

FIFTH PAY COMMISSION : SOME MAJOR ISSUES

B N DATAR

Second V. V. Giri Memorial Lecture

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**GIRI INSTITUTE OF DEVELOPMENT STUDIES
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SECOND V V GIRI MEMORIAL LECTURE

25 FEBRUARY 1995

GIRI INSTITUTE OF DEVELOPMENT STUDIES

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To,

PROFESSOR M. L. DANTWALA

**First Economist Member of
Central Pay Commission**

**Second Pay Commission
(1957 - 1959)**

SHRI B.N.DATAR

Completed Post-graduation degree from Bombay and London Universities with distinction.

Started career as Assistant Labour Commissioner in the Bombay Government and worked for 8 years.

Worked in different responsible positions in the Planning Commission and Labour Ministry, Government of India, for about 20 years.

Contributed substantially to the preparation of the Report of the National Commission on Labour as its Member Secretary.

Subsequently on invitation from the ILO joined its Regional Office, Bangkok as Co-ordinator of Labour Policy and Institution Branch of that Office for 5 years.

After coming back to India, undertook the responsibility of establishing the Ambekar Institute for Labour Studies (AILS) and worked as its Honorary Director for 5 years.

The AILS is established under the trade union auspices. Still continues as the Adviser to the Institute.

Prepared several reports and papers and actively participated in international and national seminars and conferences for the last 45 years.

Published several books on different aspects of Labour Problems in India and in Asia.

CONTENTS

CHAPTERS	Pages Nos.
I. Introduction	1 - 3
II. Central Pay Commissions Membership and Terms of Reference Analysed	4 - 6
III. Pay Commissions Factors leading to their setting up	7 - 18
IV. Recent Developments : 1984	19 - 30
V. The Pay Commission's Tasks	31 - 45
ANNEXURE	46 - 48
APPENDIX	49 - 52
NOTES AND REFERENCES	53 - 56

I - INTRODUCTORY

I am grateful to the Giri Institute of Development Studies for inviting me to deliver the Second V.V.Giri Memorial Lecture. My gratitude is for two reasons. **One** : it gives me an opportunity to pay my humble tribute to the Late Shri V.V. Giri, a Distinguished Labour Leader, a Freedom Fighter, and one who held after Independence and even prior to it, several public offices culminating with the highest office in India as the country's President. Needless to say that he held all these offices with great distinction. He demonstrated his concern for labour's rights when he held the office of Labour Minister in Madras (1937-39) by punishing a recalcitrant employer, making history in British days.¹ As the first Labour Minister of India as a Republic, he showed his independence by refusing to be a party to a Cabinet decision to amend the award of an Industrial Tribunal and resigning his post. The stand he took was vindicated when the Parliament two years later, accepted the award of another tribunal giving labour (bank employees) their due after a prolonged struggle against their employers. Also when he was holding public offices, he showed his interest in Labour Studies by agreeing to be the President of the Indian Society of Labour Economics for life.

I-2 **Two** : it provides me an occasion for fondly remembering another labour personality, my friend, the late Dr.V.B. Singh who through his keen interest in labour problems built up almost single handedly the Indian Society of Labour Economics and brought together researchers in that field from universities, other academic institutions and those doing similar work in Government. If labour economics as a discipline for studies has acquired its present status in academics, it is in no small measure due to the untiring efforts of one individual, Dr.V.B. Singh. The Institute which is hosting this address is another creation of his. Let us hope that in the coming years it will grow from strength to strength ! "

I-3 The subject, I have chosen for my address is : "The Fifth Pay Commission its task". This is mainly because it is topical; the Commission (V P.C.) has been already established as a compact body which has besides its Chairman and the Member Secretary only an eminent Economist as its member. What seems to have influenced the Government is the fact that though the predecessor Commission (IV PC)

* The number indicated the key to Notes and Reference at pages N1 to N5 at the end.

had five members including the Chairman and Member Secretary, by the time it concluded its deliberations unfortunately only three survived to put their signature to the report. And what the three recommended had the same reception from the parties concerned : the Central Government, its employees and indeed the general public.² It ran its course as all the earlier commissions, set up since independence did, usually about ten years. Apart from its topicality, there is another reason for my choice. The late Mr.Giri started his career in the trade union field championing the cause of Railway employees and led several struggles on their behalf. In his active trade union days the main grievances of workers including Railway workers were woven around wages and conditions of work. And these are issues which all Pay Commissions including the one that is currently at work handled (or will be expected to handle) with regard to central government employees. Railway employees have been/will be the largest single group of beneficiaries of Pay Commissions' recommendations. That in Giri's days railway workers belonged to disparate private companies with some control by government can be considered a distinction without difference for Railway employees fortunes. But this is a matter to which reference will be made in due course.

I-4 Plan of Presentation : A word (advance notice) about how I propose to present the subject. As would be expected, I will first analyse the qualitative differences in the membership of the commissions and their terms of reference. I will then set out chronologically the changes that have taken place in the economy and in matters affecting labour in general during the period since the implementation (or partial implementation) of the recommendations of the earlier commission(s), changes in particular which may have influenced the Central Government in its decision to have a new look at the conditions of life and work of its employees. This will be in four periods A) 1947-1958, B) 1959-1970, C) 1970-1983 and D) 1984- 1994 broadly corresponding to the currency of the four earlier commissions. The last period has been given the status of a separate section, because of the sea change that has taken place (or was expected to have taken place) in the last three years or more. That section has been divided in two parts **one** prior to the announcement of the 1991 Economic policy and **two** : after the NEP/NIP³ was on the ground. In the latter there will be references albeit inadequate to what the twenty first century will have in store for all players in the

game : the Government, its employees and the general public. Thereafter there will be references to considerations that should influence the determination of salaries and other conditions of work of employees in the coming years in the competitive climate (global) in which the country will have to conduct its affairs. The intention however, will be to avoid developing guidelines or even suggestions of it for wage fixing authorities. This is a constraint one must impose on oneself in view of multiplicity of complexities which are associated with the task entrusted to the three wise men of the Fifth Pay Commission.

II - CENTRAL PAY COMMISSIONS MEMBERSHIP AND TERMS OF REFERENCE ANALYSED

II-1 To facilitate an analysis of the terms of reference of the commissions appointed so far and their membership, the relevant Government Resolutions have been supplied as an Appendix to this address. The short description of the terms of reference would be to recommend to Government the pay structure of Central Government employees from top to bottom and to determine their conditions of work and 'life'. The latter word is advisedly used for covering a variety of benefits which were considered relevant at the time the commissions reported. Almost all the commissions were required to make recommendations on additional but related issues which Government considered appropriate on its own or at the instance of employees' union/s. For instance after the fifteenth Indian Labour Conference (1957) determined the content of 'need based minimum' and the controversy raised by it, two Pay Commissions had an occasion to discuss the issues involved in their report. Part of the heat raised by the concept seemed to have subsided by the time the present commission was appointed, one hopes for good. But the tendency on the part of unions to seek clarifications and requesting Government to amend/add issues for consideration by the Pay Commission is likely to continue.

II-2 As mentioned earlier, the First Pay Commission, apart from its Chairman and the Secretary, consisted only of public men, all of them members of the Central Legislature. No representation was given to either employee representatives or to those who would represent employers' views. For the Second Pay Commission, Government followed the same style for the membership of the commission but with a difference in the sense that two of its members were from the Parliament; and an eminent economist and a distinguished educationist constituted the full Commission. Parliamentary presence on the commission got reduced when the Third Pay Commission was established in 1970, and economics as a discipline was given prominence by bringing two economists as Pay Commission members. The Fourth Pay Commission at the time of its appointment, apart from an economist, consisted of an eminent public worker with vast experience of public administration and labour relations

and another who was a distinguished Civil Servant with long experience on the Defence and Civil side of the administration.⁴ Unfortunately, only one specialised member, the economist, survived at the time of the commission's signing the report though the two deceased members made valuable contributions in the deliberations of the Commission and were associated with all its decisions. One need not comment on the composition of the present Pay Commission, beyond what has been said at I-3.

II-3 The years since independence have witnessed a spate of consultancies in public affairs and on various aspects of disciplines that constitute public service. Name any human activity, and there will be consultancies available with varying degrees of competence. Excepting the first Pay Commission when specialised consultancies were unknown all others seem to have utilised such services for one aspect of work or the other. These extra-commission personnel were known by various names, consultants, advisors or assessors depending on the tasks entrusted to them by the commission. Consultants, by their very nature, are associated with the work for short periods for in- depth examination of specific issues related to different services whose fortunes were to be the subject of commission's recommendations. As mentioned by the Fourth Pay Commission liberal use was made of retired service personal to understand problems of a) economic and financial matters; b) evolution of total remuneration packet of employees in some public sector undertakings including banks, and advise in establishing relativities with posts in Central Government Services. A retired General Manager of Railways, a retired member of the P and T Board and a retired officer from the defence establishment of the rank of Lt. General were brought on the commissions consultancy panels for understanding the problems of the respective services.⁵

II-4 The commissions took varying periods of time for completing the task entrusted to them. The First Pay Commission took almost a year to present its recommendations to Government. The second completed its work in just over two years of labour; one may even call it hard labour. The Third was appointed in June, 1970 and signed its report in March, 1973. The fourth worked from July 1983 to June, 1986. In matters of recommending to the government the commission's findings decisions on a variety of public servants and multiplicity of issues involving a multitude of men and women in Central Government employment, time

factor for completing the work becomes important. This is a recognised fact. To overcome the necessary hardship of delayed justice on the beneficiaries, the commissions are expected to send to the Government interim reports/recommendations. The number of such decisions for providing interim relief depends upon the severity of suffering likely to be caused by 'status quo'. Except for the First Pay Commission all other commissions did send recommendations for one or more interim relief. Mainly such relief is in respect of relieving hardships due to rise in prices. As it is, pensioners through letters to media, have sought interim relief in their monthly entitlements. (see Times of India, Bombay September 29, 1994 - P 4).

III - PAY COMMISSIONS

Factors Leading to their setting up

III-1 The First Pay Commission owed its origin to discontent among Railway, Post and Telegraphs and other Government employees during and towards the closing years of the Second World War.⁶ Courts of enquiry constituted for certain sections of Government employees had reported. Railway unions had threatened to go on strike. Similar threats had been given by P and T staff; there was overt discontent among other government employees too. Against this background and of the general labour unrest in the country (Number of Man days lost due to industrial action by workers was at its peak in 1946), Government made a statement in the then Legislative Assembly that it intended to appoint a commission: to report on the emoluments to Government employees (Central) right from the top man/woman in the Ministry/Department to the one working at the lowest rung of the ladder. In between there were persons working with a myriad of designations and a maze of functions some well defined some others having vague descriptions and still others waiting to be christened for varying periods. That Commission and others since then were expected to rationalise the pay structure and reduce the number of cadres into which employees were divided and their pay-scales too. Each attempted this task but on every occasion in the inter commission period Government found it convenient to introduce new cadres/scales ignoring the spirit in which the relevant commissions had recommended limiting the scales. An interesting account of how this happened is given in the Fourth Pay Commission Report.⁷

III-2 The Government expected the Commission "to go into the whole question of scales of wages/salaries, pensions and other conditions of service for the whole class of Central Government employees, suitable in post war conditions, as also the setting up the machinery for negotiation with government on the lines of Whitley Councils in Britain". It was thus that in May, 1946 the Pay Commission was appointed under the chairmanship of the Federal Court Judge, Mr. Justice Varadachariar. Its other members were mainly public men, Members of the Central Legislature. Mr. N.M. Joshi and Mr. Vadilal Lallubhai, though they had known workers' and employer interests, were appointed in their capacity as members of the Legislature. While, the

salary scales as were evolved are matters of detail, the principles they laid down are important and were often quoted by industrial tribunals in settling wage claims for almost a dozen years thereafter.

III-3 I-PC - Principles : These were *interalia* : a) Salary scales were fixed on prices represented by Consumer Price Index (CPI) numbers, (working class) ranging between two limits. If prices went beyond that range employees were to be compensated through dearness allowance (d.a.); b) The principle of equality between central and provincial scale was not acceptable; c) So far as practicable, a fair relativity should be maintained between rates of pay of certain classes of civil servants and comparable outside rates; d) Maximum salary should be Rs.2,000/- except for some selected posts; e) Slabs should be established for d.a., these need to be reviewed every six months; f) Rent free accommodation and house allowances in lieu thereof should be permissible; g) Other allowances then prevailing should be rationalised; h) The principle of equal pay for equal work should be accepted. Within this principle there could be a case for paying women better emoluments under special circumstances; i) For none of the higher posts should direct recruitment be exclusive; j) Seniority should not be the only criterion for promotion; k) Basic minimum wage should be established; taking this as the datum line wages for semi-skilled, skilled and highly skilled categories should be worked out. l) "Theory that state should be model employer may be useful as enunciating an ideal and as indicative that state should lead... It will not be fair to the country to encourage a claim by civil servants to be treated better than others"; m) Where however, a government sponsors a Minimum Wage Legislation for private sector, it must be ready to give the benefit of that principle to its own employees. On the whole judging from the extremely difficult period of transition of power, the principles laid down by the commission turned out to extremely valuable.

Inter Commission Developments

A : 1947 - 1958

III-4 Several important developments of interest to working men and women took place in the country before the next Commission for fixing wages/salaries in public service started its work in 1958. These need to be mentioned in telegraphic language. i) The country gave to itself a constitution guaranteeing citizens certain fundamental rights and setting out Directive Principles of State Policy. The U.N. Declaration of

Human Rights, 1948 formed the basis of the relevant provisions;⁸ 2) Because of the tense industrial relations scene in the early months of independence Industrial Truce Resolution was adopted by government with the help of important employer leaders and trade union representatives; 3) The trade union movement developed splinters. Though professedly independent, sections of the movement by and large started acquiring political labels; 4) The country embarked on its career of 'planned development' the First Five Year Plan ran its course, the second began its career; 5) Parliament accepted 'The Socialistic Pattern of society' as the country's goal of development; 6) Two industrial policy resolutions (IPR) were adopted, the first in 1948 and the second in 1956. Both set out areas where Government will step in for establishing and running of industrial units (the latter marked birth of the public sector); 7) Life Insurance was nationalised and so was the largest bank, Imperial Bank of India; 8) The Indian Labour Conference laid down the content of what it considered the 'the need based wage' for workers. It also accepted the principle of 'Workers Participation in Management of Undertakings' where they were employed'.

III-5 A major difference between the reasons for the setting up the first two Pay Commissions needs to be noted in passing : circumstances leading to the appointment of the commission were set out in the report of the first; there is no reference to it in the report of the second. One can infer that the decision to set up the Second was the result of governments desire to get the structure of emoluments for public service examined in the light of developments since independence some of which have been noted above. This inference derives support from the fact that one of the terms of reference for that Commission specifically states that : "in making their recommendations, the commission will take into account... The economic conditions in the country and the implications of planned development. Also disparities in standards of remuneration and conditions of service of central government employees on the one hand and employees of State Government on the other will be relevant. All elements which required the Commission to be conservative in its approach were included in this part of the resolution.

III-6 IPR (1956) : One more event having its continuing consequences for pay fixation in public services, needs to be taken note of : The Industrial Policy Resolution (1956) provided a significant place to government in the industrial development of the country through

enlarging the public sector operations. This role of government as an employer required that it come out with a statement on how it will handle its labour. Not that it had no experience in that area, it being the largest employer through its railway network, the postal and telegraph services and as the manufacturer of defence equipment. In its new field, labour expected that public sector operations required the evolution of a new ethos for handling labour. Moreover, as noted earlier the First Pay Commission had observed that as 'a model employer' the state should lead and not merely follow the private employer (In an obvious reference to the 1946 Labour Policy statement which referred to enactment of Legislation on Minimum Wage,⁹ the Commission had emphasised that if government legislated on labour welfare, or for that matter any benefit to labour in the private sector, it is duty bound to provide the same benefit to its own labour. Since a sentiment to that effect formed a part of the Second Plan several trade union leaders in their memoranda to the Second Pay Commission drew pointed reference to this requirement of governments obligation, although trade unions' ideas on the subject were vague except for i) establishment of 'need based minimum' ii) making conditions of work and fringe benefits in the two sectors compare favourably (in favour of public sector employees).

III-7 Two of the major conclusions reached by the Commission in its voluminous report went against the trade union contentions. One : While the model employer principle as commonly interpreted in trade union circles is not suitable for determination of public service emoluments, social principles and standards laid down by government for employers generally should be taken into account. Two : A need based minimum as proposed by employees is not feasible economically and financially. This second conclusion of the Commission, because of its importance was not reached before a clarification was obtained from government about the status of ILC recommendations and governments clarification to the effect that it had at no time committed itself to taking executive action to enforce ILC recommendations. After the governments' decision on the pay panels recommendations was announced in the Parliament, the trade union disappointment was most vociferous because of what they considered was the total rejection by Ministry of Finance of a vital recommendation made in a tripartite conference of which government in the Ministry of Labour was a part. It seems on this point, trade unions had not researched adequately into the history of the

tripartite itself because in an earlier meeting this same question had been raised and the then Labour Minister had stated on behalf of government that the ILC recommendations will be given due importance by government but should not be considered as binding.¹⁰ Any way in the current context that controversy seems to have died down but not without workers seeking re-examination of the issue by the Fourth Pay Commission through a clarification on a specific term of reference. That there was an unsuccessful general strike by government employees on this issue in 1960 is another matter.

B : 1959 - 1970

III-8 In the years between the Second and Third Pay Commission the most important development effecting public servants was the growth of the public sector itself. Its employees though large in number had a well recognised distinction. Apart from employees in public administration, public sector employees covered *inter alia* those in departmental undertakings of government : i) Railways, Postal and Telegraph services and Defence Civilian establishments ii) Undertakings run by statutory corporations responsible to the Central and or State Governments; iii) undertakings which were once with private sector and are now nationalised e.g. Banks, Insurance Companies, Oil Companies, Coal Mines and Units in some industries which had been taken over by government in public interest (Textile mills run by National Textile Corporations). The last two are new comers and are a consequence of Industrial Policy Resolution 1956. That resolution incidentally referred both to the welfare and growth aspects of development. Growth aspects are ensured by the state's entry into several sectors of industry which, left to themselves, may not have grown at all without substantial assistance from the state i.e. development of basic and heavy industries. Welfare aspects could be discerned in sentiments expressed about Worker Participation in Management (WPM). Ten years after that resolution became operational, the then Prime Minister Mrs. Gandhi set out the specific reasons for the development of that sector. These are : gaining control over the commanding heights of the economy ii) permitting/accelerating technical development consistent with social gain and iii) providing commercial surpluses with which to finance further development.¹¹

III-9 Some other events of that period as affecting central government employees' fortunes were : i) conflict on the Northern Border with the Peoples Republic of China (1962) and ii) conflict on the Western Border with Pakistan (1965). With the onset of the former, the 1947 Industrial Truce Resolution was reiterated. What were known as Emergency Production Committees were set up to boost production. To the extent that the general climate of industrial relations in the country affects public servants the resolution will have a relevance to our theme. That the enthusiasm generated by the revival of the Industrial Truce Resolution was short lived is another matter. Of long term consequence were other developments : i) Limping of the development process from 1961-66 i.e. Third Five Year Plan and the Three Year Plan holiday thereafter ii) breaking up in 1967 of the Congress monolith which till then governed the centre and the states and iii) Substantial enlargement of the public sector through bank nationalisation of 1969. iv) Report of the National Commission on Labour (NCL).¹² Because of its importance for Labour (and what affects labour affects all public service employees and in turn what affects these employees affects labour in general too), two recommendations and an observation from it (NCL) need to be recorded at this place.

III-10 (a) In discussing 'need based minimum', NCL said : "The need-based minimum wage and the wages at higher levels of fair wage may and can be introduced by convenient and just phasing, keeping in mind the extent of capacity of the employer to pay the same. This has to be a pragmatic process which the wage fixing authorities will have to keep in mind. In fixing the need based minimum which is in the range of the lower level of fair wage, the capacity to pay will have to be taken into account. Every worker in the industry has a claim to this minimum and the onus of proving that the industry does not have the capacity to pay it should lie on the employer". (b) In regard to government industrial employees, the NCL recommended : "A Pay Commission to review wages and other conditions of service of employees should be appointed without delay. The quantification of need based minimum in money terms and the task of determining the capacity of government to pay... is best left to the commission to be set up. No modification in the concept of minimum wage, need based wage, living wage and other terms is required in their applicability to governments industrial employees. (c) There have been all along exhortation that public sector should be a model employer.

(There is a long history about this term, almost since the days of I-PC). One could in the same vein, assert that public sector employees should be model employees without explaining or setting out the behavioural content of the term 'model'. As stated by the NCL, 'If model employer' is the obverse of a coin, 'model worker' is its reverse.¹³ But this way of describing 'model' is of course begging the question. Seeking an answer to a question by posing a counter-question can always be futile.

C : 1970 - 1983

III-11 The Third Pay Commission was constituted in 1970. Two changes in its terms of reference need to be noted. **One** : it will make its recommendations having regard *inter alia* to the resources of the centre... and the demands on it... of the public sector. Public sector had by now acquired adolescence and perhaps like all adolescents was turning out to be expensive. **Two** : even more important, the original reference to 'need based minimum' in the Commission's task was made more specific by adding words 'which is based on the recommendations of the Fifteenth ILC'. This change seems to have been made consequent on trade unions' insistence. Whether this insistence was proper or not needs no discussion because the II-PC had said that it had devised a diet which met the calorie requirements prescribed by ILC. Be that as it may, it seems that the problems of pay fixation in public service are getting more complex as mentioned earlier. This is because categories of public service are expanding. Added to Central and State Service employee's we have now local government employees, employees under the control of Zilla Parishads and similar institutions designed for decentralising power, some of these have become pressure groups; and all have some measure of political support. Most of them have learnt the technique of getting their grievance attended to. And added to this is the major cause of genuine distress caused by worsening of working and living conditions where because of commonality of interest it is possible for them to secure the sympathy of the general public. That trade union centres are a divided house, but they can rally on some common issues as has been happening to public sector employees, a phenomenon witnessed in recent years, is beside the point. (Also see Para III-17).

III-12 **Evaluation of Minimum Wage** : The Commission (III-PC) started evaluating the minimum on new investigation available to it. These included *inter alia* : i) Dandekar and Rath's study on fixing the Poverty

Line, ii) Nutritional Advisory Committees evaluation of the calorie content of actual diet consumption as revealed in family budgets of the 1958-59 inquiries undertaken at several centres in the country and iii) some pronouncements of the Supreme Court in cases decided by them. It concluded on this issue thus : "By adopting these principles... and devising a pay structure on that basis, we have imposed a heavy burden on the exchequer. The Commission also discussed the question of disparities in salaries as between the lowest paid employees and the highest. In doing so, it compared the pay of a new entrant at the lowest level of Class IV with that of the fresh entrant to superior services. It showed how the disparity in salaries has been going down and how among developing countries India could stand comparison with the rest disparity-wise.¹⁴ The other disparity was between the highest and lowest salaries. Even on this point, it satisfied itself that India's record since Independence was fair. It concluded that between 1947 and 1970 the disparity between the take home pay of the two was considerably smaller. One explanation can be that whereas the tax structure reduced the take home pay of the higher wage group, the added benefit because of dearness allowance was relatively higher at the other end.

III-13 Labour discontent : By the time the Third Pay Commission presented its report or even earlier, employee dissatisfaction was exhibiting itself in the form of work stoppages, work to rule and other ways of worker protest. This phenomenon had permeated several walks of life not known or even thought of in earlier years. For instance questions began to be raised, and answered in practice too, regarding the right of employees like airline pilots (about the best paid employees in the country), university teachers, hospital staff, resident doctors and nurses etc. to work stoppage and joining issue with authorities to secure improvements in their conditions of life and work. The main reason for this was substantial rise in prices even on the basis of official statistics. This though was a universal phenomenon. It assumed different forms in different countries. Interestingly enough the price rise in many countries was due, as in India, to reasons beyond the control of factors which were of their Administration's making : maybe global shortages, global profiteering, conditionalities imposed by International Financiers, and the like. In India mainly because of the dissatisfaction of the Pay Commission's recommendations, Railway workers decided to strike. While the strike went the way of similar strikes in essential services in the

past, this time it took longer for government to restore normalcy. This time unlike on other occasions railway workers had public sympathy due to strong arm methods liberally used by government to contain damage. The public was prepared to suffer transport inconvenience to it, if as a result, they got relief from the torment caused by continuous price escalation.

III-14 Emergency : No account of this period can be complete without reference to Declaration of Emergency in June, 1975. Though it curtailed constitutional rights of citizens and their institutions, it had a silver lining too. Industrial strife which was on the increase till then got controlled in a substantial measure, so was the price rise. Work discipline improved. However, emergency being emergency could not be expected to continue indefinitely. In the elections which followed, the ruling party had to pay a penalty. For the first time since independence, the government at the Centre changed hands. The period of emergency was rightly criticised on various grounds but it gave workers the right to be consulted by management in certain aspects of the running of the undertaking/establishment. This right acquired constitutional buttressing in the sense that it is now one of the Directive Principles of the constitution. This can be nothing to rave about, but a significant beginning, however small, seems to have been made. More about this later.

III-15 Bhoothalingam Committee : Another development affecting wages/salaries was the appointment, within a few months of change over of government, of a committee for a comprehensive study on wages incomes and prices policy through what it considered was an appropriate study group with very wide terms of reference. The reason for setting it up was stated as : "Serious distortions have crept into structure of pay, dearness allowance and other compensatory allowances of employees in public and private sector. These have been largely due to *ad hoc* approach followed in the past to the problem of periodic revision of emoluments in public enterprises".¹⁵ The Study Group seemed to be born under wrong stars. Trade union leadership was sullen because it was not consulted by Government before it nominated a labour leader on the Study Group. It refused to appear before the Group to make its submissions. Only five of the twenty seven federations sent their replies. Farmers association ignored the request for information. More than half of the eminent economists who were addressed played truant. The one

trade union member of Group had his reservations about its report. The only useful part of the report turned out to be the statistical information presented in it. It showed how over the years the emoluments of top executives in the private sector had gone up in relation to the similarly placed executives in the public sector. As between the public sector executives and others in public administration, the former were better paid than the latter. But India is not the only country where this happened. An open memo to the British Prime Minister's Economic Advisor had this to say : "The Prime Minister may care to look more closely at the Bank of England salaries next time when she considers Public Sector pay. At the end of February, 166 members of the Bank staff earned over 25,000 a year. Over at the treasury which rightly considers itself the Bank's senior partner on economic policy, 13 persons were paid more than 25,000. The contrast grows as the responsibility increases. The highest paid treasury official, the Permanent Secretary was on a salary of 35,845. The Bank paid 61 members of its staff more than 35,000... On top of that Bank staff enjoy several perks that Civil servants do not... Public sector profligacy is as much a problem in the nationalised Threadneedle Street as it is in British Town Hall and mine shafts".¹⁶ The position in the UK regarding pay in public service and that in other sectors seems to be common in both industrialised countries and developing countries. In the latter it is more acute because of shortage of skilled personnel.

III-16 ILO and Public Service Employees : Now that we have gone abroad to watch developments in the fortunes of public service employees it would be appropriate to refer to the ILO activities regarding these employees. It seems in this very period, ILO prepared a status report to understand law and practice situation in different countries. Such reports are usually a prelude to develop an international instrument on the subject : a Convention or Recommendation in the ILO. Its 1978 Convention¹⁷ takes note of considerable expansion in public services in many countries and the need to place industrial relations in that sector on a sound footing. It then goes on to provide for : i) The protection of right to organise ii) The facilities to be given to public sector employee organisations; iii) Procedure for determining conditions of employment iv) Procedures for settlement of disputes v) Guaranterring employees civil and political rights. Indian position on similar Conventions in the past has been not to get formally bound by ratifying the Convention but to follow the spirit of the Convention in their actions. One will be surprised if this

one will be treated differently. All this shows, as mentioned earlier that both expansion of public service and discontent among public servants are global phenomena, if that is any consolation for those who have to live with their (public servants) problems : government and their employees.

III-17* Back home, Bangalore which has the largest conglomeration of Public sector undertakings employing over 70,000 employees had to face recently a prolonged industrial action lasting for eleven weeks.

The demand was parity in minimum wage meaning application of the scales in the best paid undertaking in the area to all units. The strike was organised by a joint action committee which had no recognised political affiliation of individual unions of the type operating in different units indicating that on a genuine grievance, workers of every industrial conglomerate can come together to put pressure on the respective employer. This naturally has a lesson for public servants throughout the country !!

III-18 Bureau of Public Enterprises : A word about ensuring uniformity in pay and conditions of work for public sector employees. Earliest attempts in this direction date back to late 'fifties. That was the time when many PSUs were sought to be set up in different parts of the country. That was also the time when shortage of managerial personnel was keenly felt. Till then government could draw upon retired senior officials of Railways, and Post and Telegraph establishment who had established capacity of handling labour in their serving years. It was found however that these officials had their own style of handling labour problems effective though it was in their respective departments. PSUs, in their variety were a different kind of fish. Government then thought of establishing Industrial Management Pool to which senior professionals with experience of handling management chores in reputed private sector units were recruited along with others. This was tried for some years but the idea did not seem to work out. After about four score or more open market officers had been brought in and these came from different established services (IAS, IAAS, Rly. account services and other competitive services), retired Defence Personnel and private sector reputed units and grooming them into positions, the scheme was

* Chronologically this paragraph should have come later. It figures at this place because it states the Indian position in practice regarding issues mentioned in the earlier paragraph. (Also see Para-III-1).

discontinued. When their number was small the Industries Minister used to call a meeting under his chairmanship for discussing managerial problems and providing guidance as appropriate. On occasions some industrialists who were sympathetic to the concept of Public Sector were brought in for advice on specific issues. This arrangement also turned out to be short-lived because the problems became so numerous that *ad hoc* arrangements could not cope with them. Most of the problems were financial because for ultimate solution each of them landed on Finance Ministry's desk. The ministry therefore established a separate Bureau for it : Bureau of Public Enterprise (BPE). Over the years BPE became a custodian of precedents of how different problems at different PSUs got sorted out. Much to the disappointment of trade unions operating in the public sector, the Bureau has survived. It brings out a journal 'Lok Udyog' which contains a variety of statistics and articles of use to PSU managers at different levels of responsibility. On the whole the arrangement has established its utility possibly because it is located in the Ministry of Finance. And that can be an adequate comment about its work.

IV - RECENT DEVELOPMENTS : 1984 TO PRESENT

D1 : Pre 1991

IV-1: Developments since the appointment of the Fourth Pay Commission can be conveniently split into two parts : **One** prior to 1990 and **Two** : after 1990. Implementation of the recommendations of the Fourth Pay Commission could be broadly considered to have begun after the country passed through the traumatic experience of seeing their Prime Minister, Mrs. Indira Gandhi, assassinated. The elections that followed saw her young son rightfully taking over the reins of office. The New Prime Minister had his own vision of building up the country. He recognised the shackles which were hampering the country's forward march and introduced policies and procedures which were intended to give entrepreneurs greater freedom to operate than before. On the other side he used to exhort workers in their rallies to improve their performance and develop quality consciousness in order to prepare the country for marching confidently into the Twenty First Century. Such exhortations of his were intended not only for industrial workers but were expected to have wider appeal to workers at large including public servants at various levels of administration. The country was looking forward to his continued leadership but some 'non-issues' surfaced at the 1989 Parliamentary elections and he had to step aside to become the leader of the opposition. This was in spite of the fact that the rate of growth of the economy during the 'eighties was 5-6 percent per annum. Equally important was the fact that the higher growth rate was accompanied by reduction in poverty (Incidence of poverty all India) which was 51.5 percent in 1972-73 came down to 37.8 in 1984-85 and dropped further to 29.9 percent in 1987-88¹⁸

IV-2 While the economy was doing well in overall terms, it was towards the late 'eighties that a number of macro-economic imbalances developed. These were mainly fiscal but were accentuated by political instability in the country and the gulf crisis. As a result the international confidence in the economy was getting eroded and foreign exchange reserves touched the lowest ever level in early 1991. In the process the country witnessed two changes in government : first in 1990 and the second eleven months later. The first change saw Government's

earnestness to introduce a bill to promote Workers' Participation in Management of Undertakings¹⁹ (since remaining dormant even after four years) But that is by the way. The growing imbalances in the fiscal system were literally getting out of control. The non-developmental expenditure of the Centre and States was rising rapidly (this was in no small measure due to rise in emoluments overall to public servants at different levels). Resources for it had to be raised through heavy borrowing, deficit finance and increase in administered prices. As a result the finances of both the centre and states were in a perilous state since late 'eighties. During the same period the government's dependence on deficit financing had increased rapidly. Another consequence was a significant increase in interest payments.²⁰

IV-3 Balance of Payment Crisis : The failure on the fiscal front precipitated understandably the balance of payment crisis. Fiscal deficit and external deficit are closely related and have been reinforcing each other. The rise in debt service payments reduced public savings which in turn led government to borrow from abroad to keep up the rate of growth of the economy. The balance of payment crisis was brewing up for some time but its severity suddenly manifested itself in mid 1991. This was the combined effect of the difficulty in financing current imports, meeting debt service obligations together with erosion of confidence of short term lenders and NRI depositors. Trade deficits were widening; all these developments contributed to erosion of confidence abroad in India's ability to manage its finances.²¹ International credit rating agencies started placing India either 'under watch' or down-graded credit rating. All these developments culminated in a severe foreign exchange crunch. And this was at a time when politically India was in the process of holding another parliamentary poll.

D2 : 1991

IV-4 NEP/NIP : Even as the election process was on, the country had to face another disaster : murder of another prime minister(ex), a young leader of the people from whom much was expected because of his being in tune with global technological progress and his earnestness to bring technological innovations in our country's affairs. Elections brought in a minority government at the helm of affairs. Recognising this political weakness the new Prime Minister initiated in early stages the practice of taking decisions by consensus. The first step he had to take

was to create confidence abroad about the stability of his government. He announced the New Economic Policy and within days the New Industrial Policy to bolster confidence in the country. The two policies together helped India come out of the financial crunch by seeking fresh loans from International financial agencies albeit under difficult assurances for changing domestic financial policy.

IV-5 Main features of the NEP and NIP, its twin, may now be set out : **NEP** i) One shot two step currency adjustment of the rupee ii) Correction of fiscal deficit (the First budget's most important contribution was its clear fiscal direction for correcting imbalances through tax structure rationalisation) iii) Recognition that fiscal disaster which was then looming large over the horizon must be averted iv) Average annual price rise to be contained between 8% and 10% v) Drastic reduction in government expenditure (this would affect the aspiration of public servants for getting their remuneration adjusted upwards) vi) Black Wealth to be brought into the main stream vii) Interest rates to rise in the earlier phase and then stabilise at a lower level. Consequent on these principles the 1991-92 budget made appropriate proposals. **NIP** i) Abolition of industrial licencing - a near total industrial delicensing ii) Correction of distortions in the working of the policy to increase the country's capacity for global competitiveness iii) Complete abolition of the concept of large industrial/business houses iv) Liberal Technology Policy : Technology agreements will be viewed on a pragmatic basis v) Liberal invitation to foreign investment vi) Public sector reform to have an efficient and competitive public sector vii) Privatisation by dis-investment of a part of public enterprise equity viii) Encouraging public sector equity going into knowledgeable hands.²² Many of these elements have implications for public servants at all level; but these could be discussed at a later stage. It is worth noting that both these policies were accepted by the two Houses of the Parliament after adequate debate. That established the urgency as well as the need of the policy prescription. While some opposition members argued that the policies have been dictated by external capital and that they go against our Constitution, they accepted the total policy package though cautioning government that it take due care in the policy implementation. They said that labour interests need to be safeguarded, though on this point assurances galore were given (and are still being given) by government spokesmen.

IV-6 While the macro analysis of the behaviour of the economy presented earlier has its uses, it would be more pertinent to understand the price situation for the years since 1985 (or approximately since the implementation of the Fourth Pay Commission Recommendations) and changes in emoluments of Public Servants who benefitted from the pay packets awarded them by that commission. The Economic Survey 1992-93 has some useful information in regard to the form and content of statistics, though avoidable delays persist. (This year has been chosen because the survey for that year makes a major departure, a welcome one, in the presentation of information on prices and distribution. Not only does it supply a variety of statistics in regard to whole sale prices (WPI) and retail prices, as reflected by Consumer Price Indices, (three sets of them : for industrial workers, for urban non manual workers and agricultural workers though recognising that the last one because of its age it was established on weights based on 1956-57 prices) suffers from obsolescence. The general conclusion reached in that survey was : Inflation which had reached an exceptionally high level in 1991 declined considerably in the following year...^{23]} Consumer prices too showed a similar decline. The decline was largely due to agricultural goods both in essential items and those needed as industrial input. Minimum support prices of agricultural goods had to be raised following price increases in inputs, so were the procurement prices in the public distribution system. With improvement in industrial production, better supply management, the rate of inflation stands considerably." Also states the Survey : "relaxation in commodity controls, movements and trade restrictions, and enhanced flow of bank credits for productive sectors... would further augment production and supply !²⁴ While undoubtedly this is a rosy picture for the public, how much of it has been said for justifying the steps taken by government and how much is real, only time can tell. Also government can choose statistics which can support its rosy picture. But questioning Government Statistics and its way of interpreting them can be a long story.

IV-7: From the fragmentary data on emoluments to government industrial employees likely to be covered by Pay Commission's recommendations, between 1985-86 and 1990-91 number of employees went up from 2.15 million to 2.22 million; their emoluments went up from Rs.55,760 million to 109,060 million. Per capita payments went up from 25,887 to 49,197. CPI (1960 = 100) during the same period went up from

620 to 951. Real increase as reflected by these figures comes to about 15 percent. If one assumes that public servants' emoluments have gone up in the same fashion it could be said that in spite of budgetary crunch which the Central Government must have experienced, Government employees have been able to improve their real incomes some what. One should expect that this trend must have continued in later years till the appointment of the present commission. Curb on increase in Government's non-developmental expenditure which is an element of the NEP seems to have some justification.²⁵

IV-8 Special Programmes : Among the several issues which that E.S. has discussed like sectoral policies in different fields which may not have direct relevance to Pay Commission work there are two items, policies regarding which, may be of interest. These are a) Poverty alleviation (PA) programmes and b) Human Resource Development Plans (HRD). According to ES : ai) In spite of a large number of PA programmes, because of the size of the country and poor being numerous (though the percentage may be going down the numbers have been increasing), the reach of the programmes has become limited. Poor being entirely dependent on their labour, the overall plan will have to aim at rapid growth of output and employment. However, measures for prevention of distress will have to continue; aii) The effectiveness of PA programmes will depend on how well the resources are utilised (This is a common feature of all programmes). Their integration with programmes built round the strategy of rural development, sensitive to local needs and resources and creating durable assets will be important. bi) PA has to be an integral part of HRD. Citizens must have access to basic social services such as, elementary education, primary health care, safe drinking water and sanitation but at affordable cost; bii) Education facilities have expanded and yet the level of literacy is low. Non-formal approaches to the problem have shown results. These appear to have brought literacy levels in some areas to the optimum; biii) Flexible system of learning for people at different age groups will be more effective biv) The aim of health care system should be to enhance capacity of people for an economically gainful and happy life.²⁶ Pious hopes, these !

IV-9 : There is nothing new in the policy prescription. One, however, has to see what is actually put on the ground. Another oft repeated sentiment concludes that survey. To quote : "Prosperity achieved by many developing countries in Asia and other parts of the developing world

would have been unimaginable fifty years ago. Their present standard and quality of life of citizens can be explained neither by their natural resources nor their domination of other countries. It is explained by sustained efforts of improving the quality of human resources, by policies that encourage investment and place a premium on efficiency and a sustained thrust towards international competitiveness".²⁷ Only one comment. Similar sentiments though in different words have been expressed in almost every plan from the First Five Year Plan onwards.

IV-10 : We have so far relied on the Economic Survey for the two years 1991-92 and 1992-93 but have commented in passing on what these have said where our views are some what different. For the latest year 1993-94 we are using as source material "Alternative Economic Survey 1993-94 published by 'Public Interest Research Group' (PIRG) which consists of eminent economists, social scientists, retired senior administrators and persons who have 'public interest' as their main guideline."²⁸ As they state in their assessment of "The Economy 1992-93" which uses the relevant RBI Report : "Unlike the ES prepared by Finance Ministry (usually in February), the main purpose of the Annual Report of the Reserve Bank of India is not to review the performance of the economy (however one part of the report contains such a review which supplements the ES in two ways). First the material in the survey covers only the period upto December or so of the financial year concerned. RBI Report on the other hand covers the entire period of the previous financial year and also the first quarter of the current year. Second : the Report is RBI's assessment of the economy which therefore can have something of an audit of the performance of the Ministry of Finance also".²⁹ At another place, the PIRG also states in justification of its labour that "in recent years the ES gives a one sided picture of the Indian Economy It has tended to be more of a window-dressing than report objectively and meaningfully the state of the Economy. Further official ES has been liberally misrepresenting misinterpreting too and camouflaging the reality from the people. The manner in which the economy affects the lives of the people, the poor especially, is rarely captured in the ES... We felt that an attempt should be made to present an Alternative Economic Survey. This survey is in its second year of publication. The first survey was received with considerable enthusiasm by media, economists, activists, NGO's and grass root groups. The signatories of the AES add that "Global environment for development has deteriorated sharply. India's Economy

has stubbornly refused to respond to official exhortations and government statements have lost their earlier optimism".³⁰

We pick out only two items from the PIRG 1993-94 report which, we consider, have a relevance to the work of the V-PC's work : a) Price and b) Income distribution.

IV-11 : The PIRG has analysed the price situation in the country since the 1991 policies were announced. It has argued that in our days of dire stress the International Monetary Fund imposed on us a Structural Adjustment Programme (SAP) of the same type as was operated in some Latin American countries. It seems that in the four countries whose experience has been analysed, there have been, in the twelve years ending 1992, price rises year after year which have been almost mind boggling. As compared to what happened in those countries "Prices in Indian Economy have not gone berserk". In fact the inflation rate in India had entered double digits (10.5%) in 1990 even before SAP was imposed. It reached a peak of 16.3% in September, 1991 declined to single digit soon thereafter (9.4%) in August, 1992 and came down 6.9% in April, 1993. It started going up in June 1993 and was 8.2% in January, 1994. With the hike in administered prices and the 1994-95 budget it may go up to 10%. But it is clear that prices in India have not behaved anything like those in Latin America." This is broadly in line with what ES has said. PIRG has added Latin American spices to make its observations tasty. Also added are points regarding 'disparities in income'. However, the governments claim that it has been able to contain inflation does not stand because it is the outcome of favourable monsoons than of good fiscal management on the part of government.³¹ One need not go into details of which group of commodities were responsible for inflation and which others pulled the rate down.

IV-13 : The differential price rise for different groups into which the community is divided for maintaining CPI tells only half the story; the other half relates to differential changes in incomes. Analysing wage data for agricultural labour a conclusion is reached that the wage rates are bordering on the notional poverty line. And still there are complaints that even these do not find their way to workers because of collusion between the employer and the Inspectorate in charge of wage monitoring. Thus even by the conservative estimate of wage fixing authorities, the purchasing power seems to have been transferred from this poverty group of population. This belies the government's claim of introducing

SAP with human face.* Another example : Industrial Workers : those who are organised are often referred to in media as the aristocrats among the working class. Perhaps, that label may have a justification but what happens even to those in the group who are victims of so called 'exit' policy which is sanctioned under the SAP, and there are several among them. Government's answer is NRF, the national renewal fund.³² Trade unions have pointed out time and again that resources put in by the government are too meagre to meet the contingency or rather the epidemic of sickness where the employer who makes his unit sick gains substantially in health but the workers have to hit the street a blatant example of income disparity at the micro level. And compare this with public sector employees who as mentioned earlier have gained marginally in real incomes in the five years ending 1990 and NEP has possibly not changed the picture; it was not expected to !!

IV-14 : It would be appropriate to conclude this section by reference to the Eighth Five year Plan the implementation of which will be in full swing by the time the Pay Commission will present its recommendations to government. The plan is required to keep in view : a) The need for continued reliance on domestic savings; b) Increased technical capabilities for development of science and technology and c) modernisation and competitive efficiency. HRD will be the main focus of the plan. Its main components will be employment generation and population control, literacy expansion, provision of food and basic infrastructure... The attempt will be to reorient, the process of planning so as to : i) weed out projects which are not economically sound; ii) rationalise plan expenditure by process of consolidation of schemes; iii) generate net additional resources to the extent possible through non-inflationary measures particularly in sectors which have surpluses to needy sectors which cannot raise resources through their own operations. The role of public sector is reemphasised in infrastructure development and where private sector is/not offering participation.³³ This also is an oft repeated proposition. The sector will have responsibilities of contributing towards meeting the basic needs of the population and in regulation of long term interests of the society. One wonders whether in setting out these prescriptions the planners had completely forgotten what was said in NEP/NIP. In any case this seems to be a tall order for

* The statements recently made by Shri Arjun Singh after his resignation from Government are in line with this observation.

the much maligned public sector!! Or is it the force of habit overtaking Planners without any relevance to the current realities!!!

IV-15 The Year Two Thousand and Beyond : By the time the V Pay Commission completes its labours, the World, and India with it, will be entering the Penumbra of the Twenty First Century. The Commission while collecting evidence from the beneficiaries may like to seek from them answers to some questions which the late Prime Minister, Rajiv Gandhi had raised during his public address to trade union leaders. He had asked them in 1986, by way of loud thinking : "how should the workers be prepared to enter the new millennium which will be upon us in thirteen years from now" ? He referred to modernisation in all its aspects and how it should be handled and posed a few pertinent questions. He asked the leaders : "In what conditions will our industry, our nation, and our people be at the end of this Century" ? Will we be in a position to compete with the world in productivity in technology and science or will be lagging behind ? He went further and asked questions by throwing the onus on trade unions by raising supplementaries : 'In what condition would you like the industry to be fifteen years from now? How will you help train workers to cope with technological change when it comes.³⁴ Such questions *mutatis mutandis* become relevant to the commission because some of the terms of reference can impinge upon 'work methods', 'work environment', 'rationalisation' and 'simplification' with a view to promoting efficiency in administration... and optimising the size of government machinery. When public servants expect the commission to recommend improvement in their remuneration and conditions of work, the tax paying public will also have its expectations from administration. Also some of the tasks to which reference has been made earlier can be achieved with adequate cooperation from the members of administration at all levels even in the current climate of liberalisation. Under the new dispensation of the Economic and Industrial Policy of 1991 what the public is expected to do is perhaps widely known. There will be corresponding obligations on administration. It will be for the commission to set these out.

IV-16 : To be more specific, one could illustrate how the efficiency of administration is judged by the public. It is by the behaviour of the person in the administration who comes in contact with the public. It may be a ticket vendor or a person who handles moneyorder work in a post office; or a person behind the ticketing counter or another who is in charge of

receiving or disbursing parcels in the railways or a bank employee who examines your cheque and a teller who completes your bank transaction. If they are not in tune with modest expectations from them by the public, the postal, railway or banking establishment gets a bad name and this is true of every member of the respective organisations whatever, the status of persons who is expected to offer service to the public. Not that this is a new phenomenon; but it acquires a new urgency because of globalisation of the economy. The service one provides is compared with similar service provided by your global competitor. This can best be illustrated with reference to the banking industry a major part of it till recently was operating in the public sector. In the new scenario of banking business being thrown open to competition, there is already heart searching in the industry as to how it should conduct its affairs for obvious reasons. An Indian banker had been serving till recently, his client taking ten times more time to complete his/her work in the bank as compared to another, his new competitor, * who gets the same work done with mechanical aids in a neighbouring bank with its global spread of business and with considerably larger funds to operate with. It is fortunate however, that trade unions in the banking industry in the country, seem to have been seized with the problem and are thinking of giving a constructive turn to their operations as indeed to the relations between them and their management. There seem to be reasons to believe that both sides have been able to alter their 'mind set' for the better in their own self interest and ultimately in the interest of the industry, the core industry for the country's development ³⁵ (the choice of banking industry should be considered appropriate because major part of it still continues to be in the public sector).

IV-17 : But 'globalisation' will have other implications on public servants. These could be inferred from what the Director General of the ILO has said recently with reference to its effect on his own organisation. He states : "Globalisation acts as another powerful stimulus to change. The global economy is characterised by development of world-wide commerce in goods and services, rapid movement of capital through interconnected financial markets delocalised production, multiplication of foreign investment and a growing share of economic activity held by multinational enterprises. In such an environment, the capacity of nation-states to pursue their own economic policies is sharply reduced.

* This could be said about the Railways too, but with a major difference : there are no competitors to Railways.

Process of internationalisation limits current instruments for regulating economic and social activity. The evergrowing presence of multinationals means that satisfactory results from collective negotiations at the national levels will be increasingly difficult to obtain. It follows that workers feel themselves to be more and more dependent upon global circumstances beyond their control. Also the globalisation of commerce will bring new and large scale social challenges in its wake. Present inequalities will persist and others will be created between and within nation states. Some of the least developed countries risk nearly complete marginalisation in the new global economic system. No nation on earth can consider itself to be exempt from serious social problems".³⁶ This is how the world of work will look like in the years to come.

IV-18 : Coming nearer home how will the situation look like in India? An eminent economist from the country has predicted that : "Unemployment, Underemployment and Poverty will be major problems in India where working conditions are poor and social security and welfare provisions are minimal or even nonexistent. Employment has been growing in recent years, though 'informalisation' has been on the increase too resulting in little corresponding increase in the quality of employment. These problems are most acute in the case of women workers most of whom are in agriculture or unorganised sectors". With the implementation of 1991 policies (NEP/NIP), the issue of social protection to labour has come into sharp focus, as a result of compulsions of structural adjustment. Trade unions and other social groups have been expressing concern that the reforms will improve competitiveness and efficiency while also contributing to deterioration in working and living standards. Redundancies, however, seem inevitable in the process of restructuring public and private sector enterprises. Recognising this, the Government of India have been emphasising the need for adjustment with a human face".³⁷ And what this 'human face' will be could be inferred from what is said in para IV-13 and the foot note thereon.

IV-19 : One more observation about the shape of things to come. This will have less relevance to public servants but may be of some significance to the public sector employees and their unions. The first issue of the PIRG³⁸ which presents an Alternative Economic Review, 1992-93 contains an interesting contribution on 'Labour'. It reviews the ineffective and prolonged struggle of Bombay Textile Workers, industrial

sickness in general and the Bhopal tragedy of 1984 and the possible developments in the labour movement in the context of events that led to NEP/NIP. It has taken note of long work stoppages (lockout) in some multinational companies without seriously affecting production (or even reaching record turnover in some of the units involved and set out some lessons for organised labour. These are : a) increasing trend of informalisation of the formal sector implying possibilities of structural changes in production relations b) growing industrial sickness (Any demand by labour whether for better living and working conditions or recognition of their status becomes a provocation for the entrepreneur to declare his unit non-viable or sick, c) growing size of unorganised labour³⁹ (organised workers are fighting job losses because of closures, new technology, voluntary retirement schemes on the one hand and losing ground to unorganised labour on the other). The old compulsions for the trade union movement for enlarging its constituency by extending its activities to informal sector employees will be acquiring a new urgency and a new meaning too!! and d) attitude to technological change. (the blanket 'no' to change has been already converted by them to conditional 'yes'). The pace for it has to accelerate. e) Unions may have to recondition their membership for continuous adjustment to new technology.⁴⁰ But the moot point is : who will educate labour leaders ? Or will they themselves learn for their own survival?

IV-20 An Ominous American Development : An issue of the popular 'TIME Magazine' carried last year an article under the bold caption "Disposable Workers" with a subtitle, 'America's growing reliance on temporary staffers.' It is shattering a tradition in which loyalty was valued'. The article describes the operations of 'Manpower Incorporated with more than half a million workers, the world's largest employment agency. Every morning its people scatter into offices and factories seeking days work for days pay; 'one day at a time.' It states further that : 'As industrial giants like General Motors and IBM struggle to survive by shrinking their pay rolls, Manpower Inc. is booming along with other purveyors of temporary workers, 'Temps'. No comments are necessary except that such unhealthy styles have a way of perpetuating.⁴¹

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IV-21

In what follows in the next section it is proposed to briefly comment on selected areas of the terms of reference of the V - PC.

V - THE PAY COMMISSION'S TASKS

V-1 : Any account of the Pay Commission's task must of necessity begin by recounting its terms of reference and what is new in them as compared to similar tasks of the earlier commissions. As mentioned in the earlier account, the tasks are, by and large, similar with pluses and minuses depending upon economic, political and social milieu prevailing at the time a new commission is appointed. When comparing tasks it would be appropriate therefore, because of passage of time and the sea change that has taken place in recent years, to confine one self to comparison of the task of the present commission with that of the IV PC. The changes seem to be as follows :- i) Armed forces have been shown separately for the IV PC as item 2 (2) where as they form a part 2(b) in the tasks of the present commission; ii) Employees of the higher Judiciary were not mentioned in the IV PC; for the V they are mentioned in b(v); iii) Pensions and retirement benefits are included in the 'structure of emoluments' in IV-PC; a special term of reference for the same seems to have been called for in the 'Present Commission'; iv) 'Work methods' and 'work environment' have been mentioned separately in 2(d) as tasks of the present commission but these seem to be implied in 2(3) of the IV PC and v) Among the factors to be taken into account the words 'Sound fiscal management' have been added in 2(e) in the present Commissions terms of reference whereas 'development planning as mentioned in 2(4) of IV PC seems to be absent but perhaps implied in 2(e). Some of these changes are more because of the clarifications needed in the implementation of the recommendations of the earlier commission's. The specific mention of 'sound fiscal management' is perhaps a consequence of what the Finance Minister has been saying in the Parliament in the debates on the country's economic policy. (Spokesmen of Central Government employees are likely to look upon this addition as influenced by the country's international creditors). Nuances of these changes are best left for interpretation by the Commission.

V-2 Employee Representatives : Broadly, the present PC, as its four predecessors did, will be expected to develop principles of fixation of remuneration for Central Government employees and then undertake the more difficult task of quantifying those principles into money terms. In doing so they will do well to recognise that the principles themselves

will be debatable as indeed the weightage given to each in fixing remuneration. One of the ways in which a measure of satisfaction to the beneficiaries can be provided will be that while principles can be set out broadly on consideration which are mentioned in the terms of reference themselves, the quantification could be done by a machinery like the wage board. These Boards had, at one time, acquired acceptance by parties if they had the privilege of sitting across the table and hammering out solutions. We have a system in operation in the Railways mainly in the form of what is known as the PNM (Permanent Negotiating Machinery) working with varying degrees of efficiency, both as a machinery and also as a dispenser of measure of satisfaction to parties. Because of divided trade union movement, representatives of beneficiaries may not speak with one voice. This can be a difficulty. But over the years it seems to have been sorted out by giving representation to all recognised central trade unions irrespective of their strength in the country as a whole or within a specific industry, the scale of remuneration in which has to be settled. The main spokesman may be different from time to time depending upon the accepted method of verification of membership by a Government authority. But so long as others have the right to put forth their views and are listened to no harm is done. All these years, upto 1994, the Indian National Trade Union Congress (INTUC) was a recognised leader of our trade union movement. It is only a few months back that it had to yield its right to Bhartiya Mazdoor Sangh (BMS). How this major change in the main spokesman of employee representatives will work is for time to decide. Every Trade Union Federation claims that it is free from political influence. To the extent that the PC will evolve its recommendations by giving due weight to employee arguments, the change in the composition of employee representatives will have importance. Anyway the current Commission will be the first one operating in an environment where employee representatives will not be accused of a pro-government stance, rightly or wrongly.

V-3 Foreign Influence : A connected reading of the reports of predecessor commissions will reveal that in evolving the principles, each has been influenced by the then current reports on the same or similar subjects mainly from the United Kingdom. This was perhaps natural because of our long association with that country prior to independence and the similarity in the structure of Governmental institutions jointly built up by the British and Indian administrators. The I PC had the British Tomlin

Commission to go by.⁴² The Priestly Commission which was established in the UK for determining salaries and service conditions of civil servants in the UK three years prior to the setting up of the II PC provided the main food for thought in evolving principles for that commission. In fact, the limitations in adopting Priestly prescriptions with such, alterations, as appropriate to Indian conditions, are set out in the II PC.⁴³ After twenty years of Self Governance, the III PC cast its net wider and included in its study, the position in regard to such matters in developing countries.⁴⁴ By the time the IV PC was set up, The Megaw Committee which inquired into civil service pay had reported in the UK. The ILO started evincing interest in the terms and conditions of service of civil servants somewhat earlier came up with its usual 'Law and Practice' report on the subject as a precursor to evolving its usual international instrument : a convention.⁴⁵ The danger in such situations is that conclusions from foreign experience will vary to such an extent that any position from the most conservative to the most radical could be defended on that basis depending on social inclination of commission as a whole. Fortunately with the contraction in the membership of the present Pay Commission, the room for disparate views on controversial issues will perhaps be somewhat less than in the earlier commissions, but that can be another matter. Violent differences within the pay panel are somewhat rare. It goes to the credit of Government that when an occasion arose while deciding on a III PC controversial recommendation, the Government accepted the position taken by one member which was more onerous to it.⁴⁶ And this was when the clouds of public dissatisfaction against the administration had not even acquired a momentum of 1974-75.

V-4 Rationalisation : "Rationalisation of pay structure" has been a task which every PC was expected to achieve, at least according to the expectations of the beneficiaries. Rationality in this regard has not been properly defined. In fact it can defy definition. For instance a pay structure will appear to be rational if : a) it brings down to the minimum the number of categories into which skilled, semiskilled and unskilled employees are divided. Also relativities which have to be established between the categories have to be accepted by the concerned employees as rational. This admittedly is complex. For instance with their long history, The Indian Railways can have a variety of tests to measure rationality. Over the years since independence both because of PNM in the railways and attempts made by the PCs periodically, considerable improvement has already

taken place to correct accidents of history but it is accepted too that there can never be the end of the road in such matters. Thus while defining the objective in this matter, as in many others, can be simple, detailing the manner in which the objective can be reached can indeed be tricky. Scientific methods of job evaluation have been evolved in many countries, and in India too, but workers everywhere have a healthy disregard towards getting their physical and mental output measured when they are not associated in the process of measurement and that work is done unilaterally. One way in which prejudice on this account can be overcome is to train worker representatives in the science of work measurement. Once the science is accepted the later task becomes relatively less complicated. Admittedly there will still be difficulties but instances have been quoted in an ILO report where this has been successfully attempted. The report itself has indicated a caution. Although as a matter of rationalisation on the basis of job measurement as agreed one scale or a small number of scales has the advantage of ...simplicity...; it has the disadvantage of being more rigid.⁴⁷ Where to draw the line will be the Commission's task. Japanese have got over this difficulty as also many others by their three cornered system of industrial relations system with life time employment, promotion by seniority and unit level bargaining. This possibly has been adopted to civil service situations in that country, though the system itself is reported to have developed fissures of late.

V-5 Disparities : One of the questions on which the Commission will have to give a deep thought will be disparities in incomes generally with particular reference to disparities within the Governmental structure and also between Government employees and others who did not have the privilege of entering public service. (In the new context, at least in many categories of service, the situation seems to have been reversed. A very large majority of the beneficiaries of commission recommendations will belong to the former category). Whatever that may be, the scope for discussion of disparities is very wide and so is the scope for debate on the PCs conclusions/recommendations in this regard. What has been said in an earlier section about behaviour of disparities has been at the macro level. Quoting the Economic Surveys seems convincing but to a sensitive mind which sees disparities in their demonstrative effect much more needs to be proved to carry conviction. There will be disparities which are increasingly being highlighted because of the historical accidents and continuous indifference over generations in

redressing them let alone even recognising them. For instance policy regarding payment to members of fair sex : we have as a Directive Principle of the constitution the principle of equal pay for work of equal value. While it is accepted that such disparities are the least in public service, and over a period elsewhere too, the inequalities in this regard have considerably narrowed. Outside this sophisticated group, one finds by and large the difference between realities and principles still going against the fair sex. The succession of concessions (or delayed acceptance of demands by women to improve their status) announced/implemented by Maharashtra Government are of course a step in the right direction.⁴⁸ But what is reported to be happening in rural areas in Andhra Pradesh is even more significant.⁴⁹ It seems women are taking in their own hands, the task of forcing men to improve the status of women. While normally international pressures in such matters are of little consequence in the national context, the United Nations declaration in the 'eighties of devoting a decade to the improvement of status of women seems to have made a significant contribution globally in the matter of improving consciousness all over.

V-6 A New Disparity : All these and many others are disparities/inequalities which are more or less conventional in nature; so are others in the nature of urban and rural, land owners and agricultural workers, artisans and middle men, socially backward and communities which are recognised as advanced. With the policies announced in July 1991 and our decision to go global a new, and what looks at present a dangerous disparity is on the horizon : That between 'high fly' financial managers and other well paid persons, whether in public service or in private employment in industry commerce or in the field of technology. According to some accounts what these 'blue chip' finance men or women get or paid on their demand is mind boggling. A recent write up in 'India Today'⁵⁰ shows that some of them are paid upward of Rs.10 million a year. And in this group or near about, one finds persons of both sexes. All these years, a share broker making tons of money including even Shri Harshad Mehta and his likes of the SCAM notoriety or a sugar baron doing the same or an industrial magnate with his clever management and/or his operational skills recognised for his cleverness, or an entrepreneur of every description did not generate jealousy among persons with similar or better qualified public servant. But new brand financier, because he belongs to a salariat can immediately evoke

comparisons as a person whose emoluments are several times higher than the entitlements of the highest authority in the land. No one perhaps grudges him the money he is given; it is a part of the operation of market forces, but how this phenomenon will raise the salary expectations of bright boys and girls in civil service is anybody's guess. In turn how it will affect the economy will be another point to speculate. One of the Commission's task could be to prepare the public servants, and the general community too, to get used to this disparity as a consequence of the economy going 'global'. It is possible that such payments will have a 'trickle down' effect on persons who work with such financiers in a variety of ways. This also has to be viewed in the same manner. To the extent that what the Member-Secretary of the Commission is reported to have said⁵¹ on this issue is indicative of the Commission's awareness of this phenomenon, one should expect its final report will provide a dispassionate analysis of what is in store for the country on account of this variety of 'blue chip' development.

V-7 Minimum Remuneration : On a general plane, one point which strikes the reader of all pay commissions so far, is the care which the authors have taken in seeing to it that at the lowest level of public service, the public servant at the point of entry is not worse off than before. The I-PC in settling pay/salary at the lowest level worked out for its satisfaction a comparison between what was fixed earlier and then adjusted it to the price rise on the basis of fragmentary data then available. Not only the initial salary was so fixed but also the steps in the incremental scale. The II-PC carried this exercise a stage further and established comparison with real starting pay as recommended by its predecessor to justify its minimum salary of Rs.80 per month. The III-PC built further on what the earlier commissions had done. Thus the attempt at that point of time had been to retain the minimum pay fixed long ago only on the then operation of market forces in terms of the real content. There was dissatisfaction among the employees that this approach did not take into account : a) defects in working out the official price index and b) pegging of salaries to standard of living at some very distant date assuming that it was sacrosanct. Several official committees and one committee which was tripartite⁵² in character had gone into the issue of correcting the index but from employees point of view. Government's stand seems to be to accept recommendations which favour *status quo* in the matter of index compilation. Several debates have taken place since

in seminars and symposia in which employers and trade union representatives have participated, but the dissatisfaction though losing a part of its edge, continues, particularly on the side of public servants. A view can be taken that if the defects in index have such an antiquity it is only the extent to which a relative worsening off caused by defective indices that becomes important and not, as claimed by critics, the real hardships. The present Commission may have to take a view on giving satisfaction to its beneficiaries while recommending how the index can be made to reflect the realities. But this will be an endless exercise. After all however near we go to reality there will still be dissatisfaction. It becomes really a matter of faith.

V-8 DA Revisions : This way of adjusting the minimum at a point of time and allowing for price rise through the mechanism of extra payment of dearness allowance in order to protect real salaries has been in existence in India for long years. The parties concerned have lived with it though perhaps under duress. International practices in this regard vary from adjustment of wage/salary from month to month to a periodic revision of pay packet, the duration of the period depending on the economic situation in the country concerned. The Indian experience has been that though a Pay Commission settles the matter for the time being, the issue gets reopened by the employees and in the inter-commission period, at times, such differences as may arise between the Government and its employees get referred to a high level arbitrator in the form of a one man commission.⁵³ To give an illustration of periodicity of adjustment, during the period when III- PC was at work increase in d.a. had to be announced on three occasions (it almost became a hardy annual). A newspaper report has it that "during the seventies Government sanctioned da's and additional da's on almost a score of occasions. Of course this was a period when the international oil prices played havoc with domestic prices in all countries, and in terms of giving satisfaction to employees, through such payments India, was not an exception. In countries like USA, UK, Japan and Australia annual adjustment of salaries was a recognised phenomenon. In several developing countries both the large size of adjustment and its periodicity (because of shortness of interval) have been a common occurrence. The conclusion seemed to be : longer the period Government takes to adjust salaries, the worse it is for employees. In some countries the practice is also to limit payment of da to a particular level of salaries. When adjustments are contemplated

both the issues : i) how much to compensate and ii) at what level of emolument should adjustment be proper and permissible are matters the commissions/committees have discussed. (The IV PC has gone a long way in giving satisfaction to employees on this account by its very liberal approach in this matter).

V-9 : One of the reasons as to why this liberal approach was adopted was the erosion of higher incomes in real terms over a long time. The manner in which the system of granting da has evolved in the country can entitle it (the system) to be dubbed as the great leveller. According to information supplied by Government of India and published in an ILO report,⁵⁴ it is only class IV employees who slightly improved their real salaries between 1960 and 1973 from 100 in 1960 to 104 in 1973 the year when prices began to rise. The position for all others had deteriorated in varying degrees : Clerical cadres from 100 to 83 and very senior officers from 100 to 48. The position had deteriorated further between 1973 and 1978. What happened during this period to real salaries, though anticipated, was peculiar; during no corresponding duration in the past was the erosion so heavy. (But this has a history : during the years of the II World War when the principle of paying dearness allowance became accepted to provide relief to rise in prices, the earliest tribunal awards had pronounced that relief was needed at lower wage level, because they would be the most hard hit. Relief was not totally denied at higher levels but was limited in its quantum to that permissible to the worst hit. This was where the d.a. was linked to the CPI numbers. There were cases where d.a. was paid as a percentage of basic wage. In those cases percentage payment made by way of d.a. varied. Of course, much water has flown through Jamna since then) An interesting anomaly which has resulted from non- uniformity in the basis of payment of d.a. was whereas a large percentage of employees in Central Government, State Government and several public sector undertakings got d.a. on one scale the banking and insurance industry paid their employees at a higher rate. The effect which organisational pull can exercise in such matters on the fortunes of organised workers is best illustrated by this development. It is such pull, which the IV PC could not resist. That explains the generous treatment which higher paid staff in public service and in public sector received in mid 'eighties. Whatever the reasons, a benefit once awarded to any class of public servants or for that matter any class of employees,

cannot be withdrawn in the context of industrial jurisprudence as developed in the country.

V-10 Housing : There are other conditions of service which may fall under the purview of the possible recommendations of the Current Pay Commission. Of these only two will be taken up for comment : a) housing and b) pensions, because of their special importance. One knows in regard to the former how difficult the situation is and the immense hardship which one is put to in acquiring a roof over one's head especially in urban areas. The III-PC had optimistically hoped that the situation could be met through one of the following measures: a) compensatory city allowance, b) house rent allowance c) rent free quarters and d) providing accommodation through any other means.⁵⁵ Each one of these has its own shortcomings. For instance, whatever the size of the compensatory allowance, and this is bound to be meagre, because of several other calls on the central fisc, and the rocketing prices one has to pay whether the shelter is sought in towns large or small; house rent allowance can also fall in the same category of inadequacy. Other remedies suggested can be suffering from equally serious shortcomings. There is no point in assessing effect of these remedies collectively when one sees, or reads about the helplessness of sufferers. And the literature on the subject is legion! In the last twenty years the situation has considerably worsened, on all accounts but the extent of suffering can be compartmentalised for understanding who are the worst sufferers.

V-11 : Of the vast number in Government employment, some will be non-transferable; others will be liable to transfer. The former outweigh the latter in members. In the case of former when an employee gets settled in service in a particular location, he/she can have, subject to entitlement and availability rent free quarters or will perhaps be provided assistance to secure a shelter or some semblance of a roof. But this is the most fortunate group of employees. Their problem is not when they continue to be in service but when they retire and have to seek alternative shelter. Over the years this is becoming an insoluble situation to remedy. Government as an employer can as well say that housing retired employees cannot be their responsibility. But there can be an argument from one group of sufferers which can be persuasive. This group can claim that during their period of service, they would have paid by way of rent not only what Government spent on the house and its upkeep but also the annual interest on this investment. The argument on the other

side can point out that all that it has received from its employee or a tenant will meet only a small fraction of the replacement value of the accommodation provided. Whatever the rights or wrongs of the argument the issue is worth being taken serious notice of with a view to finding a solution.⁵⁶

V-12 Another Worry : Transferable employees though small in number have their problems, aggravated perhaps because a Government employee, in the middle income level has to be, of economic necessity a member of two earner family. His transfer or that of the spouse would mean maintaining two shelters. Expenses on this account may not be perhaps a serious difficulty but the physical non-availability of another roof at a place new or old can be real and may need attention. The problem is further complicated by the tastes for nuclear families developed by all sections of the population which traditionally supply personnel for public service. Cases of middle level officials denying promotions to themselves if they are required to move to new locations are taken note of in the media. Banking and Insurance industries are a case in the point particularly when promoted officials are transferred to rural areas.

V-13 International Experience* : International experience is of small consequence in this matter. It is mostly from countries which are against Government showing any special consideration for its employees. Canadian Government which used to provide housing for some of its employees at concessional rates, 20% of the officials salary was considered a reasonable rate, has stopped the practice since 1975. Sweden, because of its social legislation that a person occupying a house on a rental basis for nine months acquires the right to stay as a tenant indefinitely, has discontinued the system of 'tied accommodation', a system by which accommodation was associated with a post. In Nigeria, because of the subsidy which housing for public employees entailed, housing assistance schemes for public servants were a butt of criticism. In Kenya, similar criticism when enquired into by a commission brought out adverse conclusions but did not lead to discontinuance of the practice because of acute housing shortage in the country. There seemed to be a strong public sentiment in both the African countries in favour of increased Government assistance for building or purchasing housing. Co-operative effort on the part of public servants themselves is not

* This is almost twenty years old, it has been recorded for whatever it is worth.

uncommon in India. Naturally this is possible where apart from raising finance for the purpose, public servants are able to get other facilities because of the public office some of them hold. In fact, the cooperative societies formed by persons holding high public positions have courted writ petitions from persons/organisations who guard public interest at least in Bombay. In the UK Mrs. Thatcher could sway the electorate on the promise that she hoped to see Britain as a country where middle income group in the population owned the houses where they stayed.⁵⁷

V-14 Pensions : Social security, particularly that element of it which deals with retirement benefit is the last issue which will need Commission's attention. This again is one of the terms of reference for the V-PC as in all the predecessor commissions in one form or another. A public servant subject to his fulfilling certain conditions is entitled to retirement benefits comprising : i) pension, ii) provident fund, iii) gratuity. The questions that arise in this regard are : a) the concept of pension b) to what extent should pension adjustments take into account rise in price c) how should the interest on provident fund accumulations be adjusted in days of rising prices ? These questions may bear a brief discussion.

- a) As the II-PC has pointed out, Government has not accepted the concept of pension as put forward by employees who want it to be recognised as deferred pay. "There is no legal right to pension; it does not accrue to an individual automatically on the date on which he retires. It has to be applied for and it is sanctioned only if the appropriate authority is satisfied that certain conditions are fulfilled,⁵⁸ though in practice almost all Government servants are sanctioned pension. And yet the burden cast by pension is taken into account as one of the considerations in fixing pay scales in public service. This seems to be anomalous particularly because gratuity payments which came on the scene later are treated as unconditional and are not subject to the so called 'satisfaction of appropriate authority'. The fact that the concerned official does not misuse his authority because the UPSC is brought in as an additional safeguard, as argued by the II-PC does not change the requirement of applying for something which should by right belong to public servant. If the situation still remains as described by the II-PC, the Commission should examine whether pension graded as appropriate should not be a service right of the employee as much as his pay or salary is.

This could obviate the need for a Government Servant to be a supplicant for one of his rights.

V-15 : The interest on P.F. contribution has been a matter of debate for long years particularly between Government and the representatives of beneficiaries covered by the Employees' Provident Fund Act. One may presume that similar tussle may be going on between Government employees and the Ministry of Finance. In regard to the former, rates have a practice of being revised when pressures from beneficiaries become unbearable, but it may be well to explore whether there should be the need for building up pressure which possibly leaves a bad test in the mouth of the contestants. There is another point which trade unions have been fighting for long about the use of their funds for building up plans which workers can see as their contribution to the plan efforts. The proposal was to use a major part of investible accumulation in industrial housing. Governments financial manuals seem to frown upon such tie up but there was a grudging acceptance that in fixing plan provisions for industrial housing, net accumulations in the PF account will be taken into account. A more generous acknowledgement of this contribution rather than its being a part of the omnibus contribution of small savings would help creating a pride among beneficiaries of their contribution to nation building.

V-16 : One more point merely to emphasize how provident fund contributors stand to lose in the long run. According to calculations made by an independent expert, a balance of Rs.1000/- in the PF account as on 1/4/1960, though it grows to Rs.2791 in money terms by March 1979, its real value is only 797. On the same token a balance of Rs.1000/- on 1/4/1969 though it grows nominally to 1907 has a real value of Rs.952 in March 1979. One recognised that these contributions have made it possible for Government to undertake development schemes which will eventually benefit the country, but should there be no recognition of this sacrifice of workers by the authorities. In some countries trade unions are allowed to manage workers' PF contributions and it is open to them to invest the amount to the best advantage for the beneficiaries. Why should the principle not be accepted in India by the authorities which are entrusted with the Fund ? After all the fund has been established for the welfare of contributors and not merely for improving the financial position of Government. Much the same should apply to the PF contributions made by public servants. Some countries provide succour to PF

beneficiaries by adjusting accumulation through indexation on the basis of the rates of inflation. One recognises the difficulties in the Indian context but the problem needs to be studied by the PC.

V-17 : A tail piece on Public Service Pensions. Some years back, the BBC entertained its viewers with two remarkable serials : 'Yes Minister' and 'Yes Prime Minister' depicting the half serious and half humourous side of the working of British Administration at the highest level through a series of episodes. The two serials were then published by the BBC under the respective titles. One of the episodes in 'Yes Prime Minister' relates to civil service salaries and how these are reviewed periodically. A part of discussion which the Prime Minister(PM) had with his Cabinet Secretary(CS) and Permanent Secretary to the (PTS) is about civil service pensions. Excerpts from that discussion are reproduced below : This is how the discussion went :

"The question of Index linked pensions was raised next :

PTS : That is completely irrelevant. Those were agreed to a long time ago

PM : But they have a considerable value PTS : A value, yes. But, modest.

PM : I have an estimate here that it would cost £ 650,000 to buy back a Permanent Secretary's Pension

PTS : That is absurd

PM : How would you value it ?

PTS : About 100,000

PM : In that case, I will make you an offer. Government will buy back your pension and anybody else's who will sell it at your valuation. We will offer you a hundred thousand cash in exchange of your pension rights. Is that a deal?

PTS : Well. I mean no. I was talking off my head. It could be, that is, I have not calculated it myself.

PM: The figure of £ 650,000 came from the secretary of Pension actuaries.

PTS : Yes, but when it was agreed, I am sure it was nothing like that.

The discussion then went on to other subjects.⁵⁹

But this throws up an interesting idea for the Commission to explore. Why not get this idea of buying back pensions examined through our actuaries in Indian conditions in the context of our arrangements for commutation of a part of pension?

V-18 Public Sector Employees : With all the attempts made by Government since 'Public Sector' acquired adulthood in the late sixties and the establishment of the Bureau of Public Enterprises, wages and other conditions of work in the public sector continued to be disparate. There seemed to be no rationality in the system. Trade unions operating in PSUs would pick up and quote with regard to each one of their demands the best that is available without regard to the industry for which the unit was established nor did they have regard to the location where they worked. The management of the undertaking had the same approach of quoting selectively what suited them best. Recognising the difficulties such situation created in negotiations regarding terms and conditions of service, trade union leaders from PSUs commissioned a detailed study which was taken up by a Research Institute The Maniben Kara Institute(MKI) established by a national trade union centre, The Hind Mazdoor Sabha. The study was published in July 1991 almost at the same time as the announcement by Government of the twin policies : the New Economic Policy and New Industrial Policy. Some relevant excerpts from the Foreword of the publication will supply information regarding origin of the study, the methodology used and the total effort involved in bringing out the publication. "Four years back, trade unions in the public sector made a demand on this Institute (MKI) to provide them with compiled and analysed data on service benefits in various industries in that sector. The necessity for seeking this information arose from the lack of uniformity in service benefits not only in the public sector as a whole or even in the limited sphere of Central Public Sector but within a given industry too. The conditions varied from undertaking to undertaking creating a total *ad hocism* in that field. This became an inhibiting factor in the efforts of trade unions to seek parity either within the sector or with other class of employees ... The response of the MKI to this expectation ... was guarded because of the vastness of the ground to be covered ... the dimension of the subject ... and resource limitations. Hard work of some months by the Institutes' researchers helped in giving a trial to the venture...Data were collected through painstaking correspondence with managements and trade unions concerned and visits to the undertakings." Three years were required for collection of material which

was huge by any standards and another to compile and analyze it with computers playing their part. Initial results were discussed with senior trade union leaders. The final version was prepared only after receiving comments and suggestions from them and suitably incorporating them in report.⁶⁰

V-19 : The outcome of this hard work over five or six years should not be considered as a trade union effort undertaken by trade unions for trade unions. Managements have cooperated as and when required. "The MKI hopes the report will strengthen the cause of employees in this sector and pave the way for a just and equitable order in the service conditions in the sector." Since the significant findings of the study will be of value for deliberations in V-PC a selection of these have been reproduced as an annexure to this section. The coverage of the study should be considered as adequate since almost a quarter of undertakings and around three fourth of the Central Public Sector employees have been covered. The study incorporates the "Public Enterprises Survey" published in 1990 for presentation to the Parliament providing an "overall view of physical, financial and socio economic performance of Central Public Sector Enterprises. The information regarding employment, labour cost, value added etc. are from BPE Publication. Data regarding wages and other benefits are collected from various agreements in the PSUs information on which was available. One hopes that this detailed analysis will interest the Commission and help it in securing clarification and perhaps commissioning a further study which will be of direct utility in reaching its findings on this important section of the beneficiaries of its recommendations.

V-19 : In making the above suggestion one recognises that because of the 1991, Industrial Policy Statement, the public sector itself is "on sale" as it were. Its importance in developing industry will be considerably reduced as compared to the days when the then Prime Minister expected the sector to reach "the commanding heights of the economy". And yet with the present pace of privatisation, it will take some time for PSUs to be extinguished. Till then what the commission will say about salaries/wages/and service conditions of employees may have relevance as the other parts of the report will for its other beneficiaries.

SIGNIFICANT FINDINGS OF THE STUDY AT A GLANCE

1. **(Table No.2)** : In most of the Public Sector Undertakings the duration of the settlement ranges from 4 years to 5 years. In some of the cases it is even more than 5 years. Over the years since 1977-78 there has been a general trend of increasing the duration span of settlements.
2. **(Table No.4,5,6,7,8)** : If one compares the minimum wages paid in various Public Sector Undertakings (which have been covered in this study), one finds a good deal of variation. Wages vary not only with the level of skills of the workers but also with the industries or units. As far as quantum of wages in these industries/units is concerned one finds that wages in Insurance Industries (LIC & GIC) are very low i.e. Rs.1,500/- per month at recruitment level for unskilled level on 1000 AICPI. While for the same level wages paid in Damodar Valley Corporation are fairly high i.e. Rs.2,745/- per month.
3. **(Table No.4,5,6,7,8)** : A comparison of total wages at the 15th stage of the clerical grade reveals a very funny trend. For example a clerk in a bank at recruitment level gets Rs.1,670/- per month which is the lowest in all industries covered in this study, but at the 15th stage of clerical grade, banks become the second highest paying organisation i.e. Rs.4,192 per month. It therefore implies that comparison on various stages or seniority levels is one of the most significant factors to be borne in mind at the time of negotiations.
4. **(Table No.4,5,6,7,8)** : Although a clerk at recruitment level in Damodar Valley Corporation (DVC) gets higher wages than a clerk at the same level in banks, the position is inverted at the 15th stage where a clerk in banks gets higher wages than a clerk at that stage in DVC. This is so inspite of the fact that there is double linkage dearness allowance scheme and 100% neutralisation in both the organisations. The reversal of trend takes place because of the factor of increment. While in DVC increments range between Rs.15/- to Rs.100/-, in banks increments range between Rs.50/- to Rs.230/- This implies that increment plays a very significant role in wage structure, especially when a double linkage D.A. Scheme is applicable.
5. **(Table No.10)** : In case of flat rate D.A. Scheme, the percentage of neutralisation is lower for higher basic pay, in short one can say that

higher the basic pay lower is the percentage of neutralisation. But this is not the case in undertakings where double linkage D.A. Scheme is applicable.

6. **(Table No.11)** : Even at the lowest level percentage of neutralisation is less than 100% The percentage of neutralisation ranges from 92% (i.e. in coal industry) to 80% (i.e. in Air India/Indian Airlines) at the lowest level.
7. **(Table No.12)** : The required rate of D.A. to get 100% neutralisation ranges from Rs.1.79 per point (in coal industry) to Rs.2.05 (in Air India/Indian Airlines) at the lowest level and Rs.3.95 per point (in coal industry) to Rs.6.59 per point (in Air India) at the highest level. It may be noted that the present rate of dearness allowance in all Public Sector Undertakings except Banks, Insurance and D.V.C. is Rs.1.65 per point.
8. **(Table No.13)** : The disparity ratio between the lowest and highest paid employees in Public Sector Undertakings has come down considerably between 1973 and 1988. For Public Sector Undertakings with central D.A. pattern this disparity ratio was 1 : 20.4 (between a Peon and CMD) in 1973, which came down to 1 : 6.3 in the year, 1988.
9. **(Table No.20)** : From 1982-83 to 1987-88 costs in most of the Public Sector Undertakings have been decreasing. In the coal, Heavy Engineering, Medium & light engineering, transportation equipment, Agro based products, textile, contracts and construction service, tourist services and financial service industries labour costs percentage of total production and Pharmaceuticals and trading and marketing services the labour costs have more or less remained constant between 1982-1988. Only in the Steel, Minerals and metals, transportation services, industrial development and technical consultancy services and Development of small industries, have the labour costs marginally increased over the years.

If however an average of all the Central Public Sector Undertakings is taken together, it is seen that labour costs in percentage of total production cost have come down from 18% in 1983-84 to 16% in 1987-88.

10. **(Table No.21)** : In terms of value added, which is an important indicator of efficiency, it must be noted that the combined average value added for Steel, Minerals and Metals, Coal, Power, Petroleum,

Chemicals, Fertiliser, Pharmaceuticals, Heavy Engineering, Medium and Light Engineering, Transportation equipment, Consumer goods, agro based products and textiles was Rs.691.78 crores in the year 1982-83. In terms of percentage, this increase was 113% between 1982-1988.

11. (Table No.22) : The combined average monthly emoluments per employee in the Steel, Minerals and Metals, Coal, Petroleum, Chemical, Fertilizer and Pharmaceuticals, Heavy Engineering, Medium and Light Engineering, transportation equipments, consumer goods, textiles, trading and marketing, transport services, contracts and construction and financial services taken together was Rs.1,424/- in the year 1981-82 which increased to Rs.2,807/- in the year 1987-88. Thus the percentage rise of average monthly emoluments per employee between 1981-1988 was 104%. However, the value added per man month during the same period (1981-1991) increased from Rs.15,346 in 1981 to Rs.29,643 in 1988 indicating a percentage rise of 113%.
12. (Table No.23) : Normally Labour Productivity is measured in terms of capacity utilisation. However, it seems more logical to relate Labour Cost to Value Added and measure Labour Productivity in terms of Value Added per one rupee of Manpower Cost. This ratio has increased from 1.38 to 2.00 from 1981 to 1988.

APPENDIX

Reference Para II - I

FIRST PAY COMMISSION (1946-47)

The following will be the terms of reference to the Commission --
To enquire into and report on --

- a) the conditions of service for the Class I, Class II and Subordinate Central Services as well as establishments now designated as inferior who are subject to the Civil Services (Classification, Control and Appeal) Rules or the Railway Services (Classification, Control and Appeal) Rules and Railway Servants, as defined in para 101, State Railway Establishment Code, Vol. I with particular reference to --
 - i) the structure of their pay scales and standards of remuneration with the object of achieving rationalisation, simplification and uniformity to the fullest degree possible;
 - ii) the extent to which the present leave terms should be altered and simplified; and
 - iii) conditions of retirement and the extent to which the existing regulations in regard to pensions and contributory provident funds require simplification.
- b) the machinery for negotiating and settling questions relating to conditions of service which may arise out of differences between Government and its employees;
- c) the principles on which the remuneration, of industrial workers and daily rated employees of Government should be based.

SECOND PAY COMMISSION

(1947-1959)

The terms of reference of the Commission will be as follows -

- a) examine the principles which should govern the structure of emoluments and conditions of service of the Central Government employee;
- b) consider and recommend what changes in the structure of emoluments and conditions of service of different classes of Central Government employees are desirable and feasible keeping in mind the considerations mentioned below;
- c) recommend, in particular, the extent to which benefits to Central Government employees can be given in the shape of amenities and facilities; and
- d) in making their recommendations, the Commission will take into account the historical background, the economic conditions in the country and the implications and requirements of developmental planning, and also the disparities in 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, and all other relevant factors.

THIRD PAY COMMISSION

(1970-1973)

The Commission will be required to enquire into and make recommendations on --

- a) the principles which should govern the structure of emoluments and conditions of service of Central Government employees;
- b) what changes in the structure of emoluments and conditions of service of different classes of Central Government employees are desirable and feasible.
- c) death-cum-retirement benefits of Central Government employees;
- d) the structure of emoluments and conditions of service, including death-cum-retirement benefits, of personnel belonging to the All India Services;

- e) the structure of emoluments including benefits in cash and kind and death-cum-retirement benefits of personnel belonging to the Armed Forces, having regard to their terms and conditions of service;
- f) the structure of emoluments and conditions of service, including death-cum-retirement benefits, of employees of Union Territories; and
- g) while enquiring into the level of minimum remuneration, the Commission may examine the Central Government employees demand for a need-based minimum wage having regard to all relevant factors.

FOURTH PAY COMMISSION

(1983-1985)

The terms of reference of the Commission will be as follows -

- a) to examine the present structure of emoluments and conditions of service, taking into account the total packet of benefits, including death-cum-retirement benefits, available to the following categories of Government employees and to suggest changes which may be desirable and feasible --
 - a) Central Government employees - industrial and non- industrial
 - b) Personnel belonging to the All India Services
 - c) Employees of the Union Territories.
- b) To examine the present structure of emoluments taking into account the total packet of benefits in cash and kind including death-cum-retirement benefits available to Armed Forces personnel and to suggest changes which may be desirable and feasible, having regard to their terms and conditions of services.
- c) to examine the variety of allowances and benefits in kind that are presently available to the employees in addition to pay and to suggest rationalisation and simplification thereof with a view to promoting efficiency in administration.
- d) to make recommendations on the above having regard, among other relevant factors, to the prevailing pay structure under the Public Sector Undertakings, State Governments, etc., economic conditions in the country, the resources of the Central Government and the demands thereon such as those on account of developmental planning, defence and national security.

FIFTH PAY COMMISSION

(1994 - 19)

The terms of reference of the Commission will be as follows --

- a) to evolve the principles which should govern the structure of emoluments and those conditions of service of Central Government employees which have a financial bearing.
- b) to examine the present structure of emoluments and conditions of service of the following categories of Government employees, taking into account the total packet of benefits available to them and suggest changes therein which may be desirable and feasible --
 - i) Central Government employees - industrial and non- industrial
 - ii) Personnel belonging to the All India Services;
 - iii) Personnel belonging to the Armed Forces;
 - iv) Personnel of the Union Territories; and
 - v) Officers and employees of the Supreme Court of India and the High Court of Delhi.
- c) to examine, with a view to having proper pension structure for pensioners, the existing pension structure including death- cum- retirement benefits and make recommendations relating thereto which may be desirable and feasible.
- d) to examine the work methods and work environment as also the variety of allowances and benefits in kind that are presently available to the aforementioned categories in addition to pay and to suggest rationalisation and simplification thereof with a view to promoting efficiency in administration, reducing redundant paper-work and optimising the size of the Government machinery.
- e) to make recommendations on each of the foregoing having regard, among other relevant factors, to the prevailing pay structure and retirement benefits available under the State Governments, etc., economic conditions in the country, the resources of the Central Government and the demands thereon such as those on account of economic and social development, defence and national security and requirements of sound fiscal management.

NOTES AND REFERENCES

1. V.B. Karnik : Indian Trade Unions - A Survey - 1978 P. 125
2. Government of India : Fourth Central Pay Commission Report Part I, 1986. Page 1 - Introduction.
3. The new Economic Policy and The New Industrial Policy were announced by the present Government within a month of its taking over the reins of Government in June - July, 1991.
4. Government of India : Fourth Central Pay Commission op cit PP- 4-5
5. Ibid P.11
6. Government of India : Report of the First Pay Commission (1947)
7. Government of India : Report of the Fourth Pay Commission op cit Chapter 7
8. Of special interest to Public Servants was the statement made by Sardar Vallabhbhai Patel in his capacity as Deputy Prime Minister against the backdrop of criticism made in the Assembly about the loyalty of Indian Civil Servants during the discussion on constitutional provisions regarding services : recruitment and service conditions of their members, their tenure of office, their dismissal, removal and reduction of rank etc. He made two specific points : i) The services must be above party and we should ensure that political considerations either in its recruitment or in its discipline and control are reduced to a minimum or eliminated altogether and ii) It would be a grave mistake to leave these matters to be regulated either by central or provincial legislation. Constitutional guarantees and safeguards are the best medium to providing for these (all India) services and are likely to be more lasting.
9. Government of India Report of the National Commission on Labour PP - 95-99
10. Government of India : Ministry of Labour and Employment : Tripartite Conclusions and Recommendations (1968) PP - 17-18.
11. Prime Ministers (Mrs. Indira Gandhi's) inaugural address to the Conference of Heads of Public Undertakings - June, 1966.
12. The National Commission on Labour was constituted in December, 1966, to review *inter alia* the changes in conditions of labour since Independence and to report on existing conditions of labour. The

Commission transmitted its report to Government in September, 1969.

13. Government of India - Ministry of Labour and Employment Report of the National Commission on Labour - 1969 Chapter 25.
14. Government of India - Report of the Third Central Pay Commission - 1973 P.52.
15. Government of India - Report of the Study Group on Wages Incomes and Prices May, 1978 P.132.
16. 'The Economist' July 31, 1982 P.27.
17. ILO - Conventions and Recommendations - 1982 PP. 25-27.
18. Ambekar Institute for Labour Studies : Economic Review 1991-92 A Trade Union Perception - 1992 (MIMEO) P.5.
19. The enthusiasm evinced by the then Labour Minister was not restricted to his introducing the bill. He encouraged debates on the subject by organisations interested in the subject and personally attended some of these debates.
20. AILS : Economic Review 1991-92 op cit P.8. .fo N3
21. Ibid PP.9-11.
22. Ibid PP.11-13. 23. Apart from the Survey PIRG has come to the same conclusion in its publication Alternative Economic Survey 1993-94.
24. Government of India : Economic Survey 1992-93 PP - 72-92
25. AILS Economic Review 1991-92 Op cit 1992 mimeo P - 15
26. AILS Economic Review 1992-93-A Trade Union Perception 1993 P.5-6.
27. Government of India : Economic Survey 1992-93 op cit P - 17
28. PIRGs Survey claims to work towards improved presentation style and content and the direction of the Survey PIRGs Alternative Economic Survey 1993-94 Preface.
29. Ibid PP. 1-5.
30. Ibid Preface (All this and more is in justification of effort put in by members of PIRG.)
31. Ibid "Prices and Distribution" PP 69-77 There is no rebuttal of conclusion reached in ES (1993-94) The reasons given by Government seem to have been challenged in PIRG Publication.

32. Ibid PP.74-75. Also see i) AILS National Seminar Report on New Industrial Policy and ii) Seminar Report on Exit Policy.
33. Government of India : Planning Commission : Eighth Five Year Plan Forward by the Prime Minister and E.S. 1992-93.
34. B.N. Datar, Indian Journal of Labour Economics Vol. XXXI Number 1-2 P.2.
35. The Author had the benefit of being a participant in the Conference of Senior Personnel Officers in the Banking Industry organised by the Indian Banks Association in October, 1992. Bankers who addressed that conference expressed these sentiments. fo N4
36. ILO - The World of Work Anniversary Issue 1994 : Michel Hansennen PP.4-6.
37. Ibid : South Asia - T.S. Papola PP.51-53.
- 38, 39, 40. PIRG Publication quoted in AILS - Economic Review 1992-93, A Trade Union Perception, 1993 (mimco) P.46, Para X-1
41. TIME MAGAZINE date - June 15, 1993.
42. Government of India Report of the I Pay Commission 1947 PP - 26-31
43. Government of India Report of the II Pay Commission 1959 Chapter IV
44. Government of India Report of the III Pay Commission 1973 Chapter V
45. ILO Conventions and Recommendations op cit PP - 25-27.
46. The minimum of Rs.195/- as accepted by Central Government was Rs.10/- higher than the majority recommendation.
47. ILO .. Technical Conference on Public Service - 1975 Report II.
48. Recent journalistic reports about concessions include reservation for women in services and in legislative bodies.
49. Rural women in some areas of Andhra Pradesh seem to have taken matters in their own hands and conducted compaigns against drinking and in bringing to book the oppenders against crimes against women.
50. 'INDIA TODAY' Salaries UP, UP and Away September 30, 1994 PP - 171-181.
51. Ibid - P.176.

52. Reference is to i) The Rath Committee which reported in mid seventies and ii) Seal Committee which is reported to have advised Government in early 'eighties.
53. The Gajendragadkar Commission settled the dearness issue in 1967 after the Das Commission had done similar exercise three years earlier.
54. Government of India Report of the Study Group, 1975 Chapter VII op cit.
55. Government of India - Report of the III PC Vol. IV Part I Chapter 56 quoted in B.N. Datar - University of Pune : V.G. Kale Memorial Lecture, 1982.
56. Ibid PP 64 - 65.
57. Ibid PP - 66 - 67 The foreign experience quoted is old. It has been mentioned for whatever it may be worth.
58. Government of India - Report of the II Pay Commission 1959 PP - 450-459.
59. BBC - The Complete Yes Prime Minister - 1989 PP. 155-159.
60. Maniben Kara Institute (HMS) : Wages in Public Sector in India - A Comparative Study 1991 Foreward.

