

FIRST REPORT
OF THE
KERALA PAY COMMISSION
1965

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The Kerala Government by their Order (P) 74|65|Fin. dated 27th February, 1965 constituted this Pay Commission:

(i) to examine the pay structure of the State Government employees and to recommend the changes that should be made in it, having regard to the nature of duties, qualifications, prospects in service and other relevant factors relating to each category,

and'

(ii) to review the present rates of dearness allowance and suggest the extent to which they have to be changed.

The Government Order indicated also that the Commission "may consider and make appropriate recommendations on any matter which they consider desirable in the interest of promoting efficiency in the services and economy in administration." The personnel of the Commission is as follows:—

Shri K. M. Unnithan	Chairman
Shri P. S. Nataraja Pillai, M.P.	Member
Dr. E. K. Madhavan; North Parur	do.
Shri C. Thomas, Finance Secretary	do.

The Commission have been required to make their recommendations on the terms of reference relating to the scales of pay and dearness allowance within two months, and to give a final report within six months.

2. The Chairman took charge on 1-3-1965. The first meeting of the Commission was held on 12-3-1965, when it was decided that a questionnaire as given below, might be issued to all Service Associations.

“QUESTIONNAIRE

- (1) *What is your view on the existing scales of pay and rates of dearness allowance sanctioned by the Kerala Government with particular reference to their adequacy?*
- (2) *If any modification is considered necessary, please give your suggestions on the changes with reasons.*

N.B.—Your replies (in triplicate) should reach the Secretary, Pay Commission, Trivandrum, on or before 30th March 1965.”

The replies to the questionnaire were received in most cases by 1st April. The Commission then held eight sittings for 63 hours at the following places for hearing personal representations:—

<i>Date</i>	<i>Place</i>
6-4-1965	Kozhikode
7-4-1965	do.
9-4-1965	Ernakulam
10-4-1965	do.
17-4-1965	Trivandrum
19-4-1965	do.
20-4-1965	do.
21-4-1965	do.

Altogether 162 Associations, including Departmental Units of the Service Associations, and a few individual employees, who had no Associations, were interviewed by the Commission. The Commission had also the benefit of a general discussion with the District Collectors.

3. For a proper appreciation of the present problems concerning the scales of pay and dearness allowance, it would be desirable to make a brief review of the measures that were taken from time to time in the recent past to improve the scales of pay and enhance the rates of dearness allowance of the State Government employees. The State of Kerala was

formed out of the Travancore-Cochin State, Malabar District and parts of South Canara District of old Madras. When the Travancore-Cochin State was formed by the integration of Travancore and Cochin States in 1949, there were two different pay structures applicable to the employees of these two Governments based on "graded pay system". A Reorganisation Committee was set up soon after the Integration in 1949, to consider the question of unifying the scales of pay and make appropriate recommendations. Though, by the implementation of the recommendations of this Committee, certain standard scales of pay were introduced in the Travancore-Cochin State, it did not result in conferring any material benefit on Government employees. It was only in 1955, six years after the formation of the Travancore-Cochin State, that a comprehensive revision of scales of pay was ordered by the Government. The special feature of this revision was that the pay structure was in almost all cases, put on a time-scale basis. This scheme of revision was sanctioned on the recommendations of a Special Officer of the Finance Department. But it was subsequently found that a number of omissions and anomalies had crept in. Government, therefore, appointed a Pay Commission with Shri K. S. Govinda Pillai, a retired Judge of the High Court, to make recommendations for rectifying the defects. The revised scales of pay fixed on the basis of this Commission's report continued to be in force till the formation of the Kerala State.

4. One of the problems that the new State of Kerala had to tackle was in respect of the scales of pay of the services, as the personnel had been drawn from different States. While the Travancore-Cochin State had one pattern of pay structure, the Malabar District followed another which was substantially the same as the one prevailing in the Madras State. Proposals for unification of scales of pay were formulated by the new State of Kerala and sent to the Government of India for formal approval, as the State was then under the President's rule. After receiving the approval of the Government of India, orders were issued in March 1957 by the State Government

sanctioning unified scales of pay for both gazetted and non-gazetted officers, with retrospective effect from 1-11-1956. However, the revision of the scales of pay in respect of non-gazetted officers alone was implemented, as the revision of the scales of pay of gazetted officers was stayed by the then Government on 7-4-1957.

5. The Government felt the need for a further examination of the entire position as the problem of unification had not been fully solved. Accordingly a Pay Revision Committee was constituted by the Government in September 1957 with Shri R. Sankaranarayana Ayyar, Retired Judge of the High Court as Chairman. The Committee submitted its report in April 1958. The State Government, while generally accepting the recommendations of the Committee in regard to the scales of pay of non-gazetted officers, made changes mainly by lowering the scales of pay suggested by it for the gazetted officers. The revised scales of pay were given effect to from 1-4-1958.

6. Disparities in scales of pay still continued to exist, particularly in the gazetted cadres, as the State Government had ordered on the advice of the Government of India, that an officer allotted to Kerala State from Madras State would, on promotion to a post one stage above that held by him on the date of the States Reorganisation, be eligible for the scale of pay that would have been admissible to him on such promotion in his parent State. This order operated exclusively to the advantage of the officers allotted from Madras State, as the scales of pay which existed there on 1-11-1956 for gazetted officers were generally higher than those attached to similar posts in the Travancore-Cochin State and the Kerala State, even after the unification of pay scales. The Government of Kerala felt that such disparities should be removed in the interests of the services, and issued orders in September, 1960, revising the scales of pay of gazetted posts more or less raising them to the level which then existed in Madras State. The modified scales of pay were introduced with effect from 1-4-1958, without, however, giving the benefit of arrears prior

to 1-4-1960. There has been no major revision of scales of pay since then.

7. The payment of dearness allowance in addition to pay was in vogue in the States of Travancore-Cochin and Madras, though the rates were different. Soon after the formation of Kerala, the State Government issued orders unifying the rates of dearness allowance with effect from 1-11-1956. In pursuance of the offer made by the Government of India early in 1957 to give financial assistance towards improving the emoluments of low paid employees till the end of the Second Plan period, the State Government increased the dearness allowance with effect from 1-3-1957 at the following rates:

<i>Pay Range</i>	<i>Rate of increase</i>
Up to Rs. 60	Rs. 7 p.m.
Rs. 61-200	Rs. 5 p.m.

The Government made another revision effective from 1-4-1958, increasing the dearness allowance by Rs. 5 on pay up to Rs. 55 only.

8. Dearness allowance is intended as a supplement to pay to compensate the employees for the increase in the cost of living over a particular level. The justification for keeping the dearness allowance as a separate element exists only so long as there is a reasonable hope of a fall in the cost of living. The Second Central Pay Commission (1957-59) were of the view that as there was no likelihood of a substantial reduction in the cost of living, the dearness allowance might as well be integrated with pay and accordingly they recommended a scheme for revision of scales of pay of the Central Government employees merging the bulk of the dearness allowance in respect of salaries below Rs. 300 and the entire dearness allowance in other cases. This recommendation was accepted by the Government of India. The same principle was adopted by the Madras Pay Commission (1959-60) in recommending the revised scales of pay for the Madras Government employees. Merger of the

dearness allowance in pay on similar lines was sanctioned by most of the other State Governments. But in Kerala a revision of pay scales merging the dearness allowance was not made. Instead, the Government ordered in April 1962 that the dearness allowance in excess of Rs. 10 subject to the maximum of Rs. 60 would be treated as "dearness pay" which would count for pension.

9. The rates of dearness allowance excluding the element of 'dearness pay' were enhanced twice during the last financial year 1964-65. The first increase was sanctioned on 1-4-1964 with immediate effect, as given below:—

<i>Pay Range</i>	<i>Rate of increase</i>
Up to Rs. 99	Rs. 3 p.m.
Rs. 100-199	Rs. 5 p.m.

The Government issued orders again in January 1965, sanctioning the following increase in dearness allowance as "interim relief" with effect from 1st October, 1964:—

<i>Pay Range</i>	<i>Rate of increase</i>
Up to Rs. 39	Rs. 7.50 p.m.
Rs. 40-199	Rs. 12.50 p.m.
Rs. 200-500	Rs. 15.00 p.m.

10. This is the background of the present scales of pay and dearness allowance in Kerala. For a proper examination of the scales which form the basis of the pay structure, several factors have to be taken into account, and the adequacy of each scale has to be judged with reference to various criteria. In fact the Commission have been specifically asked "to examine the pay structure of the State Government employees . . . having regard to the nature of duties, qualifications, prospects in service and other relevant factors relating to each category". An idea of the field to be covered can be had from the following table

showing the strength of staff paid from the State Exchequer:

Gazetted Officers	6,400
Non-gazetted Officers	1,60,000
Contingent and Work charged staff—(full time and part-time)	16,000
Staff of aided schools	83,000

As a preliminary step, we obtained memoranda from the representatives of Service Associations. We also held interviews with them.

11. Most of the Service Associations which expressed their views before the Commission, have urged the removal of the inter-State disparities in scales of pay. It is pointed out that as units of the Indian Union, all the States are on the same footing and status. The functions and responsibilities devolving on each State are also the same. Hence the logical conclusion will be that the States should pay their employees on the same scale. As a matter of fact, there are disparities in the scales of pay from State to State mostly due to historical causes. The argument that the level of pay in each State should depend on its financial resources, and that variations in pay are inevitable so long as all the States do not have the same financial viability, has lost its force in the present context of planning for socio-economic development and the resultant mobilisation of the country's resources on a national scale. The resources of each State are assessed from time to time and financial adjustments are now made by the Central Government. Both in the allocation of the State's outlays for development by the Planning Commission, and in the fixation of the quantum of financial assistance from the Centre, the guiding principle is that more or less the same degree of development as well as financial viability should be assured to the States. We, therefore, feel strongly that it is necessary that the inter-State disparities in the scales of pay of Government employees at least in the same region should be removed. Taking the States in the

Southern Zone it is seen that the present scales existing in Andhra Pradesh and Madras are more or less the same. It has been reported in the Press that the Government of Mysore have announced their decision to revise the pay structure of their employees on the Madras pattern. Thus we find that the principle of inter-State parity is receiving increasing recognition in the other States of the Southern Zone.

12. We have spent considerable time and bestowed careful attention on the revision of the pay structure of the Kerala State employees and we have come to the definite conclusion that the scales of pay in Kerala should be revised so as to be in general conformity with the scales of pay in Madras. It has been estimated that such a revision will result in an additional expenditure of about Rs. 3.7 crores a year. The bulk of this additional expenditure (i.e. Rs. 3.3 crores) is on account of raising the salaries of the non-gazetted staff.

13. Now we shall proceed to examine the question of dearness allowance. The Commission are alive to the increase in the cost of living and the consequent inadequacy of the rates of dearness allowance now paid to the State employees, points which have been stressed by all the Service Associations in their memoranda and reiterated during their interviews. The Government of India are following a policy of periodical revision of the rates of dearness allowance on the basis of the increase in the cost of living from time to time. The Government of Madras have also been revising the rates of dearness allowance periodically. The existing rates in Madras conform more or less to the pattern of dearness allowance of the Central Government employees before the latest revision, but with variations to suit the local conditions. The following table indicating the rates of dearness allowance in 1960 and the present rates sanctioned in March 1965 by the Government of Madras will give an idea of the extent of the increase sanctioned in Madras State in the last five years.

*Rates of dearness allowance
as sanctioned in 1960*

<i>Pay range</i>	<i>Rate Rs.</i>
Below Rs. 150	10
Rs. 150-300	20

*Rates of dearness allowance
now existing (1965)*

<i>Pay range</i>	<i>Rate Rs.</i>
Upto Rs. 89	28
Rs. 90 to Rs. 149	42
Rs. 150 to Rs. 209	54
Rs. 210 to Rs. 399	66
Rs. 400 to Rs. 599	70
Rs. 600 to Rs. 799	80
Rs. 800 to Rs. 999	85
Rs. 1000 to Rs. 1200	90

It is understood that the Government of Mysore have also now issued orders raising the rates of dearness allowance to the level in Madras. Taking into account the increase in the cost of living in Kerala in recent years, we consider that the demand for an increase in the present rates of dearness allowance cannot be resisted any longer. We, therefore, recommend that the rates of dearness allowance prevailing in Madras may be made applicable to the Kerala Government employees as early as possible. For purpose of reckoning the rates of dearness allowance 'pay' has to be taken to be the sum total of the present pay and dearness pay. The additional financial commitment to the State Government on account of this revision of dearness allowance is Rs. 4.7 crores a year if the rates are reckoned on the present pay including 'dearness pay', and Rs. 5 crores a year if the rates are reckoned on the basis of the new scales of pay, the additional cost of which has been estimated at Rs. 3.7 crores earlier.

14. Our recommendations in regard to the scales of pay and rates of dearness allowance of the Kerala Government employees involve a total additional commitment of Rs. 8.7 crores a year. We have also been asked to make appropriate recommendations on allied matters with a view to promoting efficiency in services. We are thinking of rationalising the scheme of house rent allowance so as to provide greater relief to employees stationed in costlier cities and towns.

15. We are aware that the present financial position of the State is not favourable for taking up additional commitments of considerable magnitude. The

Budget Estimates for 1965-66 reveal a deficit of Rs. 2.2 crores on revenue account and an overall gap of Rs. 0.8 crores. Even the execution of the Plan Programmes for the current year as budgeted will lead to a severe strain on the State's finances. Within a year from now, the State will have to take up the implementation of the Fourth Plan which requires resources of a very large order. It has become clear from the preliminary assessment of the State's resources for the Fourth Plan made by the State Government that there will be a big gap in the revenue account of the State in the coming years. The State Government may perhaps have to go in for additional taxation but the resources so raised may have to be exclusively set apart for financing the Fourth Plan. On the capital side also, there will not be any surplus without fresh borrowings.

16. Though the prospect ahead is thus not very bright for giving a generous deal to the services, we feel strongly that the Government cannot and should not fail in their prime responsibility of paying their employees at a reasonably adequate level. All the Service Associations we interviewed, have stressed the difficulties of the fixed income groups, in the context of the rising prices. As the success of an administration depends on the efficiency and the unstinted co-operation of a dedicated service, it is a matter of necessity that the services are kept contented, particularly when the country is called upon to tackle the twin problems of defence and development. We have, therefore, no hesitation in stating that the additional expenditure involved in raising the remuneration of the Government employees in order to give them a fair deal is inescapable.

	<i>Chairman</i>
(Sd.)	K. M. Unnithan
	<i>Members</i>
(Sd.)	P. S. Nataraja Pillai
(Sd.)	E. K. Madhavan
(Sd.)	C. Thomas

Trivandrum,
17th May 1965.
