

INTERIM REPORT
OF
THE PAY COMMISSION
1957

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PAY COMMISSION

INTERIM REPORT

By the Ministry of Finance Resolution No. 2474-Secy.(E)/57, dated the 21st August, 1957, a Commission of Enquiry consisting of the undersigned was set up, to enquire into, and report, *inter alia*, on the principles which should govern the structure of emoluments and conditions of service of the Central Government employees, and on changes in the structure of emoluments and conditions of service that were desirable and feasible. The Resolution further provided that the Commission might consider demands for relief of an interim character, and send reports thereon; and that in the event of the Commission recommending an interim relief, the date from which the relief should take effect would be indicated by the Commission.

2. We assembled on the 9th September, 1957, and, soon after, issued a notice in the Press inviting associations of Central Government employees, and other organisations, institutions, and individuals who might be interested to send to us memoranda of their views on matters covered by our terms of reference. We also addressed the Ministries and Departments at the Centre, the State Governments, and the Administrations of Union Territories, requesting them to furnish certain factual data essential for a proper consideration of the matters we had been asked to consider and report upon. We have received from various sources about 4,000 memoranda, including 50 on the question of interim relief.

3. It was, obviously, desirable that the examination of the question of interim relief should be completed as quickly as possible, and we, accordingly, gave precedence to this part of our enquiry.

4. After a preliminary examination of the memoranda dealing with interim relief, we considered it necessary to invite representatives of some major organisations of the Central Government employees, for an exchange of views and elucidation of certain factual statements made in some of the memoranda. Accordingly, towards the end of November we met the representatives of the following organisations: (i) The National Federation of Posts & Telegraphs Employees, (ii) The Civil Aviation Department Employees Union, (iii) The National Federation of Indian Railwaymen, (iv) The Central P. W. D. Workers Union, (v) The Federation of Workers of Government of India Presses, and (vi) the All-India Defence Employees Federation.

5. Most of the employees' organisations have asked for increase in the dearness allowance in accordance with the recommendations of the Central Pay Commission (1946), and with retrospective effect, the date suggested by most of the major organisations being the 1st January, 1957. It has, further, been asked that the increase be made available to all employees drawing basic pay upto Rs. 500/- per month.

6. Reading paragraphs 72 and 73 of the Central Pay Commission's Report with the correspondence on the subject that passed between the Government and the Commission, and which is reproduced in Appendix 'C' to the Commission's Report, a dearness allowance of Rs. 25/- was payable to employees drawing a basic pay not exceeding Rs. 50/- while the all-India cost of living* index number was 285. For higher pay ranges, the Commission recommended larger slabs of dearness allowance, constituting, however, a diminishing proportion of the basic pay. The Commission further recommended that there should be a six-monthly review of the dearness allowance and if the index number for the last three months for which information was available showed a variation of 20 points, there should be a revision of the slab rates upward or downward, as the case might be.

7. The Government accepted the Commission's recommendations in May, 1947. In the meanwhile, the cost of living index had begun to rise; in November 1947, it had risen to 316, and was expected to rise further on account of the policy of decontrol. In February 1948, however, after considering all the relevant factors, the Government came to the conclusion that there should be no increase in the dearness allowance, but that the position should be kept under careful watch. . .

8. The question was considered again in January 1949, and the Government decided to grant, with effect from the 1st January 1949, an increase of Rs. 10 per month in the dearness allowance to all their employees drawing a basic pay not exceeding Rs. 250/-. In a press communique, the Government's decisions were announced in the following words: —

"On account of the increase in prices which occurred during the first nine months of the year 1948, there has been a persistent demand for a review of the Dearness Allowance in accordance with the recommendations of the Central Pay Commission. The Government of India have been giving careful consideration to this demand for the last three months. While they fully recognise the difficulties of workers on account of the increase in prices, they have had to take into account their financial position in coming to a decision on the question of Dearness Allowance. The possibility of increasing Dearness Allowance to the full extent of the increase in the cost of living index had to be ruled out, as that would result in serious deficits in the General and Railway Budgets, and intensify the forces of

*The Central Pay Commission (1946) used an index of cost of living worked out as an average of the series for six major centres, based on August 1939=100. In 1953, the Ministry of Labour brought out an official All-India Working Class Cost of Living index based on 24 centres, with 1944=100. This was replaced in 1954 by a new series, called the All-India Working Class Consumer Price Index, based on 27 centres, with 1949=100. To facilitate comparison, an index specially worked out by the Central Statistical Organisation by linking up the official series with the Central Pay Commission series based on August 1939, has been used in this report, and has been referred to throughout as the cost of living index.

inflation, which it is the imperative duty of the Government to fight in the general public interest. It was even doubtful whether, in view of these considerations, any increase could be sanctioned at all; but the Government of India, after taking all factors into account, have come to the conclusion that is necessary to give much needed relief to those sections of their employees who have been hit hardest by the rise in prices.

The Government of India have, therefore, decided to give all employees under the Central Government, other than Railway employees, who were drawing on January 1, 1949, a basic pay of less than Rs. 250/- p.m. an increase of Rs. 10/- in Dearness Allowance. Those employees of Indian Government Railways who are now in receipt of Dearness Allowance as admissible to other Central Government employees will also be entitled to the above increase. Railway employees who are in receipt of Grainshop concessions will be given an increase of only Rs. 5/- p.m., but they will be given another chance, upto March 31, 1949, to opt out of the Grainshops scheme for full cash dearness allowance, in which case they will be entitled to the same dearness allowance as others and also lump sum payments to which they would have been entitled if they had opted out of the Grainshops before January 1, 1949."

The average index number during the year 1948 was 346, and in January 1949 the number stood at 356.

9. In June 1951, the Government decided to grant a further increase of Rs. 5/- per month to all their employees drawing basic pay not exceeding Rs. 250/-, and the decision was announced through a press communique, which ran as follows:—

"In January 1949, the Government of India sanctioned to all employees under the Central Government whose pay did not exceed Rs. 250/- per mensem an increase of Rs. 10/- per month in dearness allowance. This increase was sanctioned as an *ad hoc* measure designed to give some relief to lowpaid employees without overstraining the resources of the Government. It was hoped at that time that the price level would show a downward trend very soon thereafter. This hope has not, however, materialized. Rather, there has been an increase in the cost of living in recent months.

Government recognise the difficult position of their employees, especially in the lower pay groups, who suffer as a result of the increase in prices. At the same time, Government's sources are fully needed for the execution of the development projects, on the speedy execution of which the economic rehabilitation

of the country depends. Additional taxation has been imposed in the current year's budget for financing these development schemes, and the Government of India have no doubt that their loyal employees fully share in the view that no action should be taken which would impede economic rehabilitation.

After a careful consideration of all the factors involved and on a review of the budget, the Government of India have decided that a further *ad hoc* increase of Rs. 5 per month in the dearness allowance may now be sanctioned to all Central Government employees whose pay does not exceed Rs. 250 p.m., including Railway employees who are in receipt of dearness allowance entirely in cash. Those Railway employees who are in receipt of grainshop concessions will not be entitled to this increase. The increase will take effect from June 1, 1951, and will be subject to review at the time of the next Budget."

The average cost of living index number during the year 1950 was 360 (1939—100); and in June 1951, the number stood at 371.

10. After June 1951, there has been no increase in the dearness allowance of the Central Government employees, though on the recommendation of the Dearness Allowance Committee, of which Shri N. V. Gadgil was the Chairman, half the dearness allowance was converted into pay for certain purposes, with effect from the 1st April 1953. The cost of living has not remained stationary all these years. Till 1956, however, the fluctuation was in either direction, and compared to 1951, the rise when it occurred was small. This will be evident from the average annual index numbers (worked out on the 1939 base) given below:—

1951	..	..	..	374
1952	..	..	..	367
1953	..	..	..	377
1954	..	..	..	360
1955	..	..	..	342
1956	..	..	..	374

In 1957, however, there has been a significant rise in the cost of living, as the monthly index numbers (worked out on the 1939 base) mentioned below, will show:—

January 1957	..	..	..	381
February 1957	..	..	..	381
March 1957	..	..	..	381
April 1957	..	..	..	384
May 1957	..	..	..	392
June 1957	..	..	..	399
July 1957	..	..	..	399
August 1957	..	..	..	402
September 1957	..	..	..	399
October 1957	..	..	..	395

It would, thus, appear that while there was no significant upward movement from 1951 to 1956 (the average index number both in 1951 and 1956 was the same), there has been such a movement during the present year, and that during the last months for which authoritative statistics are available, the index numbers have been substantially higher than the number for 1951—the year in which the last increase in the dearness allowance was granted.

11. The employees in the lowest pay range receive at present a dearness allowance (including dearness pay) of Rs. 40/- per month, made up of Rs. 25/- sanctioned in 1947, and Rs. 10/- and Rs. 5/- granted respectively in 1949 and 1951. If the Central Pay Commission's formula had continued to be followed, the dearness allowance of the employees in the lowest pay range would have been increased in all by another Rs. 10/- after the index number had reached 385 and remained at or above that level for three successive months; but there would be no further increase until there was another 20 point rise above 385—which has not so far occurred. As has been explained earlier, however, it was some nine years ago that Government came to the conclusion that they could not follow the Central Pay Commission's formula beyond a certain point; and the increases allowed in 1949 and 1951 were of an *ad hoc* nature, granted on a consideration of all the relevant circumstances, including the resources available to the Government. Moreover, we have noted that the slab rate recommended by the Central Pay Commission allowed to the employees in the lowest pay range a quantum of increase in excess of that required for full neutralisation of the increased cost of living. In the circumstances set out above, we cannot dispose of the demands for interim relief in terms of the Central Pay Commission's dearness allowance formula, without a full examination of some of the basic principles.

12. Determination of the principles which should govern the structure of pay and other emoluments of Government employees, is admittedly a difficult question, involving consideration of many complex issues. This has necessarily to be examined in the context of developmental planning and the inflationary situation prevailing at this juncture. The issue of adjustment of salaries with the changing levels of prices and cost of living also needs a closer scrutiny. Our terms of reference, further, require us to take into account the disparities between the standard of remuneration and conditions of service of the Central Government employees on the one hand and of the employees of the State Governments, Local Bodies and aided institutions on the other. There is also the question of ascertaining the extent to which benefits can be given in amenities and facilities.

13. All these varied aspects of the problem cannot be examined in hurry and do not admit of any interim determination. We do not even have so far all the basic data necessary for the purpose. And yet if we are to make a recommendation for interim relief, as we think we should for

reasons stated hereafter it would be appreciated that it can be only of an *ad hoc* nature and without commitment, at this stage, to any definite views on the basic issues.

14. For reasons explained above, it would necessarily take us several months to reach final conclusions on the issues before us. During the last few months, however, there has been a significant rise in the cost of living which appears likely to persist. This must cause some hardship to the employees in the lower pay groups, which, in our opinion, calls urgently for a measure of alleviation. In taking this view, we have been influenced by the fact that even though the Government had decided that they could not continue to follow the Central Pay Commission's dearness allowance formula, recognising the hardship of their lowpaid employees the Government did grant *ad hoc* increases in the dearness allowance in 1949 and 1951. We, therefore, consider that a further increase of Rs. 5/- per month in the dearness allowance of all Central Government employees drawing basic pay not exceeding Rs. 250/- per month, is called for, and we recommend that such an increase should be granted. This will be of a temporary nature, and will enure only until we make a further, or a final report.

15. Taking into account all the relevant circumstances, including the movement of the cost of living index numbers, we, further, recommend that the increase should take effect from the 1st July, 1957. We, however, consider that in view of the lump sum that would become payable, it would be in the national interest as well as in the interest of the employees themselves, to pay the arrears in the shape of National Plan Savings Certificates; and we recommend accordingly.

16. The National Federation of Posts and Telegraphs Employees have asked that interim relief should be made available also to the Extra-departmental staff of the Posts & Telegraphs Department. The Extra-departmental staff stand on a separate footing, and their allowances, which are different from those of regular employees, are governed by certain special orders; and a separate enquiry *into the system of Extra-departmental employment is in progress. We, therefore, refrain from making any recommendation regarding grant of interim relief to the Extra-departmental staff.

17. Demands for interim relief have also been made on behalf of those employed on (a) daily wages, or (b) piece-rate system; and (c) the staff of the Survey of India on "departmental leave". We are unable, on the basis of the information so far available to us, to recommend grant of any interim relief to such employees.

18. It has been suggested by one of the employees' organisations that some relief should be granted also to pensioners whose pension does not exceed Rs. 150/- a month. We are of the view that this is a matter which might more appropriately be considered by the Government themselves.

19. In some of the memoranda received by us, interim relief has been sought also in the shape of increases in the house-rent allowance and the compensatory allowance, or as advance increments in the existing pay-scales.

These are, obviously, matters to be considered as a part of our wider enquiry, and are not such as can be dealt with in the context of interim relief.

(B. Jagannadhadas)

Chairman.

(V. B. Gandhi)

(M. L. Dantwala)

(L. P. Singh)

Member-Secretary.

(N. K. Sidhanta)

(Mrs.) M. Chandrasekhar.

(H. F. B. Pais)

Associate Secretary.

New Delhi,

• 14th December, 1957.

**vide* Government of India, Ministry of Transport & Communications, (Departments of Communications & Civil Aviation), memorandum No. 17/10/57-P&A, dated the 5th September, 1957.

**COPY OF PRESS NOTE ISSUED BY THE GOVERNMENT OF INDIA
(MINISTRY OF FINANCE) ON 26TH DECEMBER, 1957**

On the 17th December, 1957, the Finance Minister placed on the Table of the Houses of Parliament copies of the Interim Report of the Pay Commission and also announced that Government had accepted the recommendations of the Commission.

The Commission's recommendations fall into two parts, one is that an additional dearness allowance of Rs. 5/- should be sanctioned to the Central Government employees specified in their Report and that this should take effect from the 1st July 1957. The other recommendation is that the payment of the arrears of dearness allowance for the period 1st July, 1957 to 30th November, 1957, should be in the form of National Plan Savings Certificates.

On an examination of the Commission's Report, it was found that the payment of the additional dearness allowance in the form of National Plan Savings Certificates might conflict with the provisions of the Payment of Wages Act. A reference was made thereupon to the Pay Commission inviting their attention to this difficulty. The Pay Commission have now recommended that the additional dearness allowance due for the months July, 1957 to November, 1957, may be paid in cash. Orders to this effect are under issue.

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