

**GOVERNMENT OF INDIA
PERSONNEL,PUBLIC GRIEVANCES AND PENSIONS
LOK SABHA**

UNSTARRED QUESTION NO:3988
ANSWERED ON:20.04.2005
PAY & PERKS OF GOVERNMENT OFFICIALS
Rana Shri Kashi Ram

Will the Minister of PERSONNEL,PUBLIC GRIEVANCES AND PENSIONS be pleased to state:

- (a) whether any study has been conducted to assess the pay and perks of Government officials vis-a-vis those in the comparable posts in private sector;
- (b) if so, the details thereof;
- (c) if not, whether the Government proposes to undertake such a study to rationalise and arrive at the realistic level pertaining to pay and perks for Government employees in SYNC with prevailing international trend and practice; and
- (d) if so, the details in this regard?

Answer

MINISTER OF STATE IN THE MINISTRY OF PERSONNEL, PUBLIC GRIEVANCES AND PENSIONS AND MINISTER OF STATE IN THE MINISTRY OF PARLIAMENTARY AFFAIRS.(SHRI SURESH PACHOURI)

- (a): Yes, Sir. The Fifth Central Pay Commission has conducted a study through Management Development Institute (MDI) Gurgaon to assess the pay and perks of Government officials vis-a-vis those in private sector.
- (b): The details of the study undertaken in this regard are annexed.
- (c) & (d): Do not arise in view of (a) and (b) above.

ANNEXURE WITH REGARD TO REPLY TO PART (b) OF LOK SABHA QUESTION No. 3988 FOR ANSWER ON 20.4.2005

The conclusion of the study undertaken by the Management Development Institute are as under:

1. The Secretary to the Government of India, on an average, costs his employer around half of what a Chief Executive Officer (CEO) costs his employer in the private sector. The average cost of a CEO in the private sector is Rs. 1,02,255 p.m. For a Secretary, it comes to Rs. 44,817.
2. Besides an average basic salary (including DA + CCA) of Rs. 23,303, the CEO in the private sector draws an incentive pay of Rs. 14,752 which works out to 65 % of the basic salary. The Secretary to the Government of India does not get any payment of this nature.
3. CEO's in the private sector enjoy a little more than their basic salaries in the form of housing and car benefits. These include house with furnishing allowance, house maintenance, telephone, driver, car maintenance, insurance, road tax, petrol, etc. In some cases portion of expenditure on housing and car is given in cash on reimbursement basis. The Secretary also enjoys housing and car benefits but not of commensurate value.
4. In addition, a CEO in the private sector draws sundry allowances such as books and periodicals, club memberships, credits cards, LTC, medical entertainment, services and amenities, servants etc. to the tune of Rs. 12645 p.m. which is nearly 55% of his basic salary. As regards the Secretary to the Government of India, he is entitled to some medical benefits and LTC by rail only, which may be valued at Rs. 2700 or 16% of the basic salary.
5. In the private sector, CEOs are increasingly being given superannuation benefits which are significantly better than the pension entitlements available to the Secretaries.
6. The annual increase in the compensation to a CEO in the private sector enterprise is 30 to 35%, while the increase permitted to the Secretary is marginal (in the range of 8-9%). If the trend continues, the gap between compensations allowed to CEOs and Secretaries will increase dramatically over time.
7. The structure of the compensation package of a Head of Department in the private sector is similar to that of his CEO, but the differential in the quantum of remuneration is wide. An HOD gets about 40% lesser than his CEO. However, in Government the differential between the emoluments of a Secretary and a Joint Secretary is very little. At the HOD level, private organizations are very liberal with designations but conservative with regard to compensations. While an HOD has approximately 8-10 years of experience,

a Joint Secretary has already spent 16 to 22 years in service.

8. Though the average compensation package of entry level executives in the private sector may be lower than in the Government, in some cases entry level executives reach a compensation level that is nearly two times the compensation at the highest level available in Government of India, within a short span of time. This is primarily because of performance-related rewards available in the private sector.

9. In the private sector, performance criteria are well laid down and salaries are revised annually. Those performing better than others are given accelerated increments and promotions.

10. Amongst the non-executives in the private sector it is observed that there is a high degree of flexibility and multiple functionality. For instance, a typist also performs the role of a telephone operator, a stenographer, a PA or an assistant. Similarly, a Peon/Messenger is asked to work as a driver as also attend to other errands like making and serving tea.

11. Annual pay is revised in such a manner for non-executives that the rate of increment includes both the components i.e. inflation adjustment and reward for performance.

12. In the private sector, there are many employee-friendly link parameters. For example, attendance/shift allowance, transport for family members, picnic, free gifts on the occasions of important festivals etc.

13. Salaries are deliberately structured in the private sector so that an employee is able to save on income tax. A significant component of the pay packet in the private sector is that of cash allowances, which are given to them on `reimbursement` basis in order to avoid payment of income tax. Some of these could also be termed as malpractices. Similar methods are not possible in the Government where there is more transparency and rigorous system of auditing. The study has suggested exemption of Government employees from income tax or reduction of their tax burden.

14. The number of holidays in the private sector is far less than that in the Government. But the duration of working hours and working days is much greater. In practice, there are no standard hours of work.

15. Government may consider introduction of a fast track for promotions. Some of the appointments could be made on contract basis.

16. In certain sectors in Government, linkage between performance and compensations could be easily established, as these are departmentally run commercial or service undertakings.