

## APPENDIX C

COPY OF A D. O. LETTER No. 301-ADD. SECY./47, DATED THE 28TH MARCH 1947 FROM YAQUB SHAH, ESQ., ADDITIONAL SECRETARY, FINANCE DEPARTMENT TO SIR SRINIVASA VARADACHARIAR, CHAIRMAN, CENTRAL PAY COMMISSION.

As we read the report of the Commission, we understand that the Commission was aware that no cost of living index of the kind referred to in para. 73 is now in existence and the Commission expected that it would be possible to prepare, within a reasonably short period, an index that may be accepted as giving a fair average of all-India cost of living. The lines on which such an average is to be calculated are not easy to settle and it is understood that it will take considerable time before these lines could be satisfactorily settled and a proper all-India cost of living index on that basis prepared and linked with the standard of cost prevailing before the war. As the Government are anxious not to delay the implementation of the recommendations of the Commission on that account, Government would be glad to know whether they would be correctly interpreting the wishes of the Commission if they assumed that the dearness allowance of Rs. 25 and the corresponding rates for higher pay-ranges in that slab were regarded by the Commission as appropriate at the present level of prices whatever the exact figure of the cost of living index may work out for that period and that the table given in para. 72 represents the Commission's proposals regarding the regulation of increases and decreases in the dearness allowance for various pay ranges as the cost of living rises or falls, the index numbers being hypothetical and used for purpose of illustration only. The Government feel confirmed in this view by the fact that the reasoning of the Commission takes into account the opinions expressed by the Bombay Textile Enquiry Committee, by the D. G., P. & T. and by the Chief Commissioner of Labour though they do not all seem to relate to the same point of time. Further the recommendations do not differentiate between the middle class cost of living index and the working class cost of living index though in the reasoning given in the report such difference has been referred to.

As we are actively engaged in considering these recommendations at the moment I shall be most grateful if you kindly let me have a reply at your earliest convenience.

---

COPY OF A D. O. LETTER No. CPC/SEC./47, DATED THE 31ST MARCH 1947, FROM K. R. P. AIYANGAR, ESQ., M.B.E., SECRETARY, CENTRAL PAY COMMISSION TO YAQUB SHAH, ESQ., ADDITIONAL SECRETARY, FINANCE DEPARTMENT.

Your D. O. No. 301-Add. Secy./47, dated the 28th March 1947 (addressed to the Chairman) was placed before the meeting of the Commission on the 29th March 1947. I have been asked to reply thereto as follows:—

The assumptions made in your letter are substantially right. It was the idea of the Commission that the rates of dearness allowance starting at Rs. 25 for the income slab up to Rs. 50 per mensem would be the appropriate rate at the level of prices prevailing in January 1947. This is made clear by the use of the expression 'at the present level of prices' in para. 46

## APPENDICES

and in two places in para. 49 of the Report. The members of the Commission were aware that there is at present no all-India cost of living index; but as they felt that it would be impracticable to work their dearness allowance scheme with different cost of living indices for different parts of the country, they preferred that an average all-India cost of living index should be prepared by the Economic Adviser for guidance in the working of the dearness allowance scale. The reference in various places in the Report to a cost of living index of 260 is a reference only to a hypothetical average figure. The Commission assumed that for some time past the price level had remained more or less the same—at what is referred to as the 'peak' in the opening sentence of para. 73—and they further assumed that if an average all-India cost of living index were prepared with reference to the level of prices obtaining in January 1947, the average might be about 260. That is why in the very first sentence of para. 72 of the Report the expression 'about 260' is used. Similarly in para. 50 also, the expression used is 'about 260'.

An attempt to prepare an average index for the whole country may be made along different lines, and it is not known what particular line the Economic Adviser would find most convenient to adopt and what figure may be reached by that process on the level of prices prevailing in various parts of India during January 1947. As it was the Commission's intention to recommend the Rs. 25 dearness allowance scale on the level of prices obtaining at the time of the Report *i.e.*, in January 1947 and 260 was only an assumed hypothetical figure, the figure reached by the Economic Adviser as the average cost of living index at the price level of that month may be taken to correspond to 260 in the Report and in the Dearness Allowance table in para. 72. What the Commission consider important is that once a particular method is adopted in calculating the cost of living index for all-India, the same method should be adhered to in calculating the future rise or fall in the cost of living index for the purpose of revising the dearness allowance.

---

COPY OF A D. O. LETTER No. 324-ADDL. SECY./47, DATED THE 15TH APRIL 1947 FROM YAQUB SHAH ESQR., ADDITIONAL SECRETARY, FINANCE DEPARTMENT, NEW DELHI, TO K. R. P. AIYANGAR ESQR., M.B.E., SECRETARY, CENTRAL PAY COMMISSION, NEW DELHI.

Will you kindly refer to your D. O. No. CPC/Sec./31 of the 31st March 1947, which states the Commission's intention very clearly and removes a great practical difficulty? The Economic Adviser has now worked out an All-India average of selected urban cost of living indices. This average comes to 283 for the month of December 1946. As regards January, 1947, the Lahore figure is not yet available. A provisional figure worked out by the Economic Adviser comes to 281 but since the cost of living in Lahore has been rising (from 309 in October, 1946 to 326 in December, 1946), it may well turn out that the final All India average for January, 1947, will be the same as for December, 1946. Rounding this figure to 285, we propose to work the table of dearness allowance in para. 72 of the Report with a 25 points difference between the cost of living index worked out by the Economic Adviser and hypothetical figures used by the Commission.

## APPENDICES

2. Another practical difficulty has arisen in regard to the six monthly review of dearness allowance recommended by the Commission in para. 73 of the Report. A change in the rates of dearness allowance is to be made if the index figure for three *previous* months stands above or falls below the index figure for the next slab. However, the Economic Adviser's index figure will not be available to Government for about three months after the month to which it relates. Consequently the review will have to be based on the figures of the penultimate and not the previous quarter. As the Government's decisions on the Commission's recommendations are not likely to be announced before May next, it is proposed to hold the first review in September, 1947 when the All India average for April, May and June is expected to be available and thereafter every six months.

3. Government are most anxious not to depart from the recommendations of the Commission in regard to these matters and trust that the action indicated in the above paragraphs is in accord with the Commission's intentions.

---

COPY OF A D. O. LETTER No. CPC/SEC./30, DATED THE 30TH APRIL, 1947 FROM MR. K. R. P. AIYANGAR, M.B.E., SECRETARY, CENTRAL PAY COMMISSION, NEW DELHI TO MR. YAQUB SHAH, ADDITIONAL SECRETARY, FINANCE DEPARTMENT, NEW DELHI.

Will you kindly refer to your D. O. letter No. 324-Addl. Secy./47, dated the 15th April, 1947 in which it is proposed (a) to work the table of dearness allowance in para. 72 of the Report with a 25 points difference between the cost of living index figure (as rounded) as worked out by the Economical Adviser and the hypothetical basis used by the Commission and (b) to make the six monthly review recommended in para. 73 of the Report with reference to the last three months for which it is possible for the Economic Adviser to compute the index? The matter has been placed before the Commission and they agree to the course suggested.