of new posts for a two year period, whether required in an existing organization or in a new organization. All such special requirements should be met by lateral transfer of identical level posts (with officials) from the existing ministry/departments/organisations.
- (iii) Once a function or activity is declared as wholly or partly unnecessary and some personnel are identified as surplus, the question arises as to how such surplus personnel are to be dealt with. A scheme for redeployment of surplus staff has been in operation in Government of India since 1966. The work relating to redeployment and readjustment of surplus officials belonging to Group A, B and C is handled by the Central (Surplus Staff) Cell located in the Department of Personnel and Training, while that relating to Group D staff is handled by the Director General of Employment & Training (DGET) of the Ministry of Labour. Till 1989, there was a provision for compulsory retirement of all those surplus officials who neither opted for voluntary retirement nor could be redeployed within six months of being declared as surplus. This provision was discontinued in that year. So far, of the 9214 Group A, B and C officials accepted in the Central Cell, 8662 are reported to have been redeployed, 72 retrenched or resigned, 235 retired voluntarily or on superannuation, while 245 are

still on the list of surplus personnel awaiting redeployment. Of the 6211 Group D personnel declared surplus, 563 were subsequently withdrawn from the Special Cell, (possibly, reabsorbed in the parent departments), and 5559 placed/nominated in alternate jobs, leaving only 89 still awaiting redeployment as at the end of June, 2000. Considering that the number of officials likely to be found surplus consequent on the present exercise of downsizing of functions and activities will be on a much larger scale than the cumulative figures of surplus personnel for the last 34 years, the Expenditure Reforms Commission would suggest the following:

- (a) When a decision is formally taken that a function/activity is unnecessary and therefore could be discontinued, the concerned ministry/department/organisation should be given a maximum time limit of one month to wind up that function/activity. This period should be utilised for an orderly phasing out of all current work and for transferring of files and permanent records to other wings of the organisation designated for this purpose.
- (b) At the end of this one month period, the personnel declared surplus along with their service records should be transferred to the Surplus Cell, to be re-designated as the Division for Retraining and Deployment, which will be responsible not only for re-training and redeployment but also for payment of salaries and allowances, retirement benefits, etc. to these personnel. However, at these centres, where the number of surplus personnel is quite small, the present practice of the surplus personnel drawing their salaries from their erstwhile parent organisation could be continued, even as their retraining/redeployment, consideration of voluntary retirement etc. would be processed by the Division of Retraining and Redeployment at New Delhi.
- (c) All surplus personnel could be made eligible for the more liberal Voluntary Retirement Scheme as recommended by the Fifth Central Pay Commission, with the modifications as suggested by this Commission in Para 9(iv). This option would need to be exercised within three months of the transfer to the Division of Retraining and Deployment. For those who do not opt for the more liberal voluntary retirement scheme, the Division of Retraining and Redeployment would make all efforts for retraining and redeployment. Appropriate retraining programmes would need to be drawn up in advance to meet the requirements of different categories of surplus personnel. As far as the redeployment of Group A and B officials are concerned,

the Department of Personnel should examine whether the flexibility already enjoined on the UPSC in favourably considering appointment of these officials against vacancies under their consideration, cannot be enhanced further.

- (d) All surplus personnel who neither opt for the more liberal Voluntary Retirement Scheme within the first three months period nor could be redeployed within a period of one year would be discharged from service at the end of that period under the existing service rules. Whereas till 1989, such discharge was to be enforced at the end of six months period, the Expenditure Reforms Commission deliberately recommends a larger period i.e. one year, with a view to maximising the opportunities for retraining and redeployment of the surplus personnel.
 - (e) Considering the magnitude of the problem, it would be desirable to bring in Group D personnel also under the purview of the above Division of Retraining and Redeployment in the Department of Personnel & Training rather than leave this task with the DGET. Officials with experience in formulating and conducting training programmes and having a humane attitude in dealing with the problems on hand, should be appointed to the various positions in the proposed Division.
- (iv) The Fifth Central Pay Commission has recommended a more liberal Voluntary Retirement Scheme for those who are declared surplus, and in whose case the separation from government cannot therefore be considered voluntary. The Expenditure Reforms Commission finds the package recommended by the Fifth Central Pay Commission quite an attractive one. The Expenditure Reforms Commission would however suggest two modifications. The first relates to the option to be given to the official concerned to opt for full commutation. At one level, this could result in an official concerned spending the entire moneys that he receives within a short time and becoming a problem again for society and the government. At another level, where an official aged say 40, opts to retire with full commutation, under the present dispensation, that person would become eligible for the full pension even before the year of retirement in the normal course. The Expenditure Reforms Commission would therefore recommend that the proportion of pension to be commuted should be the same as that for officials who retire in the normal course. The second relates to the option to be given to the officials concerned in regard to the ex-gratia amount to be given in proportion to

the number of years of service put in or still left. The Expenditure Reforms Commission would advise against the lump sum option and recommend that the ex-gratia amount be made available in monthly instalments over a five year period.

- (v) As recommended by the Fifth Central Pay Commission, Group A officials opting for the more liberal Voluntary Retirement Scheme may be exempted from the two-year restriction on accepting commercial employment.
- (vi) In all cases, where there is a separation by way of liberal Voluntary Retirement Scheme, the same order should also stipulate the abolition of the resultant vacant posts as well.

10. **SUMMARY OF RECOMMENDATIONS**

- (1) A cut of 10% of the staff as on 1.1.2000 to be carried out by the year 2004-2005.
- (2) A screening committee consisting of secretary of the concerned ministry, a representative of DOPT and a representative of Department of Expenditure should prepare annual direct recruitment plan for all cadres, with the approval in respect of group A posts, being accorded by a committee consisting of the Cabinet Secretary, concerned secretary, Secretary (DOP&T) and Secretary (Expenditure).
- (3) There should be a total ban on creation of new posts for two years.
- (4) Staff declared surplus should be transferred to the Surplus Cell to be re-designated as the Division of Retraining and Deployment, who will pay their salary, retirement benefits etc. In these centres, where the number of surplus staff is quite small, the present practice of the parent organizations making these payments may be continued.
- (5) Surplus staff should be made eligible for a liberal Voluntary Retirement Scheme recommended by the Fifth Central Pay Commission with the exception that commutation entitlements will be as at present and the ex-gratia amount will be paid in monthly installments covering a five year period.
- (6) Those who do not opt for Voluntary Retirement Scheme and are not redeployed within one year will be discharged from service.
- (7) Redeployment of Group D will be handled by DOPT and not DGET.
- (8) Group A official opting for Voluntary Retirement Scheme will not be required to seek approval for commercial employment after retirement.

Extract of the Report of the Fifth Central Pay Commission relating to workforce size control and voluntary Retirement are given at Appendix.

Extracts of the Report of the Fifth Central Pay Commission

27

Workforce Size Control

INTRODUCTION

27.1 Optimization of the Government machinery, rightsizing of Government, work-force size control - these are various facets of the same problems. It must have been noticed that reduction in the overall size of the bureaucracy is the underlying idea behind all the civil services reforms that we have advocated in the preceding chapters. **Here we would like to gather all the threads and describe the overall strategy in clear-cut terms.**

OVERALL STRATEGY

27.2 We would like to divide the overall strategy into four main sections as under:

Reduction in quantum of work

a) Suggestions that will lead to reduction in the quantum of work left with the Central Government. We have to:

- i) Ascertain tasks that need not be done by Government
- ii) Pass on tasks to State Governments
- iii) Transfer certain tasks to corporate entities in public sector
- iv) Contract out tasks to the private sector
- v) Transfer some entities to the cooperative section
- vi) Convert some institutions into autonomous bodies

Reduction due to organizational restructuring

b) Suggestions that will lead to reduction in number of organizational employees required, because of organisational restructuring. These include:

- I) Reduction in number of Ministries and Departments
- II) Introduction of officer-oriented system in Government
- III) Dellayering and level-jumping
- IV) Multiskilling

Reduction due to induction of technology

c) Suggestions that will reduce the necessity for so many employees due to induction of technological change in Government. These include:

- i) Computerization
- ii) Office automation
- iii) Creation of a paperless office
- iv) Changes in office systems and file management

Rightsizing strategies

d) Rightsizing strategies that will enable Government to shed some fat. These include:

- i) Abolition of vacant posts
- ii) Freeze on recruitment
- iii) Across the board cut
- iv) Statutory control on creation of new posts
- v) Voluntary retirement
- vi) Compulsory retirement

27.3 The items at (a) to (c) have already been covered elsewhere. In this chapter, we will concentrate on rightsizing under item (d).

ABOLITION OF VACANT POSTS***Number of vacant posts***

27.4 Currently, there are around 3.5 lakh posts vacant in Government. Some of these have been vacant for some time and there has possibly been no deterioration in Government's functioning because of the vacancies. In fact, certain areas might have improved because a few posts are vacant. Even today, the instructions of the Government lay down that if a post has remained vacant for more than a year, the post is deemed to have been abolished.

Our recommendations

27.5 **We recommend that Government abolish these 3.5 lakh posts at one stroke,** unless in some particular case Government feels otherwise. Various arguments will naturally be brought up against such a course of action. Posts fall vacant due to various reasons. They remain vacant due to other, very cogent reasons. None of these reasons are possibly the fault of the administrative department. As such, they should not be made to suffer.

Strategy for abolition

27.6 It may also be pleaded that vacancies arise at different levels. If at all such vacant posts are to be abolished, Ministries should be allowed to fill up the higher posts and only the posts at the lowest level where fresh direct recruitment is to take place should be abolished. This would ensure that promotions to higher posts are not retarded due to abolition of posts.

Abolition based on functional considerations?

27.7 Another argument could be that abolition, like creation, should be a conscious decision based on functional considerations and it should be resorted to only if a surplus is identified after a proper work study.

The arguments are faulty

27.8 All these lines of reasoning proceed from a central assumption which is faulty. It is being assumed that more people make an organization efficient. Once we understand that we have too many employees in Government, reduction in numbers will be seen as an attempt to reduce the crowd. People will welcome it as a step in the right direction. Secondly, experience has shown that work studies often lead to recommendations for additional staff due to the counter-strategies for inflation of workload adopted by the existing staff. If we wait for work studies to identify surpluses, we may have to wait indefinitely. As far as promotion prospects are concerned, we cannot make an omelette without breaking some eggs. Whenever downsizing initiatives are undertaken, someone will be hurt. That is why we are introducing the Assured Career Progression Scheme as an antidote, so that people do not at least suffer financially.

No arguments to be allowed

27.9 **We, therefore, recommend that no arguments should be allowed against the decision to abolish the existing vacant posts.**

FREEZE ON RECRUITMENT

Current status of fresh recruitments

27.10 It would be of no use abolishing the vacant posts, if further recruitment goes on merrily, without any brakes being applied. It is reported that currently around 70,000 posts are filled up every year. Obviously, most of these are at the level of supporting and auxiliary staff.

Total freeze suggested at some levels

27.11 Our basic thesis is that we are holding too much manpower at the level of supporting and auxiliary staff and that we should move towards an officer-oriented organisational structure. **This can only be achieved if a total freeze on**

fresh recruitment of manpower in the categories of supporting and auxiliary staff is applied.

Reduction in intake at other levels

27.12 As regards the executives and supervisory staff, the fresh recruitment cannot be stopped, as this would result in cadres that are twisted out of shape. Government has already brought down the fresh intake into the IAS, IRS and other services. **The reduction in intake has to be applied in all services that operate at the level of executives and supervisory staff.**

ACROSS THE BOARD CUT

27.13 The next step is to frame a ten-year manpower plan. **If we have to plan for a 30% cut across-the-board within a time frame of ten years, it would amount to 3% reduction in manpower levels every year.** As this is the normal attrition rate due to retirements, deaths, resignations etc., a total freeze on fresh recruitment alone can achieve the 30% reduction within ten years. To the extent that fresh recruitments are made, as in the cadres on executives and supervisory staff, recourse may have to be had to other methods of reducing manpower levels.

STATUTORY CONTROL ON CREATION OF NEW POSTS

27.14 There is a tendency on the part of departments to send proposals for creation of new posts for any additional schemes that they may be called upon to implement. It is rare for a Secretary or Head of Department to figure out ways and means of dovetailing the scheme in the job list of existing functionaries. Resultantly, even if some jobs are cut, we are back at square one if an equivalent number of fresh jobs are created in the meantime. This has been the fate of all the 10% cuts that are ordered, sometimes by the Ministry of Finance, sometimes by the Prime Minister. Parkinson's Law operates, inviolate.

27.15 One method adopted elsewhere in the world is to have a statute on number of posts sanctioned in all Ministries and Departments of Government. This number then acts as the ceiling beyond which no one can raise the number of sanctioned posts without approaching Parliament for an amendment of the Act. **We recommend that such a Ceiling on Sanctioned Posts Act be got enacted by the Government.**

VOLUNTARY RETIREMENT

27.16 We have in a separate chapter enunciated our concept of voluntary retirement. Two kinds of schemes are envisaged. The normal procedure for voluntary retirement after completing 20 years of service is to be continued. Over and above this, a special scheme of voluntary retirement can be started in any department where surplus manpower has been identified. In such a scheme, there will be provision for

selective retirement of persons, the initiative always resting with the Government, and for a golden handshake. **It is hoped that such schemes will be made use of, in order to render it easier for people to tide over the difficult period of unemployment following the operation of redundancy procedures.**

COMPULSORY RETIREMENT

27.17 Compulsory retirement is not exactly tuned in to the rightsizing of government. In fact, the accent here is on getting rid of people who are either incompetent or lacking in integrity. **But it is possible to launch campaigns for retirements of compulsory nature in departments where redundancies have been noticed.**

INCENTIVES FOR RIGHT-SIZING

Savings can be diverted

27.18 It is also possible to conceive of in building incentives for rightsizing of departments. One idea has been floated by us in the context of manpower levels in the armed forces. It has been suggested that long-term perspectives on defence budget allocations be approved by the Ministry of Finance, with the proviso that **if the Chiefs are able to save on manpower-related expenditure the savings can be used on other expenditure of their choice**, say, for purchase of equipment. **A similar incentive can be offered to all Secretaries and Heads of Departments. This would be a one-way valve. Only savings on manpower-related expenses can be diverted to other productive uses. The reverse would not be permissible.**

Incentives out of savings

27.19 Another variant on the same theme is the idea that in case a group of persons working in a team are asked to reduce the size of the team, **a certain percentage of the saving on manpower-related expenditure can be distributed among the remaining members of the team, provided that the reduction in team size is made permanent through abolition of the post and all the production or service targets are fulfilled in time.**

No awards without savings

27.20 **Awards, Rewards, Prizes etc. could be made contingent on having achieved a certain minimum reduction in the manpower of the organization headed by person concerned.**

CONCLUSION

27.21 It is our firm belief that if an atmosphere for rightsizing is created right from the top, very soon we can achieve the optimum size of the Government machinery. **Some detailed strategies for individual sectors are outlined in the next few chapters.**

Voluntary Retirement

INTRODUCTION

Two-pronged strategy

129.1 Currently, we already have a procedure for voluntary retirement. In the context of economic liberalization and the need for rightsizing the Government machinery, the question of liberalizing the provisions of the present Voluntary Retirement Scheme (VRS) arose. After considerable thought, and considering the report of M/s Noble & Hewitt, our consultants on the subject, **the Commission has evolved a two-pronged strategy on voluntary retirement as under:**

- (a) **Retain the existing VRS as it is, on a regular year-round basis to take care of those who want to leave Government service of their own volition.** Here the assumption is that they have weighed the pros and cons of their decision and have already lined up a job in all probability. For them, the normal provisions would be adequate.
- (b) **Evolve a new special short-term Golden Handshake Scheme only for those who are identified by Government as surplus.** Here it is the Government which is taking the painful decision of sending such employees home, although there may be no fault of theirs. To ease the position, special provisions are necessary.

129.2 We first consider the present provisions relating to Voluntary Retirement and the demand and issues pertaining thereto.

HISTORICAL BACKGROUND

Provisions in Rules

129.3 The scheme of Voluntary Retirement for Central Government employees was first introduced in 1977 through executive instructions. It was given a statutory backing by introduction of Rule 48-A in the CCS (Pension) Rules in November, 1978. Under the Scheme, a Government servant who has completed not less than 20 years of qualifying service may seek voluntary retirement by giving a notice of not less than 3 months in writing to the appointing authority. Retirement under this rule is on a voluntary basis, the initiative resting with the employee. The Government does not have the right to retire the employee at this stage.

129.4 Provisions providing for premature retirement are also contained in Rule

48(I)(a) of Central Civil Service (Pension) Rule. A Government servant can under this Rule, seek retirement at any time after completion of 30 years of qualifying service. Rule 56(k) of fundamental Rules provides for premature retirement by a Group 'A' or 'B' officer on his attaining the age of 50 years, provided he had entered Government service before attaining the age of 35 year and in all other cases after attainment of the age of 55 years. The Government also has a corresponding right to retire a Government servant in public interest under Rule 48(I)(b) and FR 56(j), but this is a kind of punishment and we have dealt with compulsory retirement in our Chapter on Service Matters.

Weightage in service

129.5 Initially, a weightage of five years in qualifying service was admissible in cases of voluntary retirement under Rule 48-A. This was subject to the condition that the total qualifying service after the weightage did not exceed 30 years and it did not take an employee beyond the normal date of his superannuation. Subsequently, however, the position was liberalized and the weightage of five years has been given in all cases of voluntary retirement covered by Rule 48(I) (a) and Rule 48-A of CCS (Pension) Rules and Rule 56(k) of the Fundamental Rules. The limit of 30 years was also raised to 33 years. The benefit of weightage is, however, not admissible in cases where a Government employee is retired compulsorily by the Government in public interest.

MAJOR ISSUES AND OUR RECOMMENDATIONS

Reduction in qualifying service for voluntary retirement

129.6 It has been urged before the Commission that the qualifying service for seeking voluntary retirement should be reduced from the existing 20 years to 15 or 10 years. Some employees have pleaded that they be permitted to retire after 15 years of service or on completion of 50 years of age irrespective of the fact that they had entered Government service before attaining the age of 35 years.

Our recommendations

129.7 Similar requests had been examined by the first three Pay Commissions, who chose not to recommend any special provisions for early retirement. The existing rules which permit voluntary retirement after 20 years of service or on attaining 50/55 years of age already provide an opportunity to those who do not wish to continue in service. Any further reduction in the period of service for voluntary retirement is likely to create difficulties in the retention of trained manpower in Government, besides casting upon Government the liability to pay a life-long pension to the employee and his family after his death. Any employer, including the Government, expects an employee to render service for a reasonable period before entering into a commitment for the payment of a life-long pension and family pension on a liberal scale. There is also no justification

for allowing different periods of qualifying service for seeking voluntary retirement in case of outstanding sportsmen, women employees, Groups 'A' and 'B' officers or employees posted in remote areas as has been demanded. Taking an overall view of the matter, **the existing provisions providing for voluntary retirement are adequate and do not call for any modification.**

Increase in weightage of qualifying service

129.8 It has been urged that the weightage in qualifying service on voluntary retirement should be raised from 5 years to 10 or 15 years. Also that the weightage of 5 years in qualifying service may be allowed to those who sought voluntary retirement prior to 10.9.1983.

Our recommendations

129.9 the present provisions relating to voluntary retirement are considered to be quite reasonable and adequately compensate those desirous of quitting government service for whatever reasons. **Any further liberalization of these provisions would not appear to be justified.** As regards the extension of **weightage of 5 years in qualifying service** to those who retired prior to 10.9.1983, benefits improving the conditions of service of government employees **should logically be extended only prospectively from a date** to be specified for the purpose. Under the circumstances, it would not be desirable to reopen past cases already decided.

Financial benefit for added years of service

129.10 Another demand received by us is that an additional benefit in the form of five advance increments should be extended to those seeking voluntary retirement for the purpose of calculation of their pension and other benefits.

Our recommendations

129.11 An increment is granted after an employee renders service for 12 months. Since an employee ceases to render any service on voluntary retirement, **the question of granting any further increments would not obviously arise. No change is recommended in the existing procedure.**

Repeal of Rule 10 of CCS (Pension) Rules

129.12 It has been urged that Rule 10 of the CCS (Pension) Rules which requires a pensioner to seek the previous sanction of the government before accepting any commercial employment within a period of two years of his superannuation should be deleted or modified slightly to provide that the request of an employee seeking permission to accept such employment should be decided before the expiry of the notice period. This has been justified on the ground that the rule places unnecessary restrictions on pensioners.

Our recommendations

129.13 Rule 10 of the CCS (Pension) Rules would not appear to be very relevant in the context of the circumstances prevailing after the liberalization of the economy. It could, in fact, be considered an anachronism. There is, therefore, much force in the argument that the existing provisions place unnecessary restrictions on pensioners. **We, recommend deletion of Rule 10 of the CCS (Pension) subject to other liabilities of Government employees for acts committed by them while in service continuing to remain in force as per the existing rules. It may also be clarified that if it turns out later that a government employee had obtained a post-retirement job from an individual or a company in lieu of certain undue favours extended by him during service, he shall be proceeded against under the Prevention of corruption Act and other legal provisions.**

Appointment of dependents on voluntary retirement

129.14 It has been represented by some of the associations and employees that a dependant child or other dependants of an employees opting for voluntary retirement should be employed in government service on compassionate grounds.

Our recommendations

129.15 In this context, it would be quite appropriate to make reference to a decision of the Supreme Court in Auditor General of India and other Vs. Shri G. Anantha Rajeswara Raj, 1994 SCC(L&S) 500. In that case, the question posed for consideration was whether the compassionate appointment of near relations tantamounted to appointment on the basis of descent and was, therefore, violative of Article 16(2) of the Constitution. The Supreme Court held as under:-

“If the appointments are confined to the son/daughter or widow of the deceased Government employee who needs immediate appointment on grounds of immediate need of assistance in the event of there being no other earning member in the family to supplement the loss of income from the breadwinner to relieve the economic distress of the members of the family, it is unexceptionable. But in other cases, it cannot be a rule to take advantage of the memorandum to appoint the persons to these posts on the ground of compassion.”

129.16 In view of the above, **no change is called for in the existing provisions.**

Cent per cent commutation on voluntary retirement

129.17 It has been urged that employees seeking voluntary retirement should be given the option to commute even 100% of their pension. It has also been suggested that such persons should be paid a lump sum amount in lieu of monthly pension.

Our recommendations

129.18 At present employees seeking voluntary retirement are treated at par with employees retiring on superannuation and are allowed to commute up to one-third of their pension. The facility of commutation of one's entire pension which was available to employees permanently absorbed in public sector undertakings and autonomous bodies has been withdrawn w.e.f. 31.3.1995. Pension is primarily intended to provide a regular income to an employees after his retirement. It also ensures that he leads an independent life without having to rely on others for support and sustenance. This has been rendered even more necessary after the breakdown of the joint family system. Commutation of the entire pension would not meet the desired objectives. On the contrary, it is not unlikely that the lump sum amount received in lieu of pension may be frittered away in speculative ventures to the detriment of a pensioner's interests. Having regard to all relevant factors, we recommend that the **employees seeking voluntary retirement should be allowed to commute pension upto the same percentage as is allowed to employees on superannuation.**

GOLDEN HANDSHAKE SCHEME

Amendment to Rule 29 of CCS (Pension) Rules, 1972

129.19 While any further liberalisation of the existing scheme of voluntary retirement as contained in Rule 48-A of the CCS(Pension) Rules is not considered justified, it is felt that a **more attractive "golden handshake scheme" needs to be formulated in respect of employees who are identified as being surplus to requirements in the context of right-sizing the machinery of Government.** At present employees who are declared surplus are given a weightage of five years' service under Rule 29 of the CCS (Pension) Rules, provided they had rendered a service of not less than 15 years. With a view to protecting the interests of an employee declared to be surplus due to abolition of posts of reduction in establishment, the provisions of Rule 29 of the Pension Rules need to be revised. The following guidelines are proposed to be incorporated in Rule 29 of the Pension Rules in substitution of the existing provisions. Some of the suggestions contained here have been taken from the Report of M/s Noble & Hewitt. our consultants on the subject.

Weightage in service

129.20 A Government servant who is declared surplus to the establishment in which he is servicing **shall be entitled to an additional of five years to the qualifying service rendered by him provided** that the qualifying service rendered by him is not less than 15 years on the date on which he exercises an option to retire and the qualifying length of service after taking into account the aforesaid addition is not more than the service he could have rendered had he retired on the date of his normal superannuation,

and the option to retire is exercised and is communicated to the authority competent to sanction pension within the period specified by the competent authority.

129.21 with a view to effecting an across-the-board reduction in the staff strength to the extent specified by the Commission in its recommendations on reducing the size of the government machinery, a special task force consisting of senior officers not below the rank of Joint Secretary may be constituted under the Secretary of each administrative ministry, to identify the surplus categories of employees and their numbers. Every department will have to carry out this exercise on a continuing basis. The scheme being proposed will be applicable to persons within the age group of 35-50 years. The scheme shall be opened for a limited period of 3 months at a time, during which period options will be invited from the categories of staff identified as surplus. If the staff identified as surplus apply for voluntary retirement, they shall be relieved from service and if they do not exercise the option to retire in response to the scheme, action shall be taken to discharge them from service under the existing provisions of various Service Rules. With a view to ensuring that only those persons are discharged from service who are sought to be discharged and not others who are to be retained, the final decision to accept the notice of retirement would rest with the special task force. **The posts vacated by the incumbents shall be abolished. The persons identified as surplus would be entitled to the following benefits:-**

- a) **Full commutation of pension** by surrender of the right to receive monthly pension with an option to avail, instead of commutation up to the limit prescribed for employees retiring on superannuation and to receive monthly pension.
- b) **Ex-gratia amount equivalent to 1.5 months emoluments (Pay+DA) for each completed year of service or the remaining years of service left before the normal date of retirement, whichever is lower.** The weightage allowed in qualifying service shall not be count for the purpose of computation of ex-gratia amount. The employee shall be given an option to receive the amount of ex-gratia and retirement gratuity either in lump sum or in the shape of a Monthly Protection Allowance, equivalent to the ex-gratia, gratuity and interest thereon at the rate applicable to GPF accumulations, spread over 60 months. This allowance could help the employees to pull on during the period of transition, by providing him with a substantial monthly income sufficient to cater to his basic needs at least.
- c) Computation of pension and retirement gratuity by allowing a weightage of five years to the qualifying service on the date of relief.

- d) **Encashment of Earned Leave accumulated on the date of relief.**
- e) **Payment of accumulations in the General Provident Fund.**
- f) **Payment of savings element with interest in the CGEGIS.**
- g) **TA/DA as on transfer for self and family for settling anywhere in India.**
- h) **Exemption on pensionary benefits including ex-gratia amount from Income Tax and Wealth Tax.**

CONCLUSION

129.22 It is our firm belief that Government can, by a judicious mix of the normal Voluntary Retirement Scheme and the special Golden Handshake Scheme be able to achieve its objective of rightsizing the Government machinery within a reasonable time-frame.