

# Cabinet okays setting up of 8th Pay Commission

## Move to benefit 4.5 mn central staff, 6.8 mn pensioners

**RUCHIKA CHITRAVANSHI**

New Delhi, 16 January

The Cabinet on Thursday approved the constitution of the eighth Pay Commission for the central government employees. This comes two weeks before the government presents the Union Budget for the financial year 2025-26.

"We are all proud of the efforts of all government employees who work to build a Viksit Bharat. The Cabinet's decision on the eighth Pay Commission will improve quality of life and give a boost to consumption," Prime Minister Narendra Modi posted on X.

"The term of the last Pay Commission will end in 2026. Establishing the 8th Pay Commission well before 2025 will give us sufficient time to get the recommendations," Union Minister Ashwini Vaishnaw said.

The minister said that there will be consultations with state governments and other stakeholders in central government and public sector units. The government will soon appoint the chairperson and two members of the 8th Pay Commission.

Government sources said that the move would benefit around 4.5 million central government employees and 6.8 million pensioners, including defence personnel.

Sources added that approximately 400,000 employees in Delhi will benefit, including Delhi government employees. Elections in Delhi are due on February 5.

The 8th Central Pay Commission is expected to take effect from January 1, 2026.

"This will provide a significant boost to consumption and economic growth, along with improved quality of life for government employees," government sources said.

The 7th pay commission saw an expenditure increase of ₹1 trillion for FY17.

During pre-Budget consultations with the finance ministry, representatives from the central trade unions pressed the government for an immediate constitution of the 8th Pay Commission.

Aditi Nayar, chief economist, ICRA said: "While the award related to the 8th Pay Commission may not affect fiscal metrics in FY26, the potential impact should be built into the new medium-term fiscal consolidation path as well as the Finance Commission's recommendations."

DK Srivastava, Chief Policy Advisor, EY India, said a rise in the salary and pension expenditures of the central government employees would start getting reflected from FY27 Budget. "Since state governments have generally undertaken revisions in their

salary and pension expenditures, there would be corresponding increases in their Budgets, possibly with some lags. However, arrears may have to be given in due course. As a result, there would be tangible increases in government revenue expenditures affecting the Sixteenth Finance Commission (FY27-FY31) estimates and their recommended transfers.



**Approximately  
400,000  
employees  
in Delhi  
government  
are likely to  
benefit**