

7th CPC HRA – Justification for Retaining the Existing Rates of 10%, 20% and 30%

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HOUSE RENT ALLOWANCE

Housing accommodation is provided to a small segment of the Civil Servants. While the percentage of satisfaction is very high at the senior level Officers, Employees at the lower levels are to depend upon the market for a dwelling place. Of late recruitment at Gr B and C levels in Central Govt Offices is on the basis of an all India Examination and the regional recruitment which was in prevalence a decade back has been dispensed with. Once, recruited, he/she is perforce to be posted outside his/her home state making it necessary to search for a dwelling unit at the place of his/her posting and compete with those workers in the private sector whose salary levels in certain cases are phenomenally high. Housing in the country, despite introduction of various projects, tax concessions etc, continues to be a seller's paradise. A simple scrutiny of the rate of increase in the cost of construction and the rates quoted by the property dealers, real estate agents and tenant facilitators will reveal the extent of escalation in rent over the last a decade.

In Para 8.7.14 the 7th CPC has made a bald statement that with the increase in Basic pay most of the employees will be able to afford rented houses as per their entitlement. The Chart given under Para 8.7.14 indicates the rent increases over a period between 2006-14. The rent is shown to have gone up by 118% by 2014. The Commission has sourced the house rent index figures from AICPI (IW). We have no hesitation to state that the Commission's observation based upon the most unreliable data must be discarded. Even according to the said data, which only indicates the figures upto 2014, the registered increase was 118%. The progression between 2009 to 2014 from 136 to 168 gives an average increase of 22 points. This reads as much similar to the progression of the AICPI (IW) prepared by the Indian Labour Bureau Shimla, whose commodity prices have been adopted by the 7 CPC for minimum Wage computation.

How divorced those rates are from the reality in the market has been explained with facts and figures in our letter dated 10.12.2015 to the Chairman, Empowered Committee of Secretaries. Even if one bases the computation on such unreliable data, the hypothetical progression of the housing index by end of 2015 shall be 279-290 which warrant an increase by 136%.

Relating the index figures indicated in chart under Para 8.7.14 to the DA percentage as on 1.1.2016.(125%), the ratio obtaining both in H1 and H2 i.e. 123 to 260 (2014) and 126 to 268 (2014) are 2.11 and 2.13 respectively. If the same is calibrated to 125% as on 1.1.2016, the ratio shall be 2.64 and 2.66. This will

necessitate raising the HRA to 33.13% in Metro Cities, 22% in Y Class Cities and 11.12% in Z class towns.

The hypothetical progression on average basis will also make it necessary to compensate housing expenses at 29.7% in Metro Cities and 19.74% in Y class Cities and 9.87% in Z class towns.

The Commission is on record to state that the house rent factor in AICPI (IW) is on an average 15.27. The 6th CPC has indicated the factor at 8.67 and has been on record to state that the factor is not uniform at all places. The rates between Metro cities and small towns vary violently. This apart the Commission has applied a factor of 0.8 to all allowances, which are not cost indexed on the specious plea that wages per- se has been increased. While the Basic wages registered a paltry rise of 14% over a period of ten years (1.4% per annum) how justified is the stand of 7th CPC to apply a factor 0.8 to suppress the quantum of allowances is beyond comprehension. The Commission has proceeded with the assumption that the grant of 30,20 and 10% of the determined basic pay was a full and perfect reimbursement of expenses incurred by the Government employees on housing, which is undoubtedly erroneous as could be evidenced from the observation of the 6th CPC itself. Even if all these untenable contentions of 7 CPC and the unreliable statistics are taken into account, still it is clear that in order to maintain the present compensation level, the commission ought to have maintained the status quo in respect of rates of HRA and should not have reduced it by the application of 0.8 factor. We, therefore, request for the reasons adduced above, that the HRA may be retained at the levels determined by 6th CPC i.e. 30, 20, and 10 per cent of Basic pay for X,Y, Z class of cities and towns respectively.

Source: <http://nfaeehq.blogspot.in/>