

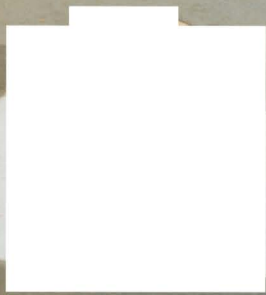


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REPORT  
OF THE  
DEARNESS ALLOWANCE COMMITTEE



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## CHAPTER I

### Introductory

A Committee to advise on the portion of dearness allowance now granted to Central Government servants that should be treated as pay was appointed by the Government of India Resolution No. F. 6(2)-E.II/52, dated the 15th July 1952 which reads as follows:—

“The question of treating as part of pay a portion of the dearness allowance now granted to Central Government servants has been engaging the attention of the Government of India for some time. The Government of India have now decided to set up a Committee consisting of non-officials and officials to conduct an investigation into this matter and make recommendations to Government on this subject.

2. Shri N. V. Gadgil, Member of Parliament, will be the Chairman of the Committee. Shri S. Guruswami, Member of the Council of States and General Secretary, All-India Railwaymen's Federation and Shri Khandubhai K. Desai, President, Indian National Trade Union Congress will be the non-official members of the Committee. Shri J. Dayal, Joint Secretary, Ministry of Finance and Shri P. N. Saxena, Director of Establishment, Railway Board, will be the official members. Shri S. K. Majumdar, Deputy Secretary, Ministry of Finance, will act as Secretary to the Committee.

3. The following will be the term of reference to the Committee:—

“Taking into consideration the rates of dearness allowance that have been sanctioned to date for Central Government servants, and the level at which cost of living index are likely to stabilise in the foreseeable future, to recommend the percentage of the dearness allowance now given to Central Government servants which should be allowed to be treated as pay for all purposes in future, provided that by doing so the present total of pay and dearness allowance is not enhanced.”

4. Though the term of reference to the Committee does not extend to employees of the State Governments, the Government of India hope that the present inquiry will be of value to the States also and trust that the full co-operation of the State Governments will be afforded to the Committee. It will be within the term of reference of the Committee to call for information in writing and to take evidence from any Department or officers of Government; and the Government of India will welcome the co-operation of Service Associations and non-official bodies and agencies and hope that they will afford the Committee the fullest assistance on the subject of enquiry.”

## CHAPTER I

2. In order to enable the Committee to proceed with its work as soon as it assembled, a questionnaire was issued under the instructions of the Chairman of the Committee to the public through the Press to elicit their considered opinion in the matter. The press communique issued in this connection is reproduced at Appendix I of this Report. Copies of this Questionnaire were also sent to about 275 Registered and Recognised Unions of Central Government employees and to the State Governments for their opinion. Replies to the Questionnaire were called for by the 27th July, 1952.

3. The Committee held its first meeting in New Delhi on the 18th July, 1952 and decided that in addition to collecting written evidence, it would also take oral evidence from the representatives of Unions of Central Government servants, economists, and other prominent non-officials. For this purpose, the Committee decided to meet at the following places:—

Bombay  
Madras  
Nagpur  
Calcutta  
Lucknow  
Kanpur  
Delhi.

4. The Committee met the representatives of the various Unions, prominent non-officials, Economists, etc. in accordance with the following programme:—

- 1st Meeting: On the 4th and 5th August, 1952 at Bombay.
- 2nd Meeting: On the 21st and 22nd August, 1952 at Madras.
- 3rd Meeting: On the 23rd and 24th August, 1952 at Nagpur.
- 4th Meeting: On the 26th and 27th August, 1952 at Calcutta.
- 5th Meeting: On the 29th August, 1952 at Lucknow.
- 6th Meeting: On the 30th August, 1952 at Kanpur.
- 7th Meeting: On the 1st, 2nd and 3rd September, 1952 at New Delhi.

A list of Unions which tendered evidence before the Committee is printed as Appendix II to this Report.

The Committee had the benefit of personal discussion with the following Economists:—

Dr. C. N. Vakil  
Dr. D. R. Gadgil  
Dr. V. K. R. V. Rao

5. The Committee also met the representatives of the State Governments at New Delhi on the 1st October 1952. A list of the State Governments who sent their representatives is given in Appendix III to this report.

## INTRODUCTORY

6. The Committee met at New Delhi from the 4th to the 9th September, 1952 to discuss the evidence, formulate the general principles and indicate the broad outlines according to which the Report should be prepared. The draft of the Report was discussed at the meetings held from the 30th September onwards and the Committee finalised and signed the Report on the 4th October, 1952.

7. The Committee is thankful to all those who appeared personally before it and to those who in response to the Questionnaire or to special requests for information, gave the benefit of their knowledge and supplied valuable data essential to the enquiry. The Committee is also thankful to the various State Governments who were good enough to furnish such data as was required by the Committee and to the Governments of Bombay, Madras, Madhya Pradesh, West Bengal and Uttar Pradesh for the assistance rendered by them in connection with the meetings of the Committee held in these States.

8. The Chairman and the Members of the Committee place on record their appreciation of the untiring efforts and hard work put in by the Secretary of the Committee and his staff in collecting and analysing a large volume of evidence, in assisting in the discussions and in drafting the Report.

## CHAPTER II

### Cost of Living Index

9. As mentioned in the Resolution appointing the Committee, the term of reference includes *inter alia* the consideration of the level at which the cost of living is likely to stabilise in the foreseeable future. In proceeding with the consideration of this matter we have taken the opportunity of reviewing the factual position in regard to the cost of living indices that have been prepared from time to time during the years preceding World War II as well as during the period thereafter.

10. With a view to ascertaining accurate facts about the cost of living, various enquiries were instituted from time to time, the subject of primary investigation being the size of earnings of a family, the cost and consumption of food, fuel and lighting, clothing, miscellaneous articles and the cost of house rent and housing conditions. The families studied were arranged according to income groups ranging from below Rs. 30 p.m. to over Rs. 90 p.m. For example, in Bombay there was an enquiry of this kind in 1921-22, the report being published in 1923. Again a later enquiry was held between September, 1932 and June, 1933, the report being published in 1935. An enquiry was held in Sholapur between May and December, 1925 and the report was published in 1928. Enquiries in Nagpur and Jabalpur were made between September, 1926 and June, 1927, the reports being published in 1929. Enquiries were also held in Kanpur and Jalgaon etc. Altogether 39 index numbers were being constructed as follows:—

Madras	9
Bombay	4
C.P.	8
Behar	6
Orissa	2
Punjab	5
U.P.	4
Bengal	1
	<hr/>
	39
	<hr/>

11. Although there were as many as 39 index numbers in existence, only a dozen were eligible for serious consideration as the others were not sufficiently comprehensive. These were distributed as follows:—

Bombay	4
Madras	1
U.P.	1
Bengal	1
Punjab	5

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The index number for Nagpur could also be considered as suitable after making the necessary adjustment for the house rent factor which had not been taken into account for the preparation of the series.

12. Some of these cost of living indices were made use of by the Court of Enquiry constituted in 1940 under the Trade Disputes Act, 1929, under the Chairmanship of Mr. Justice B. N. Rau to investigate the question of the grant of dearness allowance to railway employees. We have noted with interest the table given in para 22 of their Report which is reproduced below, indicating the average in the Bombay cost of living indices for successive years from September, 1923 to August, 1939:—

1923-24	155
1924-25	158
1925-26	154
1926-27	155
1927-28	149
1928-29	148
1929-30	144
1930-31	117
1931-32	109
1932-33	106
1933-34	97
1934-35	100
1935-36	101
1936-37	104
1937-38	106
1938-39	104

13. The individual cost of living index series, referred to earlier in this chapter, continued to be constructed, but there did not exist a cost of living index for the whole of India. The construction of such an All-India index was considered on at least two occasions prior to 1947, namely, first in 1921 by the Department of Industries and Labour of the Government of India and later in 1934 in connection with the Bowley-Robertson enquiry. On both occasions, it was felt that the living conditions and standards of consumption differed so fundamentally in the various regions of the country that a single cost of living index compiled for any special purpose was likely to be misapplied to other purposes and the proposal was, therefore, dropped.

14. The unsatisfactory position of the existence of a large number of cost of living index series, which had started at widely different points of time, was also commented upon by the Rau Court of Enquiry and with a view to rectifying this state of affairs, a wholetime organisation was set up in 1942 under the Labour Department of the Government of India. This organisation was assigned the work of the preparation of a uniform series of index numbers for nearly 30

## CHAPTER II

centres in the various provinces after completing enquiries in regard to the budgets of the working class families. The series that they prepared in subsequent years related to 1944 base.

15. In January, 1947, it became necessary in connection with the recommendations of the Central Pay Commission to work out an all-India working class cost of living index with a pre-war base. A practical difficulty arose in the way of utilising, for this purpose the uniform series prepared on the 1944 base for linking the series on the 1944 base with the earlier provincial series and shifting the base to 1939 would have meant considerable delay. For the occasion, therefore, the then existing provincial series were accepted and an all-India figure was built up from the indices relating to the following localities:—

Bombay  
Madras  
Kanpur  
Calcutta  
Lahore  
Nagpur.

The all-India cost of living index figures thus prepared on the pre-war base (i.e. August '39=100) show the following results:—

1944	258
1945	263
1946	272
1947 (January)	285

To meet our requirements, the Central Statistical Office have recently worked out the All India cost of living index series for subsequent years on the same basis, substituting Delhi for Lahore, which is no longer within India, and the result is shown in the following table:—

1947 (annual average)	307
1948 —do—	345
1949 —do—	350
1950 —do—	348
1951 —do—	367
1951 January	349
February	355
March	359
April	363
May	367
June	373
July	375
August	376
September	372

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	October	372
	November	374
	December	369
1952	January	363
	February	357
	March	348
	April	357
	May	358
	June	358

16. Independently, arising from a question in the Legislature in 1949, we understand that it was decided to examine the possibility of constructing a more broad-based index which would take into account the further material that had since become available. We believe that this examination is now complete and the position is that an All-India index number could be prepared on the revised basis from uniform individual indices for as many as 24 centres, taking as base the calendar year 1944. The averages computed on this basis and made available to us for the purpose of our enquiry are as follows:—

1944	100
1945	100
1946	106
1947	120
1948	134
1949	138
1950	138
1951	144
1952	January *142
	February *140
	March *135
	April *141
	May *140
	June *140
	(* Provisional)

17. During the course of the examination of the written as well as oral evidence, we have observed that many unions have referred to the wholesale price index and certain other cost of living index series.



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18. So far as the index number of wholesale prices is concerned, it has been urged that retail prices follow wholesale prices, and the cost of living, depending as it does upon retail prices, must necessarily follow wholesale prices. The wholesale price indices cover 78 commodities divided into five major groups comprising food articles, manufactured articles, semi-manufactured articles, industrial raw materials and miscellaneous items. The cost of living index, however, comprises food articles, fuel and lighting, house rent, clothing and miscellaneous items. The weightage given to the commodities that go to form the wholesale price number is different from that given in the construction of the cost of living index. It would, therefore, be fallacious to argue that merely because there has been an increase in the index number of wholesale prices, there must necessarily be an increase of the same order in the cost of living index.

19. As regards the cost of living figures quoted by various organisations, they explained that the absence of any published All-India cost of living index figures had made it necessary for them to adopt either the local provincial series or to construct some sort of series of their own from the wholesale price figures and other material that they could lay their hands upon.

20. We have given careful thought to the need for the preparation of a suitable all India cost of living index. We understand that the position in U.K. is that there is only a national index. In the U.S.A., however, there are separate city indices (as in India), but a national index is constructed by a combination of the city indices. It has been brought to our notice that in U.S.A. (which is bigger in area than India and which has a considerable degree of heterogeneity in conditions), the position at the end of March, 1951 was that nine-tenths of the labour-management agreements providing for wage adjustments (covering about 3 million workers) were based on the national index, and only the remaining one-tenth on individual city indices.

The Central Pay Commission based their recommendations regarding pay and allowances on an All-India index. We have also found during our itinerary that the need for such an All-India index has been felt by those who came to tender evidence before us. We, therefore, consider that an All-India cost of living index should be prepared and published by a competent body.

21. For the purpose of our enquiry, it is necessary to adopt a national index as the dearness allowance is granted at a uniform rate throughout the country. As stated in para. 15 supra, the Central Pay Commission had based its recommendations on an All-India cost of living index. By constant usage by various official and non-official bodies, the index with a pre-war base adopted by the Pay Commission has since then become well-known and well understood. From a practical point of view, therefore, we consider that we should adhere to the same series. It may be mentioned that although the index adopted by us has a pre-war base, there is only a very small

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divergence between this series and the series on the 1944 base, referred to in para 16 above, as indicated below:—

Year	All India C.L.I. (base 1939)	Proposed All India C.L.I. with 1944 base (shifted to '39)
1947 (annual average)	307	310
1948 Ditto	345	346
1949 Ditto	350	356
1950 Ditto	348	356
1951 Ditto	367	371
<i>1952</i> January	363	366
February	357	361
March	348	348
April	357	364
May	358	361
June	358	361

In the circumstances, we have adopted the All-India cost of living index (with base as August, 1939) that has been referred to by the Central Pay Commission in its Report. (The actual figures printed in their Report are subject to an increase of 25 points as accepted by them later in correspondence with the then Finance Department of the Government of India—vide pp. 400—402 of the Report).

## CHAPTER III

### Pay and Dearness Allowance of Central Government Servants

23. The present scheme of pay and dearness allowance applicable to Central Government servants are based largely on the recommendations of the Central Pay Commission. The main features of the scheme in regard to the pay and dearness allowance obtaining in the lower pay groups are briefly indicated below.

24. The Central Pay Commission recommended a minimum basic rate of pay of Rs. 30 p.m. for a cost of living index of 185—200, taking the pre-war base of August 1939 as 100, and this formed the basis on which the pay for the higher grades was fixed. In addition, they also recommended the grant of dearness allowance when the cost of living index stood substantially higher than 185—200.

The new rates of basic pay provided for a considerable measure of improvement over the earlier rates of pay, as will be seen from the comparative table given below which gives certain typical scales of pay in the lower pay groups:

TABLE No. 1

Category of posts	Pre-C.P.C. scales	C.P.C. scales
	Rs.	Rs.
<b>1. Gangmen.</b>		
E.I. Railway . . . . .	11— $\frac{1}{2}$ —17	} 30— $\frac{1}{2}$ —35.
G.I.P. Railway . . . . .	12— $\frac{1}{2}$ —16, 15— $\frac{1}{2}$ —18, 18— $\frac{1}{2}$ —23	
M.S.M. Railway . . . . .	13— $\frac{1}{2}$ —16— $\frac{1}{2}$ —18	
S.I. Railway . . . . .	12— $\frac{1}{2}$ /2—14	
<b>2. Foinstmen.</b>		
E.I. Railway . . . . .	14—1—19	} 35—1—50
G.I.P. Railway . . . . .	12—1—16, 14—1—19, 18—1—23, 15—1—20, 20—1—26.	
M.S.M. Railway . . . . .	13— $\frac{1}{2}$ —16, 16— $\frac{1}{2}$ —18.	} 40—1—50—2—60.
S.I. Railway . . . . .	12— $\frac{1}{2}$ —15, 15— $\frac{1}{2}$ —18.	
<b>3. Blacksmiths.</b>		
E.I. Railway . . . . .	22—1—28, 30—1—40, 44—2—60.	} 55—3—85—4—93—EB—4—125—5—130.
G.I.P. Railway . . . . .	40—3—58—4—62, 34—4—38—2—40—3—46.	
M.S.M. Railway . . . . .	21—1 $\frac{1}{2}$ —30, 32—2—40, 42 $\frac{1}{2}$ —2 $\frac{1}{2}$ —55.	
S.I. Railway . . . . .	0.12-8 to Rs. 2 per day . . . . .	
<b>4. Ticket Collectors.</b>		
E.I. Railway . . . . .	30—3—4 $\frac{5}{5}$ —60 . . . . .	} 55—3—85—EB—4—125—5—130.
G.I.P. Railway . . . . .	30—4—50 . . . . .	
M.S.M. Railway . . . . .	32—2—40 . . . . .	
S.I. Railway . . . . .	35— $\frac{1}{2}$ —37—1 $\frac{1}{2}$ —40, 44—4 $\frac{1}{2}$ —60.	

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Category of posts	Pre-C.P.C. scales	C.P.C. scales
<b>5. Clerks.</b>		
E.I. Railway . . . . .	30-3-45-5-60 . . . . .	} 64-4-120-EB-5-170
G.I.P. Railway . . . . .	65-70-75 . . . . .	
M.S.M. Railway . . . . .	57½-2½-75 . . . . .	
S.I. Railway . . . . .	44-4,2-60 . . . . .	
<b>6. Peons.</b>		
Secretariat and Attached Offices . . . . .	14, 15, 16 . . . . .	30-½-35
Customs Department, Bombay . . . . .	24-1/5-25 } 20-1/5-25 }	30-½-35
Income Tax Department, Bombay . . . . .	13, 12, 10/8 . . . . .	30-½-35
Income Tax Department, C.P. . . . .	11-1/5-15 . . . . .	30-½-35
<b>7. Jamadars, Havildars etc.</b>		
Secretariat and Attached Offices . . . . .	Rs. 19 . . . . .	35-1-50
Customs Department, Bombay . . . . .	Rs. 30 } 26-1/5-28 } 24-1/5-25 }	35-1-50
<b>8. Daftries &amp; Record Sorters.</b>		
Bombay Customs Department . . . . .	30-1-40 . . . . .	} Daftries: 35-1-50 Record Sorters: 40-1-50-2-60
Madras Customs Department . . . . .	21½-1-26½-2/2-32½ . . . . .	
Income Tax Department, Bihar . . . . .	13, 14 . . . . .	
<b>9. Lowest Clerical Grades.</b>		
Income Tax Department, Madras . . . . .	30-3/2-45-2/2-55 . . . . .	55-3-85-EB-4-125-5-130
Income Tax Department, Bihar & Orissa . . . . .	30-3-60 . . . . .	Ditto.
Income Tax Department, Assam . . . . .	55-3-100 . . . . .	Ditto.
<b>10. Postmen.</b>		
Bombay . . . . .	24-½-34 . . . . .	} 35-1-50
Calcutta . . . . .	24-½-34 . . . . .	
Nagpur . . . . .	22-½-32 . . . . .	
Punjab . . . . .	18-½-28 . . . . .	
<b>11. Head Postmen.</b>		
Bombay . . . . .	35-2-55 . . . . .	} 55-3-85
Madras . . . . .	35-2-55 . . . . .	
Delhi . . . . .	35-2-55 . . . . .	
<b>12. Telegraphists</b>		
. . . . .	45-45-3-60-4-120 . . . . .	60-4-120-EB-5-170.

From the table given above it may be observed that in 1939 the minimum pay was in many cases in the neighbourhood of Rs. 11 or Rs. 12 p.m. As against this, a minimum pay of Rs. 30 has been fixed on the recommendations of the Central Pay Commission for a cost of living index of 185-200. This means that for a rise of 85

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to 100 per cent. in the cost of living, an increase of about 160—170 per cent. in the minimum basic pay has been allowed.

25. In the preceding paragraph, we have dealt with the changes introduced in the pay of Central Government servants in lower pay groups. We now give briefly the basic features of the present system of dearness allowance which, as stated earlier, is largely based on the recommendations of the Central Pay Commission. They are as follows:—

- (a) Government servants up to a pay of Rs. 1,000 have been put into different pay groups.
- (b) For each pay group, a specified amount of dearness allowance has been laid down which varies with the rise or fall of 20 points in the cost of living index. Also, the amounts are larger for the higher pay groups.
- (c) For married Government servants drawing pay exceeding Rs. 1,000 but not exceeding Rs. 2,000, dearness allowance is granted at 10 per cent of an officer's pay, subject to a maximum of Rs. 150 p.m.

In regard to the question of an increase in dearness allowance consequent on a rise in the cost of living referred to at (b) above, the Central Pay Commission had recommended specific rates of dearness allowance up to the level of 305 points, which provided for an increase of Rs. 5 in the lowest pay range for a rise of every 20 points in the cost of living index. They had also recommended that similar progressive increases should be given for further rises in the cost of living.

26. The present rates of dearness allowance admissible to Central Government servants in the lower pay groups are as follows:—

TABLE No. 2

Scale of pay	Dearness allowance in each pay group
Rs.	Rs.
30—35 . . . . .	40 p.m.
35—50 . . . . .	40 p.m.
40—60 . . . . .	40 to 50 p.m.
55—85—105 . . . . .	50 to 55 p.m.
55—130 . . . . .	Do.
60—75—105 . . . . .	Do.
60—150 . . . . .	Do.
80—220 . . . . .	50 to 65 p.m.
100—160 . . . . .	50 to 60 p.m.
100—300 . . . . .	50 to 65 p.m.
160—300 . . . . .	60 to 65 p.m.
200—250—300 . . . . .	60 to 65 p.m.

NOTE.—The employees are in addition entitled to house rent and compensatory allowance in Bombay, Calcutta and other specified costly towns.

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27. We would at this stage like to make certain general observations:—

- (a) The Central Pay Commission's formula provides for an *automatic* increase in the dearness allowance for a rise of every 20 points in the cost of living index without any ceiling limit. So far as we are aware, in no country is there a system which provides for an *automatic* adjustment in the wages of *Government servants* consequent on variations in the cost of living. When a substantial rise in the cost of living occurs, suitable increases in emoluments are granted to government servants, particularly in the lower pay groups consistent with the financial resources of the country.
- (b) The Central Pay Commission considered as reasonable a minimum basic rate of pay of Rs. 30 p.m. for an index of 185—200 and a grant of Rs. 5 as dearness allowance for a rise of every 20 points above this number. The grant of Rs. 5 for every 20 points amounts to a little more than full neutralisation of the rise in the cost of living for the lower income groups and to that extent, it meant an improvement in the standard of living.

## CHAPTER IV

### **Consideration of the question of stabilisation in the cost of living**

28. Having examined the factual data in regard to the subject under enquiry, we now proceed with the consideration of the question as regards the level at which the prices are likely to stabilise in the foreseeable future, as referred to in the term of reference.

29. Various representatives of the Unions of Central Government employees all over the country assisted us in this matter by giving us their considered views which they had formed in the light of their interpretation of the local and internal conditions in India as well as the probable effect of external economic forces.

30. In reply to the first question of the questionnaire issued by us, a majority of the Unions expressed the view that there was no reasonable possibility of the price level stabilising in the foreseeable future.

31. In regard to the question whether the prices have reached the peak level and would progressively move down, many of the Unions expressed the belief that there was little chance of prices going below the present levels. Whilst some of the Unions were emphatic in their view that the peak had not yet been reached, others felt that there was little likelihood of prices going up further. Some of the representatives pointed out that there would be no decrease in the cost of living until the schemes now being introduced under the Five Year Plan started bearing fruit. In their opinion any fall in the cost of living would come about, if at all, only after about five years.

32. In considering this matter, it may be mentioned that practically all those who tendered evidence before us felt that it was extremely difficult for them to say at what level the cost of living would stabilise itself. We have ourselves given a good deal of thought to this problem and consider that the determination, with any degree of accuracy, of a level at which the cost of living would stabilise is not possible in the present context of conflicting economic forces. In these circumstances, we feel that from a practical point of view we should, for the purpose of this enquiry, be guided by the consideration as regards the level below which the cost of living index is not likely to go down.

33. We have considered very carefully the views placed before us by the representatives of the Unions. It seems that they have taken an unduly pessimistic view of the future economic situation in the country. We find that in the last few decades there have been cycles of rise and fall in prices with a progressive upward trend. The Pay Commission, which considered this matter in 1947, had felt that taking the pre-war index as 100, there was a reasonable possibility of the prices stabilising at a cost of living index of 185—200. Since the time the Pay Commission reported, the effects of partition in 1947 and derationing of food articles in 1948 in the internal sphere, and the strained international situation and the

## CONSIDERATION OF THE QUESTION OF STABILISATION IN THE COST OF LIVING

Korean War in 1950-51 in the external sphere had given an impetus to the factors which tend to raise the cost of living. The cost of living continued to rise throughout the years from 1947 until the middle of 1951.

34. From the middle of 1951 the cost of living has steadily begun to recede. Assuming that no untoward events occur in the international field, and that internally the various development schemes are executed according to plan, there would be reasonable grounds to believe that the cost of living would further recede. In the internal economy of the country, indications are not wanting that the Government and the people are embarking on activities which would contribute to the success of a planned progressive economy. For example, the various multipurpose river valley projects and other coordinated schemes embodied in the Government's Five Year Plan would, in our opinion, help to bring about a distinct improvement in the production and availability of food stuffs and other essential semi-manufactured and manufactured commodities. The result of these factors would undoubtedly be a reduction in the cost of living.

35. We have also had the advantage of obtaining the considered views of various Economists and non-officials. Notes on this subject by Professor D. R. Gadgil, Director of the Gokhale Institute of Economics and Politics, Poona, and Dr. V. K. R. V. Rao, Director of the Delhi School of Economics, are given at Appendices IV and V of this Report.

36. Dr. Gadgil has, in his note, analysed in considerable detail the trend of prices in various countries since the First World War. He has observed that if this history is any guide for the present situation, the prices now ruling will normally not go back to the 1939 level. He has also expressed the opinion that if the extent of fall from the immediate post-war inflation is any indication of what may be expected, the fall from the peak level will not be more than 40 per cent. It will be seen from paragraph 15 above that the highest annual average in the all-India cost of living index was 367 in 1951. A drop of 40 per cent on this figure would give an index of 220. In discussion, however, Dr. Gadgil pointed out that after the last War the general emphasis of all Governments has been on anti-cyclic and full employment policies which would tend to limit the downward movement in prices and therefore the fall was likely to be less than 40 per cent of the peak level. Taking these circumstances into account he felt that it might be held that the cost of living would not go below the index figure of the order of about 275.

37. We have also noted that in Dr. Rao's opinion it was unlikely that the cost of living would go below the levels obtaining in January, 1947. At that time the all-India cost of living index stood at 285.

38. From the evidence made available to us and also keeping in view the effect of the impact of internal and external economic forces we do not think that the cost of living is likely to go down to the level anticipated by the Central Pay Commission. On the other hand, we believe that it would not remain at the level obtaining at present.



#### CHAPTER IV

39. In this connection, it has to be borne in mind that the pay of a Government employee, as distinct from dearness and other allowances, forms a stable part of his emoluments and is not ordinarily reduced. At times of revisions of pay, Government have in the past invariably protected the existing incumbents in respect of their higher rates of pay. Accordingly, we feel that we would not be erring if we exercised a certain measure of caution in determining the level below which the cost of living index was not likely to fall, noting particularly that the total quantum of emoluments would not be affected.

40. In the light of these considerations, we are of the opinion that for our purposes we should assume that the cost of living index would not fall below the range of 265-284, taking the pre-war index to be 100.

## CHAPTER V

### Recommendation as regards portion of dearness allowance to be treated as pay

#### I

41. In the last chapter we have taken the view that we should proceed on the assumption that the cost of living index was not likely to go below the range of 265—284. We now come to the question of determining the measure of dearness allowance that should be treated as pay.

42. The representatives of the unions who tendered written and oral evidence before us have not been uniform in their demand in this matter. Proceeding on the basis that the present cost of living index would not in any case recede, many of them have demanded that the full extent of the existing quantum of dearness allowance should be treated as pay. Others have submitted claims for a more moderate measure of conversion of dearness allowance into pay. Their proposals cover varying percentages of the present dearness allowance granted by Government and are generally in a diminishing sliding scale for the higher pay slabs. The majority of the unions were in favour of fixing a maximum limit of pay range up to which dearness allowance should be treated as pay.

43. The representatives of the State Governments who assisted us in our deliberations, were generally not in favour of any portion of dearness allowance being treated as pay at present. They felt that even the existing scales of pay granted by the Central Government on the basis of the recommendations of the Central Pay Commission were generous *vis-a-vis* the pay allowed by the State Governments to their own employees. We have, in this connection, called for up-to-date information in regard to the pay and dearness allowance granted by the various State Governments. From such information as has been received by us, we find that the rates vary from State to State and are generally lower than those granted by the Central Government. The information collected has been reproduced in the table below:—

TABLE No. 3

State Government	Minimum pay and dearness allowance		
	Categories	Pay	Dearness allowance
1	2	3	4
		Rs.	Rs.
1. Assam	Peons	22	..
	L.D. Clerks	50	..
	Do. (Sectt.)	65	..

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Minimum pay and dearness allowance			
State Government	Categories	Pay	Dearness allowance
1	2	3	4
		Rs.	Rs.
2. Bihar	Peons	22½	17½
	Clerks	50	20
	Lower Divn. Assistants	70	28
	Do. (Sectt.)	75	30
	Upper Divn. Assistants	250	50
3. Bombay	Peons	35	35
	Clerks (Mofussil)	46	35
	Do. (City)	75	45
	Head Clerks	150	50
	Supdt. (Mofussil)	200	55
	Do. (City)	250	60
	Junior Assistants	120	50
	Senior Assistants	210	60
	Co-op. Officers	200	50
4. Madras	Peons	18	18
	L.D. Clerks	45	22
	U.D. Clerks (Grade I)	80	24
	Do. (Grade II)	80	24
	Manager, Court of Wards	300	17½% of pay plus Rs. 6.
5. Orissa	Class IV	16—34	19
	Class III	40—155	19—24
6. Punjab	Peons	20	30
	Junior Clerks in Class I offices	60	40
	Do.	50	30
	Teachers	90	40
	Assistants in Class II offices	116	40
	College cadre	150	40
	Assistants in Class I offices	150	40
7. Uttar Pradesh	Peons	20	20
	Head Teachers	45	20
	Clerks	60	25
	Statistical Assistant	75	25
	Head Clerks	80	25
	Lower Divn. Assistants	80	25
	Superintendent	200	35
8. Hyderabad	Peons	25	18
	Clerks	55	28
	U.D. Clerk	125	35
	Ministerial (Grade I)	200	35
9. Rajasthan	Peons	25	15
	L.D. Clerks	50	20
	U.D. Clerks	75	25
	Superintendents	150	30
10. Travancore-Cochin	Peons	20	22
	Clerks (Routine)	30	27
	L.D. Clerks	45	27
	U.D. Clerks	80	33

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TREATED AS PAY**

Minimum pay and dearness allowance			
State Government	Categories	Pay	Dearness allowance
1	2	3	4
11. Bhopal	Peons	20	21
	Lower Division Clerk	45	33
	Do. (Sectt.)	50	33
	U. D. Clerk	80	33
	Do. (Sectt.)	111	33
	Head Clerks Superintendent (Sectt.)	150 200	33 35
12. Delhi	Peons	30	40
	Junior Clerks	55	50
	Senior Clerks	80	50
	Assistants	160	60
13. Himachal Pradesh	Peons	20	40
	Junior clerks	55	50
	Senior clerks	80	50
	Superintendents	150	55
14. Saurashtra Gov- ernment.	Peons	22	30
	Clerks	40	30
	Senior Clerks	75	40
	Head Clerks	125	40
	Police Inspector	150	40
	Superintendent	180	45
15. Tripura	Peons	20	30
	Clerks	55	40
	Ministerial	150	45

The State Governments stressed that having regard to the present state of their finances, they were not in a position to increase the pay of their employees, and they were therefore reluctant to see a further widening of the gap.

While appreciating the difficulties of the State Governments, we find that this matter was fully considered by the Central Pay Commission before they decided to recommend uniform scales of pay for all Central Government employees without linking these scales to the scales of pay allowed by the State Governments. The Commission's views in this matter, which were accepted by the Central Government in 1947, are contained in para 41 of their Report and are reproduced below:—

## CHAPTER V

*“Central Service scales and Provincial Service scales.—It has never been doubted that there should be all-India scales for the higher grades of officers belonging to the Central Service and also for officers who are liable to be transferred to any part of the country. It has also been agreed that in the case of such officers the scales of pay should be so fixed as to allow for the greater expenditure that they might be obliged to incur as a result of their transfers. They may often be obliged to maintain more than one establishment or leave their children in a different place from their own station for purposes of education. Account must also be taken of the expenses they may have to incur in visiting their homes and near relatives from time to time. It has been rightly insisted on that public employees in the lower levels of pay should as far as possible not be transferred out of their Provinces. Public servants who though belonging to the Central Service are not expected to be transferred out of the Provinces where they enter service do not stand on the same footing as transferable officers.*

*Three views have been put forward in respect of the pay scales to be fixed for non-transferable employees.—(i) that there should be uniform all-India scales even for such people, allowance being made for the higher cost of living in certain places in the form of “local allowances”. This expression “local allowances” is ambiguous. It may mean local allowances for costly cities like Bombay, Calcutta, etc.; this will be one thing. It may also signify local allowances for large areas or even for a whole Province, as for instance when such allowance is claimed on the ground that life in the Punjab is more costly or the standard of living there is higher than in Bihar or in Madras; this is a very different thing. It is analogous to the zonal system adopted by the Posts and Telegraphs Department. The local allowances we intend to provide for are allowances only of the former kind, that is, for specially costly cities. (ii) another view is that the pay of Central servants serving in the several Provinces should be identical with or bear as close a relation as possible to the same category in the same area. This is the view favoured by the Provincial administrations. (iii) a third view is that Central scales should generally be somewhat higher than Provincial scales so as to attract a better type of recruits to the Central Services. Provincial administrations seem to feel that this last course will place them at a disadvantage, especially in recruiting technical personnel for their post-war projects.*

Many witnesses stated that the economic levels and the financial resources of the different Provinces differ so widely that it would be unwise to insist on uniformity as between Central scales and Provincial scales of pay. Whatever might have been the position in the past, conditions

RECOMMENDATION AS REGARDS PORTION OF DEARNESS ALLOWANCE TO BE  
TREATED AS PAY

existing today do not justify the view that the cost of living differs very much between one part of India and another, apart from particular cities. But it seems to be true that by a continued tradition, standards of living are much lower in certain parts of the country than elsewhere. In certain areas, educated men were available for Government service in much larger numbers than in other parts of the country and the Government of the day took full advantage of the law of demand and supply to keep down the salary levels in places where recruits were available in large numbers. In the same way, local differences in the wage levels of the working classes were reflected in the pay of the lower grades of the services. It is no part of our function, nor does it lie in our power, to bring about uniformity as between different Provincial Governments in respect of their scales of pay to their own employees. But it has been strongly pressed on us that the Central Government should not take advantage of these circumstances in determining the scales to be fixed for its own employees working in different Provinces. We concur in this view. Subordinate officers belonging to Services which are organised in circles (not always coterminous with the boundaries of Provinces) must *a fortiori* be governed by the same principle."

44. So far as the private sector is concerned, the conditions of service, the prospects of advancement, the security of tenure etc. of the employees in this sector are so widely different from those applicable to Government servants that no proper comparison between the emoluments or retirement benefits of the two categories of individuals really lies. Moreover, the quantum of total emoluments granted in the private sector varies from industry to industry and place to place. The basic pay of the employees has been fixed in the various industries by agreement with the management or by industrial tribunals etc; as regards the dearness allowance, the position has been summed up in para 43 of the Report of the Committee on Fair Wages, 1949, which reads as follows:—

"As regards the quantum of relief to be granted to wage earners to meet the burden of the increased cost of living, the practice varies from trade to trade and centre to centre in this country. The Bombay Industrial Court, in their award dealing with the cotton textile mills, have laid down that employees in receipt of the lowest wage should be compensated to the extent of 90 per cent. of the rise in the cost of living and that other employees should be paid at the same flat rate. In the Ahmedabad cotton textile industry, however, the President of the Industrial Court has laid down that a worker should be compensated for increase in the cost of living to the extent of 100 per cent. of the rise. In that case also the dearness allowance payable to higher categories is at the flat rate applicable to those of the lowest category.

## CHAPTER V

In Madras on the other hand, the extent of neutralisation of the rise in the cost of living varies from 60 to 72 per cent. from centre to centre and is given at a flat rate for all employees."

### II

45. In the earlier chapters of this Report, we have recorded the various reasons which we have taken into account in arriving at the conclusion that the appropriate level below which the All-India cost of living index is not likely to fall, should be taken as 265—284. We find that for the index figure of 265, the Central Pay Commission's formula allows Government employees in the lowest pay group a dearness allowance of Rs. 20 and this amount remains unchanged until the cost of living index goes above the index of the next slab i.e. 285. We, therefore, consider that for employees in this pay group, a sum of Rs. 20 which represents 50 per cent. of the present dearness allowance of Rs. 40 p.m. should be treated as pay. We feel that this would afford a fair measure of relief to the employees in the matter of pension, provident fund and gratuities, which constitute the main benefits that will arise from our recommendations, without at the same time causing a serious strain on the country's financial resources and imposing an unjustifiable burden on the tax-payer.

46. As regards the higher pay groups, we have considered the percentage of the dearness allowance that should be treated as pay and also the highest pay range upto which this should be applied.

So far as the latter point is concerned, the consensus of opinion that we have collected has been that our recommendations need not be extended to officers receiving high salaries. We ourselves subscribe to this view and consider that our recommendation should apply to those in receipt of a pay not exceeding Rs. 750 p.m.

As regards the quantum of dearness allowance to be treated as pay, we are in agreement with the view generally expressed that the largest measure of benefit should be given to those in the lowest pay group. Ordinarily, therefore, we would have been inclined to suggest a diminishing percentage for the higher pay groups. We find, however, that the dearness allowance given at present to the higher pay groups already bears a diminishing percentage to the pay. We also observe that although the employees in the lowest pay groups were given increases in dearness allowance in the past, those in higher pay groups either received no increases at all or, upto certain pay limits, only a proportionately small measure of increase. Taking these factors into account, we recommend that the same percentage, as applied in the lowest pay group, should also be applied to employees in the higher pay groups upto a pay of Rs. 750 p.m., namely, that 50 per cent. of the dearness allowance drawn at present might be treated as pay.

47. In this connection, it may be of interest to see the following table which shows the percentage increase in the element of pay at the minimum stage of the various scales of pay applicable to employees in the lower pay groups, consequent on the acceptance of our recommendations.

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TABLE No. 4

Categories	Minimum pay	D.A. on minimum pay that will be treated as pay	Percentage increase in element of pay
1	2	3	4
Rs.	Rs.	Rs.	Rs.
30—35 (Peons) Malis P.&T. Runners } Railway Gunmen }	30	20	67%
40—60 Pointsman . . . . .	40	20	50%
55—130 L.D. Clerks; Typists; Telephone Operators, Comptometer Operators, Railway Ticket Collectors. }	55	25	45%
60—150 (Commercial Clerks) . . . . .	60	25	42%
64—170 (Station Masters) . . . . .	64	25	39%
80—160 (Train Examiners) . . . . .	80	25	31%
80—220 (U.D. Clerks) . . . . .	80	25	31%
100—160 (P&T Time Inspectors) . . . . .	100	25	25%
120—220 (Head Clerks) . . . . .	120	27½	23%
120—300 (Teachers) . . . . .	120	27½	23%

From the above table it will be seen that so far as the lowest pay group is concerned, our recommendation would have the effect of increasing the element of pay by about 67 per cent. For class III employees, it would have the effect of increasing the element of pay by about 45 per cent.

48. Before closing this chapter, we should like to make a suggestion and commend it to the Government for acceptance.

We have observed that the Government accepted the grant of dearness allowance at the rates suggested by the Central Pay Commission for the index figure of 285. In accordance with the Pay Commission's formula, these rates would continue to hold good until the index figure reached 305. When the cost of living index crossed this figure and prices started rising, the Government found itself unable to grant dearness allowance in accordance with the Central Pay Commission's formula. To alleviate the hardship caused to its employees, it gave two *ad hoc* increases in dearness allowance to those in receipt of pay not exceeding Rs. 300. The representatives of various unions who gave evidence before us stressed that these *ad hoc* increases were both inadequate (according to the Pay Commission's formula) and belated. They also argued that the *ad hoc* increases should not be reduced. In the event of a fall in the cost of living, a reduction in the dearness allowance seems unavoidable. However, we feel that a reduction should come about only when the fall in the cost of living is fairly substantial and is not purely of a temporary nature. This would afford a certain degree of stability even in the fluctuating element of their emoluments and would give them a reasonable sense of security. Having regard to the circumstances in which the *ad hoc* increases were given, we would recommend that these *ad hoc* increases should not be reduced until the All-India cost of living index reaches the figure of 305.



## CHAPTER VI

### Other Recommendations

49. The term of reference to us states that we are to advise Government on the portion of dearness allowance that should be treated as pay. The representatives of some of the Unions desired to know whether the portion of dearness allowance that should be treated as pay would be merged in the existing pay scales, and thought that, if this was done, a number of anomalies would arise.

We have given very careful consideration to this matter. The scales of pay cannot be altered by merely adding the approved percentage of the dearness allowance to the minima and maxima of such scales. In fact, if the approved percentage of dearness allowance were to be merged in the pay scales, a radical recasting of the entire existing structure of pay and dearness allowance would be necessary. From the wording of the term of reference it is clear that it is not the intention of Government that such a revision should be undertaken. In fact the object in view would be fully achieved in a simple manner by keeping the present basic pay and dearness allowance separate, but indicating what portion of the latter should be treated as pay.

50. Apart from benefiting Government servants in regard to their pensions, provident funds and gratuities, the addition of a certain portion of dearness allowance to pay for all purposes, as indicated in the term of reference, will give the employees certain concessions in the shape of increased house-rent and compensatory allowances, better rates of travelling allowance, etc. On the other hand, those of them occupying government quarters may have to pay increased rent. We have examined this matter in considerable detail and, keeping in mind the need to obviate anomalies and remove misapprehensions that may arise, we feel that we should indicate clearly the purposes for which the approved percentage of dearness allowance should be treated as pay and the exact manner in which this should be taken into account in applying the relevant rules and regulations.

51. The purposes for which the approved percentage of the dearness allowance should be treated as pay are indicated below. In respect of items for which some clarification or modification is necessary, suitable remarks have been given against the particular item concerned.

(a) *Retirement benefits:*

- (i) Subscription to the contributory provident fund, Government's contribution thereof and the special contribution.
- (ii) Pension and gratuities.

It has been urged before us by the Central Government employees who are on the verge of retirement that the full pensionary benefit arising from our recommendations

#### OTHER RECOMMENDATIONS

should be made available to them. We have been told that as the pension is calculated on "average emoluments" (as defined in the pension rules) relating to the period of three years before retirement, the full benefit of treating a portion of dearness allowance as pay will be felt in pension only after a period of three years from the date from which this measure is given effect to. Since the most important effect of our recommendation would be to allow a higher measure of pension, we consider that the cases of those who may be retiring within the three years require sympathetic consideration. Accordingly, we recommend that the "average emoluments" should first be calculated under the normal pension rules (excluding for the purpose of such calculation the element of dearness allowance that is treated as pay), and the following should be added:

"After determining the dearness allowance in respect of an amount of pay equal to the 'average emolument', and taking 50 per cent. thereof as representing the portion to be treated as pay,

- (a) half of such portion should be taken for addition to the average emoluments for those retiring within one year from the date from which the recommendations are given effect to, and
- (b) the whole of such portion should be taken for addition to the average emoluments for those retiring in the second or third year after the date from which the recommendations are given effect to."

We understand that pensioners drawing pensions up to Rs. 100 p.m. are at present in receipt of small temporary additions to pension as an *ad hoc* measure. For those who would benefit from our recommendations, the increases in pension would be larger than the temporary *ad hoc* addition now given by Government. In any particular case, however, should the temporary addition to pension be more favourable than the increase in pension that would arise from our recommendations, the pensioner should be allowed to draw his pension calculated under the normal rules, (excluding the element of dearness allowance that is treated as pay) plus the temporary *ad hoc* addition to pension.

During our itinerary, we have been approached by a number of pensioners' organisations who have represented to us on behalf of the low paid pensioners that they might be given some relief in view of the present high cost of living. We pointed out that this was really outside the scope of the term of reference of this Committee. What we are required to do is to recommend an appropriate portion of dearness allowance to be treated as pay. Since pension is calculated on pay, only such Government servants as would become entitled to a higher element of pay as a result of our recommendations, would receive the pensionary benefit accruing from these recommendations.

## CHAPTER VI

- (b) *Travelling allowance.*
- (c) *Compensatory allowance.*
- (d) *House rent allowance.*

A vast majority of Government servants are not in occupation of Government quarters and such of these employees as are working in the costlier cities and towns are entitled to a house rent allowance. Our recommendation would have the effect of immediately allowing a larger measure of this allowance to those whose pay would thereby fall in higher groups. It has been brought to our notice, however, that Government servants in group 'C' towns who are not provided with Government quarters and who are in receipt of pay not exceeding Rs. 100 p.m. and who are entitled to a house rent allowance of Rs. 7 p.m. would stand to lose in cases where their pay together with the portion of dearness allowance to be treated as pay exceeds Rs. 100 p.m. We have considered this matter and feel that while it would be correct to determine the house rent allowance on pay *plus* the portion of dearness allowance to be treated as pay, we would recommend that in the case of an employee who is in receipt of house rent allowance on the date on which our recommendation is given effect to, any immediate drop in emoluments caused by the inclusion of the appropriate portion of the dearness allowance as pay should be protected by the grant of a personal allowance which will be absorbed in increases in emoluments consequent on the drawal of increments, promotions, etc.

- (e) *Recovery of House rent from Government employees in occupation of Government quarters:*

We understand that the number of Government servants occupying Government quarters is relatively small, for example, on the Railway side about 30 per cent. only are provided with quarters.

Quite a large number of Government servants who are in occupation of Government quarters, particularly amongst Class IV employees, are not required to pay rent. For example, on the Railway side a little more than half the number of employees occupying Railway quarters do not pay rent. As regards those who are required to pay rent, the rules now in force provide that a Government servant is liable to be charged either the standard rent of the quarter occupied by him or 10 per cent. of his pay whichever is less. It may be mentioned in this connection that in the vast majority of cases the amount recovered is appreciably less than the standard rent. We understand that, taking the case of Delhi alone, the Government is incurring a loss of about Rs. 10 lakhs per year, the total standard rent being about Rs. 42 lakhs and the rent recovered being Rs. 32 lakhs. This would indicate the magnitude of the concession involved in recovering rent only at 10 per cent. of pay instead of the standard rent. Keeping the above consideration in view and also bearing

## OTHER RECOMMENDATIONS

in mind that our recommendations will afford benefits to Government servants in other directions, we feel that there would be very little justification in exempting for the purpose of the recovery of rent, the portion of dearness allowance to be treated as pay. In order, however, to prevent a sudden drop in the net emoluments of an individual who is occupying a Government quarter on the date on which our recommendations are given effect to, we would recommend that the additional amount of house-rent to be charged on such portion of the dearness allowance as is treated as pay should be limited to 5 per cent. instead of the usual 10 per cent. This personal concession will cease either on promotion or on an individual becoming entitled to a Government quarter of a different class.

(f) *Computation of leave salary:*

Some of the representatives of the Unions have mentioned that the effect of treating a portion of the dearness allowance as pay might mean a reduction in the leave salary. We consider that this would not be justifiable and, accordingly, we recommend that for purposes of computing the leave salary, the average pay, half average pay etc. should be calculated as at present on the basic pay (*i.e.* excluding the element of dearness allowance to be treated as pay) and the dearness allowance should then be determined on the amount of average pay, half average pay etc. so arrived at.

52. The recommendations made so far relate to the Central Government servants as a whole. It has been brought to our notice, however, that there are a few service conditions which are peculiar to the employees of certain Departments and they require special mention.

(a) *Piece Workers in Ordnance Factories:*

Some of the representatives expressed a fear that by treating a portion of dearness allowance as pay, they might be adversely affected. From such examination as we were able to make of the problem, it appears to us that such an apprehension was unfounded. It is not our intention that our recommendations should affect the emoluments of Piece Workers adversely.

(b) *Railway employees who are in receipt of grain shop concession:*

In regard to such employees, our recommendation is that they should be eligible to all the concessions as if they were in receipt of full dearness allowance in cash.

(c) *Railway employees who are in receipt of Educational Assistance:*

The scale of educational assistance admissible to permanent non-gazetted railway employees (excluding Class IV), when an employee is compelled to send his child or children to a boarding school away from the station at which he

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is posted owing to the absence of a school of the requisite standard at the station at which he is posted, is as follows:

<i>Pay of employee</i>	<i>Limit of assistance</i>
Not exceeding Rs. 100 p.m.	$\frac{1}{2}$ of the fees for board and tuition.
Rs. 101 to Rs. 200 p.m.	$\frac{1}{3}$ of the fees for board and tuition.
Rs. 201 to Rs. 300 p.m.	$\frac{1}{4}$ of the fees for board and tuition.

As a result of 50 per cent. of the dearness allowance being treated as pay, some employees will pass from one of the above slabs to the next slab and will thereby be entitled to educational assistance at a rate lower than the one applicable to them at present. In order to give protection against this drop in the quantum of educational assistance, we would make the following recommendation:—

In the case of an employee who is in receipt of educational assistance on the date from which the recommendations are given effect to, the amount of educational assistance admissible shall, as a personal concession, be based on his basic pay (i.e. excluding the portion of dearness allowance treated as pay) till such time as his basic pay exceeds the upper limit of the slab in which he is on the relevant date. When the limit referred to is exceeded, the portion of dearness allowance treated as pay shall be taken into account with the basic pay for regulating the grant of educational assistance.

(d) *Running allowances to Traffic and Loco running staff on Railways:*

In the case of employees who have come on to the prescribed scales of pay and the revised running allowance rules, the rate of running allowance is based on the grade of the employee. In the case of employees who have elected to remain on the pre-1931 scales of pay and the old running allowance rules, there are however a few cases in which the rates of running allowance on the Traffic side are based on the pay of the employees. As it is the policy of the Government to maintain the *status quo* as far as possible in regard to the old rules which the employees may have elected to retain, we consider that it will not be appropriate to alter the existing rate of running allowance applicable to an employee. We, therefore, recommend that the portion of dearness allowance which is to be treated as pay should not affect the determination of rates of running allowance under the old running allowance rules.

OTHER RECOMMENDATIONS

53. We have considered the question of the date from which effect should be given to our recommendations as accepted by Government. The Committee was appointed barely three months ago, namely, on the 15th of July, 1952, and we accordingly feel that our recommendations might be given effect to from that date.

(Sd.) N. V. GADGIL

(Sd.) KHANDUBHAI K. DESAI

(Sd.) \*S. GURUSWAMI

(Sd.) J. DAYAL

(Sd.) P. N. SAXENA.

(Sd.) S. K. MAJUMDAR,  
*Secretary.*

4th October 1952.

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\*Subject to the minute of dissent.

## MINUTE OF DISSENT

by

SHRI S. GURUSWAMI

1. I am sorry to have to disassociate myself from the observations contained in Chapter III and paras. 44 and 45 of Chapter V of the Report, as they are outside the scope of the Enquiry and are based on certain fallacious inferences which have vitiated materially a proper consideration of the matter under issue. My colleagues have displayed great anxiety to impress that the Central Pay Commission scales of minimum pay and Dearness Allowance were excessive. If the present enquiry included consideration of this aspect of the question, ample evidence would have been forthcoming to support the other side of the case.

2. With reference to Chapters IV and V of the Report, I wish to emphasise that the two economists Dr. Gadgil and Dr. Rao gave evidence that was not contradictory but was supplementary. The evidence of the Government Statistician was to the effect that purely from statistical point of view, the probabilities were in favour of the living cost stabilising themselves during the next five years at the levels prevailing in 1948-49. The I.L.O. Director in his Report for 1949 has drawn attention to the fact that any large scale capital construction will have a depressing effect on the standards of living of the workers during the construction stage. The Five-Year Plan based on estimates at the prevailing prices cannot but have inflationary tendency. In the circumstances, there is no warrant for assuming that the cost of living index would go down below 1948-49 levels. From this evidence, I consider there is justification for absorption of the entire Dearness Allowance as it stood in 1949.

3. I wish to make certain observations about the cost of living indices brought to the notice of the Committee. The discrepancies are so glaring that the figures cannot be exempt from the criticism made in U.S.A., Great Britain and other countries about similar figures. The International Labour Review for August, 1952 mentions that serious charges were made that 'the index of U.S.A. Bureau of Labour Statistics had under-estimated the rise in the cost of living between January, 1941 and December, 1946 by nearly half.' The same journal also observes "when Government policy of rationing, price control and subsidies are applied, the index may be deliberately manipulated. In some countries trade unions have attacked Government price policies because they have aimed at stabilising the index instead of the cost of living." I would, therefore, recommend the Government should prepare a proper cost of living index in consultation with I.L.O. experts and organised labour representatives to avoid any suspicion of manipulation.

4. Coming to the specific recommendations made in the Report, I consider that for purposes of provident fund and gratuity contributions, there should be full merger of dearness allowance with basic pay at all times. This principle is already accepted in the existing

#### MINUTE OF DISSENT BY SHRI S. GURUSWAMI

legislation relating to provident fund of some 16 lakhs of private industrial workers, in the Rules governing overtime under the Factories Act and in the compensation payable under the Workmen's Compensation Act. This is a matter of vital principle capable of easy application. When dearness allowance is varied to adjust changes in cost of living, the merged pay can be correspondingly a variable quantity.

5. In regard to pensioners, the recommendations made by my colleagues adversely modify the recommendations of the Central Pay Commission in paras. 71 to 75 of their Report. I see no justification for such modification and reiterate that the Central Pay Commission's formula should be applied *in toto*.

6. It is necessary to point out that the percentage of merger of dearness allowance with basic pay recommended by my colleagues ignores the necessity of granting all consequential benefits such as increased dearness allowance on enhanced pay, higher rates of annual increments appropriate to increased pay, in the light of the recommendations of the Central Pay Commission. This anomaly should be set right by appointing a Tripartite Commission to go into the question of revision of existing pay structure; in the meantime, the workers should be protected against any diminution of earnings under the present arrangements. I am against 5 per cent. enhancement recommended in regard to recoverable house rent, due to any notional addition to pay pending revision of the existing pay structure.

(Sd.) S. GURUSWAMI

NEW DELHI.

4th October 1952.



## APPENDIX I

(Cf para. 2 of Report)

### PRESS COMMUNIQUE

In accordance with the announcement of the 9th May, 1952, the Government of India have appointed a Committee to conduct an investigation into and advise the Government as regards the exact portion of Dearness Allowance now given to Central Government servants that should be treated as pay.

2. Shri N. V. Gadgil, Member of Parliament, will be the Chairman of the Committee. Shri S. Guruswamy, Member of the Council of States and Secretary, All India Railwaymen's Federation and Shri Khandubhai K. Desai, President, I.N.T.U.C. will be the non-official members of the Committee. Shri J. Dayal, Joint Secretary, Ministry of Finance and Shri P. N. Saxena, Director of Establishment, Railway Board, will be the official members. Shri S. K. Majumdar, Deputy Secretary, Ministry of Finance, will act as Secretary to the Committee.

3. The term of reference to the Committee will be:—

“Taking into consideration the rates of dearness allowance that have been sanctioned to date for Central Government servants, and the level at which cost of living index figures are likely to stabilise in the foreseeable future, to recommend the percentage of the dearness allowance now given to Central Government servants which should be allowed to be treated as pay for all purposes in future, provided that by doing so the present total of pay and dearness allowance is not enhanced.”

4. It will be within the term of reference of the Committee to call for information in writing and take oral evidence. The Government of India would welcome the co-operation of Service Associations and non-official bodies and agencies and hope that they will afford the Committee their fullest assistance in the matter.

5. In order to enable the Committee to proceed with the consideration of the matter as soon as it is constituted, the Chairman of the Committee has decided that the following questionnaire should be issued to elicit public opinion. If necessary, a supplementary questionnaire will be issued at a later date. The replies to the questionnaire should reach the Secretary of the Committee by the 27th July, 1952.

### QUESTIONNAIRE

1. Do you consider that there is a reasonable possibility of the price level stabilising in the foreseeable future?

2. Do you consider that the prices have reached the peak level and would progressively move down in the foreseeable future?

PRESS COMMUNIQUE

3. If you consider that the price level is likely to stabilise, what do you think would be the level in relation to the level in August 1939 at which this would happen?

4. In relation to the level at which prices are likely to stabilise, do you consider that any portion of the dearness allowance that might be treated as pay should be on the basis of:—

(a) a percentage of dearness allowance applicable uniformly to Government servants in different pay slabs in which the allowance is admissible at present;

(b) a sliding scale of percentages in relation to such pay slabs?

5. In the case of item 4 (a) above, what do you consider should be the percentage of dearness allowance that should be treated as pay?

Do you consider that this should be applicable to Government servants in all pay slabs in which dearness allowance is admissible at present or should this be limited only to the Government servants on the lower pay slabs. If the latter, what do you consider to be a suitable limit of pay above which no part of dearness allowance need be treated as pay?

6. In the case of item 4 (b) above, what do you consider to be an appropriate sliding scale in relation to the different pay slabs?

## APPENDIX II

(Cf. para. 4 of the Report)

### List of Unions who replied to the questionnaire and/or gave oral evidence before committee.

State	Name of Union	Gave oral evidence on	Remarks
Bombay	1. G.I.P. Railway Officers' Association.	..	
	2. Western Railway Employees Association.	4-8-52	
	3. Central Railway Mazdoor Panchayat.	5-8-52	
	4. National Railway Workers Union	4-8-52	
	5. Lower Gazetted Service Officers Association, G.I.P. Ry.	..	
	6. G.I.P. Railway Accounts Staff Union.	4-8-52	
	7. Barsi Light Railwaymen's Union .	4-8-52	
	8. Telephone Workers Union . . .	4-8-52	
	9. All India Postmen and Lower grade (including R.M.S.) Staff Union.	4-8-52	
	10. Indian Naval Dockyard Workers Union.	..	
	11. All India Association of the Non-gazetted Officers of the Ordnance and Clothing Factories and Inspectorate., Kirkee, Poona.	5-8-52	
	12. Indian Ordnance Factories Supervisors Association, Kirkee, Poona.	5-8-52	
	13. Dehu Ammunitions Depot Workers Union.	5-8-52	
	14. All India Union of EME Supervisors, Kirkee, Poona.	..	
	15. All India EME SP Association, Kirkee, Poona.	5-8-52	
	16. A.O.C. Clerks' Association, Poona.	5-8-52	
	17. M.E.S. Employees Union, Poona Area.	5-8-52	
	18. M.T.S.S.D. Workers' Union, Poona	5-8-52	
	19. C.O.D. Workers Union, Dehu Road	5-8-52	

LIST OF UNIONS WHO REPLIED TO THE QUESTIONNAIRE AND/OR GAVE ORAL EVIDENCE BEFORE COMMITTEE

State	Name of Union	Gave oral evidence on	Remarks
Bombay (contd.)	20. C.B.R. Ministerial Officers Association.	4-8-52	
	21. All India Federation of Income Tax (gazetted) Services Association.	4-8-52	
	22. Association of the Gazetted Officers of the Income Tax Department.	4-8-52	
	23. Indian Customs Service Association.	..	
	24. Bombay Customs Preventive Service Association.	..	
	25. Bombay Customs Appraising Staff Association.	4-8-52	
	26. Civil Accounts Association . . .	..	
	27. Divisional Accounts Association . . .	..	
	28. Military Accounts Association, Poona.	..	
	29. Bombay Mint Staff Union . . .	4-8-52	
	30 All India Association of Officers of Class II Services of the Indian Audit and Accounts Service.	..	
	31. Security Printing, India Staff Association, Nasik Road.	..	
	32. Government Peons & Inferior Servants' Union (Central).	4-8-52	
	33. C.P.W.D. Staff Union . . .	4-8-52	
	34. Income Tax Department Non-Gazetted Staff Union, Ahmedabad.	..	
	35. Post-1931 Employees Association, P&T, GPO, Bombay.	..	
	36. Overseas Communications Service Staff Union.	..	
	37. G.I.P. Railway Labour Union . . .	4-8-52	
	38. Bombay Water Workers Union . . .	..	
	39. All India Trade Union Congress . . .	4-8-52	
	40. Hind Mazdoor Sabha . . .	4-8-52	
	41. Central Excise Employees Union . . .	..	
	42. Association of Scientific Workers, Ordnance Establishments, Kirkee.	5-8-52	
	43. Ammunition Factories Workers Union, Kirkee.	5-8-52	
	44. Ordnance Employees Union, Bombay, Wadala.	5-8-52	
	45. P. & T. Administrative Officers Association.	5-8-52	
	46. Union of Posts & Telegraph Workers.	5-8-52	
	47. Bombay Postmen Union . . .	5-8-52	
	48. Bombay Presidency Postmen & Lower Grade Staff Union.	5-8-52	
	49. Government Medical Store Employees Union.	5-8-52	

APPENDIX II

State	Name of Union	Gave oral evidence on	Remarks
Madras	50. South Indian Railway Officers Association, Trichinopoly.	..	
	51. Southern Railway Class II Officers Union, Madras.	..	
	52. Southern Railway Employees' Association, Tambaram.	21-8-52	
	53. Southern Railway Loco Transportation Association, Madurai.	..	
	54. Southern Railway Workers' Union, Golden Rock.	21-8-52	
	55. Clerks' Association, Southern Railway, Trichinopoly.	..	
	56. M.S.M. Railway Chief Auditor's Office Clerks' Association.	..	
	57. Cordite Factory Labour Union, Aravankadu.	22-8-52	
	58. Madras Area Military Engineer Services Civil Employees' Union, Vishakapatnam.	..	
	59. 515 Command E.M.E. Workshop Workers Union, Bangalore.	..	
	60. Avadi Vehicle Depot Civilian Employees Union, Madras.	..	
	61. Madras Postal Accounts Association.	21-8-52	
	62. Madras Customs Non-gazetted Officers' Association, Madras.	21-8-52	
	63. Madras Central Excise Non-gazetted Officers' Association, Vishakapatnam.	..	
	64. Class IV Service Association, Income Tax Department, Madras.	..	
	65. Travancore Cochin Income Tax Department Class III Employees Association, Alleppey.	..	
	66. Travancore-Cochin Income Tax Department Class IV Employees Association, Alleppey.	..	
	67. Madras Income Tax Non-gazetted Officers' Association.	21-8-52	
	68. Mysore Income Tax Class III Officers' Association, Bangalore.	..	
	69. Medical Stores Depot Officials' Association, Madras.	21-8-52	
	70. Cochin Port Trust Staff Association.	..	
71. Survey of India Southern Circle Class IV Service Association, Bangalore.	21-8-52		

**LIST OF UNIONS WHO REPLIED TO THE QUESTIONNAIRE AND/OR GAVE ORAL EVIDENCE BEFORE COMMITTEE**

State	Name of Union	Gave oral evidence on	Remarks
<i>Madras (contd.)</i>			
	72. Vizagapatam Harbour & Port Workers' Union, Vizagapatam.	..	
	73. Southern Railway Sanitary Inspectors' Association, Villupuram.	..	
	74. The Madras Non-gazetted Civil Accounts Officers' Association.	21-8-52	
	75. All India Postmen and Lower Grade Staff Union, Madras Branch.	21-8-52	
	76. Union of Posts & Telegraph Workers.	21-8-52	
	77. M. S. M. Railway Employees Union, Perambur.	21-8-52	
	78. Mysore State Railway Employees Association, Mysore.	21-8-52	
<i>Madhya Pradesh</i>	79. Telegraph Communication Engineers' Association (India), Jabalpur.	..	
	80. P. & T. S.A.S. Association, Nagpur.	23-8-52	
	81. Association of Scientific Workers, Khajuria, Jabalpur.	..	
	82. Technical Development Establishment (Weapons) Employees Union, Jabalpur.	..	
	83. O. F. K. Labour Union, Khajuria, Jabalpur.	..	
	84. Hyderabad Services Association, Hyderabad.	..	
	85. Hyderabad Income Tax Department, Class III Officers' Association, Hyderabad-Deccan.	..	
	86. Civil Audit & Accounts Association, Madhya Pradesh, Nagpur.	23-8-52	
	87. Association of Gazetted Officers of Income Tax Dept., Madhya Pradesh and Bhopal, Nagpur.	..	
	88. Madhya Pradesh & Bhopal Income Tax Department, Class IV Servants Association, Nagpur.	..	
	89. Madhya Pradesh & Bhopal Income Tax Dept. Non-gazetted Services Association, Nagpur.	..	
	90. Hyderabad & Mysore Central Excise Non-gazetted Officers' Association, Hyderabad.	..	
	91. Non-gazetted Postal Audit Association, Nagpur.	23-8-52	

APPENDIX II

State	Name of Union	Gave oral evidence on	Remarks
<b>Madhya Pradesh (contd).</b>			
	92. All India Association of Class II Officers of the Indian Audit & Accounts Department, Madhya Pradesh Branch.	23-8-52	
	93. Madhya Pradesh Postmen & Lower Grade Staff Union, Nagpur.	23-8-52	
	94. Union of Posts & Telegraph Workers.	23-8-52	
	95. Civil Accounts Association, Madhya Bharat, Gwalior.	..	
	96. Gun Carriage Factory Workers Union, Jabalpur.	24-8-52	
<b>West Bengal, Assam, Bihar.</b>	97. Bengal Nagpur Railwaymen's Congress.	26-8-52	
	98. B.N.R. Employees' Union, Kharagpur.	26-8-52	
	99. L.G.S. Officers' Association, East Indian Railway (Eastern Railway).	..	
	100. Audit Clerks' Association, Eastern Railway, Calcutta.	..	
	101. E.I. Railwaymen's Congress, Calcutta.	..	
	102. E.I. Rail Road Workers' Union, Calcutta.	26-8-52	
	103. Kalighat-Falta Railway Workers' Union, Calcutta.	..	
	104. Assam Railway Labour Association, Pandu.	..	
	105. L.G.S. Officers Association, Assam Railway (North Eastern Railway).	..	
	106. Assam Railway Audit Office Association.	..	
	107. All India Union of Gazetted and Quasi-gazetted Postmasters, Calcutta.	..	
	108. All India Telegraph Workmen's Union, Bengal & Assam, Calcutta.	26-8-52	
	109. All India Postal & R.M.S. Union, Calcutta.	..	
	110. All India Telephone & Telegraph Engineering Union, Patna.	..	
	111. All India Telegraph Union, Calcutta.	26-8-52	
	112. I.G.S. Employees Union, Calcutta.	..	

LIST OF UNIONS WHO REPLIED TO THE QUESTIONNAIRE AND/OR GAVE ORAL  
EVIDENCE BEFORE COMMITTEE

State	Name of Union	Gave oral evidence on	Remarks
West Bengal, Assam, Bihar (contd.)	113. All India Association of Clerical Employees of Ordnance Factories, Cossipore, Calcutta.	26-8-52	
	114. Indian Ordnance Civil & Gazetted Officers' Association, Rifle Factory, Ishapore, West Bengal.	..	
	115. Ishapore Ordnance Factories Mazdoor Union, West Bengal.	..	
	116. Defence Accounts Association, Calcutta.	..	
	117. All India Postal Accounts' Association, Calcutta.	..	
	118. Government Metallurgical Inspectorate Employees' Union, Jamshedpur.	27-8-52	
	119. Civil Accounts Association, Assam	..	
	120. Civil Audit & Accounts Office Association, West Bengal, Calcutta.	..	
	121. West Bengal Divisional Accountants Association, Calcutta.	27-8-52	
	122. Calcutta Customs Preventive Service Association.	..	
	123. Survey of India Class III Services Association, Calcutta.	..	
	124. Customs Ministerial Officers' and Record Suppliers' Association, Calcutta.	27-8-52	
	125. Accounts Office Association, Bihar & Orissa, Ranchi.	27-8-52	
	126. Local Audit Association, Ranchi	..	
127. Accounts Office Association of the Members of Inferior Services (now Grade IV), Calcutta.	..		
128. Central Excise Non-gazetted Employees Union, Shillong.	..		
129. Bihar & Orissa Income Tax Department Ministerial Officers' Association, Patna.	27-8-52		
130. Customs Class IV Staff Union, Calcutta.	27-8-52		
131. Controllor of Coal Accounts Employees Association, Calcutta.	27-8-52		
132. Bengal Income Tax Association, Calcutta.	27-8-52		
133. Commercial Intelligence Union, Calcutta.	27-8-52		
134. West Bengal Income Tax Class, IV Employees Association, Calcutta.	..		



APPENDIX II

State	Name of Union	Gave oral evidence on	Remarks	
West Bengal, Assam, Bihar (concl'd.)	135. Government of India Forms Store & Press (N.I.) Employees Association, Calcutta.	27-8-52		
	136. C.P.W.D. Ministerial Staff Association, Calcutta.	27-8-52		
	137. C. E. & L. C. Employees Union, Calcutta.	27-8-52		
	138. B. K. & A. K. Workers' Union, Katwa, Burdwan.	..		
	139. Union of Posts and Telegraph Workers, Calcutta.	27-8-52		
	140. East Indian Railway Employees Union, Calcutta.	26-8-52		
	141. B. N. Railway Employees Union	..		
	142. Supply Audit Association, Calcutta	27-8-52		
	143. West Bengal Government Press Employees Union, Calcutta.	..		
	144. Geological Survey of India Employees Association, Calcutta.	..		
	145. Railway Press Workers Union, Calcutta.	26-8-52		
	146. P. & T. Mazdoor Union, Alipore	26-8-52		
	147. Bengal and Assam Provincial Postmen and Lower Grade including R. M. S.) Union.	26-8-52		
	148. All India Ordnance Employees Federation, Calcutta.	26-8-52		
	149. National Union of Port Trust Employees, Calcutta.	..		
	Uttar Pradesh, etc.	150. O. T. Railwaymen's Union, Gorakhpur.	29-8-52	
		151. O. T. Railway Employees' Union, Gorakhpur.	..	
		152. All India Military Engineer Service Workers' Union, Lucknow.	..	
		153. Association of Store Keepers and Storemen of the A. O. C., Allahabad.	..	
154. Scientific Workers' Association, Kanpur.		30-8-52		
155. Technical Development Establishments Union, Kanpur.		30-8-52		
156. All India P. & T. Administrative Officers Association, Lucknow.		29-8-52		
157. U. P. Income Tax Inferior Employees Association, Lucknow.		29-8-52		
158. Non-gazetted Civil Accounts Brotherhood, Allahabad.		..		
159. U. P. Divisional Accountants Association, Allahabad.		..		

LIST OF UNIONS WHO REPLIED TO THE QUESTIONNAIRE AND/OR GAVE ORAL EVIDENCE BEFORE COMMITTEE

State	Name of Union	Gave oral evidence on	Remarks
Uttar Pradesh ( <i>contd.</i> )	160. Union of P. & T. Workers, Lucknow.	29-8-52	
	161. Bihar and Orissa Income Tax Peons' Association, Muzaffarpur.	..	
	162. All India Railway Ministerial Staff Association, Lucknow.	..	
	163. Union of P. & T. Workers, Kanpur.	30-8-52	
	164. Kanpur Postal Union, Kanpur	..	
	165. Indian Ordnance Factories Supervisors' Association, Kanpur.	..	
	166. Central Government Employees Union, Lucknow.	29-8-52	
	167. Northern Railway Staff Association, Lucknow.	29-8-52	
Delhi, Rajasthan, etc.	168. Indian National Railway Workers Federation, New Delhi.	3-8-52	
	169. East Punjab Railway I. R. S. E. Officers Association, New Delhi.	1-9-52	
	170. Railway Clearing Accountants' Association, New Delhi.	1-9-52	
	171. Jaipur State Railwaymen's Union, Jaipur.	..	
	172. Jodhpur Railway Karachari Sangh, Jodhpur.	..	
	173. Postal Officers Association, New Delhi.	..	
	174. All India Telegraph Workmen's Union, New Delhi.	..	
	175. All India Telegraph Line Staff Union, New Delhi.	1-9-52	
	176. Union of Post and Telegraph Workers, New Delhi.	1-9-52	
	177. Indian Meteorological Workshops Union, New Delhi.	1-9-52	
	178. The India Meteorological Department Non-gazetted Staff Union, New Delhi.	1-9-52	
	179. Aeronautical Communication Employees Union, New Delhi.	..	
	180. All India Telephone Revenue Union.	1-9-52	
181. Telegraph Traffic Officers Association, New Delhi.	..		
182. Federation of P. & T. Union, New Delhi.	1-9-52		
183. India Meteorological Department Gazetted Officers' Association.	..		

APPENDIX II

State	Name of Union	Gave oral evidence on	Remarks
Delhi, Rajasthan (contd.)	184. Armed Forces Displaced Government Servants' Union.	..	
	185. Air Force Store Keepers Association, Jangpura, New Delhi.	2-9-52	
	186. Armed Forces Headquarters Civilian Officers' Association, New Delhi.	..	
	187. Hygiene Workers Association, U. P. Area, Roorkee.	..	
	188. Association of All India Air Force Units' Civilians, New Delhi.	..	
	189. C.O.D. Rashtriya Mazdoor Union, Agra.	..	
	190. Military Accounts Union, Meerut	..	
	191. Central Secretariat Association, New Delhi.	2-9-52	
	192. Central Government III Division Clerks' Union.	2-9-52	
	193. Government of India Record Sorters and Daftries Association, New Delhi.	2-9-52	
	194. C. P. W. D. Divisional Ministerial Staff Union, New Delhi.	..	
	195. C. P. W. P. Workers' Union, New Delhi.	3-9-52	
	196. Civil Accounts Association, New Delhi.	3-9-52	
	197. Divisional Accountants Association, New Delhi.	..	
	198. Stores Audit Association, New Delhi.	2-9-52	
	199. Government of India Press Workers Union, Simla.	3-9-52	
	200. Punjab Civil Accounts Association, Simla.	..	
	201. Punjab Civil Accounts Class IV Employes Association, Simla.	3-9-52	
	202. Non-gazetted Scientific Staff Association, I.A.R.I., New Delhi.	3-9-52	
	203. Ministerial Staff Association, J.A. R.I.	3-9-52	
	204. Ministerial Staff Association, Izzatnagar.	3-9-52	
	205. Association of Class I Central Service Officers, Forest Research Institute and College, Dehra Dun.	..	
	206. Class IV Staff Association, Forest Research Institute and College, Dehra Dun.	..	

**LIST OF UNIONS WHO REPLIED TO THE QUESTIONNAIRE AND/OR GAVE ORAL EVIDENCE BEFORE COMMITTEE.**

State	Name of Union	Gave oral evidence on	Remarks
Delhi, Rajasthan— (concl'd)	207. Government of India Attached and Subordinate Offices Association, New Delhi.	2-9-52	
	208. Indian Civil and Administrative Services (Central) Association, New Delhi.	2-9-52	
	209. Central Government Class IV Employees (Peons and J. m. dars) Association, New Delhi.	2-9-52	
	210. Central Government Class IV Employees Association, New Delhi.	..	
	211. Government of India Stenographers Association.	..	
	212. Indian Foreign Service Association, New Delhi.	..	
	213. Auditor General's Office Association, New Delhi.	..	
	214. I. A. & A. S. Association, New Delhi.	..	
	215. Government of India Press Workers' Union, New Delhi.	3-9-52	
	216. Clerks Association, Government of India Press, New Delhi.	3-9-52	
	217. Survey of India Upper Subordinate Officers' Association, Dehra Dun.	..	
	218. Association of Class II (Central Service) Officers Forest Research Institute and College, Dehra Dun.	..	
	219. Technical Staff (Non-gazetted) Association, Forest Research Institute and College, Dehra Dun.	..	
	220. Association of the Ministerial Establishment Forest Research Institute and College, Dehra Dun.	..	
	221. L. S. S., Map Publications Office, Survey of India, Dehra Dun.	..	
	222. Survey of India Karamchari Class IV Union, Dehra Dun.	..	
	223. Delhi Polytechnic Senior Staff Association, Delhi.	..	
	224. Union of P. & T. Workers, Dharwar Division, Hubli.	..	
	225. M. & S. M. Railway Employees' Union, Hubli Branch.	..	

### **APPENDIX III**

(Cf. para. 5 of Report)

**List of State Governments who sent representatives to attend the Conference on the 1st October 1952.**

1. Bombay
2. Bihar
3. Orissa
4. Punjab
5. Uttar Pradesh
6. Ajmer
7. Delhi
8. Hyderabad
9. P.E.P.S.U.
10. Rajasthan.

## APPENDIX IV

(Cf. para. 35 of the Report)

### A short note on changes in cost of living during the inter-war years

by

PROF. D. R. GADGIL

*Director, Gokhale Institute of Politics and Economics, Poona*

During the twenty years between the two World Wars (1919 to 1939) we can roughly indicate 4 periods of Prosperity and their periods of Depression, including the Great Depression of the early thirties. Two tables (Table Nos. I and II) indicate the movement of the cost of living index during these twenty years. One with its base in 1914 showing the changes upto 1934, the last year of the Great Depression, and the other with 1929 as its base indicating movements upto 1939, when the Second World War broke out. In what follows, short background history is provided to the movement in index numbers and the percentage of changes is calculated.

The cessation of hostilities saw a period of boom which was not quite expected. Demobilisation, sudden curtailment in war demand and the release of war stocks as disposals into the market, it was feared, would bring about a sudden fall in prices. These fears, however, proved unfounded. After a short period of uncertainty (about a couple of months after the cessation of hostilities) the prices began to record a rise from January 1919 onwards. The backlog of demand that had remained unsatisfied in almost all countries of the world during the war, the great and urgent needs of relief and rehabilitation in the war devastated countries, the overdue repairs and replacement of buildings and machinery that had either been destroyed or overworked—all these gave a real basis to the businessman's optimism that was a striking feature of the boom of 1919-20.

The Governments did nothing to check the rising tide. In Great Britain for example, the disposals were put into the market along with the other goods through normal trade channels, thus causing no disturbance to the market price. No immediate change in monetary policy was pursued. And to add momentum to the upward movement, wartime controls on different commodities as also on capital issue were gradually, but quite fast removed. Prices began to rise rapidly. The wholesale price index of the various countries record quite sharp rises in 1919 and 1920. Of course the extent of the rise depended upon so many factors that it cannot be anything like uniform for all the countries, in fact, the case of the countries like France, Belgium, Czechoslovakia, Germany etc. that had been actual theatres of war was far worse than that of the other belligerent nations. The monetary and exchange difficulties were a new and complicating factor in their situation.

The cost of living that was mounting throughout the war years suddenly shot up also. The increase from 1919 to 1920 was 26 points in Canada (162 to 188) 33 in United States of America (172 to 205) 40 in United Kingdom (215 to 255) 51 in Denmark (211 to 262) and 103

#### APPENDIX IV

points in France (238 to 341) taking 1914 as the base year. The peak in most countries in 1920 was higher than that, in case of Great Britain for example, it was 276. (One thing should however be remembered in this connection. The wholesale price index always moves much faster than the retail or cost of living index, which lags behind. There are many reasons for this. Firstly there are some items in the budget which are very slow in moving (almost fixed) like rent and debt charges. Again, the items in the budget on which the calculations are based make a great deal of difference. The British Board of Trade calculations, for example are based on the family Budget enquiries undertaken for the purpose in 1904\*. Thirdly, the nature of commodities, their position in the national and international markets and the structure of trading makes a difference. And therefore, besides the obvious national difference, these factors account for the divergences in the rates of variations in cost of living index numbers from year to year). We find that, except in countries like France, the increase in cost of living was on an average 50 points over 1919.

With the cessation of this Inventory boom from October 1920, the prices began tumbling down, and alongwith them the cost of living index, though again not as fast as the wholesale price index. In Great Britain the fall was about 38 per cent. (from 276, the peak figure in 1920 to 169, the lowest in the year of depression, 1923) or taking the figures given in the table (which refers to the month of July, each year) we find a fall of about 33 per cent. Calculating from the table for Canada, United States of America, and Denmark, we find the fall of the order of 20, 24 and 25 per cent. respectively. The actual fall as calculated from monthly peak and trough figures will obviously be greater (as in case of Great Britain). We may however put the general average round 30-35 per cent.

From 1923 onwards there was a phase of recovery, though the more important feature of this period was the strenuous attempt of most nations of the West to come back to gold standard that had been suspended during the war. England returned to gold standard in 1925 and most other nations, with the notable exception of France, round about the same time. From 1925 to 1929 the five year period—was a period of steady progress and growth, capped by an unprecedented speculative boom. The cost of living index showed a more steady tone, in Canada moving round 150, in United States of America round 170-72, in United Kingdom 170, in Denmark 175, in France 510 or so, and in Czechoslovakia round 745. One feature that is most important is that in many countries the index did not show any great recovery after the slump of the early twenties. In Canada the slump figure continued till 1930, in United States of America, the recovery was slight compared to the fall during the slump. In Denmark, on the other hand there was a greater rise followed by a fall again in the retail prices round about 1926, which continued till 1930. United Kingdom also was under deflationary pressure. France's case in peculiar in that attempt at restoration of gold standard, the role

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\*Cf. The South African Wages and Cost of Living Commission (Mills Commissions and the Report on the Cost of Living by the Parliamentary Committee of the Trade Union Congress, London).

A SHORT NOTE ON CHANGES IN COST OF LIVING DURING THE INTER-WAR YEARS .

of Paris as a third centre of international money market, the movement of hot money and the peculiar nature of its banking policies made its price level more unstable. Exchange and gold were the great disturbing factors in France, and with Czechoslovakia we have no data for the years of the inventory cycle, though later years indicate steadiness.

The above trend of the cost of living figures is as it should be. For the rise in prices after the world war leading to the boom and consequent slump was fed on undue optimism and thus could not long maintain its artificial level. And the slump helped in introducing a sober tone into all expectation for quite a few years to come. In Canada, the United States of America and United Kingdom the cost of living index settled at some 75 points above the pre-war level. So was it in Denmark and most other countries that did not suffer from the hyper inflation. Estimation in terms of percentage decline from the peak may however, be a more useful guide. Here we find the average of the later half of the decade of the twenties being some 30 per cent. below the peak figure of the boom year, and in no case more than 40 per cent. below that.

In 1929 came the great depression, and it looked as if the capitalist order was going to collapse like a house of cards. The prices fell rapidly, stock markets crashed and closed down, business concerns went out of existence, unemployment mounted rapidly, fortunes were lost and the social repercussions were so great that even now after a Great War—its effects have not been completely erased. Table No. 3 gives a comparative picture of the percentage decline in wholesale and retail prices in certain countries from the average levels ruling 1929 until March 1933 by which time the prices in most countries that were not on gold standard (and not agricultural) had struck the bottom. A subsequent table (No. 4) shows the percentage of change in wholesale and retail prices in certain countries at March 1934. From this table we find that, where as in some countries cost of living continued to fall in 1934, in countries on paper standard the cost of living registered a rise after having touched the bottom in 1933. From 1929 to 1934 cost of living fell most in Lithuania (47 per cent.), Rumania (47 per cent.), Yugoslavia (39 per cent.), India (35 per cent.), Estania (26 per cent.). In all these agricultural countries, as well as in Turkey (25 per cent.), Hungary (25 per cent.), Finland (20 per cent.), and in some gold standard countries it was still falling in 1934. But in the other countries, though retail prices registered a rise after 1933, it was not commensurate with the recovery in wholesale prices (see table 4). The fall was not more than 36 per cent. in any case, though no average that is likely to be worth anything can be calculated. Conditions varied with countries and the discrepancy in statistics is sometimes due to the variations in items, complicated by currency changes, tariffs, quotas and such other restrictions.

The recovery from the depression continued till 1939 with a recession in 1937. But in most of the countries neither the wholesale price level nor the retail had caught upto the 1929 average (see table No. 2) when the war broke out. And compared to the 1914 level the retail prices still ruled higher. In Great Britain for example, the cost of living index in 1936 (the precession year) was 147 (1914=100). In no country did the cost of living come down to the 1914 level. The



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rise from the trough of depression in most cases were not more than 15 to 20 per cent. at the most before the outbreak of the war by which time recovery had not been very great and large number of people were still unemployed.

These twenty years have been years of uncertainty, of swift changes, of high optimism and devastating despair. If there is anything like 'normal' in the economic life of nations, these two decades have not seen much of it. The one period during these twenty years that has shown any comparative stability is the second half of the twenties. Here also Britain was under deflationary pressure throughout, and France was slowly approaching equilibrium price level after 1928 gold standard restoration, when there came the depression. Throughout History prices have been recording a rise and it only speaks for the devastating nature of the Great Depression that wholesale prices during the early thirties came far below the 1914 level. But that could not be maintained long. And in case of cost of living it never came down to anything like the 1914 level even during the worst days of the depression in any country. If this history is any guide for the present situation it is that prices now ruling will normally not go back to the 1939 level. And if the extent of fall or rise from the immediate post war inflation or the great depression is any indication of what may be expected, we can say that neither the fall nor the rise has been anything beyond 40 per cent. Ultimately, however, each situation is unique and the prevailing conditions and policies will be a better guide to prospects of future.

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*Cf. Bowley : Wages and income in the United Kingdom since 1860.*

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TABLE No. 1

*Cost of Living Index* (Base: 1914=100)

Year	Canada	U.S.A.	U.K.	Denmark	France	Czecho-slovakia
1914 . . .	100	100	100	100	100	100
1915 . . .	102	101	125	116	...	..
1916 . . .	110	109	148	136	...	..
1917 . . .	130	131	180	155	..	..
1918 . . .	148	152	210	182	..	..
1919 . . .	162	172	215	211	258	..
1920 . . .	188	205	255	262	341	..
1921 . . .	165	163	222	237	307	..
1922 . . .	152	156	181	191	302	..
1923 . . .	152	162	171	204	334	..
(Up to 1923 the figures relate to the month of August ; from 1924 they are annual averages).						
1924 . . .	150	171	175	216	369	695
1925 . . .	152	176	176	211	460	724
1926 . . .	153	175	172	184	505	716
1927 . . .	151	173	168	177	514	747
1928 . . .	151	171	166	175	519	748
1929 . . .	153	171	164	173	556	744
1930 . . .	152	164	158	165	581	746
1931 . . .	137	148	147	155	569	713
1932 . . .	125	134	144	155	526	700
1933 . . .	119	132	140	161	520	693
1934 . . .	121	138	141	167	516	685

TABLE No. 2

*Cost of Living Index* (Base: 1929=100)

Year	Canada	U. S. A.	U. K.	Denmark	France	Czecho-slovakia
1930 . . .	99.3	97.5	96.3	95.5	104.5	97.8
1931 . . .	89.7	89.0	89.9	89.9	102.3	93.4
1932 . . .	81.5	80.2	87.8	89.5	94.6	91.7
1933 . . .	77.6	76.2	85.4	92.5	93.5	90.7
1934 . . .	78.8	79.0	86.0	96.3	92.8	89.6
1935 . . .	79.2	81.1	87.2	99.4	86.9	92.3
1936 . . .	80.9	82.0	89.6	100.9	91.2	93.1
1937 . . .	83.2	84.7	93.9	104.5	111.3	94.3
1938 . . .	84.1	84.3	95.1	106.0	125.5	98.6
1939 . . .	83.7	82.6	95.3	108.6	..	..

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TABLE No. 2-A

Wholesale Price Index (Base: 1929=100)

Year	Canada	U.S.A.	U.K.	Denmark	France	Czecho- slovakia
1930 . . . . .	90·6	90·7	84·2	86·1	88·4	88·8
1931 . . . . .	75·4	76·6	72·8	75·9	80·0	80·6
1932 . . . . .	69·8	68·0	70·7	77·8	68·2	74·5
1933 . . . . .	70·2	69·2	69·8	83·3	63·6	72·2
1934 . . . . .	74·9	78·6	71·7	90·7	60·5	74·0
1935 . . . . .	75·4	83·9	74·1	92·6	54·0	77·2
1936 . . . . .	78·0	84·8	77·8	97·2	65·5	77·4
1937 . . . . .	88·4	90·6	90·0	110·2	92·7	82·0
1938 . . . . .	82·2	82·5	80·1	104·1	104·1	81·3
1939 . . . . .	78·8	80·9	84·3	109·3	..	..

TABLE No. 3

Percentage decline in Wholesale and Retail prices in certain countries from the average levels ruling in 1929 until March, 1933

Country	Wholesale	Retail
Belgium . . . . .	40·8	16·8
Canada . . . . .	32·6	21·3
Denmark . . . . .	18·0	19·2
France . . . . .	37·8	5·9
Germany . . . . .	33·6	24·2
India . . . . .	41·1	32·2
Italy . . . . .	37·0	17·3
Japan . . . . .	19·3	20·5
Netherlands . . . . .	49·3	17·6
Sweden . . . . .	25·0	10·0
Switzerland . . . . .	36·3	18·0
U. K. . . . .	28·5	16·5
U. S. A. . . . .	36·8	28·2

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TABLE No. 4

Percentage change in Wholesale and Retail prices in certain countries at March 1934

Country	From average of 1929		From March 1933	
	Wholesale	Retail	Wholesale	Retail
Belgium . . . . .	-44	-21	-5	-5
Netherlands . . . . .	-44	-16	+10	+3
Italy . . . . .	-43	-18	-4	-2
Poland . . . . .	-40	-33	-4	-6
Hungary . . . . .	-39	-25	-10	-5
France . . . . .	-37	-5	+1	+1
Yugoslavia . . . . .	-37	-36	-6	-8
Switzerland . . . . .	-36	-19	+1	-2
Germany . . . . .	-30	-22	+5	+3
Czechoslovakia . . . . .	-27	-9	+2	-1
Canada . . . . .	-25	-20	+12	+2
U. K. . . . .	-25	-15	+6	+1
U. S. A. . . . .	-23	-22	+23	+9
Japan . . . . .	-20	-18	±0	+3
Sweden . . . . .	-20	-10	+7	±0
Australia . . . . .	-19	-21	+9	+1
Norway . . . . .	-18	-13	+1	-1
Austria . . . . .	-13	-6	+6	±0
New Zealand . . . . .	-10	-10	+2	+1
China . . . . .	-8	-8	-10	-11
Peru . . . . .	-1	-16	+6	+2

## APPENDIX V

(Cf. para. 35 of the Report)

### Memorandum on the integration of dearness allowances with the basic pays of Central Government servants

by

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The Central Pay Commission had made the following recommendations in respect of the grant of dearness allowances to Central Government employees:—

(a) No dearness allowance to be given, if the cost of living index, with base as 1939, fell to 160 or below.

(b) On the basis of the cost of living index being about 260, the minimum requirements of a working class family was placed at Rs. 55 per month. As the basic pay was Rs. 30 a month, this meant a D.A. of Rs. 25 a month for the lowest income-group. On this basis, a scale of D.A. was drawn up for incomes below Rs. 1000, as under:—

<i>Pay range</i>	<i>Dearness allowance</i>
Upto Rs. 50	... Rs. 25
Rs. 51— 100	... Rs. 35
Rs. 101— 150	... Rs. 40
Rs. 151— 200	... Rs. 45
Rs. 201— 250	... Rs. 50
Rs. 251— 300	... Rs. 60
Rs. 301— 500	... Rs. 70
Rs. 501— 750	... Rs. 85
Rs. 751—1000	... Rs. 100

(c) In the case of the lowest pay-range, viz. below Rs. 50, the D.A. was to be altered in an upward or downward direction as the case may be by Rs. 5 for every 20 points by which the cost of living index rose or fell below 260. A schedule of D.A. drawn up on this basis and applying to the different pay ranges on the basis of the cost of living index varying between 280 and 160 was given by the Commission and is reproduced in Appendix A.

(d) The cost of living index number assumed for these calculations was a hypothetical one prepared by the Economic Adviser. It was recommended that "Dearness Allowance should be calculated on the basis of the all-India index number prepared by the Economic Adviser to the Government of India. The slab rates should be

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examined every six months for the purpose of deciding on a revision and a change should be made only if the index number for three previous months stood above or fell below the index figure for the next slab."

Government accordingly sanctioned D.A. on the basis of the Commission's recommendations as from August 16th, 1947. In addition, they extended the D.A. scheme to pay ranges above 1000 upto Rs. 2150 on the following basis:—

Rs. 1001—2000 ... 10% of pay subject to a maximum of Rs. 150.

Rs. 2001—2150 ... the amount by which the pay falls short of Rs. 2150.

For unmarried gazetted officers, the D.A. was fixed at 10% of pay for salaries below Rs. 1000 subject to a minimum of Rs. 40 and a maximum of Rs. 75 per month; and for the pay range Rs. 1001—1075, by the amount by which the pay falls short of Rs. 1075.

Subsequently, as is well known, the wholesale and retail index numbers of prices rose and so did the cost of living. Unfortunately, the Commission's recommendation regarding the compilation of an all-India index number of cost of living does not seem to have been carried out; at any rate, there are no published figures on the subject. An attempt has been made, however, by the statistical section of the Delhi School of Economics to compile an all-India cost of living index number for whatever it may be worth by taking the figures for Ahmedabad, Bombay, Kanpur, Madras, Nagpur and Delhi, the base year being shifted to August, 1939=100, and the method of geometric averages being adapted for combining these urban indices. The results are given in column 2 below; column 3 gives the figures, after adjustment to January 1947=260 on the basis of which the Commission made their recommendation regarding the basic D.A. scales. The results of these calculations are given below:—

	Col. 1	Col. 2	Col. 3
January 1947	...	288	260
1947 (Average)	...	307	276
1948	"	350	315
1949	"	356	320
1950	"	353	318
1951	"	368	331
1952 January	...	364	328
" February	...	360	324
" March	...	350	315
" April	...	364	328

These figures may be useful in considering the subsequent action taken by Government in increasing the rates of Dearness Allowance. By an office memorandum dated 26th January, 1949, the D.A. rates were increased by Rs. 10 per month for salaries upto Rs. 250 a month. This meant that for an increase in the cost of living by approximately 55 points, an increase of Rs. 10 had been allowed, as against the principle of giving Rs. 5 for every 20 points; further no redress was given to the salary ranges between 251 and Rs. 1000, though these

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THE BASIC PAYS OF CENTRAL GOVERNMENT SERVANTS

had been included in the Commission's recommendations. By an office memorandum dated 12th June, 1951, a further increase of Rs. 5 was given in the D.A. to the salaries below Rs. 251; this meant also that a similar increase was given to salaries between 251—300, as otherwise, their D.A. would have become less than that of the next lower salary range. This meant that a D.A. of Rs. 5 was given for an increase in the cost of living of less than 12 points. Taking the entire period 1947-1952, this means that against an increase of 68 points, a D.A. of Rs. 15 has been given to salaries below Rs. 251, which reveals the little known fact that in respect of these incomes, Government have, for all practical purposes, carried out the recommendations of the Commission; it is only in respect of the income range Rs. 251—1000 or what may be called the middle class that they have failed to follow the Commission's recommendations.

With this background of the D.A. question, I proceed to give below my answers to the questions raised by the Gadgil Committee on D.A. :—

(1) No one can be bold enough to state categorically that prices have reached the peak level and that there is a reasonable possibility of the price level stabilising in the near future, as the answers depend upon political factors and economic policies and consequences that are the result of these political factors—a subject on which a mere economist at any rate can offer no reasoned judgment. But I believe I can assert with confidence that there is hardly any possibility—even if such a thing was possible on purely economic grounds, which is itself doubtful, it is impossible on political grounds—of either the price level or the cost of living reaching levels below those of January 1947 or the basic level on the basis of which the Commission made its recommendations for the basic D.A. scales. My recommendation, therefore, is that the basic D.A. scales recommended by the Commission, viz. Rs. 25 a month for salaries below Rs. 50 a month and going upto Rs. 100 for salaries above Rs. 750 and below Rs. 1000 should now be integrated into the regular salary scales of those groups with of course necessary marginal adjustments.

(2) As regards the extra allowance of Rs. 15 a month granted to salaries between below Rs. 251 and of Rs. 5 a month granted to salaries between Rs. 251 and Rs. 300, these should not be integrated into the salary scales, but should continue to be treated as Dearness Allowance.

(3) The injustice that has been done to the middle class in the service of the Central Government, which has suffered at least as much if not more than the working class by the rise in the cost of living that has taken place since January 1947, should now be rectified and the recommendations of the Central Pay Commission should be carried out in respect of these salary scales.

(4) The D.A. given to salaries above Rs. 1,000 should now be re-considered, as its grant was based more on historical considerations than on considerations of offsetting the rise in the cost of living, and the fact borne in mind that the Central Pay Commission had not recommended grant of D.A. to these salary ranges.

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(5) The revised D.A. now recommended which will range from Rs. 15 a month to the lowest salary group which will now be Rs. 55 (on the basis of my recommendations) to Rs. 75 a month for incomes of Rs. 1100 (i.e. the old salary group of Rs. 1000 plus the old D.A. of Rs. 100 now recommended by me to be integrated into their salary) should be frozen at that figure till the cost of living reaches a level of 380. This is based on the legitimate ground that the State cannot compensate for every rise in the cost of living and that a part of its incidence should rest on the salary groups concerned. This is particularly relevant today in view of the fact that we are embarking on a programme of national economic development with an element of deficit financing. It is, therefore, that I suggest that, upto a certain range from the position to-day, a certain rise in the cost of living, if it comes about, should fall on the salary groups concerned and not add to the strain on the national finances. The present hypothetical cost of living index number is probably 330; leaving the Dearness Allowances frozen till the index reaches 380 is to make no provision for a rise in proportion less than 16%. I may point out in this connection that the Pay Commission itself drew up a schedule of D.A. which showed a progressive decline in the cost of living and that this schedule made for a complete abolition of D.A. at a level where the cost of living was 60% higher than in 1939 (vide Appendix A). Once the index reaches 380, if ever it does, there should of course be provision for increases in D.A. and this should take into account the rise in the cost of living since the new basic scales recommended by me for to-day and frozen at that figure. I may add my personal opinion that these recommendations are more likely to be academic in nature than practical, as I do not expect a further significant rise in the cost of living. Nevertheless, I have chosen to make these recommendations because I think it is essential that both the Central finances and the national economy as a whole should be safeguarded against the inflationary threat that arises from the current system of Dearness Allowances; this is specially required in the context of the planned economic development of the country on which we are embarking.

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APPENDIX A

*D.A. scheme suggested by the Pay Commission*

Pay Range Rs.	Cost of living index						
	280	260	240	220	200	180	160
Upto Rs. 50 . . .	30	25	20	15	10	5	nil
Rs. 51—100 . . .	40	35	30	25	15	10	nil
Rs. 101—150 . . .	45	40	35	30	18	nil	nil
Rs. 151—200 . . .	55	45	35	30	20	nil	nil
Rs. 201—250 . . .	60	50	40	30	20	nil	nil
Rs. 251—300 . . .	75	60	45	30	25	nil	nil
Rs. 301—500 . . .	85	70	55	40	25	nil	nil
Rs. 501—750 . . .	105	85	60	40	nil	nil	nil
Rs. 751—1000 . . .	125	100	75	50	nil	nil	nil