8th CPC - A Chance to Reform Pay Commissions

Mains: *GS-III – Economy*

Why in News?

As India moves toward the 8th Central Pay Commission (CPC) should focus less on salary hikes and more on creating a transparent, equitable, and fiscally sustainable compensation framework across India's public services.

What about the Pay Commission?

- **Pay Commission** – It is the *temporary body,* which constituted periodically for every 10 years by the Central Government.
- **Purpose –** To examine and recommend changes into various issues of emoluments structure, retirement benefits and other service conditions of Central Government employees.
- **Under the** – Department of Expenditure, Ministry of Finance.
- **Historical Context** – Since 1947, the Indian government has established 7 Pay Commissions.
- **Composition** –
    - 1 Chairperson;
    - 1 Part-time Member &
    - 1 Member Secretary.
- **Tenure** – It will make its recommendations within 18 months of the date of its constitution.
- **Key aspects to be considered –**
- Economic conditions in the country and the need for fiscal prudence.
- Need to ensure that adequate resources are available for developmental expenditure and welfare measures.
- Unfunded cost of non-contributory pension schemes.
- The likely impact of the recommendations on the finances of the State Governments which usually adopt the recommendations with some modifications; and
- The prevailing emolument structure, benefits and working conditions available to employees of Central Public Sector Undertakings and private sector.
- **8th Central Pay Commission –** It was formally constituted on 3 November 2025.
    - **Headed by** – Justice Ranjana Prakash Desai, a former Supreme Court judge & chairperson of the Press Council of India.
    - **Member (Part-Time)** – Pulak Ghosh, Professor IIM Bangalore
    - **Member-Secretary** –Pankaj Jain, Petroleum Secretary.

What are the challenges in the current system?

- **Focus vs Reality** – As India prepares for the 8th Central Pay Commission (CPC), public discussion has largely centred on familiar themes — fitment factors, salary revisions and arrears.
- The real issue is not just how much pay should rise, but whether the system for deciding public compensation is fair, consistent, and financially sustainable.
- **More Than Administration** – This is more than a technical exercise; the way the government structures salaries, allowances and pensions reflect broader institutional priorities and influences public confidence in governance.
- **PC's Influence** – Over the decades, Pay Commissions (PC) have become far more than wage-revision exercises.
- Their recommendations shape inter-service parity, long-term fiscal commitments, and institutional balance within the state.
- **Narrow Process, Big Impact** – Yet, the process remains narrow, with a small, time-bound body tasked with evaluating a diverse ecosystem of civil, military and technical services, largely based on representations from the services themselves.
- **Absence of Uniform Evaluative Framework** – Different services have unique structures, career paths, and working conditions.
- But there is no universally accepted method for comparing risk, responsibility, technical complexity, or career progression.
- **Parity Without Principles** – Officers across services with very different career paths and responsibilities may, at certain stages, receive comparable compensation.
- The issue is not one of competition between services but institutional coherence.
- The comparison between civilian services and the armed forces illustrates this complexity.
- **Civilian vs. Military Careers** – Military careers are shorter & pyramidal structure, with limited promotional opportunities and earlier retirement.
- Civilian services generally offer broader avenues for advancement and longer careers.
- Aligning compensation across such different systems requires careful consideration of these structural differences.
- **Reduction in Experience** – In recent years, the experience required for senior administrative positions is reduced.
- While faster career progression may reflect changing governance needs, complex policy challenges still demand institutional memory and seasoned judgment.
- Efficiency alone cannot replace experience.
- **Issues With Allowances** – Allowances are meant to compensate for hardship, remoteness or operational risk, but there is no uniform and transparent framework for assessing such conditions across services.
- This can create disparities that are difficult to justify and may foster perceptions of inconsistency.
- **Non-Functional Upgradation (NFU)** – Allows financial growth without a corresponding increase in responsibility; it weakens the link between role, accountability and compensation.
- Though introduced to address slower promotion avenues, the NFU continues to generate debate over equity and institutional rationale.
- **Issues with Pensions** – India currently operates multiple pension systems, including

legacy defined-benefit schemes, contributory plans for newer entrants, and separate arrangements for elected representatives.

- **Fiscal Burden** – According to the *RBI's State Finances Report (2023)*, salaries, pensions and interest payments consume a large share of State expenditure, limiting fiscal space for development.
- This raises concerns about sustainability and fairness across generations.
- **Fragmented Pay Frameworks** – At present, pay frameworks for the executive, legislature and judiciary evolve through different processes.
- While constitutionally distinct, this fragmentation can create inconsistencies and reduce transparency in compensation decisions.
- **Loss of Public Trust** – Public trust depends not only on fairness, but also on transparency and explainability.

What are the key suggestions proposed?

- **Global Shift in Pay Reviews** – Many countries have gradually moved towards continuous and institutionalised mechanisms for reviewing public sector compensation.
- Independent bodies, clear benchmarks, and regular reviews have replaced India's once-in-a-decade Pay Commission model.
- **Need for a Durable Framework** – India may benefit from a National Compensation Authority or a specialised public service body, could bring greater consistency to public sector pay.
- This would not centralise power but instead set common principles for evaluating responsibility, experience, and hardship, while preserving flexibility for different services and States.
- **Respecting Federal Structure** – Any reform must respect India's federal structure.
- States should retain autonomy over implementation while operating within a broader framework of transparency, comparability, and fiscal discipline.
- **Building Coherence** – Greater coherence across branches of government, without affecting constitutional independence, would strengthen both credibility and public confidence.
- **Beyond Salaries & Pensions** – Public compensation is not simply about salaries and pensions, but part of the state–citizen relationship.
- In a democracy, compensation systems must be both financially sustainable and publicly explainable.
- **Need for Transparency** – If parity is to be maintained, the principles governing the Pay Commission must be transparent, consistent, and objectively justified.

What lies ahead?

- The 8th Pay Commission presents an opportunity to move beyond periodic revision and engage with these deeper structural questions.
- Whether that opportunity is utilised meaningfully may shape public trust in institutional governance for years to come.

Reference

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