

**REPORT OF THE
9th PAY REVISION COMMISSION – 2010**

CHAIRMAN : JUSTICE. R. RAJENDRA BABU
MEMBERS : Dr. P. MOHANAN PILLAI
Adv. P. VENUGOPALAN NAIR

DECEMBER – 2010

OFFICE OF THE 9th PAY REVISION COMMISSION

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Sri. V. PRASENAN

Addl. Secretary, Finance Dept.

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Sri. C. Rajan Achari

Deputy Secretaries

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Sri. N. Madhusoodanan Asari

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Sri. V. Anil Kumar

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Sri. T. Radhakrishnan

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Senior Superintendent, Irrigation Dept.

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*Senior Superintendent,
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Sri. B. Vimal Kumar

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Sri. P. S. Shaji Kumar

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Junior Superintendent, Treasury Dept.

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PA to Chairman

System Analyst

Sri. R. Shine

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Smt. F. Ramla Beevi

DTP Operators

Smt. S. K. Surabhi

Smt. M. S. Geethanjali

Smt. K. V. Usha

Clerical Assistant

Sri. K. Sasi Kumar

Drivers

Sri. A. Gopan

Sri. V. S. Vinod Kumar

Sri. R. Sunil Kumar

Peon

Sri. A. Abhilash

INDEX

Chapter No.	Contents	Page No.
1.	Introduction	1-5
2.	Previous Pay Revisions- An Overview	6-24
3.	General Economic Situation	25-67
4.	Determination of Pay	68-82
5.	New Pay Structure	83-102
6.	Common Categories	103-116
7.	Departments	117-441
8.	Allowances	442-514
9.	Promotion Opportunities	515-566
10.	Part-time Contingent Employees	567-574
11.	Pensionary Benefits	575-596
12.	Accountability and Efficiency in Administration	597-603
13.	Gender Friendly Service Structure	604-608
14.	Financial Implications	609-612
15.	General Observations	613-619
16.	Universities	620-687
17.	Highlights of the Recommendations	688-690
18.	A Word of Gratitude	691-694
	Annexures	695-755

CHAPTER 1

INTRODUCTION

- 1.1.** The Government of Kerala vide G.O. (Ms) No. 81/2010/Fin. dated 20th February, 2010 constituted the 9th Pay Revision Commission consisting of **Justice R. Rajendra Babu**, former Judge of the Hon'ble High Court of Kerala as Chairman, **Dr. P. Mohanan Pillai**, Professor, Centre for Development Studies and **Adv. P. Venugopalan Nair** as Members, to consider and make recommendations on the following Terms of Reference (ToR).
- (i) To suggest modifications, if found necessary, for the pay and allowances of:
 - a. Posts under Government service including part-time contingent service and casual sweepers.
 - b. Posts including part-time posts and casual sweepers under Educational Institutions of the Government, Aided schools and Colleges and also such institutions covered by direct payment scheme excluding those posts covered by UGC/AICTE etc. scheme of scales of pay and also posts for which Central scales of pay have already been allowed such as teaching staff in Medical Colleges, Judicial Officers etc.,.
 - c. Posts under Local Bodies and University employees except those posts covered by UGC/AICTE/ Central Scheme.
 - (ii) To examine the present structure of pay and allowances and other emoluments and service conditions including promotional avenues and fringe benefits available to the above categories of employees and suggest changes which may be desirable or feasible keeping in view *inter alia* the need for greater social accountability and efficiency of administration.
 - (iii) To examine and suggest changes, if any, to the benefits available to service pensioners.
 - (iv) To suggest remedies for the anomalies caused due to the last pay revision and to suggest measures to avoid cascading effects, if any, likely to be caused by such anomalies.
 - (v) To examine and assess the additional financial commitment for implementing the pay revision with effect from 1.07.2009.
 - (vi) While considering the above issues, the need for bringing down the wide disparity, if any, existing between different scales in Government service shall be kept in mind.
 - (vii) While considering the above issues, the need for a gender sensitive service structure shall also be kept in mind.

- 1.2.** The Commission assumed charge on 25th February 2010. The office of the Commission started functioning in the Legislature Complex, Thiruvananthapuram by the end of February 2010. The Commission places on record its sincere gratitude and appreciation to **Sri. K. Radhakrishnan**, the Hon'ble Speaker of the Legislative Assembly and **Dr. T.M. Thomas Issac**, the Hon'ble Minister for Finance for providing sufficient and convenient office accommodation for the smooth functioning of the office of the Commission in Legislature Complex.
- 1.3.** Sanction was accorded in G.O. (Ms) No.81/2010/Fin. dated 20.02.2010 for the creation of 30 numbers of temporary posts in the Pay Revision Commission's Office out of which 18 posts were ordered to be filled up from Government Secretariat and 12 posts from other departments. In G.O. (Rt) No.1554/2010/Fin. dated 25.02.2010, Government appointed **Sri. V. Prasenan**, Additional Secretary, Finance Department as Secretary to the Pay Revision Commission. The appointment of the supporting Staff from the Secretariat and other departments was also made in time.
- 1.4.** One of the salient features in the terms of reference is the inclusion of the need for bringing down the wide disparity, if any, existing between different scales in Government Service, for consideration by the Commission. Commission considers it as an earnest attempt from the part of the Government to achieve the constitutional goal enshrined in Article 38(2) of the Constitution, in minimizing the inequality in income and to eliminate the inequality in status, facilities and opportunities. Likewise, the Commission has been asked to consider the need for gender sensitive service structure. It appears to be a gesture from the part of the Government to give due regards to the women employees in the State Service. Probably these aspects have been included in the terms of reference for consideration by the Pay Revision Commission for the first time.
- 1.5.** Several anomalies had been brought to the notice of the Government after the implementation of the last Pay Revision Order and the Government had to issue more than one hundred and sixty orders rectifying such anomalies. Yet, anomalies remained to be rectified and accordingly the Government included item No: **iv in** the ToR for suggesting remedies for removal of the above anomalies caused due to the last Pay Revision and to suggest measures to avoid cascading effects, if any, likely to be caused by such anomalies.
- 1.6.** A comprehensive questionnaire covering all the points contained in the terms of reference was published in the official website viz. 'www.finance.Kerala.gov.in/prc9' seeking opinions/suggestions from Heads of Departments, Service Organizations and individuals who are interested in the terms of reference of the Pay Revision Commission. A notification in this regard was also published by the Commission through leading dailies (both Malayalam and English) in the State. Printed copies were also supplied from

the office of the Commission. Simultaneously, copies of questionnaire along with a proforma were sent to all Heads of Departments and Secretaries to Government requesting them to furnish their suggestions and also the staff details in the said proforma. A time limit upto 30th April 2010 was given to all concerned to submit representations/suggestions/opinions and the time limit was subsequently extended up to 10th May 2010. Even after the cut off date of 10th May 2010, memoranda and individual representations were being received in the Commission's Office. None was refused. Due consideration was given to all memoranda, irrespective of whether the same was received in time or late. The Commission received 505 representations from service organizations, 31 from pensioners Associations and 1845 from individuals. Almost all the Heads of Departments have furnished staff details and the copies of special rules/executive orders governing appointments/ promotion of staff of their respective departments. The Commission also tried to collect the exact data regarding the number of pensioners, annual expenditure on pension, pensioners belonging to different age groups, details of pension disbursed through designated Public Sector Banks etc. from the Accountant General, Director of Treasuries, District Treasury Officers etc. Even though some data were provided by the Accountant General and the District Treasury Officers, the Commission was not fully satisfied with the data so provided by the said authorities, as the same was incomplete and inconsistent.

- 1.7.** The Commission utilized the services of the following persons who were engaged as consultants for the preparation of this report:
- (i) Prof. K.K George, Chairman, Centre for Socio Economics and Environmental Studies.
 - (ii) Sri. Sabu Thomas, Research Associate, Nodal Centre, Cochin University of Science and Technology.
 - (iii) Sri. C.J. Joseph, Retired Additional Secretary, Deepthi, Thiruvananthapuram.

The Commission is grateful to them for their earnest efforts to assist the Commission and the valuable inputs provided by them.

- 1.8.** After making careful scrutiny of the memoranda received, the Commission has decided to hold discussions with the representatives of all the Associations who have submitted memoranda, the Head of the Departments and accordingly a programme for discussion with the representatives of the service associations was charted. The discussions were held from 7th June 2010 onwards. Opportunity was given to certain un-recognized associations and groups of employees also to present their cases. All Heads of Departments and Government Secretaries were also invited for discussion. These discussions continued upto the middle of the month of October 2010.
- 1.9.** While examining the question of revision of pensionary benefits, the Commission noticed that the concerned authorities failed to give due attention

in monitoring the pension liabilities of the State, in maintaining data regarding service pension such as number of pensioners, expenditure on each pensionary claim, keeping separate accounts regarding disbursement of pension through Public Sector Banks and whether the pension expenditure in respect of All India Service Pensioners who receive pension from the State exchequer is being promptly got reimbursed from the Central Government etc. The Commission's effort to collect the exact position covering all the above mentioned details has not yielded the desired result. On an informal inquiry made by the Commission, no data bank containing the above said points has so far been created or maintained by the Finance (Pension) Department, despite the observations made by the 8th Pay Revision Commission regarding the necessity for maintenance of digitalized data bank vide para 8.1.2 of its report. The figures furnished to the Commission by the Accountant General, the Director of Treasuries and the District Treasury Officers did not correlate, e.g. the number of pensioners as on 31.03.2010 as per the report of the Accountant General is 502902 (superannuation pensioners, family pensioners, ex-gratia pensioners, invalid pensioners, part time contingent pensioners and ex-personal staff pensioners). As per the report of the Director of Treasuries received in October 2010, the number of pensioners in the State is 528295 of which 91724 pensioners are receiving pension through Public Sector Banks. The expenditure on service pension (service pension, family pension, commuted value of pension and gratuity) during 2009-10 was Rs.4477.84 crore.

- 1.10.** A study on the pension liabilities of States made by the Reserve Bank of India in 2003 revealed that the expenditure towards pension as percentage of State's revenue receipts during 2001-02 (20.3% of State's revenue receipts) was the highest in Kerala. (Pension payments as a percentage of State's own revenue receipts during that year was 28.4). During 2008-09 the actual expenditure towards pension in the State was Rs.4687.63 crore which was 29.32% of the total tax revenue of the State during that year. (State's own revenue during 2008-2009 was Rs.15990.18 crore.)
- 1.11.** Another important point that has come to the notice of the Commission was that Government of India as per an order issued on 11.04.2007, decided to take over the entire pension liability of All India Service pensioners/family pensioners with effect from 1.04.2008 on reimbursement basis for which the concerned Treasury Officers should account the expenditure on Pension, DCRG, commuted value of pension and family pension under the specified head of account and to forward the supporting vouchers to the Central Pay and Accounts Office, New Delhi for reimbursement. The Accountant General on 9.11.2009 informed the Government that the Treasury Officers are not adhering to the above procedure and are even debiting the expenditure under Suspense Accounts. A circular instruction is seen issued by the Finance (Pension-A) Department in January 2010 directing all the Treasury Officers to follow the proper accounting procedures.

- 1.12.** The Commission has made an attempt to collect the actual staff strength in various departments, as discrepancies have been noticed in the data available in the staff details given in Appendix I to the Detailed Budget Estimates 2010-11. All the Heads of Departments were requested to furnish the sanctioned staff strength of each Department. Almost all the Heads of the Departments have furnished the details. In some cases the actual staff in position, excluding vacant posts, has been furnished whereas, in most of the cases sanctioned posts including vacant posts has been reported. The statement showing the number of posts indicated in this report is as furnished by the Heads of the Departments without the support of appropriate Government orders creating the posts. Moreover the existing temporary posts are also included in the statement. Hence, the staff strength/number of posts shown against each department in this report may not be quoted as an authority for the existence of such posts.
- 1.13.** The Commission was given a period of 6 months from the date of commencement of its functions on 25th February 2010. Unlike the previous Pay Revision Commissions, this Commission was entrusted with the task of revision of pay scales of the employees of Local Bodies and Universities also. The Commission was also entrusted to make recommendations on the revision of scale of pay of High Court employees (ministerial staff) and the employees of Kerala Water Authority. It was due to the sincere co-operation and hard work of the officers and staff, the Commission could achieve the target within the short span of 10 months. Their commitment and sincerity deserve appreciation.
- 1.14.** There is possibility of having made a view by this Commission inadvertently on matters under adjudication before Courts. The Commission would like to make it clear that the recommendations or observations on such matters are subject to the final decision of such competent Courts.

CHAPTER 2

PREVIOUS PAY REVISIONS – AN OVERVIEW

- 2.1** Since the formation of the Kerala State on 1.11.1956, nine Pay Revision Committees/Commissions have so far been appointed by Government for making recommendations regarding the revision of pay scales and related matters of Government employees/teachers. Though a Pay Commission was constituted in 1957, that was not considered as a general Pay Revision Commission, as that Commission was entrusted mainly with the task of unification of scales of pay of the employees of erstwhile Travancore-Cochin State and the Malabar district of former Madras State. In 1973 a formal Pay Revision Commission was not appointed, but a general pay revision of State employees on the basis of the revised Pay Structure in the 3rd Central Pay Commission Report was effected with effect from 1.7.1973 based on the decision of the subcommittee of the Council of Ministers constituted for the purpose. Thereafter, independent Pay Revision Commissions were constituted at regular intervals of five years till 1992 wherein a Pay Equalisation Committee was constituted for revising the pay scales of the State Government employees giving parity with the scales of pay of the Central Government employees.
- 2.2** The practice adopted by the Central Government has been to have a Pay Commission once in every 10 years. The first Central Pay Commission appointed in 1946 was headed by Sir. S. Varadachariar, Retired Judge of the Federal Court of India. All the other Central Pay Commissions were also headed by Retired/Ex-Judges of the Supreme Court of India. Those are Justice Jagannatha Das Commission 1957(2nd), Justice Raghbir Dayal Commission 1973(3rd), Justice P.N.Shinghal Commission 1983(4th), Justice S. Retnavel Pandyan Commission 1993 (5th) and Justice Srikrishna Commission 2006(6th & last).
- 2.3** Out of the 28 States in India, Central scales of pay 1996 were adopted by 20 States. Kerala, Karnataka, Andhra Pradesh, Himachal Pradesh, Assam, Punjab, Meghalaya and West Bengal are the States which did not adopt Central scales of pay. In Tamil Nadu orders are seen issued on 1st June 2009 revising the scales of pay of its employees based on the 6th Central Pay Revision Order 2008 with some modifications. There is an advice in the 6th Central pay Commission Report to the effect that the States which are not in a position to meet the additional expenditure on adopting the Central Pay scales, can consider the option Viz:
- (i) Deciding on a date of implementation different from that of the Centre
 - (ii) Staggering the payment of arrears suitably
 - (iii) Generating additional tax and non-tax revenue

- (iv) Compressing expenditure

BACKGROUND

- 2.4** Immediately after the formation of Kerala State in November 1956, the Government in March 1957, sanctioned revised scales of pay for the various categories of officers in the State with effect from 1.11.1956 taking into account different pay structure that were in existence in the Travancore- Cochin and Madras States. But the implementation of the revised scales of pay sanctioned to the gazetted officers was stayed by Government on 7.4.1957. Subsequently, revision of pay of primary and middle school teachers was ordered in June 1957. This was made applicable to the aided school teachers also. Ad hoc revision of the scales of pay of graduate teachers and nurses were also sanctioned in the year 1957-58. In September 1957 Government appointed a Pay Revision Committee headed by Sri. R. Sankara Narayana Iyer, Former Judge of the Travancore High Court to examine the entire problem of unification of pay. The Committee submitted its report in April 1958. The Government generally accepted the recommendations, but effected some changes, mainly, lowering the scales of pay suggested for gazetted officers.
- 2.5** The points generally raised by the Service Organisations before the previous Pay Revision Commissions would include mainly the following:
- (i) The minimum remuneration should be need based and should be fixed with reference to the cost of living
 - (ii) The principle of equal pay for equal work should be adopted for determining the new pay structure
 - (iii) The ratio between the lowest and the highest paid officers should be reduced
 - (iv) Salary of Government employees should be more or less comparable with the salary in Commercial and banking concerns
 - (v) Inter-State disparity in pay scales should be removed
 - (vi) The number of scales of pay should be reduced
 - (vii) The anomalies in the existing pay structure should be removed
 - (viii) Stagnation and lack of promotional avenues should be removed
 - (ix) Weightages based on length of service should be given in fixing pay in the revised scales
 - (x) There should be a ceiling on the salaries

Pay Revision Commissions / Committees in Kerala since 1965 and their approach in determining revised scales of pay.

- 2.6** Pay Commission 1965, appointed as per G.O. (P) No. 74/65/Fin. dated 27th February 1965 is considered as the first Pay Commission in the State of Kerala. The above Pay Commission was headed by Sri K.M. Unnithan ICS (Rtd.). On a comparison of the salary of Government employees with salaries in other sectors, the Commission took the view that Government employees were in a

far better position than their counterparts in other sectors in respect of security of tenure, retirement benefits, etc. Service conditions were also found dissimilar. As such, a relative comparison of Government jobs and jobs under other sectors was not feasible. However, the Commission was strongly in favour of removing inter-State disparities in the scales of pay of Government employees. As there were 100 scales of pay in Madras as against 52 scales of pay existed in Kerala, the Commission found that it was practically impossible to adopt the Madras scales of pay. The Commission followed the pattern of Madras State scales as a basis for evolving new scales to the extent possible taking into account the prescribed minimum qualification, nature of duties and responsibilities and prospects of promotion. The Government implemented the recommendations of the Pay Commission with certain changes. The changes made by the Government led to lowering of the higher scales and improvement in the scales of pay of last grade and low paid employees, village staff and teachers when compared with those in Madras.

- 2.7** Soon after the implementation of the recommendations of the first Pay Commission, various service organizations and teachers made several representations regarding the inadequacies of the sanctioned revision of pay and brought out too many anomalies in the revision. Accordingly, Government made certain modifications in the scales of pay of teachers, improved the ratio applicable to them and also to the rules of fixation of pay in the revised scales. Piecemeal modifications did not satisfy their (service organizations & teachers) demand for improving the scales of pay and removing the anomalies. This led to the appointment of Sri George Thomas IAS, First member, Board of Revenue as Special officer to deal with the grievances of the employees and to suggest suitable remedy. The special officer submitted his recommendations in March 1968. The service organizations represented again, against the Special Officer's recommendations. Government, therefore, decided to refer the issue to a fresh Commission. Thus the Government appointed in July 1968 the Commission for enquiry in to the scales of pay and related matters (the second Pay Commission in the State). This Commission was headed by Sri. V.K. Velayudhan, Retired Chairman, KPSC. Without conceding the general demands such as need based minimum wage, parity with Public Sector Undertakings, etc. the Commission took the stand that any increase in the emoluments of Government servants and teachers should not cast heavy burden in the State's finances. The Commission also recommended that a firm declaration should be made by the Government, not to review the revised scales of pay and allowances for a minimum period of 5 years from 1969. The revised scales of pay and allowances was formulated so as to cost an additional expenditure of Rs.17.50 crore only during the five year period from 1969-74 in addition to the expenditure on the arrears for the period from the 1st July 1968 to 31st March 1969. Government Ordered revision of pay scales in June 1969 but no revision was sanctioned in the case of employees who were having scales of pay with minimum of Rs.600 and above.

- 2.8** In February 1973 Government announced that the scales of pay of the State Government employees would be revised on the basis of the 3rd Central Pay Commission Report which was expected to be implemented by the Central Government in 1973. In the wake of the Government of India decision on the recommendations of the 3rd Central Pay Commission, the State Government constituted a sub committee of the Council of Ministers to review the pay structure of the State employees. A Special Officer was also appointed to assist the sub committee. The sub committee presented its decision in April 1974 revising the pay scales. One of the notable decisions was the acceptance of minimum pay of Rs.196 fixed by the Government of India for Central Government employees. Regarding the pay scales from Rs.600 and above (left unrevised despite the recommendations of the 2nd State Pay Commission 1968), the Government prescribed fresh pay scales.
- 2.9** In September 1977 Government appointed Sri. N. Chandrabhanu, former Chief Secretary as the single member Commission (the 3rd State Pay Commission) for revising the scales of pay of Government employees and teachers. The commission had formulated 32 numbers of scales of pay as against the then existed 37 scales of pay and submitted its report in September 1978.
- 2.10** The 4th Kerala Pay Commission was constituted as per G.O.(Ms) No. 223/83(493)/Fin. dated 29.4.1983 with Sri. Justice V.P. Gopalan Nambiar, former Chief Justice of the High Court of Kerala as Chairman. As per G.O.(Ms) No.493/83(526)/Fin. dated, 11.8.1983, Government issued orders to include promotion prospects also in the terms of reference. In the meantime, Government of India appointed the 4th Central Pay Commission in July 1983. The State Pay Commission submitted its report in June 1984. The Commission evaluated various jobs on the basis of the minimum educational qualification required at the entry level. Various professional categories also were evaluated on a similar basis. The Commission took into consideration the length and duration of the professional course undertaken by the entrants to these categories. Medical, Veterinary and Dental graduates were placed at a higher level than the graduates in Engineering and Agriculture on the basis of the difference in the length of the courses leading to the degree. On the same basis the graduates in Ayurveda and Homoeopathy etc., were placed at a still lower level.
- 2.11** The 5th Kerala Pay Commission was appointed by the Government in December 1987, headed by Justice T. Chandrasekhara Menon, former Judge of the High Court of Kerala. The Commission submitted its report in May 1989. The number of scales of pay formulated by the Commission was 27 and a master scale was introduced. The Commission took the view that the general demand from various service organizations for the same increment rate for all who draw the same pay was not unreasonable. According to the Commission, adoption of the principle of equal increment rate for same pay irrespective of the category of post, would do away with many anomalies in pay fixation. So

the Karnataka model master scale was adopted in the State for the first time in the 1988 Pay revision. The approach of the Commission towards professional categories was that all professionals should be treated alike at the entry points if there was broad comparability of qualification. The Commission also recommended that high ranking professionals in Engineering and Medicine viz. Director of Technical Education, Director of Medical Education, the senior most Chief Engineer and the senior most Director of Health Services be assigned the highest scale of pay.

2.12 A Pay Equalisation Committee consisting of Sri. Zacharia Mathew IAS, Additional Chief Secretary as Chairman and Sri. R. Narayanan IAS, Chairman KSEB, Sri. M. Mohan Kumar IAS, C & S (Finance), Sri. V. Krishnamoorthy, Secretary, GAD as members was constituted by the Government in January 1992. The said Committee which was the 6th pay revision Committee was entrusted with the task of determining comparability of posts under the State Government, Aided educational institutions and Local Bodies with those under the Central Government and to suggest modifications as might become necessary for deciding the new pay scales at Central rates. The Committee was also required to consider the financial capacity of the State Government while formulating its recommendations. The Commission noted that the lowest 3 scales of pay existed in the State were better than the corresponding Central pay scales. In case the Central pay scales were adopted the employees placed in the lowest 3 scales could not have any benefit and they might lose higher rate of increment available in the State scale. The Committee had, therefore, recommended retention of the existing lowest 3 scales in order to avoid drop in emoluments. While formulating the scales of pay in respect of posts for which there were no comparable posts in Government of India as well as in neighboring States like Tamil Nadu and Maharashtra, the Committee had suggested scales of pay taking into account, their qualification, method of appointment, nature of duties, etc. The highest scale of pay of Rs.5100-6300 had been suggested to be assigned to Director of Health Services, Chief Engineer etc.

2.13 The 7th Pay Revision Committee was constituted by the Government as per G.O. (Ms) No. 251/97 (125)/ Fin. dated 18.2.1997. The Committee was chaired by Sri. P.M. Abraham IAS (Retd.) former Secretary to Government of India. While formulating the revised pay structure, the Committee had broadly analysed the factors governing the fixation of minimum salary and the factors governing fixation of maximum salary apart from other general principles. The Committee in its report had observed among other things as follows:

“.....There are acute pressures in the fiscal resources of the State Government and it implies enormous difficulties in sustaining even the present staff size. The terms and conditions of work and salary level in the State Government today are not at all comparable with those in Government of India and even in private sector. In our State little qualitative change in the bureaucracy and mode of its functioning has taken place and professionalism is still beyond general acceptance which stands in the way of simplification of procedures, pruning of staff size and cutting departments to reasonable size and make Government functionaries people friendly.

The general public has the feeling that in Government employment, the staff is over pampered with life-time security in terms of regular revision of pay, faster promotions accompanied by financial upgradation and very liberal superannuation benefits.”

2.14 The 8th Pay Revision Commission was appointed as per G.O.(Ms) No.115/2005/Fin. dated 14.3.2005 consisting of Sri R. Narayanan IAS (Retd.) as Chairman and Sri. A.K. Thomas Retd. Director of Panchayats and Sri. C.M. Radhakrishnan Nair IPS (Retd.) as members. The Commission submitted its final report on 22.2.2006. 6% of existing pay was recommended as fitment benefit subject to a minimum benefit of Rs.350/-. According to the terms of reference, the Commission was required to submit its views regarding the need to give interim relief to the employees. Accordingly, the Commission in its interim report dated 5.8.2005 had suggested 3 options on the rate of interim relief. Government accepted the recommendation for giving a flat rate of Rs.300/- p m for all regular employees choosing the option involving minimum financial commitment. In the case of pensioners and family pensioners the interim relief was Rs.175 and Rs.100/- respectively. Part time contingent employees and PTC pensioners were also granted interim relief @ Rs.120/- and Rs.30/- respectively. Master scale was also reintroduced in the 8th pay revision. The annual financial commitment involved in the proposed scales of pay as estimated by the Commission was Rs.754.90 cr. After implementation of the order revising the scales of pay, as recommended by the Commission, the first 6 pay scales were subsequently modified by the Government. Regarding fixation of minimum salary, the principle followed by the 1997 pay commission is seen taken as the basis by the 8th Pay Revision. The minimum emoluments estimated by various Service Organisations ranged from Rs.5430/- p.m. to Rs.5760/- p.m. taking into account the education of children, house rent and other miscellaneous items of expenses, needed to generally improve the quality of life. Other general points raised by Service Organisations and the observations of the Commission are as follows:

Points	Observations
(i) Progressive increase in the age of entry into service should be a criterion for giving fairly reasonable starting salary and liberal terminal benefits	Although late entry into civil service is not in the interest of an efficient civil service the upward movement of age of entry is a factor which has necessarily to be kept in mind while determining the pay structure and pension
(ii) Educational qualification should be an important criterion for determining the salary level	Higher qualification will undoubtedly improve the overall quality of civil service but at the same time over qualified people occupying posts at low levels of the salary structure will cause a certain amount of frustration in a rank conscious, status orientated bureaucracy which can adversely affect the efficiency of the civil service
(iii) The period of Training within the department (post entry training) should be counted for all service benefits including time bound higher grade, pension etc.	Such a demand is not unfair and so the Government may consider the demand favourably by amending the Special Rules, if necessary
(iv) The scale of pay should be equated irrespective of the duties and responsibilities in various posts, taking into account of equal qualifications	The demand is not quite in order since mere possession of academic or other qualifications should not entitle a person to a salary level of another in which the job responsibility is much more

2.15 The basic principle followed by the 8th Pay Revision Commission in determining the new pay scales is the observation of the Apex Court of India in Appeal No.2023, 2024 and 2025 of 1999 with 1A- 7-9/91. Government of West Bengal vs. West Bengal Registration Service Association which runs as follows:

“One of the basic principles for pay fixation is that salary must reflect the nature of duties and responsibilities attached to that post. But educational qualification is only one of the many factors which has relevance to pay fixation. Complexity of the job to be performed and the responsibilities attached thereto entitle to great weight in determining the appropriate pay scale for the job”.

- 2.16** Taking into account all the above factors the 8th Commission decided to fix the minimum pay at Rs.4300/-. As regards the maximum pay, the Commission took the stand that the existing disparity ratio between minimum/maximum of lowest scale of pay and minimum/maximum of highest scale of pay should be retained. However the Commission proposed to reduce the ratio between minimum of the lowest scale of pay and the maximum of the highest scale of pay from 1:8.65 to 1:7.85 thereby fixing the maximum pay at Rs.33,750/-

TABLE 2.1
Statement Showing the Particulars of Previous Pay Revisions

Sl. No.	Date of appointment	Date of submission of report	Time taken	Date of effect of revised Pay scale *	Annual financial commitment (Rs. in cr.) (first year)	Remarks
1	4-9-1957	26.04.1958	8 months	1.04.1958	0.33	Monetary Benefit from 1.04.1960
2	27.02.1965	11.10.1965	7 months	1.01.1966	8.10	
3	9.07.1968	10.05.1969	10 months		8.00	
4	As recommended by a subcommittee of the council of Ministers announced decision in April 1994			1.7.1973		No formal Pay Revision Commission
5	9.9.1977	11.9.1978	12 months	1.7.1978	27	
6	29.4.1983	30.6.1984	14 months	1.7.1983	61.50	Monetary Benefit from 1.04.85
7	21.12.1987	31.5.1989	17 months	1.7.1988	104.50	
8	15.1.1992	Aug.1992	7 months	1.3.1992	111.61	
9	18.2.1997	15.5.1998	15 months	1.3.1997	637.00	
10	14.3.2005	22.2.2006	11 months	1.7.2004	994.00	Monetary Benefit 1.04.2005

Decision after the 2004 Pay Revision

2.17 Subsequent to the general Pay Revision Order issued in G.O.(P)No. 145/2006/Fin. dated 25.03.2006, Govt. have been making modifications to certain scales of pay, enhancement of wages of P.T Contingent Employees, enhancement of various allowances etc., as part of rectification of anomalies crept in the said General Pay Revision Order. About 170 orders/circulars incorporating such modifications including orders on revision of pension vide G.O.(P)No.180/06/Fin. dated, 18.4.2006 have come to the notice of the Commission. As per G.O.(P) No.262/2007(59)/Fin. dated 19.06.2007, the first 6 scales of pay in the schedule of scales of pay and the remuneration of Part Time Contingent Employees sanctioned in G.O.(P) No.145/2006/Fin. dated 25.03.2006 were modified. Modification of the first 6 scales of pay and wages of part time contingent staff was necessitated to accommodate the minimum enhancement (Rs.350 in the case of regular employees and Rs.175 for part time staff) ensured in the 8th Pay Revision Commission report.

Schedules of pay scales relating to various pay revisions are shown below.

SCHEDULE OF PAY SCALE AS ON 1-4-1958

<u>GAZETTED SCALES vide G.O. (P) No.434/60/Fin. dated 8-9-60</u>	<u>NON- GAZETTED SCALES vide G.O. (P) No.150/58/Fin. dated 23-6-58.</u>
1. 1200 – 50 - 1500	1. 150 – 10 – 240 – 15 - 300
2. 1000 - 60 – 1300 – 50 - 1500	2. 150 – 10 - 250
3. 1000 – 50 - 1200	3. 125 – 10 - 225
4. 800 – 50 - 1000	4. 80 – 8 – 120 – 10 – 150 - 12 ½ - 225
5. 700 – 50 - 900	5. 125 – 7 ½ - 200
6. 600 – 50 - 900	6. 100 - 7 ½ - 160 – 10 - 200
7. 500 – 50 - 800	7. 90 – 8 – 130 – 10 - 200
8. 475 - 35 – 580 – 40 - 700	8. 50 – 5 – 60 – 6 – 90 – 8 – 130 – 10 - 200
9. 400 – 25 – 450 – 30 – 600 – 50 - 700	9. 80 – 6 – 110 – 7 - 180
10. 350 – 25 – 450 – 30 – 600 – 50 - 700	10. 80 - 5 – 120 - 7 ½ - 165
11. 350 – 25 – 450 – 30 - 600	11. 60 – 5 – 120 – 6 - 150
12. 300 – 25 – 500 – 40 - 700	12. 50 – 4 – 90 – 5 – 120 – 6 - 150
13. 300 – 25 - 550	13. 50 – 5 – 65 – 6 - 125
14. 250 – 25 - 550	14. 40 – 4 – 60 – 5 - 120
15. 250 – 25 - 500	15. 60 – 4 – 80 – 5 - 100
16. 250 – 20 – 350 – 25 - 400	16. 40 – 3 – 55 – 4 – 75 – 5 - 100
17. 200 – 20 - 400	17. 65 – 3 - 80
18. 200 – 10 – 230 – 20 – 350	18. 40 - 2 – 50 – 3 - 80
	19. 55 - 2 - 65
	20. 35 – 1 – 40 – 2 - 60
	21. 30 – 2 – 42 – 3 - 60
	22. 45 – 2 - 55
	23. 40 – 1 - 45
	24. 35 – 1 - 45
	25. 30 – 1 - 40

SCHEDULE OF PAY SCALES AS ON 1-1-1966

<u>GAZETTED PAY SCALES vide G.O.(P) No.112/66/Fin. dated 5-4-66.</u>	<u>NON- GAZETTED PAY SCALES vide G.O.(P)) 112/66/Fin. dated 5-4-66, G.O.(P)No.300/66/Fin. dated 5-7-66, G.O.(P)223/66/Fin. dated 26-5-66, G.O.(P) No.370/66/Fin. dated12-8-66.</u>
1. 1300 – 50 – 1700	1. 225 – 10 – 275 – 15 – 425
2. 1100 – 50 - 1700	2. 210 – 10 – 250 – 15 - 325
3. 1000 – 50 – 1300	3. 200 – 10 – 250 – 15 – 400
4. 900 – 50 - 1200	4. 190 – 10 - 300
5. 800 – 50 - 1100	5. 175 – 10 – 275
6. 800 – 50 - 1000	6. 160 – 10 - 270
7. 700 – 50 – 1000	7. 160 – 10 – 250
8. 600 – 50 - 1000	8. 150 – 10 – 260 – 15 - 350
9. 600 – 50 – 900	9. 130 – 6 – 160 – 8 – 240 – 10 – 250
10. 550 – 40 – 750 – 50 – 800	10. 130 – 10 - 250
11. 500 – 25 – 650 – 30 – 800	11. 130 – 10 – 250
12. 400 – 25 – 550 – 30 - 700	12. 120 – 6 – 150 – 8 - 230
13. 375 – 25 – 650 – 30 – 800	13. 120 – 6 – 150 - 8 – 230
14. 350 – 25 – 550 – 30 - 700	14. 100 – 5 – 110 – 6 - 200
15. 350 – 25 – 650	15. 100 – 4 – 120 – 5 – 140
16. 300 - 20 – 400 – 25 - 600	16. 95 – 3 – 116 – 4 - 120
17. 300 - 20 – 400 – 25 – 500	17. 95 – 3 – 110
18. 250 – 20 – 350 – 25 - 500	18. 90 – 5 – 100 – 10 – 190 – 15 - 250
19. 250 – 20 – 450	19. 90 – 5 – 100 – 6 – 190
20. 225 – 10 – 275 – 15 – 350 – 25 - 500	20. 90 – 5 – 100 – 6 – 160
	21. 85 - 4 – 105 – 5 – 160
	22. 80 – 4 – 100 – 5 – 160
	23. 75 – 3 – 90 – 4 – 110 – 5 – 135
	24. 75 – 2 – 85 – 3 – 115
	25. 75 – 2 – 95
	26. 65 – 2 - 95
	27. 65 – 1 – 75 – 2 – 85
	28. 60 – 1 – 70 – 2 - 80

As per G.O. (P) No.88/68Fin. dated 1-3-68 with effect from 1-4-68, the following scales were further revised.

1. 95 - 3 - 116 - 4 - 120	1. 95 - 3 - 116 - 4 - 140 - 5 - 150
2. 95 - 3 - 110	2. 95 - 3 - 116 - 4 - 140 - 5 - 150
3. 75 - 3 - 90 - 4 - 110 - 5 - 135	3. 75 - 4 - 95 - 5 - 120 - 6 - 150
4. 75 - 2 - 85 - 3 - 115	4. 75 - 3 - 90 - 4 - 110 - 5 - 135
5. 75 - 2 - 95	5. 75 - 3 - 90 - 4 - 130
6. 65 - 2 - 95	6. 65 - 3 - 95 - 4 - 115
7. 65 - 1 - 75 - 2 - 85	7. 65 - 2 - 71 - 3 - 98 - 4 - 110
8. 60 - 1 - 70 - 2 - 80	8. 60 - 2 - 70 - 3 - 100

**SCHEDULE OF PAY SCALES AS ON 1-7-1968
(G.O. (P) No.290/69 Fin. dated 9-6-69)**

Class I	
1	1300 - 50 - 1700 (8 years)
2	1000 - 50 - 1400 (8 years)
3	900 - 50 - 1300 (8 years)
4	700 - 50 - 1200 (10 years)
	(i) 800 - 50 - 1200 (8 years)
Class II	
5	(i) 600 - 50 - 1000 (8 years)
	(ii) 600 - 50 - 900 (7 years)
6	400 - 25 - 450 - 30 - 480 - 35 - 550 - 40 - 750 - 50 - 900 (13 years)
	(i) 550 - 40 - 750 - 50 - 900 (8 years)
	(ii) 515 - 35 - 550 - 40 - 750 - 50 - 900 (9 years)
7	375 - 25 - 450 - 30 - 600 - 35 - 670 - 40 - 750 - 50 - 800 (13 years)
8	325 - 25 - 500 - 30 - 650 - 35 - 685 - 40 - 725 (14 years)
9	250 - 20 - 350 - 25 - 600 - (15 years)
	(i) 350 - 25 - 600 (10 years)
	(ii) 310 - 20 - 350 - 25 - 600 (12 years)
10	260 - 15 - 350 - 25 - 600 (16 years)
11	250 - 15 - 340 - 20 - 500 - 25 - 525 (15 years)
	(i) 280 - 15 - 340 - 20 - 500 - 25 - 525 (13 years)
Class III	
12	225 - 10 - 245 - 15 - 350 - 20 - 450 (14 years)
13	220 - 10 - 250 - 15 - 370 (11 Years)
14	170 - 10 - 190 - 15 - 385 (15 years)
15	190 - 10 - 260 - 12 - 320 (12 years)
16	175 - 10 - 255 - 12 - 315 (13 years)
17	140 - 10 - 290 (15 years)
18	100 - 10 - 190 - 15 - 280 (15 years)

19	140 - 8 - 172 - 9 - 208 - 10 - 258 - 12 - 270 (14 years)
20	130 - 7 - 151 - 8 - 175 - 9 - 220 - 10 - 270 ((16 years)
21	110 - 6 - 134 - 7 - 162 - 8 - 202 - 9 - 220 (15 years)
22	100 - 6 - 136 - 7 - 178 - 8 - 210 (16 years)
23	90 - 5 - 100 - 6 - 190 (17 years)
	(i) 95 - 5 - 100 - 6 - 190 (16 years)
24	80 - 5 - 115 - 6 - 175(16 years)
25	80 - 3 - 89 - 4 - 109 - 5 - 144 - 6 - 150 (16 years)
26	75 - 3 - 96 - 4 - 120 - 5 - 130 (15 years)
Class IV	
27	70 - 3 - 115 (15 years)

SCHEDULE OF PAY SCALES AS ON 1-7-1973
(G.O. (P) No.91/74 Fin. dated 5-4-74)

Sl. No	Scale of pay (1968)	Sl. No	Scale of pay (1973)
1	70 - 3 - 115	1	196 - 3 - 229 - 4 - 245 - 4/2 - 265
2	75 - 3 - 96 - 4 - 120 - 5 - 130	2	200 - 3 - 206 - 4 - 250 - 5 - 260 - 5/2 - 285
3	80 - 3 - 89 - 4 - 109 - 5 - 144 - 6 - 150	3	210 - 4 - 218 - 5 - 228 - 6 - 270 - 7 - 305 - 7/2 - 340
4	80 - 5 - 115 - 6 - 175	4	215 - 5 - 225 - 6 - 237 - 7 - 258 - 8 - 330 - 8/2 - 370
5	90 - 5 - 100 - 6 - 190	5	230 - 6 - 236 - 7 - 257 - 8 - 345 - 8/2 - 385
6	95 - 5 - 100 - 6 - 190	6	235 - 7 - 256 - 8 - 296 - 9 - 350 - 9/2 - 395
7	100 - 6 - 136 - 7 - 178 - 8 - 210	7	240 - 9 - 285 - 10 - 395 - 10/2 - 445
8	100 - 10 - 190 - 15 - 280	8	240 - 15 - 465 - 15/2 - 540
9	110 - 6 - 134 - 7 - 162 - 8 - 202 - 9 - 220	9	255 - 10 - 405 - 10/2 - 455
10	130 - 7 - 151 - 8 - 175 - 9 - 220 - 10 - 270	10	275 - 11 - 330 - 13 - 460 - 13/2 - 525
11	140 - 8 - 172 - 9 - 208 - 10 - 258 - 12 - 270	11	285 - 12 - 333 - 13 - 450 - 15 - 465 - 15/2 - 540
12	140 - 10 - 290	12	285 - 13 - 389 - 14 - 445 - 15 - 475 - 15/2 - 550
13	170 - 10 - 190 - 15 - 385	13	325 - 15 - 400 - 16 - 480 - 18 - 570 - 18/2 - 660
14	175 - 10 - 255 - 12 - 315	14	330 - 13 - 395 - 15 - 500 - 15/2 - 575
15	190 - 10 - 260 - 12 - 320	15	345 - 13 - 358 - 14 - 400 - 15 - 505 - 15/2 - 580
16	220 - 10 - 250 - 15 - 370	16	405 - 15 - 540 - 20 - 560 - 20/2 - 660
17	225 - 10 - 245 - 15 - 350 - 20 - 450	17	410 - 15 - 515 - 20 - 655 - 25/2 - 715
18	250 - 15 - 340 - 20 - 500 - 25 - 525	18	435 - 15 - 510 - 20 - 650 - 25 - 700 - 25/2 - 775
19	250 - 20 - 350 - 25 - 600	19	435 - 20 - 535 - 25 - 760 - 25/2 - 835
20	260 - 15 - 350 - 25 - 600	20	445 - 20 - 585 - 25 - 760 - 25/2 - 835
21	280 - 15 - 340 - 20 - 500 - 25 - 525	21	465 - 20 - 625 - 25 - 700 - 25/2 - 775
22	310 - 20 - 350 - 25 - 600	22	495 - 20 - 535 - 25 - 760 - 25/2 - 835
23	325 - 25 - 500 - 30 - 650 - 35 - 685 - 40 - 725	23	510 - 25 - 635 - 30 - 695 - 35 - 835 - 40 - 875 - 40/2 - 995
24	350 - 25 - 600	24	535 - 25 - 760 - 25/2 - 835
25	375 - 25 - 450 - 30 - 600 - 35 - 670 - 40 - 750 - 50 - 800	25	560 - 25 - 635 - 30 - 785 - 35 - 820 - 40 - 900 - 50 - 950 - 50/2 - 1100
26	400 - 25 - 450 - 30 - 480 - 35 - 550 - 40 - 750 - 50 - 900	26	600 - 25 - 650 - 30 - 710 - 40 - 750 - 50 - 1050 - 50/2 - 1200
27	515 - 35 - 550 - 40 - 750 - 50 - 900	27	700 - 40 - 900 - 50 - 1050 - 50/2 - 1200
28	550 - 40 - 750 - 50 - 900	27	710 - 40 - 750 - 50 - 1050 - 50/2 - 1200
29	600 - 50 - 900	29	750 - 50 - 1050 - 50/2 - 1200
30	600 - 50 - 1000	30	750 - 50 - 1150 - 50/2 - 1250
31	700 - 50 - 1200	31	850 - 50 - 1350 - 50/2 - 1450
32	800 - 50 - 1200	32	950 - 50 - 1350 - 50/2 - 1450
33	900 - 50 - 1300	33	1050 - 50 - 1450 - 50/2 - 1550
34	1000 - 50 - 1400	34	1150 - 50 - 1550 - 50/2 - 1650
35		35	1200 - 50 - 1650 - 50/2 - 1750
36	1300 - 50 - 1700	36	1400 - 50 - 1800 - 50/2 - 1900

**SCHEDULE OF PAY SCALES AS ON 1-7-1978
(G.O. (P) No.860/78/Fin. dated 16-12-78)**

Sl. No.	Scale of pay (1973)	Sl. No.	Scale of pay (1978)
1	196 - 3 - 229 - 4 - 245 - 4/2 - 265	1	280 - 5 - 340 - 6 - 400
2	200 - 3 - 206 - 4 - 250 - 5 - 260 - 5/2 - 285	2	290 - 5 - 330 - 6 - 390 - 7 - 425
3	210 - 4 - 218 - 5 - 228 - 6 - 270 - 7 - 305 - 7/2 - 340	3	300 - 6 - 360 - 7 - 402 - 8 - 450
4	215 - 5 - 225 - 6 - 237 - 7 - 258 - 8 - 330 - 8/2 - 370	4	310 - 6 - 328 - 7 - 356 - 8 - 436 - 9 - 490
5	230 - 6 - 236 - 7 - 257 - 8 - 345 - 8/2 - 385	5	330 - 8 - 410 - 9 - 455 - 10 - 515
6	235 - 7 - 256 - 8 - 296 - 9 - 350 - 9/2 - 395	6	340 - 8 - 380 - 9 - 425 - 10 - 535
7	240 - 9 - 285 - 10 - 395 - 10/2 - 445	7	350 - 10 - 460 - 12 - 580
8	240 - 15 - 465 - 15/2 - 540		
9	255 - 10 - 405 - 10/2 - 455	8	370 - 10 - 450 - 12 - 510 - 15 - 600
10	275 - 11 - 330 - 13 - 460 - 13/2 - 525	9	390 - 12 - 438 - 13 - 490 - 15 - 685
11	285 - 12 - 333 - 13 - 450 - 15 - 465 - 15/2 - 540	10	420 - 13 - 485 - 15 - 635 - 17 - 720
12	285 - 13 - 389 - 14 - 445 - 15 - 475 - 15/2 - 550		
	Scale given to C.A GrII (240-540)	11	350 - 15 - 650 - 16 - 730
13	325 - 15 - 400 - 16 - 480 - 18 - 570 - 18/2 - 660	12	450 - 15 - 525 - 16 - 605 - 18 - 785
14	330 - 13 - 395 - 15 - 500 - 15/2 - 575		
15	345 - 13 - 358 - 14 - 400 - 15 - 505 - 15/2 - 580	13	470 - 16 - 550 - 18 - 730 - 20 - 830
	Scale given to C.A GrI	14	450 - 15 - 525 - 16 - 605 - 18 - 785 - 20 - 885
16	405 - 15 - 540 - 20 - 560 - 20/2 - 660	15	520 - 18 - 700 - 20 - 800 - 25 - 900
17	410 - 15 - 515 - 20 - 655 - 25/2 - 715	16	535 - 18 - 625 - 20 - 825 - 25 - 950
18	435 - 15 - 510 - 20 - 650 - 25 - 700 - 25/2 - 775	17	570 - 20 - 670 - 25 - 920 - 30 - 1070
19	435 - 20 - 535 - 25 - 760 - 25/2 - 835		
20	445 - 20 - 585 - 25 - 760 - 25/2 - 835	18	600 - 20 - 660 - 25 - 860 - 30 - 1100
21	465 - 20 - 625 - 25 - 700 - 25/2 - 775		
22	495 - 20 - 535 - 25 - 760 - 25/2 - 835	19	650 - 25 - 850 - 30 - 1150
23	510 - 25 - 635 - 30 - 695 - 35 - 835 - 40 - 875 - 40/2 - 995	20	700 - 25 - 800 - 30 - 890 - 35 - 1030 - 40 - 1270
24	535 - 25 - 760 - 25/2 - 835		
	HM (Secondary School) HG →	21	725 - 25 - 800 - 30 - 890 - 35 - 1030 - 40 - 1350
25	560 - 25 - 635 - 30 - 785 - 35 - 820 - 40 - 900 - 50 - 950 - 50/2 - 1100	22	750 - 30 - 990 - 40 - 1150 - 50 - 1450
26	600 - 25 - 650 - 30 - 710 - 40 - 750 - 50 - 1050 - 50/2 - 1200	23	800 - 30 - 830 - 40 - 950 - 50 - 1550
27	700 - 40 - 900 - 50 - 1050 - 50/2 - 1200	24	910 - 40 - 950 - 50 - 1550
28	710 - 40 - 750 - 50 - 1050 - 50/2 - 1200		
29	750 - 50 - 1050 - 50/2 - 1200	25	975 - 50 - 1325 - 60 - 1625
30	750 - 50 - 1150 - 50/2 - 1250		
31	850 - 50 - 1350 - 50/2 - 1450	26	1125 - 60 - 1725
32	950 - 50 - 1350 - 50/2 - 1450	27	1200 - 60 - 1800
33	1050 - 50 - 1450 - 50/2 - 1550	28	1300 - 60 - 1600 - 75 - 1900
34	1150 - 50 - 1550 - 50/2 - 1650	29	1450 - 75 - 2050
35	1200 - 50 - 1650 - 50/2 - 1750	30	1650 - 75 - 2175

36	1400 - 50 - 1800 - 50/2 - 1900	31	1800 - 75 - 2250
37	2000 - 125/2 - 2250	32	2500 - 125/2 - 2750

**SCHEDULE OF PAY SCALES AS ON 1-7-1983
(G.O. (P).No. 515/85/Fin. dated 16-9-85)**

Sl. No.	Scale of pay (1978)	Sl. No.	Scale of pay (1983)
1	280 - 5 - 340 - 6 - 400	1	550 - 10 - 650 - 15 - 800
2	290 - 5 - 330 - 6 - 390 - 7 - 425	2	575 - 10 - 645 - 15 - 900
3	300 - 6 - 360 - 7 - 402 - 8 - 450		
4	310 - 6 - 328 - 7 - 356 - 8 - 436 - 9 - 490	3	600 - 10 - 650 - 15 - 830 - 20 - 950
5	330 - 8 - 410 - 9 - 455 - 10 - 515	4	640 - 15 - 820 - 20 - 1000
6	340 - 8 - 380 - 9 - 425 - 10 - 535	5	660 - 15 - 810 - 20 - 1050
7	350 - 10 - 460 - 12 - 580	6	675 - 20 - 975 - 25 - 1125
8	370 - 10 - 450 - 12 - 510 - 15 - 600	7	675 - 25 - 1100 - 30 - 1340
9	390 - 12 - 438 - 13 - 490 - 15 - 685	8	700 - 20 - 940 - 25 - 1140
10	420 - 13 - 485 - 15 - 635 - 17 - 720	9	740 - 20 - 920 - 25 - 1245
11	350 - 15 - 650 - 16 - 730	10	780 - 20 - 880 - 25 - 1080 - 30 - 1320
12	450 - 15 - 525 - 16 - 605 - 18 - 785	11	825 - 25 - 1100 - 30 - 1430
13	470 - 16 - 550 - 18 - 730 - 20 - 830	12	850 - 25 - 1100 - 30 - 1400 - 40 - 1600
14	450 - 15 - 525 - 16 - 605 - 18 - 785 - 20 - 885		
15	520 - 18 - 700 - 20 - 800 - 25 - 900	13	950 - 25 - 1100 - 30 - 1400 - 40 - 1640
16	535 - 18 - 625 - 20 - 825 - 25 - 950	14	975 - 25 - 1100 - 30 - 1400 - 40 - 1720
17	570 - 20 - 670 - 25 - 920 - 30 - 1070	15	1050 - 30 - 1200 - 40 - 2000
18	600 - 20 - 660 - 25 - 860 - 30 - 1100		
19	650 - 25 - 850 - 30 - 1150	16	1100 - 40 - 1500 - 50 - 2100
20	700 - 25 - 800 - 30 - 890 - 35 - 1030 - 40 - 1270	17	1150 - 40 - 1470 - 50 - 2270
21	725 - 25 - 800 - 30 - 890 - 35 - 1030 - 40 - 1350	18	1250 - 50 - 1600 - 60 - 1900 - 75 - 2500
22	750 - 30 - 990 - 40 - 1150 - 50 - 1450		
23	800 - 30 - 830 - 40 - 950 - 50 - 1550	19	1300 - 60 - 1600 - 75 - 2650
24	910 - 40 - 950 - 50 - 1550	20	1500 - 60 - 1560 - 75 - 2685
25	975 - 50 - 1325 - 60 - 1625	21	1600 - 75 - 2200 - 85 - 2710
26	1125 - 60 - 1725	22	1950 - 75 - 2100 - 85 - 2950
27	1200 - 60 - 1800		
28	1300 - 60 - 1600 - 75 - 1900	23	2100 - 85 - 2440 - 100 - 3040
29	1450 - 75 - 2050	24	2250 - 100 - 2850 - 125 - 3350
30	1650 - 75 - 2175	25	2450 - 100 - 2850 - 125 - 3600
31	1800 - 75 - 2250	26	2600 - 100 - 2800 - 125 - 3800
32	2500 - 125/2 - 2750	27	3700 - 125 - 4200

**SCHEDULE OF PAY SCALES AS ON 1-7-1988
(G.O. (P) No.480/89/Fin. dated 1-11-89)**

Sl. No.	Scale of pay (1983)	Sl. No.	Scale of pay (1988)
1	550 - 10 - 650 - 15 - 800	1	750 - 10 - 760 - 15 - 805 - 20 - 925 - 25 - 1025
2	575 - 10 - 645 - 15 - 900	2	775 - 15 - 805 - 20 - 925 - 25 - 1100 - 30 - 1160
3	600 - 10 - 650 - 15 - 830 - 20 - 950	3	805 - 20 - 925 - 25 - 1100 - 30 - 1190
4	640 - 15 - 820 - 20 - 1000	4	825 - 20 - 925 - 25 - 1100 - 30 - 1250 - 40 - 1290
5	660 - 15 - 810 - 20 - 1050	5	845 - 20 - 925 - 25 - 1100 - 30 - 1250 - 40 - 1370
6	675 - 20 - 975 - 25 - 1125	6	865 - 20 - 925 - 25 - 1100 - 30 - 1250 - 40 - 1450
7	675 - 25 - 1100 - 30 - 1340		
8	700 - 20 - 940 - 25 - 1140	7	905 - 20 - 925 - 25 - 1100 - 30 - 1250 - 40 - 1490
9	740 - 20 - 920 - 25 - 1245	8	950 - 25 - 1100 - 30 - 1250 - 40 - 1530 - 60 - 1590
10	780 - 20 - 880 - 25 - 1080 - 30 - 1320	9	1000 - 25 - 1100 - 30 - 1250 - 40 - 1530 - 60 - 1710
11	825 - 25 - 1100 - 30 - 1430	10	1050 - 25 - 1100 - 30 - 1250 - 40 - 1530 - 60 - 1830
12	850 - 25 - 1100 - 30 - 1400 - 40 - 1600	11	1100 - 30 - 1250 - 40 - 1530 - 60 - 1830 - 80 - 2070
13	950 - 25 - 1100 - 30 - 1400 - 40 - 1640	12	1220 - 30 - 1250 - 40 - 1530 - 60 - 1830 - 80 - 2150
14	975 - 25 - 1100 - 30 - 1400 - 40 - 1720	13	1250 - 40 - 1530 - 60 - 1830 - 80 - 2230
15	1050 - 30 - 1200 - 40 - 2000	14	1330 - 40 - 1530 - 60 - 1830 - 80 - 2470 - 85 - 2555
16	1100 - 40 - 1500 - 50 - 2100	15	1370 - 40 - 1530 - 60 - 1830 - 80 - 2470 - 85 - 2640
17	1150 - 40 - 1470 - 50 - 2270	16	1450 - 40 - 1530 - 60 - 1830 - 80 - 2470 - 85 - 2725 - 100 - 2825
18	1250 - 50 - 1600 - 60 - 1900 - 75 - 2500	17	1590 - 60 - 1830 - 80 - 2470 - 85 - 2725 - 100 - 2925 - 125 - 3050
19	1300 - 60 - 1600 - 75 - 2650	18	1650 - 60 - 1830 - 80 - 2470 - 85 - 2725 - 100 - 2925 - 125 - 3175
20	1500 - 60 - 1560 - 75 - 2685	19	1830 - 80 - 2470 - 85 - 2725 - 100 - 2925 - 125 - 3425
21	1600 - 75 - 2200 - 85 - 2710	20	2070 - 80 - 2470 - 85 - 2725 - 100 - 2925 - 125 - 3550
22	1950 - 75 - 2100 - 85 - 2950	21	2470 - 85 - 2725 - 100 - 2925 - 125 - 3675
23	2100 - 85 - 2440 - 100 - 3040	22	2640 - 85 - 2725 - 100 - 2925 - 125 - 3675 - 140 - 3815
24	2250 - 100 - 2850 - 125 - 3350	23	2825 - 100 - 2975 - 125 - 3675 - 140 - 4095
25	2450 - 100 - 2850 - 125 - 3600	24	3050 - 125 - 3675 - 140 - 4095 - 170 - 4435
26	2600 - 100 - 2800 - 125 - 3800	25	3175 - 125 - 3675 - 140 - 4095 - 170 - 4605
27	3700 - 125 - 4200	26	4435 - 170 - 5285

SCHEDULE OF PAY SCALES AS ON 1-3-1992
(G.O. (P) No.600/93/Fin. dated25-9-93 & G.O.(P) No.930/93(2)/Fin. dated8-12-93)

Sl. No.	Scale of pay (1988)	Sl. No.	Scale of pay (1992)
1	750 - 10 - 760 - 15 - 805 - 20 - 925 - 25 - 1025	1	775 - 12 - 955 - 14 - 1025 - 20 - 1065
2	775 - 15 - 805 - 20 - 925 - 25 - 1100 - 30 - 1160	2	800 - 15 - 1010 - 20 - 1150 - 25 - 1300
3	805 - 20 - 925 - 25 - 1100 - 30 - 1190	3	825 - 15 - 900 - 20 - 1200 - 25 - 1450
4	825 - 20 - 925 - 25 - 1100 - 30 - 1250 - 40 - 1290	4	950 - 20 - 1150 - 25 - 1650
5	845 - 20 - 925 - 25 - 1100 - 30 - 1250 - 40 - 1370	5	1050 - 25 - 1150 - 30 - 1660
6	865 - 20 - 925 - 25 - 1100 - 30 - 1250 - 40 - 1450		
7	905 - 20 - 925 - 25 - 1100 - 30 - 1250 - 40 - 1490	6	1125 - 25 - 1150 - 30 - 1720
8	950 - 25 - 1100 - 30 - 1250 - 40 - 1530 - 60 - 1590	7	1200 - 30 - 1560 - 40 - 2040
9	1000 - 25 - 1100 - 30 - 1250 - 40 - 1530 - 60 - 1710	8	1350 - 30 - 1440 - 40 - 1800 - 50 - 2200
10	1050 - 25 - 1100 - 30 - 1250 - 40 - 1530 - 60 - 1830	9	1400 - 40 - 1800 - 50 - 2300
11	1100 - 30 - 1250 - 40 - 1530 - 60 - 1830 - 80 - 2070	10	1400 - 40 - 1600 - 50 - 2300 - 60 - 2600
12	1220 - 30 - 1250 - 40 - 1530 - 60 - 1830 - 80 - 2150	11	1520 - 40 - 1600 - 50 - 2300 - 60 - 2660
13	1250 - 40 - 1530 - 60 - 1830 - 80 - 2230	12	1600 - 50 - 2300 - 60 - 2660
14	1330 - 40 - 1530 - 60 - 1830 - 80 - 2470 - 85 - 2555	13	1640 - 60 - 2600 - 75 - 2900
14a	1330 - 40 - 1530 - 60 - 1830 - 80 - 2470 - 85 - 2555 + Rs. 50 Spl.pay	14	1760 - 60 - 2600 - 75 - 3050
15	1370 - 40 - 1530 - 60 - 1830 - 80 - 2470 - 85 - 2640	15	2000 - 60 - 2300 - 75 - 3200
16	1450 - 40 - 1530 - 60 - 1830 - 80 - 2470 - 85 - 2725 - 100 - 2825	16	2060 - 60 - 2300 - 75 - 3200
17	1590 - 60 - 1830 - 80 - 2470 - 85 - 2725 - 100 - 2925 - 125 - 3050	17	2200 - 75 - 2800 - 100 - 3500
18	1650 - 60 - 1830 - 80 - 2470 - 85 - 2725 - 100 - 2925 - 125 - 3175	18	2375 - 75 - 2900 - 100 - 3500
19	1830 - 80 - 2470 - 85 - 2725 - 100 - 2925 - 125 - 3425	19	2500 - 75 - 2800 - 100 - 4000
20	2070 - 80 - 2470 - 85 - 2725 - 100 - 2925 - 125 - 3550	20	2650 - 75 - 2800 - 100 - 4200
21	2470 - 85 - 2725 - 100 - 2925 - 125 - 3675	21	3000 - 100 - 3500 - 125 - 5000
22	2640 - 85 - 2725 - 100 - 2925 - 125 - 3675 - 140 - 3815	22	3900 - 125 - 4775 - 150 - 5075
23	2825 - 100 - 2975 - 125 - 3675 - 140 - 4095	23	4200 - 125 - 4700 - 150 - 5300
24	3050 - 125 - 3675 - 140 - 4095 - 170 - 4435	24	4500 - 150 - 5700
25	3175 - 125 - 3675 - 140 - 4095 - 170 - 4605	25	5100 - 150 - 5700
26	4435 - 170 - 5285	26	5100 - 150 - 6300
27		27	5900 - 150 - 6700

**SCHEDULE OF PAY SCALES AS ON 1-3-1997
(G.O. (P) No.3000/98/Fin. dated25-11-98)**

Sl. No.	Scale of pay (1992)	Scale of pay (1997)
S1	775 – 12 – 955 – 14 – 1025 – 20 - 1065	2610 – 60 – 3150 – 65 – 3540 – 70 -3680
S2	800 – 15 – 1010 – 20 – 1150 – 25 - 1300	2650-65-3300-70-4000-75-4150
S3	825 – 15 – 900 – 20 – 1200 – 25 - 1450	2750 – 70 – 3800 – 75 - 4625
S4	950 – 20 – 1150 – 25 - 1650	3050 – 75 – 3950 – 80 - 5230
S5	1050 – 25 – 1150 – 30 - 1660	3350 – 80 – 3830 – 85 - 5275
S6	1125 – 25 – 1150 – 30 - 1720	3590 – 85 – 4100 – 100 - 5400
S7	1200 – 30 – 1560 – 40 - 2040	4000 – 90 – 4090 – 100 - 6090
S8	1350 – 30 – 1440 – 40 – 1800 -50 - 2200	4500 – 100 – 5000 – 125 - 7000
S9	1400 – 40 – 1800 – 50 - 2300	4600 – 100 – 5000 – 125 - 7125
S10	1400 – 40 – 1600 – 50 – 2300 – 60 - 2600	4600 – 100 – 5000 – 125 – 5750 - 150 - 8000
S11	1520 – 40 – 1600 – 50 – 2300 -60 - 2660	5000 – 125 – 5750 – 150 - 8150
S12	1600 – 50 – 2300 – 60 - 2660	5250 – 125 – 5750 – 150 - 8150
S13	1640 – 60 – 2600 – 75 - 2900	5500 – 150 – 6100 – 175 - 9075
S14	1760 – 60 – 2600 – 75 - 3050	5800 – 150 – 6100 – 175 - 9425
S15	2000 – 60 – 2300 – 75 - 3200	6500 – 175 – 7550 – 200 - 10550
S16	2060 – 60 – 2300 – 75 - 3200	6675 – 175 – 7550 – 200 - 10550
S17	2200 – 75 – 2800 – 100 - 3500	7200 – 200 – 7800 – 225 - 11400
S18	2375 – 75 – 2900 – 100 - 3500	7450 – 200 – 7650 – 225 - 11475
S19	2500 – 75 – 2800 – 100 - 4000	7800 – 225 – 8475 – 250 - 12975
S20	2650 – 75 - 2800 - 100 - 4200	8250 - 250 - 9250 - 275 - 13650
S21	3000 – 100 – 3500 – 125 - 5000	10000 – 300 – 10600 – 325 - 15150
S22	3900 - 125 - 4775 - 150 - 5075	12000-350 - 12700 - 375 -15325
S23	4200 – 125 – 4700 – 150 - 5300	12600 – 375 - 15600
S24	4500 – 150 - 5700	14000 - 400 - 18000
S25	5100 – 150 - 5700	14300 – 400 - 18300
S26	5100- 150 - 6300	16300 - 400 - 18300
S27	5900 – 150 – 6500 – 200 - 6700	16300 – 450 - 19900

SCHEDULE OF PAY SCALES AS ON 1-7-2004
(G.O. (P) No.145/2006/Fin.dated 25-3-2006& G.O. (P) No.262 /2007/Fin.
dated 19-6-2007)

Scale of pay (1997)	Scale of pay (2004)
2610 – 3150 – 65 – 3540 – 70 – 3680	4510 – 120 – 4990 – 130 – 5510 – 140 – 5930 – 150 - 6230
2650 – 65 – 3300 – 70 – 4000 – 75 - 4150	4630 – 120 – 4990 – 130 – 5510 – 140 – 5930 – 150 – 6680 -160 – 7000
2750 – 70 – 3800 – 75 – 4625	4750 – 120 – 4990 – 130 – 5510 – 140 – 5930 – 150 – 6680 – 160 – 7480 – 170 – 7820
3050 – 75 – 3950 – 80 – 5230	5250 – 130 – 5510 – 140 – 5930 – 150 – 6680 – 160 – 7480 -170 – 7990 – 200 – 8390
3350 – 80 – 3830 – 85 – 5275	5650 – 140 – 5930 – 150 – 6680 – 160 – 7480 – 170 – 7990 -200 – 8790
3590 – 85 – 4100 – 100 – 5400	6080 – 150 – 6680 – 160 – 7480 – 170 – 7990 – 200 – 9590 -240 – 9830
4000 – 90 – 4090 – 100 – 6090	6680 – 160 – 7480 – 170 – 7990 – 200 – 9590 – 240 - 10790
4500 – 100 – 5000 – 125 – 7000	7480 – 170 – 7990 – 200 – 9590 – 240 – 10790 – 280 - 11910
4600 – 100 – 5000 – 125 – 7125	7990 – 200 – 9590 – 240 – 10790 – 280 – 11910 – 340 – 12930
4600 – 100 – 5000 – 125 – 5750 – 150 - 8000	
5000 - 125 - 5750 - 150 - 8150	8390 – 200 – 9590 – 240 – 10790 – 280 – 11910 – 340 -13270
5250 – 125 – 5750 – 150 – 8150	8790 – 200 – 9590 – 240 – 10790 – 280 – 11910 – 340 -13610
5500 – 150 – 6100 – 175 – 9075	9190 – 200 – 9590 – 240 – 10790 – 280 – 11910 – 340 -13610 – 380 – 15510
5800 – 150 – 6100 – 175 – 9425	9590 – 240 – 10790 – 280 – 11910 – 340 – 13610 – 380 -16650
6500 – 175 – 7550 – 200 – 10550	10790 – 280 – 11910 – 340 – 13610 – 380 – 16650 – 450 -18000
6675 – 175 – 7550 – 200 – 10550	11070 – 280 - 11910-340 – 13610 – 380 – 16650 – 450 - 18450
7200 – 200 – 7800 – 225 – 11400	11910 – 340 – 13610 – 380 – 16650 – 450 - 19350
7450 -200 - 7650 – 225 – 11475	12250 – 340 – 13610 – 380 – 16650 – 450 - 19800
7800 – 225 – 8475 – 250 – 12975	12930 – 340 – 13610 – 380 – 16650 – 450 - 20250
8250 – 250 – 9250 – 275 – 13650	13610 – 380 – 16650 – 450 – 20700
10000 – 300 – 10600 – 325 – 15150	16650 – 450 – 20700 – 500 – 23200
12000 – 350 – 12700 – 375 – 15325 12600-375- 15600	20700 – 500 – 23200 – 550 – 25400 – 600 - 26600
14000 – 400 – 18000	23200 – 550 – 25400 – 600 – 26600 – 650 - 31150
14300 – 400 – 18300	25400 – 600 – 26600 – 650 – 33100
16300 – 400 – 18300 16300 – 450 – 19900	26600 – 650 – 33750
Master Scale	
4510 – 120 – 4990 – 130 – 5510 – 140 – 5930 – 150 – 6680 -160 – 7480 – 170 – 7990 – 200 – 9590 – 240 -10790 – 280 – 11910 – 340 – 13610 – 380 – 16650 – 450 – 20700 – 500 – 23200 – 550 – 25400 – 600 – 26600 – 650 -33750	

CHAPTER 3

TRENDS IN KERALA ECONOMY AND STATE FINANCES

- 3.1** Every Pay Revision Commission has the unenviable task of reconciling the growing needs and aspirations, many of them legitimate, of its employees and pensioners within the limited fiscal capacity of the State Government. The task has become particularly difficult as the fiscal space of the State Government is shrinking due to the policies of the Central Government as also by the conditionalities attached to the budgetary transfers by the recent Union Finance Commissions and the Central Government agencies.
- 3.2** The present Pay Commission has to work with some uncertainty regarding the resources available to the State Government. It is not clear when the Goods and Services Tax (GST) will be introduced and what rates will be prescribed by the Empowered Committee of State Finance Ministers. Secondly, the report of the Fourth State Finance Commission which recommends the quantum and manner of financial transfers from the State Government to the local bodies is not yet available.
- 3.3** The employees and pensioners require to be compensated for the rising cost of living particularly the cost of education and health care services. The consumerism is gripping the State and the State Government employees mostly belonging to the middle class, will have to meet the consumption norms of their class in society. The disparities in the income of the government employees on the one hand and the income of Non-Resident Malayalees, employees in industries like banking, insurance, information technology and communication, employees benefiting from pay scales of UGC and AICTE, professionals like Doctors, Engineers etc. are widening. This downward movement in the relative income of the government employees has been one of the causes of frustration, discourteous behavior towards the public and corruption among them. The increasingly long years of education of the children in the state, huge unemployment problem of the educated and the increasing number of old people in the households (a drawing death rate population), have increased the number of dependents of a government employee, has to take care of despite the decrease in the number of children.
- 3.4** Increasing the salary, allowances and pensions is important not only for the Government employees. The Government is already finding it difficult to attract talents to government service and to retain them. The technically qualified persons, doctors and other professionals do not find Government service attractive enough despite, the more relaxed working conditions, security of tenure and pensions of Government employees. Low quality of employees will affect the quality of Governance.
- 3.5** One of the terms of reference of the Pay Commission is to keep in mind “the need for bringing down the wide disparity, if any, existing between different

scales in government service”. This poses another dilemma for the Pay Commission. If it has to attract specialists with technical qualification and experience, they have to be compensated at the market rates which are quite high as noted earlier. On the other hand there is also a large section of Government employees with only general qualification whose compensation from the Government may be quite higher than what they can get in the market.

- 3.6** This chapter is divided into six sections. Section I discusses the trends in Kerala economy. Section II gives an overview of the State Government’s finances. Section III examines the trends in State’s revenue. Section IV looks at the trends in expenditure. Section V gives the forecasts of Kerala’s GSDP (GSDP) or gross State income, revenue receipts and revenue expenditure. Section VI presents the conclusions arising out of the study and their implications to pay revision.

I Trends in Kerala Economy

- 3.7** Many studies have shown that Kerala economy had come out of the stagnation phase which prevailed from the second half of the sixties till the first half of the eighties. The turnaround in the economy can be traced to 1987- 88. The growth rate of Net State Domestic Product (NSDP), (net state income) at constant prices rose to 6.2% during the period 1987-88 to 2000-01 as against 1.7 % during the period 1971-72 to 1986-87 (Subrahmanian, 2005). The Eighth Pay Commission (EPC) report shows that the annual growth rate of GSDP (at 93-94 prices) between 1993-94 and 2003-04 was 5.13% as against 6.28% for India. The report shows that there was slackening of growth during the period 2000-01 to 2003-04 (4.40 %) from the period 93-94 to 1999-2000 (5.62 %). In both the sub periods, the growth rates for Kerala were less than those of India (5.66 % & 6.69 % respectively).
- 3.8** Table 3.1 gives the annual growth rates of Gross State Domestic Product (GSDP) of Kerala and that of India at 1999-2000 prices for the period 2000-2001 to 2007-08. We had to restrict the terminal year for the comparative analysis to 2007-08, as comparable Gross Domestic Product data for India are not available for later years. The table shows that during the first two years of the present decade and in 2003-04, the growth rates of Kerala were lower than that of India. From 2004-05 onwards, the growth rates of Kerala picked up and were higher than that of India. However, there has been a decline in Kerala’s growth in 2007-08 and 2008-09.
- 3.9** Table 3.2 gives the annual growth rates in per capita GSDP /GSDP Product at 1999-2000 prices. The table shows that during all the years except in 2000-01 and 2003-04, the growth rates in per capita GSDP of Kerala were more than that of India. The higher growth rate in per capita GSDP of Kerala can be attributed to the higher growth rate in the State Domestic Product of Kerala during most years noted earlier. It can also be attributed to the lower growth rate of population during the current decade. Kerala’s per capita GSDP was higher

than that of India during the period covered by the study. But the difference between Kerala and India is increasing in recent years (Table 3).

Table 3.1: Annual Growth Rate of GSDP (at 1999-00 Prices)

Year	Kerala (%)	India (%)
2000-01	3.5	4.4
2001-02	5.2	5.8
2002-03	7.3	3.8
2003-04	6.2	8.5
2004-05	10.0	7.5
2005-06	10.3	9.5
2006-07	10.6	9.7
2007-08	9.8	9.0
2008-09	7.0	Not Available (NA)

Sources: 1. Central Statistical Organisation (C.S.O), National Accounts Statistics, 2008 & 2009
2. C.S.O, State Domestic Product (State Series), 2010.

Table 3.2: Annual Growth Rate in Per Capita GSDP/GDP (GSDP) at 1999-00 Prices

Year	Kerala (GSDP) (%)	India (GDP) (%)
2000-01	3.01	3.32
2001-02	6.13	1.70
2002-03	6.01	2.07
2003-04	5.10	6.70
2004-05	8.77	5.89
2005-06	9.09	7.74
2006-07	9.46	8.09
2007-08	8.73	7.48
2008-09	7.28	NA
2000-01 to 2004-05* (Average)	5.81	3.94
2005-06 to 2007-08* (Average)	9.09	7.77

Sources: Computed using data from
1. CSO, National Accounts Statistics, 2008 & 2009
2. CSO, State Domestic Product (State Series), 2010
3. Govt. of Kerala, Budget in Brief -2010-11 for mid-year population figures for Kerala and India.

* Average of annual growth rates of the corresponding period.

Table 3.3: Ratio of Per capita GSDP/GDP at (1999-00) Prices

Year	Kerala (GSDP) (Rs.)	India (GDP) (Rs.)	Ratio of Kerala to All India (%)
1999-00	21548	18102	119
2000-01	22196	18703	119
2001-02	23558	19020	124
2002-03	24974	19415	129
2003-04	26248	20715	127
2004-05	28550	21935	130
2005-06	31146	23632	132
2006-07	34092	25544	133
2007-08	37067	27454	135
2008-09	39765	NA	NA

Source: Same as in Table 3.2

- 3.10** The per capita GSDP of states made comparable by the Central Statistical Organization (CSO) for the Thirteenth Finance Commission shows that Kerala stood sixth among the 28 states in three-year average per capita GSDP (for the years 2004-05 to 2006-07) after Goa, Haryana, Maharashtra, Punjab and Gujarat. It is interesting to note that Kerala's per capita GSDP was higher than those of its neighbouring states like Tamil Nadu, Karnataka and Andhra Pradesh.
- 3.11** The fiscal capacity of a state is dependent not solely on the aggregate GSDP or its growth rate. It is also dependent on the sectoral composition of the GSDP as also the growth rates of each sector (for the composition of each sector, See table 7.) Table 3.4 shows that during the period 2000-01 to 2007-08, the growth rate of Kerala was the highest in secondary sector whereas it was the highest in tertiary sector (service sector) for India. The growth rates in secondary and tertiary sectors of Kerala were higher than those of India. The growth rate in primary sector of Kerala was very low. It was lower than that of India which itself was quite low.
- 3.12** Table 3.5 shows the overwhelming importance of tertiary sector in both Kerala and India. The share of this sector was much higher for Kerala than for India. Between 1999-2000 and 2007-08, the share of the sector increased by 6.14% against 6.04% for India. The secondary sector improved its share in SDP by 3.56% as against 1.5 % for India. The difference in the importance of the secondary sector between the State and the Central has been coming down and is only marginal now. There was a steep decline in the share of primary sector both in Kerala and India. But the decline was faster for Kerala (by 9.7 %) than for India (by 7.54 %). The primary sector accounted for only 13.18 % of the GSDP of Kerala in 2007-08.

Table 3.4: Average Annual Growth Rates of GSDP/GDP at 1999-00 Prices –Sector Wise

Period	Primary (%)		Secondary (%)		Tertiary (%)		Total GDP (%)	
	Kerala	India	Kerala	India	Kerala	India	Kerala	India
2000-01 to 2004-05	1.71	2.00	8.60	6.96	7.39	7.59	6.44	6.00
2005-06 to 2007-08	-1.04	4.96	12.55	10.11	12.39	10.89	10.21	9.42
2000-01 to 2007-08	0.68	3.11	10.08	8.14	9.26	8.82	7.85	7.28

Sources: 1. CSO, National Accounts Statistics, 2008&2009
2. CSO, State Domestic Product (State Series), 2010.

Table 3.5: Share of each Sector in GSDP/GDP at 1999-00 Prices

Year	Primary (%)		Secondary (%)		Tertiary (%)	
	Kerala	India	Kerala	India	Kerala	India
1999-00	22.88	27.32	20.72	22.99	56.40	49.69
2000-01	22.31	26.17	20.70	23.51	57.00	50.32
2001-02	21.54	26.19	20.48	22.85	57.98	50.96
2002-03	20.48	23.73	20.54	23.52	58.97	52.75
2003-04	19.07	23.90	21.39	23.36	59.54	52.73
2004-05	18.23	22.42	22.80	24.03	58.97	53.55
2005-06	17.10	21.65	23.60	24.28	59.30	54.07
2006-07	14.95	20.60	24.09	24.60	60.96	54.80
2007-08	13.18	19.78	24.28	24.49	62.54	55.73
2008-09	12.42	NA	25.02	NA	62.56	NA

Sources: 1. CSO, National Accounts Statistics, 2008&2009
2. CSO, State Domestic Product (State Series), 2010

3.13 Table 3.6 gives the weighted contribution of different sectors to the growth of GSDP (at 1999-2000 prices). The table shows that the tertiary sector accounted for 70 percent of the growth of GSDP in the state between 2000-01 and 2007-08. The secondary sector contributed 29%. Primary sector contributed just 1.2 % to the growth.

Table 3.6: Sectoral Contribution to Growth¹

Period	Primary (%)		Secondary (%)		Tertiary (%)	
	Kerala	India	Kerala	India	Kerala	India
2000-01 to 2004-05	5.4	9.1	29.4	25.9	65.2	65.0
2005-06 to 2007-08	-5.2	10.3	27.5	25.5	77.7	64.2
2000-01 to 2007-08	1.2	10.4	29.0	25.9	69.8	63.7

Sources: Computed using data from
 1. CSO, National Accounts Statistics, 2008 & 2009
 2. CSO, State Domestic Product (State Series), 2010

3.14 Table 3.7 gives the average growth rates of each sub-sector of GSDP of Kerala during the period 2000-01 to 2008-09. The table shows that the growth performance of agriculture and allied services were quite dismal. The only sub sector in the primary sector which showed above average growth rate was mining and quarrying. The performance of manufacturing sector particularly of registered manufacturing was quite poor. The unregistered manufacturing sector however shows above average performance. The performance of construction sector was quite impressive. Electricity, Gas and water supply show just average growth rate. In the services sector, the star performers were communication (24.6 %) followed by real estate, ownership of buildings and business services (10.7%) and banking and insurance (10.5%). It is important to note that the growth in GSDP from public administration (7.0%) was less than average (7.8%). This was particularly so during the period from 2005-06 to 2008-09.²

3.15 Fiscal capacity is usually related to GSDP, even by the Union Finance Commissions. But this in itself may not be a fully accurate indicator of fiscal capacity especially for States with a sizeable population of emigrants and out-migrants. GSDP which measures only the value of goods and services produced in the States does not fully take into account the disposable income with people which depends also on the remittances to and from the State. A part of the disposable income goes as savings. Ultimately, the fiscal capacity of a State is dependent on the consumption of goods and services. The value of consumption of goods is more relevant as an indicator of fiscal capacity of States as most of the taxes available to the State at present under the constitutional division of powers are taxes on commodities. Though Kerala ranks only sixth in per capita GSDP, it ranks first in per capita consumer expenditure both in rural and urban areas (Table 3.8). The Monthly Per Capita

¹ The methodology of Chenery and Syrquin arrive at the sectoral contribution to growth using the expression: $g^V = \sum \rho_i g^{V_i}$, where g^{V_i} and g^V are the growth rates of sector V_i and the total output V , respectively $V = \sum V_i$, and the weights are the sectoral output shares, $\rho_i = \frac{V_i}{V}$. By definition, $\rho_i g^{V_i}$ is the contribution of i^{th} sector to overall growth.

² What is of direct relevance to the Pay Commission are given in italics.

Consumption expenditure (MPCE) in rural Kerala was 79% higher than that of rural India. The MPCE of urban Kerala was 32% higher than that of urban India. Kerala which accounts for 4% of Gross Domestic Product of India and 3% of its population accounted for 4.5% of the value of consumer goods in 2006-07 (Purohit, 2009).

Table 3.7: Average Annual Growth of Sub Sectors in GSDP at 1999-00 Prices

Sector	Period		
	2000-01 to 2004-05 (%)	2005-06 to 2008-09 (%)	2000-01 to 2008-09 (%)
Agriculture	2.01	-1.71	0.36
Forestry & logging	0.62	3.11	1.73
Fishing	0.13	0.34	0.22
Mining & quarrying	3.92	23.64	12.68
Primary	1.71	-0.58	0.70
Manufacturing of which	2.55	8.11	5.02
Registered	-0.30	5.68	2.36
Unregistered	6.29	10.58	8.20
Construction	13.82	15.24	14.45
Electricity, gas and water supply	10.96	4.04	7.88
Secondary	8.60	11.97	10.10
Transport, storage & communication	13.59	12.31	13.02
Railways	6.11	4.95	5.60
Transport by other means	9.53	6.20	8.05
Storage	2.30	4.20	3.15
Communication	26.82	21.90	24.63
Trade, hotels & restaurants	4.57	11.75	7.76
Banking & Insurance	9.79	11.29	10.46
Real estate, ownership of dwellings and business services	9.82	11.75	10.68
Public administration	7.88	5.90	7.00
Other services	4.11	10.07	6.76
Tertiary (Services)	7.39	11.05	9.01
Total	6.4	9.4	7.8
Source: CSO, State Domestic Product, (State Series), 2010.			

3.16 The consumption data shows that the expenditure on education and health care in Kerala is more than the Indian average. *The higher level of consumption of goods and services especially education and health care services may exert strong pressure on Government employees as they will have to follow the consumption norms and patterns of their middle class counterparts in society. The pressure to keep up with the Jones will*

be enormous. The liquor consumption in Kerala is three times the national average (Kerala Human Development Report, 2006). In fact, Kerala stands first in liquor consumption among the States in the Country. It has implications for expenditure of the Government on health services. But it has positive implications for the revenue potential of the State, as the revenue from State Excise accounted for 8.2 percent of State's tax revenue in 2008-09.

Table 3.8: Growth in Monthly Consumer Expenditure (MPCE)

Year (Round)	Value (Rs.)		Growth (%)	
	MPCE		MPCE	
	Rural	Urban	Rural	Urban
	Kerala			
2005-06 (Round 62)	1056	1566	-	-
2006-07 (Round 63)	1250	1681	18.37	7.34
2007-08 (Round 64)	1383	1948	10.64	15.88
	India			
2005-06 (Round 62)	625	1171	-	-
2006-07 (Round 63)	695	1312	11.20	12.04
2007-08 (Round 64)	772	1472	11.08	12.20
Source: NSSO different rounds.				

3.17 The sectoral composition of employment (Usual Principal Status³), an important indicator of economic development, in 1987-88, 1993-94, 1999-2000 and 2004-05 is given in Table 3.9. The sectoral composition shows the dominance of tertiary sector from 1999-2000 onwards. However, its share in employment was lower than that of income. The primary sector was second in importance in employment. Its share in employment exceeded its share in income. The share of secondary sector in employment exceeded its share in income from 1993-94 onwards. In this respect, the secondary sector in Kerala differed from that of India.

³ Activity on which a person spent relatively longer time (ie. major time criterion) during the 365 days preceding the date of survey.

Table 3.9: Sectoral Share of Employment

NSS Round	Kerala			India		
	Primary	Secondary	Services	Primary	Secondary	Services
43 rd (1987–88)	44.2	22.7	33.0	62.5	16.7	20.9
50 th (1993–94)	43.5	23.8	32.7	61.7	15.7	22.6
55 th (1999–2000)	33.1	28.3	38.6	58.5	16.8	24.7
61 st (2004–05)	31.6	28.0	40.4	54.2	19.4	26.4

Source: Sarvekshana 1990; NSS 1997, 2001, 2006 and applying population figures from the Census of India

- 3.18** Chronic unemployment has emerged as the most important problem of the state eclipsing its other achievements and limiting its further social and economic development.⁴ Unemployment rate in Kerala for rural areas was 15.8% against the national average of 2.5% in 2004-05 (NSSO, 2006). For the urban areas, the rate was 19.9% against the national average of 5.3%.
- 3.19** The unemployment problem in Kerala is that of the educated⁵ than that of the uneducated. Unemployment rates for the educated in Kerala are the highest for both rural and urban areas among the major States. The rate of unemployment for such persons in rural areas of Kerala was 29.6% against the all India rate of 8.5%. The corresponding figures for urban Kerala and India were 29.6% and 8.2%. The unemployment rate among educated women in the rural areas was 53.3% against the all India average of 23.1%. The problem was more in the urban areas of Kerala (55.5%) than in the urban areas in India (19.9%). Educated female unemployment in rural areas of Kerala was the second highest among major States (after Orissa). Educated female unemployment in urban Kerala was the highest among the States.
- 3.20** The problem of unemployment would have threatened to become socially explosive but for the large scale migration of Malayalees to other regions of the country and to other countries particularly to the Arabian Gulf countries. The number of migrants to other States in India was estimated to be 8.7 lakh in 2007. The emigrants to foreign countries numbered 18.48 lakh during the same year (Rajan and Zachariah, 2007). The number of people working abroad exceeded the number of people employed in the organized private and public sector in Kerala (George and Remya, 2010).
- 3.21** *The huge unemployment problem has implications for the present Pay Commission and the policy makers. As a result of the unemployment, especially of the educated there is pressure to raise the age of joining the Government Service. There is also pressure for*

⁴ The Kerala Public Service Commission recently received 12,31,499 applications in response to its advertisement for the vacancies in the last grade (peon). Many of the applicants are graduates, professional degree holders, post graduates, M Phil holders and doctoral researchers. The minimum qualification for the job was only a pass in Class 7. (The Hindu, Thursday, June 3, 2010)

⁵ Unemployment among persons of age 15 years or above who attained an educational qualification of Secondary and above including those completed diploma/certificate courses.

keeping the age of retirement at 55 much lower than that of Central Government despite the life expectancy of the people of Kerala (74 years) which is the longest among the States in India. Consequently pensions accounted for 19.1 percent of the revenue receipts of the State in 2008-09.

3.22 The unemployment problem has yet another implication for the State as those who are on the live registers of the Employment Exchange for more than three years are eligible for unemployment relief at the rate of Rs.120/- per month.

3.23 Increase in the Consumer Price Index (CPI) is an economic variable which is of crucial importance to the employees, Government finances and the Pay Commission. The annual increase in the price index is given in Table 3.10. The table shows a steady increase despite stability in the Wholesale Price Index (WPI) during the recent years of recession in the economy. Now since the increase in WPI itself has crossed the two digit level, it is likely that the Consumer Price Index will continue to increase at least in the immediate future. The anti-inflation monetary and fiscal policies are likely to take time for becoming effective.

Table 3.10: All-India Average Consumer Price Index Numbers for Industrial Workers (Base 2001=100)+

Year	CPI for Industrial Workers	Annual Growth Rate
2001	100	-
2002	103	3.00
2003	107	3.88
2004	111	3.74
2005	116	4.50
2006	123	6.03
2007	131	6.50
2008	142	8.40
2009	157	10.56
2009*	149	9.19
2010*	172	9.55

* Average of four months, January to April.

+ Base year has been changed in 2006. So Indices for 2001 to 2005 have been calculated using the link factor of 4.63.

Source: Labour Bureau, Government of India

II. Trends in Finances of State Government

3.24 In this section, we examine whether the turnaround in the economy since 1987-88 and the acceleration in growth during the present decade is reflected in the fiscal position of the State. Our enquiry suggests an uncomfortable and unsustainable fiscal position of Kerala. No doubt, the fiscal position of All States is also bad; but the position of Kerala is worse, despite its better performance on the economic growth front.

3.25 Tables 3.11 and 3.12 give the trends in fiscal indicators for the period 1999-2000 to 2008-09⁶. Table 3.11 shows that Kerala had overall or conventional deficits in six out of the ten years as against four years for All States. Kerala had revenue deficits in all the ten years. All States had turned the corner and had revenue surpluses during the last three years. As for capital account, Kerala had surpluses in all the years. All States on the other hand had capital deficits during the last three years. The table shows that it was the capital surpluses arising mostly out of borrowings which had financed the revenue deficits of Kerala during all the years. During some years the capital surpluses covered not only the revenue deficits but also created an overall surplus. Instead of revenue surpluses financing the capital deficits, leaving behind some overall surpluses, Kerala had followed the unsustainable route of financing revenue deficits by borrowing at high cost. In the case of All States, revenue surpluses created during 2006-07 and 2007-08 had been adequate to finance not only the capital deficit but also to leave behind an overall surplus. In 2008-09, the revenue surplus was not adequate to cover the capital deficit fully leading to an overall deficit.

Table 3.11: Overall Budgetary Surplus/Deficit Kerala (Rs.Crore)

Year	Overall Budgetary Deficit/surplus		Revenue Deficit/Surplus		Capital Deficit/Surplus		Gross Fiscal Deficit/Surplus	
	Kerala	All States	Kerala	All States	Kerala	All States	Kerala	All States
1999-00	-19.8	-3112.7	-3624.2	-53797.0	3604.4	50684.3	-4536.6	-91480.3
2000-01	-420.0	2345.6	-3147.1	-53568.6	2727.1	55914.2	-3877.8	-89532.0
2001-02	222.0	-3425.9	-2605.6	-59188.1	2827.6	55762.2	-3269.4	-95993.6
2002-03	-209.6	4611.5	-4122.2	-55111.1	3912.6	59722.6	-4993.6	-102122.8
2003-04	-123.2	-1164.3	-3680.0	-61145.0	3556.8	59980.7	-5539.0	-123070.0
2004-05	464.3	10458.5	-3669.0	-36423.0	4133.3	46881.5	-4452.0	-109257.0
2005-06	543.9	33946.6	-3129.0	-7013.0	3672.9	40959.6	-4182.0	-90084.0
2006-07	825.5	16324.3	-2638.0	24857.0	3463.5	-8532.7	-3822.0	-77508.0
2007-08	-66.0	13410.5	-3785.0	42943.0	3719.0	-29532.5	-6100.0	-75455.0
2008-09*	-179.6	-16357.0	-3728.0	10701.0	3549.3	-27058.0	-6315.0	-146349.0
*Indicates Revised Estimates								
(-) Deficit/(+) Surplus								

Notes: 1. Budgetary deficit or overall deficit is the difference between all receipts and expenditure, both revenue and capital.

⁶ We had to restrict the terminal year of our analysis to 2008-09 as even the revised estimates for All States are available only for 2008-09. We decided not to make use of the budget estimate as they are likely to undergo substantial revision. Even the revised estimates are liable for further revision.

2. Revenue Deficit (RD) denotes the difference between revenue receipts and revenue expenditure
3. Capital Deficit denotes the difference between capital receipts and capital disbursements.
4. Gross Fiscal Deficit (GFD) is the difference between aggregate disbursements net of debt repayments and recovery of loans and revenue receipts and non-debt capital receipts.

Source: RBI, State Finances, Various Issues

3.26 Table 3.12 presents the Gross Fiscal Deficit (GFD) in relation to GSDP. The table shows that in all but one year out of the ten years covered by the study, Gross Fiscal Deficit/GSDP ratio of Kerala was more than that of India. The only consolation is that the ratio is coming down from the peak levels of 2002-03 and 2003-04. An inter-state comparison shows that in respect of the average ratio of Gross Fiscal Deficit to GSDP for the period 2005-06 to 2007-08, Kerala stood fourth after Jharkhand, West Bengal and Uttar Pradesh (RBI, 2009-10) among the 17 Non Special Category States (NSCS) ⁷. It may be noted that Kerala Fiscal Responsibility Act-2003 passed by the State Government in August 2003 visualised a reduction of this ratio to 2 percent by 2006-07 year. This target was reassessed by the Central Government due to the recession as part of an expansion fiscal policy. In 2009-10, Central Government allowed a higher fiscal deficit of 4% of GSDP for Kerala.

Table 3:12: Major Fiscal Indicators of Kerala and All States

Year	GFD/GSDP (%)		RD/GSDP (%)		RD/TRR (%)		RD/GFD (%)	
	Kerala	All States	Kerala	All States	Kerala	All States	Kerala	All States
1999-00	6.6	5.1	-5.2	-3.0	-45.6	-26.0	-79.89	-58.81
2000-01	5.3	4.7	-4.3	-2.8	-36.0	-22.5	-81.16	-59.83
2001-02	4.2	4.6	-3.3	-2.8	-28.8	-23.1	-79.70	-61.66
2002-03	5.7	4.5	-4.7	-2.4	-38.8	-19.7	-82.55	-53.97
2003-04	5.7	4.8	-3.8	-2.4	-31.1	-19.3	-66.44	-49.68
2004-05	4.0	3.7	-3.3	-1.2	-27.2	-9.8	-82.41	-33.34
2005-06	3.3	2.6	-2.5	-0.2	-20.5	-1.6	-74.82	-7.78
2006-07	2.6	2.0	-1.8	+0.6	-14.5	+4.7	-69.02	+32.07
2007-08	3.7	1.7	-2.3	+0.9	-17.9	+6.9	-62.05	+56.91
2008-09*	3.3	2.8	-2.0	+0.2	-14.9	+1.5	-59.05	+7.31

*Indicates Revised Estimates

(-) Deficit/(+) Surplus

⁷ Special category States are Arunachal Pradesh, Assam, Himachal Pradesh, Jammu and Kashmir, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, Tripura & Uttarakhand. Non-special category States are Andhra Pradesh, Bihar, Chattisgarh, Goa, Gujarat, Haryana, Jharkhand, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Orissa, Punjab, Rajasthan, Tamil Nadu, Uttar Pradesh & West Bengal.

- Notes:
1. GSDP/GDP at current prices
 2. GFD- Gross Fiscal Deficit
 3. RD- Revenue Deficit
 4. TRR- Total Revenue Receipts

- Sources:
1. RBI, State Finances, Various Issues
 2. CSO, State Domestic Product (State Series), Various Issues

- 3.27** As noted earlier, Kerala had revenue deficit during all the ten years whereas All States had revenue surpluses during the last three years covered by the study. During the other years also, this ratio of Kerala was more than that of All States. During the three year period 2005-08, only four out of the 17 non-special category States had revenue deficits. Kerala's position in respect of this ratio was second after West Bengal. In 2008-09 too, only four States had revenue deficits and Kerala's position was fourth. (*Ibid*).
- 3.28** The ratio of revenue deficit to Total Revenue Receipts (TRR) is yet another indicator of States ability to service the debt induced by revenue deficit and the sustainability of such debt. This ratio for Kerala was much more than that of All States. But one positive aspect of the situation is that this ratio, in tune with the Revenue Deficit/ GSDP ratio, has been coming down from 2003-04 onwards. Kerala's fiscal responsibility legislation had set the target to bring down the revenue deficit to zero by the year 2006-07. However, as in the case of GFD/GSDP ratio, there has been some relaxation in this target date by the Centre due to recession.
- 3.29** Table 3.12 shows a disturbing trend. The lion's share of the borrowings made to meet the GFD are utilized to meet the revenue deficits and not for making capital outlay (direct capital expenditure of the State and its investments) or net lending to other individuals or agencies. The ratio of Revenue Deficit financed by borrowing as reflected in the share of Revenue Deficit in Gross Fiscal Deficit was more for Kerala than for All States during all the years. In fact, revenue surpluses of All States, during the last three years, financed capital outlay and net lending as seen earlier. The steady decline of this ratio from 2004-05 onwards is the only consolation for Kerala. Even in 2008-09, only 27% of the GFD borrowings were utilized for capital outlay. Only 14% was used for net lending. Kerala's capital outlay to GFD ratio for the period 2007-08 was the second lowest after West Bengal. In 2008-09, Kerala's ratio was the lowest followed by West Bengal. (*Ibid*)
- 3.30** The maneuverability of the States to meet their expenditure by incurring revenue deficit and fiscal deficit is getting reduced first by the Fiscal Responsibility Acts and now by the recent Union Finance Commissions. The 13th Commission noted that only three States- Kerala, West Bengal and Punjab had revenue deficits in 2007-08. It wants the revenue deficit to GSDP ratio to be brought down steadily to zero by 2014-15. The Commission also imposed a condition that State specific grants are given only to those States which meet the revenue deficit targets. In the case of Kerala, the State will be losing Rs.1500

crores during the next five years, if the State does not meet the Thirteenth Finance Commission's target of deficit reduction. The Finance Commission had stipulated that the GFD / GSDP ratio has to be brought down steadily to 3% by 2013-14. It has also suggested that the Central Government may limit the borrowing of the state to cover the GFD target only.

- 3.31** The large fiscal deficits during the past years have raised the liabilities of the State Governments. The ratio of Kerala's outstanding liabilities to GSDP ranged between 32.1% and 40.5% during the current decade (Table 3.13). It may be noted that this ratio was more for Kerala than for all States during all the years as may be seen from Table 13. But at the end of 2008-09, the ratio for Kerala stood at 36% as against 26% for All States. A positive development is that it is coming down from 2005.
- 3.32** The composition of the liabilities given in Table 3.14 shows a steep increase in the share of Internal Debt of the State. The table also shows the steep decline in the share of Central loans and advances in recent years. This development follows the implementation of the 12th Finance Commission's recommendation to replace the Central loans by market loans. The share of state provident fund, insurance etc. also has been coming down. As high rates of inflation have been gripping the economy now, Reserve Bank of India has started resorting to dear money policy raising the interest rates in the market.

Table 3.13: Total Outstanding Liabilities as percentage of GSDP/GDP

Year (At the end of March)	Kerala (%)	All States (%)
2000	32.1	26.1
2001	36.1	28.3
2002	37.9	30.3
2003	39.5	32.0
2004	40.5	32.8
2005	39.6	31.3
2006	38.5	31.0
2007	36.7	29.0
2008	36.0	26.8
2009*	35.6	26.2

*Revised Estimates

Source: RBI, State Finances, 2009-10

- 3.33** The maturity profile of outstanding State Government securities and the central loans is given in Table 3.15. The table shows that 27.7% of internal debt aggregating Rs.10732 crores and 26.6% of Central loans aggregating Rs.12332 crore fall due during the five years from 2010-11.
- 3.34** Following the increasing control on fiscal deficit and revenue deficit by the recent Finance Commissions and the Central Government, the State Governments had been following the escape for route of contingent liabilities

like guarantees⁸. Table 3.16 gives the outstanding guarantees of Kerala and All States in relation to GSDP.

Table 3.14: Composition of Outstanding Liabilities of Kerala

Year (As on end- March)	Total Internal Debt (%)	Loans & advances from Centre (%)	Provident Funds etc. (%)	Miscellaneous* (%)
2000	25.57	29.14	38.43	6.85
2001	28.83	25.41	38.81	6.95
2002	31.43	23.42	38.13	7.02
2003	34.05	20.71	37.24	8.00
2004	44.29	14.37	36.78	4.56
2005	49.41	12.39	33.85	4.36
2006	53.50	11.32	30.99	4.19
2007	57.28	10.27	27.78	4.67
2008	58.15	9.46	27.11	5.29
2009	60.39	9.56	25.04	5.01
2010	61.55	10.44	23.20	4.81

Source: RBI, State Finances, various years

* Miscellaneous include Reserve Fund, Deposit and Advances and Contingency Fund.

Table 3.15: Maturity Profile of Outstanding Internal Debt of the State Government and Loans & advances from the Central Government

Maturing in the year	Internal Debt (Rs.Crore)	Percentage of Internal Debt maturing in the year to total	Loans & Advances from the Centre (Rs.Crore)	Percentage of Loans & Advances from the Centre maturing in the year to total	Total Debt maturing in the year (Rs.Crore)	Percentage of total debt maturing in the year to total
1	2	3	4	5	6=2+4	7
2010-11	1516.86	3.9	303.77	5.1	1820.63	4.1
2011-12	2073.07	5.3	312.73	5.2	2385.8	5.3
2012-13	2255.53	5.8	318.9	5.3	2574.43	5.7
2013-14	2445.41	6.3	329.43	5.5	2774.84	6.2
2014-15	2441.35	6.3	334.77	5.6	2776.12	6.2
Total for five years	10732.22	27.7	1599.6	26.6	12331.82	27.5
Grand Total	38814.23		6008.62		44822.85	

Source: Finance Accounts, 2008-09, Government of Kerala

3.35 Table 3.16 shows that the ratio of guarantees to GSDP has been coming down from 2003-04 partly as a result of the ceiling of Rs.14, 000 crore fixed under the Kerala Ceiling on Government Guarantee Act – 2003. Kerala's outstanding guarantees are well within the present ceiling on guarantee. But, the table shows that the ratio of guarantees to the GSDP was consistently higher for

⁸ Guarantees and letters of credit issued by the State Governments on behalf of public sector units and other institutions to facilitate them to raise resources to meet their requirements. This is primarily because the States are budget constrained to provide the required resources.

Kerala than for all States. Besides, Kerala has not yet constituted the Guarantee Redemption Fund⁹ contemplated under the fiscal consolidation plan.

Table 16: Outstanding Guarantees of Kerala/ All States to GSDP/GDP (Figures in Percentages)

Year ended	Outstanding Guarantees	GSDP	Ratio of Outstanding Guarantees of Kerala to GSDP	Ratio of Outstanding Guarantees of All States to GDP
1999-2000	7952	69168	11.5	6.8
2000-01	8756	72659	12.1	8.0
2001-02	11937	77924	15.3	7.3
2002-03	11410	86895	13.1	7.5
2003-04	13836	96698	14.3	8.0
2004-05	12316	110260	11.2	6.3
2005-06	11935	125588	9.5	5.3
2006-07	9496	145009	6.5	3.6
2007-08#	8317	165722	5.0	3.5

Provisional figures

Note: GSDP/GDP at current prices.

Sources: 1. RBI, State Finance, 2009-10 for Kerala & All States

2. CSO, State Domestic Product (State Series), Various Issues

- 3.36** In the following two sections, (it is) attempting to find out the causes for the chronic and relatively more acute fiscal situation of Kerala whether it is due to slackness in resource mobilization or expenditure growth or a combination of both.

III. Trends in State's Revenue

- 3.37** In this section proposes to analyze the trends in revenue receipts and its components with a view to understand whether and to what extent the slackness in resource mobilization has contributed to the revenue deficit and gross fiscal deficit of Kerala. Table 3.17 gives the ratio of State's own tax, non-tax and total revenue to revenue expenditure.
- 3.38** Table 3.17 shows that there is an increasing role played by the State's own revenue in financing State's expenditure. It can also be interpreted as an indication of the declining role of central revenue transfers in meeting state's revenue expenditure.
- 3.39** An analysis based on the two major components of State's own revenue shows that the ratio of State's own tax revenue (OTR) to revenue expenditure has been increasing steadily in both Kerala and all States. The ratio for Kerala was higher than for all States during all the ten years. Just the opposite trends are seen in the case of State's Own Non Tax Revenue (ONTR), the share of which is not increasing at all. Besides, the ratio for Kerala has been much less than that of all

⁹ Twelfth Finance Commission had recommended that the States should set up guarantee redemption funds through earmarked guarantee fees. This should be preceded by risk weighting of guarantees. The quantum of contribution to the fund should be decided accordingly.

States which itself was quite low according to international standards. In fact the ratio for Kerala was only about half that of all States. The table shows that Kerala depends more on taxation than on Own Non Tax Revenue for its resource mobilization. All States rely much more on Own Non Tax Revenue than Kerala.

Table 3.17: Ratio of State's Own Tax & Non Tax Revenue to Total Revenue Expenditure (Percent)

Year	Own Tax Revenue		Own Non tax Revenue		Total Own Revenue	
	Kerala	All States	Kerala	All States	Kerala	All States
1999-00	44.9	39.3	4.6	11.4	49.5	50.8
2000-01	49.4	40.5	5.5	10.8	55.0	51.3
2001-02	50.8	40.7	4.7	10.3	55.5	50.9
2002-03	49.5	42.4	4.6	10.7	54.1	53.1
2003-04	52.2	42.3	5.2	10.1	57.4	52.5
2004-05	52.2	46.3	4.8	11.6	57.0	57.9
2005-06	53.1	48.5	5.1	10.9	58.2	59.4
2006-07	57.3	49.9	4.5	12.5	61.8	62.5
2007-08	54.9	49.3	4.9	13.3	59.8	62.6
2008-09*	55.3	45.4	4.5	10.9	59.8	56.4

* Revised Estimates

Source: RBI, State Finances, Various Issues

- 3.40** The ratio of own revenue to revenue expenditure was taken as an index of fiscal discipline of States by the Thirteenth Finance Commission. According to the data furnished by the Commission, Kerala stood ninth among the seventeen Non Special Category States in the index during 2001-02 to 2003-04. Kerala's position came down to eleventh during the period 2005-06 to 2007-08, although the ratio of own revenue to revenue expenditure increased from 55.3% during the first period to 61.2% during the second period. The ratio for Kerala during the first period was more than that of all States. During the second period, it turned out to be less than that of all States.
- 3.41** Table 3.18 presents the changing composition of State's own revenue, comprising of both tax and non-tax revenue. The table shows the declining trend in the State's own revenue in total revenue from 2004-05 onwards. Similar trends are seen in all States also. This trend implies that the share of revenue transfers from the Centre is increasing for both Kerala and for All States. However, in the share of own revenue in total revenue, Kerala's position was always above All States. The opposite was true for Central revenue transfers.
- 3.42** The trends in the share of State's own tax revenue in the total revenue shows that the own tax component was always higher for Kerala than for all States. Contrary trends were seen in the case of own non-tax revenue as seen earlier. An analysis of the Central revenue transfers shows that the share of statutory grants is increasing more than the share of Central taxes devolved to the States.

In both tax share and grant from Centre, the ratio for Kerala was less than that of all States.

Table 3.18: Changing Structure of State Revenues (%)

Year	State's Own tax revenue		State's Own Non-tax revenue		State's Own revenue		Share in Central Taxes		Grants from Centre		Revenue Transfers from Centre		Total Revenue	
	Kerala	All States	Kerala	All States	Kerala	All States	Kerala	All States	Kerala	All States	Kerala	All States	Kerala	All States
1999-00	65.4	49.5	6.7	14.4	72.1	63.9	19.3	21.3	8.6	14.8	27.9	36.1	100.0	100.0
2000-01	67.2	49.6	7.5	13.2	74.8	62.8	18.2	21.3	7.1	15.9	25.2	37.2	100.0	100.0
2001-02	65.4	50.1	6.0	12.6	71.4	62.7	17.8	20.4	10.8	16.9	28.6	37.3	100.0	100.0
2002-03	68.7	50.7	6.4	12.8	75.0	63.5	16.1	20.2	8.8	16.3	25.0	36.5	100.0	100.0
2003-04	68.5	50.5	6.8	12.1	75.3	62.6	17.0	21.2	7.7	16.2	24.7	37.4	100.0	100.0
2004-05	66.4	50.8	6.1	12.8	72.5	63.6	17.8	21.1	9.7	15.3	27.5	36.4	100.0	100.0
2005-06	63.9	49.3	6.1	11.1	70.1	60.4	16.5	21.8	13.5	17.8	29.9	39.6	100.0	100.0
2006-07	65.7	47.6	5.2	11.9	70.8	59.5	17.7	22.7	11.5	17.8	29.2	40.5	100.0	100.0
2007-08	64.8	45.9	5.7	12.4	70.5	58.3	19.2	24.3	10.3	17.4	29.5	41.7	100.0	100.0
2008-09*	63.6	44.8	5.2	10.8	68.7	55.6	18.8	23.5	12.5	20.9	31.3	44.4	100.0	100.0

Source: RBI, State Finances, Various Issues

* Revised Estimates

3.43 Table 3.19 gives the trends in the components of State's revenue of Kerala in relation to GSDP. The table shows the decreasing trend in resource mobilization from the peak levels reached in 2002-03 and 2003-04. The trend was reversed during the last three years.

Table 3.19: Trends in Revenue of Kerala in relation to GSDP at current prices (Percent)

Year	State's Own tax revenue	State's Own Non-tax revenue	State's Own revenue	Share in Central Taxes (Devolution)	Grants from Centre	Total Revenue Transfers from Centre	Total Revenue
1999-00	7.51	0.77	8.28	2.22	0.99	3.21	11.48
2000-01	8.08	0.91	8.99	2.18	0.85	3.03	12.02
2001-02	7.60	0.70	8.30	2.07	1.25	3.32	11.62
2002-03	8.40	0.78	9.18	1.97	1.08	3.05	12.24
2003-04	8.37	0.83	9.20	2.08	0.94	3.02	12.22
2004-05	8.13	0.74	8.87	2.18	1.19	3.37	12.24
2005-06	7.79	0.75	8.53	2.01	1.64	3.65	12.18
2006-07	8.24	0.65	8.88	2.22	1.44	3.66	12.54
2007-08	8.25	0.73	8.98	2.44	1.31	3.76	12.74
2008-09*	8.39	0.68	9.08	2.48	1.64	4.13	13.20

Sources: 1. RBI, State Finances Various Issues

2. CSO, National Accounts Statistics, various years.

3. CSO, State Domestic Product (State Series), various years.

- 3.44** The decomposition of the State's own revenue into tax and non-tax shows trends similar to those indicated in the earlier tables. This is particularly true about State's Own Non Tax Revenue. It was always low, but is coming down further. In fact, in all the ten years covered by our study, the Own Non Tax Revenue constituted only less than one percent of the GSDP. The increasing importance of revenue transfers from Centre in relation to both total revenue and GSDP is partly due to the larger allocation made by the Twelfth Finance Commission to the States. It is also due to the large quantum of grants coming by way of non statutory grants, both non-plan as also grants for Centrally Sponsored Scheme (CSS).
- 3.45** An inter state comparison shows that the ratio of average own tax revenue to GSDP in Kerala was 8.2 percent as against 5.8%, the average for all States during the period 2005-08. Kerala's position in own tax mobilization was fourth highest among all States. In 2008-09, Kerala's position came down to sixth. In the ratio of Own Non Tax Revenue to GSDP, Kerala was lagging far behind the all States average. It was actually the third lowest among Non Special Category States during 2005-08. During 2008-09, Kerala's position slipped to second from the bottom (RBI State Finances, 2010). As for Central transfers in relation to GSDP in both these periods, ratio for Kerala was lower than that of all States. In fact, Kerala's position was fifth lowest during 2005-08 and sixth lowest in 2008-09.
- 3.46** Table 3.20 gives the buoyancy of tax revenue¹⁰ for both Kerala and All States for the ten year period covered in the study.

Table 3.20: Buoyancy of Tax Revenue

Year	Kerala	All States
2000-01	2.4	1.8
2001-02	0.1	1.0
2002-03	1.8	1.4
2003-04	1.0	1.0
2004-05	0.8	1.1
2005-06	0.7	0.9
2006-07	1.4	1.2
2007-08	1.0	0.9
2008-09*	1.1	1.0

* Revised Estimates

Sources: 1. RBI, State Finances Various Issues

2. CSO, National Accounts Statistics, various years.

3. CSO, State Domestic Product (State Series), various years.

¹⁰ Tax buoyancy is measured as the growth in tax revenues divided by the growth in GSDP.

3.47 The table shows that the buoyancy of Kerala was not significantly different from that of all States. The State wise buoyancy of own revenue calculated by the Reserve Bank of India for the period 2003-08, shows that Kerala's buoyancy (1.22) was only the tenth among non special category states(*ibid*).

Table 3.21: Share of individual Components in Own Tax Revenue in Kerala (Percent)

No.	Component	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09*
1	Taxes on Income (Agricultural Income tax)	0.3	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.2	0.1
2	Property and capital transactions	6.4	6.9	7.9	7.7	7.8	9.6	12.2	13.6	15.6	15.6
	Land Revenue	0.7	0.7	0.6	0.5	0.5	0.5	0.4	0.4	0.3	0.3
	Stamps and Registration Fees	5.4	5.8	6.7	6.7	6.8	8.6	11.3	12.7	14.8	14.9
	Urban Immovable Property	0.4	0.4	0.6	0.5	0.5	0.5	0.5	0.4	0.4	0.4
3	Taxes on commodities and services	93.3	93.0	92.1	92.2	92.1	90.3	87.7	86.4	84.2	84.3
	Sales Tax	74.2	74.0	75.0	73.2	74.1	74.8	72.0	71.7	68.6	69.1
	a) State Sales Tax	68.4	67.7	70.3	67.3	64.5	69.0	63.9	67.6	61.1	67.5
	b) Central Sales Tax	5.5	6.1	4.4	4.9	8.7	4.0	5.0	2.8	7.4	1.5
	c) Other Receipts	0.2	0.3	0.3	1.0	1.0	1.8	3.0	1.3	0.0	0.0
	State Excise	11.4	11.7	9.1	9.1	8.1	8.3	8.6	8.0	8.6	8.2
	Taxes on Vehicles	7.3	6.7	7.6	7.0	7.2	6.8	6.4	5.9	6.2	5.7
	Taxes and Duties on Electricity	0.1	0.3	0.1	2.6	2.3	0.1	0.3	0.3	0.3	0.3
	Other Taxes and Duties	0.3	0.3	0.3	0.3	0.3	0.3	0.4	0.5	0.6	1.0
	State's own tax revenue (1 to 3)	100	100	100	100	100	100	100	100	100	100

* Revised Estimates

Source: RBI, State Finances, Various Issues

3.48 Table 3.21 shows that only four taxes are really important to the State, viz., Sales Tax /Value Added Tax, State Excise, Taxes on vehicles and stamps and registration fees. Land revenue, agricultural income tax, urban immovable property tax and taxes and duties on electricity fetch only nominal revenue for the State. The table also shows that only stamps and registration fees, improved its share. All other taxes show decrease in their share.

3.49 The trends in the taxes on vehicles is surprising in view of the sharp increase in the population of vehicles in the State. The trends in State Excise is also surprising as Kerala has the reputation of having the highest per capita liquor consumption among states in India.

3.50 Table 3.22 which gives the components of State's Own Non Tax Revenue shows that it is the 'general services' which contributed the largest share to Own Non Tax Revenue. It is the revenue from the State lotteries which has boosted the revenue from general services. Excluding revenue from State Lotteries, the share of revenue from general services comes down drastically and is less than that from economic services. The share of revenue from economic services of

Kerala was considerably lower than that of All States. The share of revenues from education and allied services was much more in Kerala than in all States. But in interest receipts, share of Kerala was much lower. The contribution of dividend and profit was only marginal in both Kerala and All States. The low share of interest receipts and dividends is partly due to non payment by co-operatives and public sector undertakings, many of them making losses or making operating profits only at low rates. (George and Krishnakumar, 2003)

- 3.51** The Thirteenth Finance Commission had found that Kerala's recovery rate from irrigation in 2009-10 (Budget Estimate) was only 3.34% as against the average of 26.8% for Non Special Category States and 23.9% for all States. The recovery rate for Kerala was the second lowest among the seventeen Non Special Category States after Bihar. States like Maharashtra (92.7%), Gujarat (138.8%) and Chattisgarh (148.1%) had recovered revenue more than what they had spent on non plan revenue account.

Table 3.22: Components of Own Non-tax Revenue in Kerala (Percent)

Components	1999-00		2000-01		2001-02		2002-03		2003-04		2004-05		2005-06		2006-07		2007-08		2008-09*	
	Kerala	All States	Kerala	All States	Kerala	All States	Kerala	All States	Kerala	All States	Kerala	All States	Kerala	All States	Kerala	All States	Kerala	All States	Kerala	All States
Interest Receipts	7.0	31.1	5.6	36.4	5.7	28.5	5.3	26.5	4.0	22.6	4.9	19.9	4.9	19.6	4.8	18.7	5.8	16.4	6.1	20.8
Dividends&Profits	1.9	0.8	1.9	0.5	1.0	0.4	1.4	0.9	2.5	1.0	3.6	0.7	1.9	1.2	3.2	1.0	2.4	0.7	2.5	0.6
General Services	39.7	20.1	38.4	19.4	39.9	24.7	38.6	24.5	38.0	24.5	37.2	23.4	44.5	24.6	41.8	29.5	43.5	34.2	47.7	25.8
of which, State Lotteries	19.0	4.6	20.4	8.6	22.4	13.7	18.9	14.9	16.6	15.2	18.7	14.8	24.5	14.9	25.2	10.2	26.9	6.6	32.4	6.5
General Services less State Lotteries	20.7	15.5	18.0	10.8	17.6	11.0	19.8	9.7	21.5	9.3	18.5	8.6	20.0	9.7	16.6	19.2	16.6	27.6	15.3	19.3
Social Services	12.7	7.5	11.6	7.3	15.1	7.9	15.7	8.0	15.8	8.6	15.3	7.6	13.3	9.5	15.2	11.0	12.2	10.2	13.1	8.5
Education, Sports, Art and Culture	7.4	2.2	6.8	2.1	9.9	2.1	9.4	2.5	10.1	2.7	10.5	2.8	8.8	4.0	10.7	3.2	8.3	3.0	9.0	2.2
Medical, Public Health&Family Welfare	3.6	1.8	3.1	1.5	3.7	1.9	4.2	1.8	3.4	1.5	3.4	1.7	3.2	1.5	3.5	1.3	3.1	1.2	3.1	1.9
Economic Services of which	38.7	40.5	42.5	36.4	38.3	38.5	39.0	40.1	39.6	43.3	39.0	48.4	35.3	45.2	35.0	39.8	36.2	38.5	30.7	44.2
Industries	2.9	15.2	3.2	14.6	3.1	16.1	2.8	17.0	2.3	18.9	2.6	17.0	2.7	20.3	3.6	18.1	13.1	16.9	2.9	20.7
State's own total non-tax revenue	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100

Source: RBI, State Finances, Various Issues

Trends in Central Revenue Transfers

3.52 Table 3.23 presents the share of aggregate statutory transfers in the total Central transfers.

Table 3.23: Share of Statutory (Finance Commission) Transfers in Total Revenue Transfers (Percent)

Year	Share of Total Finance		Share of Finance	
	Kerala	All States	Kerala	All States
1999-2000	69.8	61.7	2.0	6.5
2000-01	72.8	66.8	2.9	22.2
2001-02	64.9	64.8	6.9	22.2
2002-03	69.4	63.7	13.5	18.7
2003-04	73.4	63.3	14.3	15.3
2004-05	67.0	63.9	6.6	14.0
2005-06	70.5	65.6	34.4	23.5
2006-07	71.4	64.3	27.5	18.8
2007-08	71.7	65.8	19.0	18.2
2008-09*	65.4	58.2	13.2	11.1

* Revised Estimates

Source: RBI, State Finances, Various Issues

3.53 The table however, shows that the statutory transfers share in aggregate central transfers is coming down. The share of statutory grants (coming through the Finance Commissions) in total grants from the centre is also declining while the share of non statutory grants (for state plan, for Central Plan and Centrally Sponsored Schemes and non plan-non statutory grants) is going up. The share of Kerala in such non statutory grants too has been coming down. The importance of statutory transfers to Kerala was more than that of transfers through other agencies. The table also shows that the share of statutory grants is increasing both in Kerala and All States.

Trends in Finance Commission Transfers

3.54 Table 3.24 gives the share of Kerala in the total Finance Commission transfers to States under the last four Finance Commissions. There was a steady decline in total statutory transfers from the Tenth Finance Commission onwards. The decline was steady in devolution of taxes. Kerala's share in the average devolution as percentage of GSDP (1.94) under the award of the 12th Finance Commission was the 12th among Non Special Category States. Kerala received deficit grants under Article 275 only under the award of the 12th Finance Commission. The amount was only nominal.

Table 3.24: Share of Kerala in the Total FC Transfers to States (Rs. in Crore)

	Tenth Finance Commission	Eleventh Finance Commission	Twelfth Finance Commission	Thirteenth Finance Commission
1. Share in Central Taxes and Duties	7217 (3.5)	11504 (3.1)	16353.21 (2.7)	33954.3 (2.0)
2. Non-Plan Revenue Deficit Grants	0 (0.0)	0 (0.0)	470.37 (0.8)	0 (0.0)
3. Upgradation and Special Problem Grants	81.83 (3.1)	129 (2.6)	1295.82 (2.9)	3132.2 (0.2)
Grant to Local Bodies	4. Panchayat	178.81 (4.1)	330 (4.1)	985 (4.9)
	5. Municipalities	25.43 (2.5)	75 (3.8)	149 (3.0)
	6. Total	204.24 (3.8)	405 (4.0)	1134 (4.5)
7. Grants for Relief Expenditure	218.74 (4.6)	279 (3.4)	354.32 (2.2)	563.2 (0.03)
8. Total Grants (2+3+6+7)	504.81 (2.5)	813 (1.4)	3254.51 (2.3)	6371.5 (0.4)
9. Total Transfers (1+8)	7721.81 (3.4)	12317 (2.8)	19607.72 (2.6)	40325.8 (2.4)

Note: Figures in brackets indicate the percentage share in total Finance Commission transfers to States.

Source: Tenth, Eleventh, Twelfth and Thirteenth Finance Commission's Reports.

- 3.55** The average devolution as percentage of GSDP was only 1.94% for Kerala under the awards of the Twelfth Finance Commission. The ratio went up marginally during the award of the Thirteenth Finance Commission to 2.13%. It may be noted that Kerala whose service sector contributes much larger share in State Domestic Product than all States (See Table 3.6) had received only a share of 2.4% in total revenue from service tax in the country under the award of the 13th Finance Commission.
- 3.56** It is very necessary that the present Pay Commission must take note of, not only the size of the actual transfers but also its nature. An increasing proportion of the statutory transfers in recent years is scheme or programme specific. This is also true of other grants coming through other Central Ministries. They are not therefore available to meet the salary and pension payments except for the salary under these schemes. The salary and pension payments of employees will become a charge on the state budget at the end of the plan period. There will not be any central funds available to meet the requiring expenditure on these schemes.
- 3.57** As seen from Table 3.3, more grants are now routed as non statutory grants for financing state plan, a large number and variety of Central Plan and Centrally Sponsored Schemes (CSSs) and non-statutory, non-plan grants. In fact, the grants for CSSs ranged between 41% to 168% of the grants for State's own plan. Kerala received only small share (ranging from 1.8% to 2.7%) of the non-statutory grants of all States.

IV. Trends in Expenditure

3.58 In this section, we look into the trends in growth of expenditure and its different components. Table 25 gives the revenue and capital components of the budgetary expenditure for both Kerala and all States. The table shows that the bulk of the total expenditure comprises of revenue expenditure of both Kerala and all States. The revenue component of the expenditure was more for Kerala than for all States in all the ten years covered by in the study. The revenue expenditure accounts for about nine-tenths of the total expenditure. Conversely, the share of capital disbursements was much less in Kerala. Even in the total capital disbursements, a good portion is on account of discharge of internal debt and repayment of Central loans and therefore is not available for capital outlay and lending to others by the States Government. It may be noted that the repayment component of capital disbursements was more for Kerala than for All States. In fact, in 2001-02 and 2002-03, the repayments accounted for more than half of the capital disbursements of Kerala.

Table 3.25: Share of Revenue Expenditure and Capital Expenditure# in Total Expenditure (Percent)

Year	Revenue Expenditure in Total Expenditure		Capital Expenditure# in Total Expenditure		Share of repayment of loans to the Centre & Discharge of Internal Debt to total capital disbursements	
	Kerala	All States	Kerala	All States	Kerala	All States
1999-00	89.7	83.1	10.3	16.9	27.7	22.4
2000-01	90.3	84.0	9.7	16.0	33.3	23.0
2001-02	88.8	83.4	11.2	16.6	51.1	28.6
2002-03	87.0	79.8	13.0	20.2	57.1	40.1
2003-04	78.4	71.5	21.6	28.5	40.4	39.9
2004-05	84.7	72.1	15.3	27.9	22.6	25.6
2005-06	87.3	78.0	12.7	22.0	36.8	21.1
2006-07	89.9	76.9	10.1	23.1	35.6	18.2
2007-08	86.8	77.2	13.2	22.8	31.0	18.5
2008-09*	87.3	77.3	12.7	22.7	32.2	15.8

Refers to all Capital disbursements

* Revised Estimates

Source: RBI, State Finances, Various Issues

3.59 Table 3.26 gives the growth rates in revenue, capital and total expenditure of Kerala from 1999-2000 to 2008-09. The table shows large fluctuations in the total expenditure in both Kerala and all States. There was a negative growth in one year for both Kerala and all States. The growth rates of total expenditure of Kerala were lower than that of all States in six out of ten years covered by us. The revenue component of total expenditure, as seen earlier accounts for a very

large share of the total expenditure. Therefore, it is the revenue component that largely influences the trend of total expenditure.

Table 3.26: Growth Rates in Revenue and Capital Expenditure: Kerala and all States (Percent)

Year	Revenue Expenditure		Capital Expenditure		Total Expenditure	
	Kerala	All States	Kerala	All States	Kerala	All States
1999-00	25.3	18.6	-3.5	14.41	21.6	17.9
2000-01	2.7	11.7	-4.8	5.17	1.9	10.6
2001-02	-1.8	8.0	15.7	12.16	-0.1	8.7
2002-03	26.5	6.5	50.4	36.13	29.2	11.4
2003-04	5.0	12.6	93.3	76.80	16.5	25.6
2004-05	10.8	8.2	-27.3	4.99	2.6	7.3
2005-06	7.3	7.2	-13.4	-21.65	4.1	-0.8
2006-07	13.0	15.5	-13.2	22.59	9.7	17.0
2007-08	19.5	14.9	62.8	13.15	23.9	14.5
2008-09*	15.7	25.2	10.5	24.33	15.0	25.0

* Revised Estimate

Source: RBI, State Finances, Various Issues

- 3.60** The growth rates of capital disbursements were quite erratic. The fluctuations for Kerala ranged from 93 percent in one year followed by a negative growth rate of 27 percent in the following year. The fluctuations were more in Kerala because of the larger share of repayments in capital disbursements of the Kerala noted earlier year.

Table 3.27: Expenditure in relation to GSDP (Percent)

State	Total Expenditure		Revenue Expenditure		Capital Outlay	
	2000-05	2005-10	2000-05	2005-10	2000-05	2005-10
Kerala	18.9	17.7	16.2	15.5	0.7	0.8
All States	17.0	15.9	13.3	12.4	1.6	2.5

* 2009-10 figures are budget estimates.

Note: All states average is inclusive of Special Category States.

Source: RBI, State Finances, 2009-10

- 3.61** The ratio of revenue expenditure to GSDP shows trends similar to that of total expenditure. There was decline in this ratio for both Kerala and India partly due to the compression of expenditure after the fiscal responsibility legislation and insistence by the Central government as well as the Twelfth Finance Commission. The ratio of Kerala was more than that of All States.
- 3.62** Capital outlay as percentage of GSDP was quite low for both Kerala and All States during both the sub periods. In fact it was only negligible. It was the lowest for Kerala among all the states during both the periods.

3.63 Table 3.28 presents the per capita revenue expenditure, capital outlay and total expenditure of Kerala and all States. The table shows that the per capita total expenditure has been increasing steadily in Kerala except in 2001-02. The per capita total expenditure was more for Kerala than for All States during all the ten years. Similar trends are noticed in per capita revenue expenditure also. But the position of per capita capital outlay was quite different. The capital outlay in per capita terms was always lower for Kerala than for All States. The per capita outlay of Kerala was only 78 percent that of All States in 1999-2000. Thereafter, it came down almost steadily to reach 30.6 percent in 2006-07. There has been some reduction in the gap between Kerala and All States in the last two years. But even in 2008-09, the per capita outlay of Kerala was only 36.6 percent of the All States average.

Table 3.28: Per Capita Revenue Expenditure and Capital Outlay (Rs.)

Year	Revenue Expenditure		Capital Outlay		Revenue Expenditure+ Capital Outlay	
	Kerala	All States	Kerala	All States	Kerala	All States
1999-2000	3603	2645	202	259	3805	2903
2000-01	3682	2924	179	312	3861	3236
2001-02	3648	3036	175	311	3823	3347
2002-03	4560	3180	216	347	4776	3526
2003-04	4737	3520	196	489	4933	4008
2004-05	5192	3751	206	565	5398	4316
2005-06	5512	3957	244	701	5756	4657
2006-07	6168	4499	267	872	6435	5372
2007-08	7301	5095	433	1043	7734	6137
2008-09*	8468	6285	498	1359	8966	7644

Source: Computed using data from

1. RBI, State Finances, Various Issues.
2. Mid Year Population figures from Budget in Brief, GOK, 2010-11

3.64 Table 3.29 gives the state-wise trend in per capita capital outlay during the first and second half of the present decade.

Table 3.29: Trend in Per Capita Capital Outlay (Rs.)

State	Per capita Capital Outlay	
	2000-05	2005-10
Kerala	195	389
All States*	398	1084

* Refers to non-special category states.

Source: RBI, State Finances, 2009-10

3.65 Kerala's per capita capital outlay was just half that of All States during 2000-05. During the second half, Kerala's outlay was just 39 percent.

3.66 Table 3.30 presents the ratio of expenditure on social and economic services to total expenditure.

Table 3.30: Share of Social and Economic Services in Total Expenditure (Percent)

Year	Social Services		Economic Services	
	Kerala	All Sates	Kerala	All States
1999-00	42.1	36.9	23.3	26.9
2000-01	39.9	36.8	21.3	27.9
2001-02	37.6	35.1	18.8	26.4
2002-03	37.4	32.6	21.9	25.2
2003-04	30.0	28.4	24.3	27.9
2004-05	36.2	29.6	19.8	25.9
2005-06	35.6	33.7	21.6	29.3
2006-07	31.0	33.9	15.7	29.9
2007-08	31.4	35.3	15.1	30.8
2008-09*	34.3	38.3	16.7	31.4

* Revised Estimates

Source: RBI, State Finances, 2009-10

3.67 The table shows that the share of social sector expenditure in total expenditure came down from 42.1 percent in 1999-2000 to 34.3%in 2008-09. The share of Kerala, however was higher than that of all States during the first seven years. But the trend got reversed during the last three years.

3.68 The table also shows a declining trend in the share of economic services of Kerala during the last three years. In the case of All States, there was an increase in the share of economic services. In all the ten years, the share of economic services for Kerala was lower than that of all States. The share of economic services was much lower than that of social services in both Kerala and all States.

3.69 Table 3.31 gives the per capita expenditure on social and economic services.

Table 3.31: Per Capita Revenue Expenditure on Social and Economic Services (Rs.)

Year	Economic Services		Social Services	
	Kerala	All States	Kerala	All States
1999-2000	718	559	1310	974
2000-01	675	642	1298	1048
2001-02	597	635	1275	1038
2002-03	921	655	1557	1057
2003-04	917	788	1536	1119

2004-05	1000	775	1778	1213
2005-06	1128	837	1764	1342
2006-07	803	981	1919	1553
2007-08	827	1172	2285	1787
2008-09*	1126	1468	2890	2386

* Revised Estimates

Source: Computed using data from:

1. RBI, State Finances, Various Issues
2. Mid year population figures from Budget in Brief, Government of Kerala, 2010-11

3.70 The table shows that the per capita expenditure on social services during all the ten years was higher in Kerala than in All States. But the per capita expenditure on economic services was lower than that of All States except during four years including the last three years.

3.71 Table 3.32 gives the State-wise trend in social sector expenditure in relation to GSDP.

Table 3.32: Trend in Social Sector Expenditure

State	Social Sector Expenditure as % of GSDP	
	2000-05	2005-10
Kerala	6.7	5.8
All States*	5.5	5.8

* Refers to non-special category states.

Note: For All States, GDP is taken.

Source: RBI, State Finances, 2009-10

3.72 The table shows a decline in the ratio of Kerala between the first and second half of the present decade whereas there was an increase, albeit marginal, in the rate of All States.

3.73 Education is the single largest component of expenditure on social sector. Table 3.33 gives the ratio of expenditure on education to aggregate (revenue + capital) expenditure.

Table 3.33: Share of Expenditure on Education in Aggregate Expenditure (Percent)

Year	Kerala	All States
2000-01	20.0	17.4
2001-02	19.0	16.2
2002-03	17.6	15.1
2003-04	15.7	12.6
2004-05	16.2	12.7
2005-06	16.6	14.2
2006-07	17.1	14.0

2007-08	15.9	13.8
2008-09*	16.8	14.4

*Revised Estimates

Source: RBI, State Finances, 2009-10

3.74 The ratio for Kerala was always higher than for All States.

3.75 Table 3.34 gives the expenditure on medical, public health and family welfare as ratio to aggregate expenditure.

Table 3.34: Share of Expenditure on Medical & Public Health and Family Welfare# in Aggregate Expenditure (Percent)

Year	Kerala	All States
2000-01	5.3	0.7
2001-02	5.8	0.7
2002-03	4.8	0.7
2003-04	4.3	0.6
2004-05	4.5	0.6
2005-06	4.7	0.6
2006-07	4.9	0.6
2007-08	4.5	0.6
2008-09*	4.7	0.7

* Revised Estimates

Revenue Expenditure and Capital Outlay.

Note: All States Average include figures for Special category states

Source: RBI, State Finances, 2009-10

3.76 The table shows a gradual decline in the ratio of Kerala though Kerala's ratio continues to be higher than that of All States.

3.77 Interest, Pension and Salaries are normally treated as committed expenditure in the total revenue expenditure of a State. Table 3.35 shows that the committed expenditure on revenue account exceeded the revenue receipts of Kerala in 1999-2000. In the following year, it was almost the same. Till 2003-04, more than nine-tenth of the revenue receipts had to be pre-empted for committed expenditure. The share of committed expenditure in total revenue expenditure has been coming down. But, even in 2008-09, it accounted for three-fourths of the revenue receipts and two-thirds of the revenue expenditure.

Table 3.35: Ratio of Committed Expenditure (Wages and Salaries, Pension and Interest) in Revenue Receipts and Revenue Expenditure (Percent)

Year	Revenue Receipts		Revenue Expenditure	
	Kerala	All States	Kerala	All States
1999-2000	104.8	74.4	72.0	59.1
2000-01	100.2	72.1	73.7	58.9
2001-02	94.9	71.9	73.7	58.4
2002-03	93.8	69.9	67.6	58.4

2003-04	92.0	67.5	70.2	56.5
2004-05	86.1	61.6	67.7	56.1
2005-06	81.5	53.1	67.7	52.2
2006-07	77.8	48.3	67.9	50.7
2007-08	80.8	43.8	68.5	47.0
2008-09*	75.5	44.0	65.7	44.6

Source: RBI, State Finances, Various Issues

3.78 The ratio of interest to revenue receipts and revenue expenditure is given in Table 3.36.

Table 3.36: Ratio of Interest Payments to Revenue Receipts and Expenditure (Percent)

Year	Revenue Receipts		Revenue Expenditure	
	Kerala	All States	Kerala	All States
1999-2000	24.6	21.8	16.9	17.3
2000-01	25.9	21.7	19.0	17.7
2001-02	27.5	24.4	21.3	19.9
2002-03	27.7	25.0	20.0	20.9
2003-04	28.2	25.8	21.5	21.6
2004-05	26.8	23.6	21.0	21.5
2005-06	24.8	19.5	20.6	19.2
2006-07	23.0	17.6	20.1	18.4
2007-08	20.5	16.0	17.4	17.2
2008-09*	19.2	14.4	16.7	14.6

Source: RBI, State Finances, Various Years

3.79 The table shows that there has been an easing of the interest burden on the revenue receipts during the last four years. Despite some debt relief given by the 13th Finance Commission, the interest burden is likely to increase as interest rates are tending to harden following inflation which has already crossed the double digit rate as noted earlier.

3.80 Table 3.37 gives the ratio of expenditure on wages and salaries during the last ten years.

Table 3.37: Ratio of Expenditure on Wages and Salaries in Revenue Receipts & Expenditure (Percent)

Year	Revenue Receipts		Revenue Expenditure	
	Kerala	All States	Kerala	All States
1999-2000	57.5	41.6	39.5	33.1
2000-01	52.2	39.7	38.4	32.4
2001-02	47.1	36.4	36.6	29.5
2002-03	44.6	33.8	32.2	28.2
2003-04	43.5	31.2	33.1	26.1
2004-05	40.1	27.9	31.6	25.4
2005-06	37.1	24.2	30.8	23.8

2006-07	36.6	21.9	32.0	23.0
2007-08	36.9	18.8	31.3	20.1
2008-09*	37.2	20.5	32.4	20.8

* Revised Estimates

Source: RBI, State Finances, 2009-10

- 3.81** The table shows that the ratio of Kerala was higher than that of All States in all the ten years. However, the ratios of salaries and wages show a declining trend from the peak recorded in 1999-00. Trends noticed in the case of All States are similar.
- 3.82** In the salary component of revenue expenditure, Kerala stood tenth in 2007-08 and eighth in 2008-09 among 13 States for which data are available with the Reserve Bank of India (Table 3.38).

Table 3.38: Share of Expenditure on Wages and Salaries in Revenue Expenditure (Percent)

States	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09*
Andhra Pradesh	37	34.6	33	31.1	29.2	28.2	29.4	28.8	24.5	24
Assam	-	50.9	49.8	51.3	45.9	39.7	42.1	41.2	-	-
Bihar§	41.5	49.7	42	36.2	34.3	34.2	-	-	-	-
Chhattisgarh	51.7	39	35.2	31.2	29.6	28.7	28.4	27.4	26.5	33.5
Gujarat	12.1	10.1	10.2	11.5	11.6	10.6	10.6	9.6	-	-
Haryana	37.8	37.4	33.7	33.8	31.1	30.3	29.6	24.6	25.5	30.8
Himachal Pradesh	41.3	38.5	41	40.1	38.4	37.9	-	36.3	-	-
Jharkhand	-	-	-	-	-	-	-	22.7	-	-
Karnataka#	30	27.7	27	26.3	25	22.2	21	19.6	22.5	27.1
Kerala	39.5	38.4	36.6	32.2	33.1	31.6	30.8	32	31.3	32.4
Madhya Pradesh	43.5	40.1	34.3	36.5	26.6	32.6	29.4	-	-	-
Maharashtra	54.5	48.6	48.3	45.7	46	40.5	43.6	39.5	42.5	40.9
Mizoram	43.9	42.7	42	43.1	39.1	39.9	34.3	36.3	-	-
Nagaland	-	-	-	-	-	-	-	45.9	44.1	40.1
Orissa	44.2	43.1	37.8	39.2	36.8	32.9	32	29.4	30.1	32.7
Rajasthan	37.6	33.9	33.2	31	30.5	30.5	31.7	29.2	27.4	32.7
Sikkim	-	52.2	24.2	22.8	37.9	26	28.3	22.5	-	-
Tamil Nadu	40	37.9	38.3	31.1	31.5	29.2	28.1	27.9	28.3	31.7
Uttar Pradesh	24.5	24.9	21.9	22.5	16	18.9	19.4	17.7	17.2	19.5
Uttarkhand	-	-	-	-	-	-	-	35.1	34.9	35
West Bengal	50.5	43.4	39.7	40	36.7	34.8	32.7	31.8	31.9	26.3
All States	36.4	39.1	36.3	35.1	32	31.1	29.1	27.5	28.4	29.3

* Indicates Revised Estimates

Indicates Salary Expenditure

§ Indicates that figures since 2001-02 relate to bifurcated Bihar

3.83 Contrary to the popular impression, the high wage bill of Kerala was not on account of general services like organs of State, fiscal services and administrative services. These services accounted for only about two-fifths of the total salary bill of the state in 2008-09 (Table 3.39).

Table 3.39: Share of each head in Total Expenditure on Salaries during the year 2008-09 (Includes Salary of Staff of State Aided Institutions) (Percent)

Head	Non-Plan	Plan	Total
A. General Services	21.22	0.00	20.60
<i>of which</i> Organs of State	2.09	0.00	2.03
Fiscal Services	4.34	0.00	4.21
Administrative Services	14.79	0.00	14.36
B. Social Services including salary of staff of Aided Institutions	67.55	89.16	68.18
<i>of which</i> Education, Sports, art and Culture	53.42	4.84	52.00
<i>of which</i> General Education	51.21	2.44	49.78
<i>of which</i> Aided Institutions	33.84	0.00	32.85
Technical Education	1.91	2.35	1.92
<i>of which</i> Aided Institutions	0.40	0.06	0.39
Health and Family Welfare	11.91	19.73	12.14
<i>of which</i> Medical and Public Health	10.60	1.34	10.33
<i>of which</i> Aided Institutions	0.12	0.00	0.11
C. Economic Services	11.02	5.42	10.86
<i>of which</i> Agriculture and Allied Activities	5.38	0.75	5.24
Rural Development	1.53	0.00	1.49
Irrigation and Flood Control	1.47	0.20	1.43
Industry and Minerals	0.39	0.10	0.38
Transport	1.42	0.00	1.37
General Economic Services	0.84	4.16	0.93
Total Expenditure Heads (Revenue Account) including salary of staff of Aided Institutions	99.79	94.58	99.64
Expenditure Heads (Capital Account)	0.21	5.42	0.36
Grand Total Expenditure including salary of staff of Aided Institutions	100.00	100.00	100.00

Note: Charged expenditure not included.

Source: Finance Accounts 2008-09

3.84 More than two-third of the salary bill was on account of social services. About one-tenth of the revenue expenditure was spent on economic services. Among the social services, Education accounted for 52% of the wage bill. The wage bill of aided educational institutions alone accounted for one-third of the wage bill of the state. Health and Family Welfare, another social service accounted for about 10.3 percent of the total salary bill. Among the economic services, Agriculture and allied activities accounted for the single largest share in salary bill, i.e., 5.2%. Together with Irrigation and flood control (1.4%), the agricultural sector claimed 6.71% of the Government's salary bill. Industry accounted for just 0.38% of the wage bill.

- 3.85** As against the popular notion, the money spent on administrative services in Kerala is lower than that of All States. In fact, the share of administrative services in the revenue expenditure was the third lowest among the non-special category states. (RBI, 2009-10).
- 3.86** The 12th Finance Commission had given the per employee salary expenditure from 1994-95 till 2002-03. (Similar data are not given by the 13th Finance Commission). The per employee salary expenditure in Kerala was much lower than that of All States during all the years (Table 3.40). In 2001-02, it was actually the lowest and accounted for only 80 percent of the average wage of government employees for 21 States. In 2002-03, the salary expenditure per employee was only 91% of the All States' average. Kerala's average salary was the third lowest among 19 states for which data were available.

Table 3.40: Per Employee Salary Expenditure of Kerala and 21 States

Year	Per Employee Salary (Rs.)		Kerala's per employee salary as a % to the weighted average of 21 States
	Kerala	Weighted average of 21 States	
1994-95	40554	41968	96.6
1995-96	42762	47398	90.2
1996-97	48599	53631	90.6
1997-98	50699	61377	82.6
1998-99	59504	75116	79.2
1999-00	79187	89600	88.4
2000-01	79443	92214	86.2
2001-02	72359	90353	80.1
2002-03	85961	94603	90.9

Note: The Weighted Average of States in 2002-03 excludes per employee Salary Expenditure of Punjab & Tamil Nadu because of the non-availability of data
Source: Report of the 12th Finance commission

- 3.87** The 13th Finance Commission envisages only an annual growth of six percent for salaries and 10 percent for pension. The Commission while making the forecast for salaries and pensions of Kerala has not factored in the financial implications of the present Pay Commission recommendations regarding revision of salary and pension and arrears. (13th Finance Commission Report, Chapter 7, Paras. 7.56 to 7.66 and 7.122). For the States like Karnataka and Kerala whose own Pay Commission's recommendation were implemented during the period, their last pre-state Pay Commission salary has been projected to grow at six per cent to arrive at the 2006-07 salary expenditure whereafter, common procedure outlined below has been adopted.
- 3.88** The Commission has found that, on an average the one- time increase in salary expenditure is 35 per cent in 2006-07. The growth in salary expenditure in subsequent years has been estimated at six per cent taking into account annual

increment of three per cent, annual increase in DA rate of six per cent, and assumed attrition of 1 per cent. This has been used for projecting the revised salary expenditure of states for the projection period as well as the notional pre-revised salary for 2006-10.

- 3.89** Table 3.41 gives the annual growth rates of salaries and pensions from 1999-2000 till 2010-11.

Table 3.41: Annual Growth Rates of Salaries and Pension

Year	Salaries	Pension	Salaries+Pension
1999-2000	38.4	56.7	43.1
2000-01	-0.2	6.7	1.7
2001-02	-6.5	-4.7	-6.0
2002-03	11.4	24.2	15.3
2003-04	8.3	5.5	7.4
2004-05	5.5	8.0	6.3
2005-06	4.9	10.0	6.6
2006-07	17.4	15.1	16.7
2007-08	16.8	49.5	27.7
2008-09	17.8	-4.8	9.0
2009-10*	11.9	-1.2	7.4
2010-11#	11.7	17.3	13.4

* Revised Estimates

Budget Estimates

Source: Budget in Brief, Government of Kerala, Various Issues

- 3.90** The actual growth rate in salaries and pensions for Kerala was quite different from the growth rates projected by the Finance Commission.
- 3.91** Twelfth Finance Commission had recommended that the states should follow a recruitment policy such that salary expenditure does not exceed 35% of revenue expenditure net of interest payments and pensions. We have limited the impact of pay revision to salary expenditure within this normative ceiling and the expenditure over and above the ceiling has been successively reduced by 10 per cent of the amount every year.
- 3.92** Table 3.42 gives the share of salaries in revenue expenditure net of interest payments and pensions for Kerala.

Table 3. 42: Share of salaries in Net Revenue Expenditure

Year	Salaries	Net RE	% of salaries to Net RE
1999-2000	450286	780541	57.688962
2000-01	449161	769082	58.402225
2001-02	420082	733463	57.273782
2002-03	467899	952638	49.116139
2003-04	506709	975852	51.92478
2004-05	534558	1095610	48.790902
2005-06	560778	1163267	48.207161

Year	Salaries	Net RE	% of salaries to Net RE
2006-07	658545	1334028	49.365156
2007-08	769366	1563745	49.200221
2008-09	906381	1887773	48.013241
2009-10*	1014565	2077826	48.828198
2010-11#	1133237	2359705	48.02452

Revised estimates

Budget Estimates

Note: Net Revenue Expenditure is Total revenue Expenditure minus Interest Payments and Pensions

Source: Budget in Brief, Government of Kerala, Various Issues

3.93 The Table suggests that Kerala has to go a long way if it is to reach anywhere near target. Table 3.43 gives the ratio of pension to total revenue receipt and revenue expenditure of Kerala and All states.

Table 3.43: Ratio of Pension to Revenue Receipts and Revenue Expenditure (Percent)

Year	Revenue Receipts		Revenue Expenditure	
	Kerala	All States	Kerala	All States
1999-2000	22.8	10.9	15.6	8.7
2000-01	22.1	10.7	16.2	8.7
2001-02	20.3	11.0	15.8	9.0
2002-03	21.5	11.1	15.5	9.2
2003-04	20.4	10.4	15.5	8.7
2004-05	19.3	10.0	15.1	9.2
2005-06	18.7	9.4	15.5	9.3
2006-07	18.1	8.8	15.8	9.3
2007-08	23.3	9.0	19.8	9.7
2008-09*	19.1	9.1	16.6	9.2

* Revised Estimates

Source: RBI, State Finances, Various Years

3.94 On an average, pension accounts for about one-fifth of the total revenue receipts and more than 15% of the revenue expenditure (Table 3.43). The share of pension in Kerala in 2007-08 was 19.8% as against 9.7% for All States. In 2008-09, the share of pension came down to 16.6%. But in both the years, the share of pension in Kerala was the highest among all the States (RBI, 2009-10).

3.95 The reasons for the higher share of pensions lie in the lowest retirement age in Kerala as against the highest life expectancy in the State. The share of persons above 55 years in Kerala in 2001 was 14% against 10.1% for India. It is likely that many people will be drawing more years of pension than salaries. Many of them will be enjoying full pension after the period of commutation at 67 is over. *The percentage of population above 69 years in 2001, roughly corresponding to*

the expiry of the commutation period was 4.4%^{t11} as against 2.8% for the country. The Thirteenth Finance Commission projects that the pensions will increase by 10 percent between 2010-11 and 2014-15 as against 6% for salaries. Finance Commission has estimated the pension payments for the base at 21% over the 2008-09 pension payment, arrived at by applying TGR over the actual figure for 2007-08. For States having their own Pay Commission, a procedure similar to that adopted for salaries has been adopted. As may be seen from table 3.41 the actual growth rates of State's pension payments prior to 2009-10, the base year for the Finance Commission, was quiet at variance from the projections of the Finance Commission.

3.96 According to the projections of the Finance Commission, pensions in Kerala will be almost the same as salary in 2014-15 (Salary: Rs.8,099 cr.; Pension: Rs.8,054 cr.). The Government of India introduced a defined, contribution based, New Pension System (NPS) with effect from 1st April 2004. But Kerala is one of the 28 states which has not yet implemented the New Pension System. The 13th Finance Commission has recommended a grant of Rs.10 crores to assist the state to build the database of their employees and pensioners in order to facilitate the implementation of the New Pension System.

3.97 The table 3.44 presents the ratio of wages, salaries and pensions to the revenue receipts and expenditure of Kerala and All states.

Table 3.44: Ratio of Total Compensation for Employees (Expenditure on Wages and Salaries and Pension) in Revenue Receipts & Expenditure (Percent)

Year	Revenue Receipts		Revenue Expenditure	
	Kerala	All States	Kerala	All States
1999-2000	80.3	52.6	55.1	41.7
2000-01	74.3	50.4	54.6	41.1
2001-02	67.4	47.4	52.3	38.5
2002-03	66.1	44.8	47.6	37.5
2003-04	63.9	41.6	48.7	34.9
2004-05	59.4	38.0	46.7	34.6
2005-06	55.8	33.6	46.3	33.1
2006-07	54.8	30.8	47.8	32.3
2007-08	60.2	27.7	51.1	29.8
2008-09*	56.3	29.6	49.0	30.0

Source: RBI, State Finances, 2009-10

3.98 Table 3.44 shows that the total compensation for employees (salary + pension) accounts for a significantly higher ratio of state's revenue receipts and revenue expenditure than that of All States.

¹¹ For those who retire at 55, the commutation period will expire at the age of 67 for Kerala. But we do not have data of people above the age of 67.

V. Forecast of Revenue Receipt, Revenue Expenditure, State's Own Tax Revenue and GSDP¹²

3.99 As part of the study, an effort was made to forecast Revenue Receipts (RR), Revenue Expenditure (RE), State's Own Revenue (SOR), State's Own Tax Revenue (SOTR) and GSDP (GSDP) for the period 2009-10 to 2014-15 by applying various forecasting techniques. Data for the period from 1999-01 to 2008-09 was made use of for forecasting. The 2008-09 figures of Revenue Receipts, Revenue Expenditure, State's Own Revenue and State's Own Revenue were revised estimates. Sector wise GSDP at current prices were sourced from Central Statistical Organization. Initially, a sequence plot was plotted to understand the data pattern. Of the various forecasting methods tried, exponential trend produced the minimum forecast error measured in terms of Mean Absolute Percentage Error (MAPE). Hence we zeroed in on the exponential trend model defined as:

$$Y_t = a e^{bt}$$

where 'a' is the y-intercept, 'b' is the slope and Y_t is the dependent variable. The co-efficient of determination (R^2) was greater than 0.96 for all the variables indicating good fit.

3.100 Two approaches have been used for forecasting GSDP. Firstly, we fitted a model using GSDP data for the period 1999-2000 to 2008-09. Secondly, the estimation was done for each sector (primary, secondary and tertiary) and then aggregated. It was found that Mean Absolute Percentage Error was lower for the second method. Hence the second approach was made use of for forecasting GSDP. The model was further improved by introducing an adjusting factor. This was done by fitting a first order autoregressive model (AR(1)) for residues. AR(1) model is

$$e_t = \rho e_{t-1} + \varepsilon_t \quad \text{where } \varepsilon_t \text{ is the}$$

error term and ρ is the autoregressive parameter.

3.101 The improved exponential trend model which was finally used for arriving at the forecast figures is

$$\tilde{y}_t = \hat{y}_t + \hat{\rho} \hat{\varepsilon}_t \quad \text{where } y_t \text{ is the}$$

forecasted value using exponential trend model for the t^{th} year, $\hat{\varepsilon}_t$ is the corresponding residue and $\hat{\rho}$ is the estimated autoregressive parameter of the AR (1) model. The improved model was able to reduce MAPE from 4.0 percent to 1.2 percent for RR, 5.1 to 3.2 for RE, 3.5 to 2.5 for SOR, 3.6 to 2.2 for SOTR and 3.3 to 0.9 for GSDP. The forecasted values are given in the following table.

¹² We acknowledge the help received from Dr. P.G. Sankaran and Dr. N. Balakrishna of Department of Statistics, Cochin University of Science and Technology (CUSAT) in suggesting the methodology for the forecast.

Table 3.45: Forecast of Revenue Receipt, Revenue Expenditure, State's Own Revenue and GSDP (2009-10 to 2014-15) (Rs. Crore)

Year	Revenue Receipt	Revenue Expenditure	State's Own Revenue	State's Own Tax Revenue	GSDP
2009-10	27826	30345	18791	17387	210876
2010-11	31169	33067	21029	19513	235360
2011-12	35113	36453	23696	22047	263555
2012-13	39698	40344	26750	24951	295816
2013-14	44983	44708	30211	28246	332579
2014-15	51043	49565	34125	31980	374371

3.102 Table 3.46 details the road map suggested by the 13th Finance Commission.

Table 3.46: Road Map for Fiscal Consolidation

	2011-12	2012-13	2013-14	2014-15
RD/GSDP (%)	1.4	0.9	0.5	0
FD/GSDP (%)	3.5	3.5	3.0	3.0
Debt/GSDP (%)	32.3	31.7	30.7	29.8

Sources: 1. Report of the 13th Finance Commission

2. Medium Term Fiscal Plan for Kerala (MTFP), 2010- 2011 to 2012-13.

3.103 The table 3.47 gives the forecasts of salary, pension and total compensation for employees for the five year period 2010-11 to 2014-15.

Table 3.47: Assessed Expenditure on Salary and Pensions (Rs. crore)

Items	2010-11	2011-12	2012-13	2013-14	2014-15
Salary	6421.75	6805.29	7211.71	7642.36	8098.69
Pensions	5500.65	6050.71	6655.78	7321.36	8053.5
Salary + Pension	11922.4	12856	13867.49	14963.72	16152.19

Source: 13th Finance Commission Report

3.104 As was noted earlier only an annual growth of 6% for salary, 10% for pensions and 8% for total compensation was envisaged for the State.

3.105 It is not obligatory for the state government or the present Pay Commission to limit the growth in salaries or pensions to the growth envisaged by the 13th Finance Commission (Table 3.47). Subject to the condition that the State Government will have to follow the road map regarding the deficit and debt indicators, the State Government has some freedom.

3.106 Summing up, our discussion brings out a case both for and against a substantial revision of salaries and pension. The case for upward revision in salary and pension rests on the following grounds. Firstly, the income of Government employees vis a vis other segments of their middle class has been

coming down and this may lead to difficulties in attracting good talents to Government services. Secondly, the higher salaries are required to offset the increasing cost of living particularly the cost of services like education and health care. It is likely that the inflation rates which are hovering around double digit level at present are unlikely to go down in the near future. Thirdly, a Government employee has to take care of his/her dependents who may be students who spend longer years in educational institutions than in other parts of the country. In view of the increasing life expectancy, a good number of the dependents are likely to be old parents whose health care and other support needs are increasing and are getting costlier. Fourthly, the Government employees cannot insulate themselves totally from the consumerism which has gripped the middle class in the State.

- 3.107** The case against substantial revision rests on the following grounds. Firstly, all fiscal indicators suggest that Kerala Government's financial position is much worse than that of other state. Further, the successive Finance Commissions had been suggesting a road map for fiscal consolidation fixing rigid quantitative targets for gross fiscal deficit, revenue deficit, borrowing limits and outstanding loans. They have also suggested imposition of penalties for deviation from the road map suggested by them.
- 3.108** As for revenue receipts of the state, the share of central budgetary transfers to the state has been coming down progressively. Besides, the central transfers including the Finance Commission transfers are made increasingly conditional and are not available for meeting the salary and pension payments. The 13th Finance Commission have not provided any grants for revision of salaries and pensions, nor have they provided for arrears. On the expenditure side, it is found that the share of development services- both social and economic services, has been steadily decreasing adversely affecting the public services.
- 3.109** Though the fiscal scenario appears to be quite grim one cannot fail to note some silver linings in the dark clouds. One favourable factor for the states' revenue is the higher growth rate envisaged for the GDP of India. If this higher growth of the economy materializes, it can lead to higher growth in Central Government's tax revenue. If these expectations materialize, the state will also benefit by getting larger amount as share in Central taxes.
- 3.110** We have noted that Kerala economy has been growing at a pace faster than the national economy. If this trend continues, the SDP of Kerala grow faster than the Gross Domestic Product of the country in the near future. This also can lead to higher revenue from State's own taxes.
- 3.111** There seems to be yet another factor favourable for the growth of State's revenue. It is expected that the introduction of Goods and Service Tax would introduce buoyancy in revenue, both by widening the tax base and by stimulating economic growth due to lower compliance cost and lower effective

tax rates on a wider base according to the Reserve Bank of India (RBI, State Finances, 2009-10) The State Government in its Medium Term Fiscal Plan for 2010-11 to 2012-13 expects the growth rates of state's own tax revenue for the year 2011-12 and 2012-13 at 20 per cent and 15 per cent respectively. These rates are estimated on the assumption that "Goods and Service Tax dispensation would be better for the State." (we are not yet sure when GST will be introduced in the country. It is getting postponed again and again).

- 3.112** The 13th Finance Commission, have provided for some surpluses in the non-plan revenue account of the state budget after the transfers proposed by them. These surpluses if they actually materialize are available for increasing the salaries and pensions beyond what is envisaged by the Finance Commission. But we have got to bear in mind that these surpluses have got alternative demands on them like financing plan expenditure, meeting expenditure on education, health etc.
- 3.113** Ultimately, if the competing demands on the State's revenue most of which are quite legitimate are to be met there is a need for expanding the fiscal space of the State Government. The space can be widened in a number of ways such as increasing tax rates, strengthening tax administration, cutting down low priority expenditure, implementing expenditure programmes efficiently and acquiring higher transfers from the Central Government. An examination whether and to what extent there is scope for increasing the revenue and reducing the expenditure does not fall within the purview of this study. A large number of reports have examined how the resources of the state can be augmented or expenditure reduced. The Public Expenditure Review Committee constituted under the fiscal responsibility legislation can possibly be entrusted with this task.
- 3.114** As seen above Government is budget constrained to provide required resources for revision of salary and pension of its employees. Finance Commission in particular the 13th Commission had been suggesting a roadmap for fiscal consolidation by fixing rigid quantitative targets for Gross Fiscal Deficit, Revenue Deficit borrowing limits on outstanding loans. In such situation, it is difficult to reconcile the growing needs and aspirations, many of them legitimate of Kerala Government employees and pensioners within the limited capacity of State Government. The Commission feels that the timely revision being the major responsibility of the State Government. Central Government should recognize this responsibility and provide some sort of Cushioning while prescribing the financial code of conduct for the State Governments. Again the needs of State Government for revising the pay and pension may be taken as a major criterion for transferring resources from the Central to the State Government.

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CHAPTER 4
DETERMINATION OF PAY

- 4.1.** As discussed in earlier Paras, in Kerala, a periodicity in pay revision has been evolved and each pay commission derived certain formulae in arriving minimum and maximum of scales of pay. During the period from 1966 to 2004, there have been eight pay revisions in Kerala whereas in the Central Government, there have been six revisions. The periodicity of five year for each revision has helped the employees in the lower rung to attain better pay levels compared to other States/Central Government.
- 4.2.** At present there are 24 scales of pay starting from Rs.4510-6230 to Rs.26600-33750. The number of scales and the range of pay scales since 1966 are shown in the Table (4.1)

TABLE 4.1
MINIMUM AND MAXIMUM IN PAY SCALES - 1966-2004

Sl.No	Date of effect	No. of pay scales	Minimum pay scale	Maximum pay scale
1	1-1-1966	48	60-1-70-3-100 (20 years)	1300-50-1700 (8 years)
2	1-7-1968	35	70-3-110 (15 years)	1300-50-1700 (8 years)
3	1-7-1973	36	196-3-229-4-245-4/2-265 (25 years)	1400-50-1800-50/2-1900 (12 years)
4	1-7-1978	32	280-5-340-6-400 (22 years)	2500-125/2-2750 (4 years)
5	1-7-1983	27	550-10-650-15-800 (20 years)	3700-125-4200 (4 years)
6	1-7-1988	26	750-10-760-15-805-20-925-25-1025 (14 years)	4435-170-5285 (5 years)
7	1-3-1992	27	775-12-955-14-1025-20-1065 (22 years)	5900-150-6500-200-6700 (5 years)
8	1-3-1997	27	2610-60-3150-65-3540-70-3680- (17 years)	16300-450-19900 (8 years)
9	1-7-2004	24	4510-120-4990-130-5510-140- 5930-150-6230 (13 years)	26600-650-33750 (11 years)

Source: compiled by PRC Staff

- 4.3.** A comparative picture of pay structure evolved by Central Government and Southern States in recent years is shown in the Table (4.2)

TABLE 4.2**PAY SCALES IN CENTRAL GOVERNMENT AND SOUTHERN STATES**

Sl. No	Government	Date of revision	No. of scales	Minimum	Maximum
1	Government of India	1-1-2006	31 (Pay Bands 4)	4440-7440+1300 GP	37400- 67000+10000 GP
2	Tamil Nadu	1-1-2006	29 (Pay Bands 4)	4800-10000+1300 GP	37400- 67000+10000 GP
3	Andhra Pradesh	1-1-2009	31	6700-20110	44740-55660
4	Karnataka	1-7-2005	25	4800-7275	28275-39900
5	Kerala	1-7-2004	24	4510-6230	26600-33750

4.4. Over the years, the number of scales in Kerala has progressively reduced and fixed at a relatively stable level of 24 numbers so as to maintain an overall internal relativity among the scales and to assure better pay to employees. The minimum pay enhanced by Government of Kerala with effect from 1-7-2004 has been the highest pay assured to the employees at lower grade when compared to the scales of pay sanctioned by other southern States. The last pay commission revised the minimum pay from Rs.2610-3680 to Rs.4330-5930, but the same was later modified to Rs.4510-6230 vide GO(P)No. 262/2007/(59)/Fin. dated, 19-6-2007, thereby assuring an increase of 72.80% in basic pay. The existing disparity ratios between the minimum of the lowest scale to the minimum of the highest scale, maximum of the lowest scale to the maximum of the highest scale, the minimum of the lowest scale with maximum of the highest scale and maximum of the lowest scale with the minimum of the highest scale are 1:5.9, 1:5.4, 1:7.48 and 1:4.27 respectively. In Government of India these ratios are wider which means that the gap between the lowest scale and the highest one is quite high. Table showing enhancement in the scale of pay of randomly selected posts in Kerala during 1988 to 2004 is given below.

TABLE 4.3**ENHANCEMENT IN THE SCALES OF PAY OF RANDOMLY SELECTED
POSTS IN KERALA DURING 1988-2004**

Sl.No	Name of Post	As on	As on	Increase during	
		1.7.1988	1.7.2004	1988-2004 (Times of multiple)	
				In Minimum	In Maximum
1	Class IV Employee	750-1025	4510-6230	6.0	6.0
2	Attender	775-1160	4630-7000	5.9	6.0
3	Driver	805-1190	5250-8390	6.5	7.0
4	L D Clerk/L D Typist	825-1290	5250-8390	6.3	6.5
5	Confidential Assistant Gr.II	865-1450	6080-9830	7.0	6.7
6	Assistant	865-1450	7990-12930	9.2	8.9
7	Typist Gr.II	865-1450	6080-9830	7.0	6.7
8	High School Assistant	1000-1710	8390-13270	8.3	7.7
9	Pharmacist Gr.II	905-1490	6680-10790	7.3	7.2
10	Staff Nurse Gr.II	1000-1710	7480-11910	7.4	6.9
11	Sub Inspector of Police	1100-2070	9190-15510	8.3	7.4
12	Excise Inspector	1100-2070	8390-13270	7.6	6.4
13	Circle Inspector of Police	1370-2640	10790-18000	7.8	6.8
14	Draftsman Gr.II/ Overseer Gr.II	905-1490	6680-10790	7.3	7.2
15	Assistant Engineer	1450-2825	11070-18450	7.6	6.5
16	Tahsildar	1370-2640	10790-18000	7.8	6.8
17	Veterinary Surgeon	1450-2825	11070-18450	7.6	6.5
18	Headmaster (High School)	1450-2825	11070-18450	7.6	6.5
19	Geologist	1650-3175	12250-19800	6.6	6.2
20	Divisional Forest Officer	1830-3425	12930-20250	7.0	5.9
21	Deputy Director of Education	2070-3550	13610-20700	6.5	5.8
22	Deputy Director of Agriculture	2070-3550	13610-20700	6.5	5.8
23	Assistant Director of Agriculture	1650-3175	12250-19800	7.4	6.2
24	Deputy Collector	1830-3425	12930-20250	7.0	5.9
25	Deputy Superintendent of Police	1830-3425	12930-20250	7.0	5.9
26	Under Secretary/Finance Officer	1830-3425	12930-20250	7.0	5.9
27	Deputy Secretary/Sr.Finance Officer	2470-3675	20700-26600	8.3	7.2
28	Joint Secretary	2640-3815	23200-31150	8.7	8.1
29	Director of Agriculture	3050-4435	25400-33100	8.3	7.4
30	Chief Engineer PWD	3175-4605	26600-33750	8.3	7.3

4.5. The 8th PRC recommended the minimum pay of Rs.4330 taking into account the factors such as educational qualification at the entry level in the lowest post, the functional relationship between the minimum salary in Government and wage structure in the economy, special skills required for a particular job, nature of

duties and responsibilities attached to each post, the minimum calorific requirement of the 2700 for a family of four, the percapita income of the State both in real terms and at current prices. In addition to these factors, the 7th PRC has considered the private sector remuneration structure and public undertaking wage structure while finalizing minimum pay. We are of the view that some of the above mentioned socio-economic factors have to be reckoned while determining the minimum pay and pay structure.

On determining minimum Salary

4.6. Minimum pay determination is a major task before any pay revision commission. This commission has also received memoranda from the major service organizations and individuals regarding their expectations on the minimum pay. Their estimates depends on available information with them and according to their philosophy and perceptions. These are based on the ‘ need based minimum pay’ and the parameters are the norms developed by 15th Indian Labour Conference held in the year 1957. All commissions in the past have customarily referred to the recommendations of the Indian Labour Conference (ILC), while presenting estimate on minimum pay. Further, the balanced Diet approach, propounded by Dr. Aykroyd, is also considered for arriving at the minimum food expenditure. The Central Pay Commissions, in particular the 4th Commission, have emphasized the concept of the Living Wages though no further initiatives were seriously undertaken by subsequent commissions or organizations to elaborate or to quantify the concept. Even the ILC norms mentioned above needed further modifications in the sense that expenditure on shelter, education, recreation etc are to be factored into the estimates. Such exercises have not been undertaken by organizations or individuals. Based on their own reasoning, seven major service organizations have submitted the minimum wage estimates to the commission which is given in Table (4.4)

TABLE 4.4

Comparative Statement of Proposals of Minimum Pay Submitted by Service Organisations

Sl. No.	Proposed Minimum pay (In Rupees)
1	9000
2	9000
3	9000
4	12700
5	9000
6	12000
7	9000

- 4.7.** As seen in the table, the minimum wages proposed by major service organizations vary between Rs.9000 and Rs.12700, that out of the seven organizations listed in Table 4.4, five proposed for Rs.9000 as the minimum pay. These variations are mainly because of the variations in the perceptions regarding the minimum requirements. The commission did not go into detailed exercise of the above sort of perceptions. However, an alternative approach has been taken in arriving the average monthly expenditure incurred by a household to assure basic minimum consumption standards. National Sample Survey Organisation (NSSO) has been conducting multi-subject integrated sample surveys, all over the country in successive rounds relating to various aspects of social, economic, demographic, industrial and agricultural statistics. In order to strike a balance between the urgent need for the data on wide variety of topics and the constraint of the limited resources, both financial and others, the NSSO from its very inception has been following a multi-subject integrated survey system.
- 4.8.** National Sample Survey Organisation (NSSO) estimates all the major expenses incurred by a person/household during a mixed reference period of one year. For items such as clothing, footwear, education, medical care (institutional) and durable goods, it collects information for the “last 365 days” reference period, and from which the monthly expenditure were estimated. All other expenses (such as food, tobacco & intoxicants, fuel and light, miscellaneous goods and services including non- institutional medical care, rent and taxes) are obtained for the “last 30 days” reference period. A persons’ Monthly Per capita Consumer Expenditure (MPCE) reflects the living standard (consumption expenditure) of the house hold in which he belongs. In order to arrive at the individual monthly per capita expenditure (MPCE), the household MPCE is divided by the family size. We have used the latest National Sample Survey Report on Consumer Expenditure which is 61st Round. This data covers the period from July 2004 to July 2005. However, for our purpose, the information provided by this Round is inadequate as it is five years old. So we have to depend on some other reliable source. NSSO used to conduct the annual consumer expenditure surveys using a small number of households. This came quite handy for our purpose; the latest among such series is the 64th Round, which covers the period from July 2007 to June 2008. The major problem highlighted for this data has been that the survey was on the basis of relatively small or sample. The following table (Table 4.5) gives the data covered in the two Rounds. Since our purpose is only to identify the average amount of expenditure incurred by household to maintain their living, we have based our estimation on the 64th Round.

TABLE 4.5
Details Regarding the Sample Size in Kerala.

	Rural			Urban		
	Village	Households	Individuals	Blocks	Households	Individuals
61 st 2004-05	368	3300	14427	196	1950	8686
64 th 2007-08	240	896	3749	128	510	1823

Source: Compiled from NSSO Rounds 61st and 64th, Government of India.

4.9. Total expenditure covered in this survey consists of two major categories, food and non-food expenditure. The major items covered under food category were cereals and its products, pulses and its products, milk and its products, edible oil, egg, fish and meat, vegetable, fruits, sugar, salt and spices, beverages, refreshments and processed food. The non-food group consisted of pan, tobacco and intoxicants, fuel and light, clothing and footwear, education, medical, conveyance and other consumer services, miscellaneous goods, entertainments, rent, taxes and cesses, and durable goods (see NSSO, 64th Round for a detailed study). Thus it includes all the items needed for a household. Moreover, it included the rich class's items (Luxurious commodities) such as fridges, computers etc under durable category. In this way the survey accommodated the normal 'aspirations' of Government employees. It is evident from the data that most part of expenditure incurred by an average Keralite is for non-food items rather than food items (See Table 4.6) and the same is 59 and 64 percent for rural and urban areas respectively. The corresponding figure for the nation is 48 and 60 percent. This again gives stress to the above point of 'aspirations' of the Government employees. A more disaggregated picture of consumption pattern is given in the Table 4.6.

TABLE 4.6.
Break-up of Monthly Per Capita Expenditure (MPCE) for food and non-food categories

Category	Amount of consumption (Rupees)				Percent share in total consumption			
	India		Kerala		India		Kerala	
	Rural	Urban	Rural	Urban	Rural	Urban	Rural	Urban
Food	404	582	564	703	52	40	41	36
Non-food	368	889	819	1245	48	60	59	64
Total expenditure	772	1471	1383	1948	100	100	100	100

Source: Calculated from NSSO 64th Round, Government of India (2008)

4.10. Table 4.7 shows the average MPCE for rural and urban population. We have calculated the weighted consumer expenditure for Kerala taking the sample size of rural and urban population as the weight. From this it can be seen that the

average monthly expenditure of a person is Rs.1568 and it comes to Rs.4704 for a three-member family according to the 64th Round. The similar figure according to the 61st Round', that is for 2004-2005 is only Rs.3362/-.

The 64th Rounds' estimate may be over estimated, when we compare with the 61st Round since it includes the meals received as assistance from Government/non-Government Institutions in recipient household's

TABLE 4.7
Average Monthly consumer Expenditure

NSS Round	India (Rs)		Kerala (Rs)		Weighted MPCE Adjusted for Family Size			
	Rural	Urban	Rural	Urban	1	3	3.5	4
61 st 2004-05	559	1052	1013	1291	1117	3352	3911	4470
64 th 2007-08	772	1471	1383	1948	1568	4704	5488	6272

Source: Calculated from NSSO 61st and 64th Rounds, Government of India

- 4.11.** In order to make sure that the Government employees are not leading a substandard living, we have also examined the consumption category to which they belong. We are emphasizing this point because, the average MPCE can again be influenced by the presence of outliers. However, the degree of such influence will be lower in the case of consumption since the growth of income and consumption moves in the same proportion only up to a point and after that savings will emerge. Savings nullify the outlier effect to a certain extent, compared to the use of income as a tool of measurement. When we compare the minimum of MPCE of Rs.1568 (2007-2008) per person with the different expenditure classes it is comparable with the consumption levels of higher expenditure class (see table 4.8, 60-80 class). This is the second class of consumption from above. Accordingly, 60-80 percent of Kerala's population spends below this level. It is to be remembered in this context that Kerala is one of the highest spending states in India. For 60-80 consumption class, compared to the all India spending, Kerala remains first for rural and second for urban. It means that Kerala's consumption levels are not in any way below the all India consumption levels.

TABLE 4.8
Average MPCE (Rs.) for different quintile consumption class (%) Kerala

Category	0-20	20-40	40-60	60-80	80-100	All
Rural	588	864	1103	1515	2841	1383
Urban	659	995	1332	2103	4676	1948

Source: Calculated from NSSO 64th Round, Government of India

- 4.12.** It appears from the above discussion that the NSSO expenditure pattern with a standardization methodology showed a lower figure of consumption than that of the minimum consumption expenditure submitted by various organizations. The Commission is aware of one year lag in (NSSO) data.
- 4.13.** Contrary to the consumption approach, several commissions in the past insisted on an income based approach to decide on the minimum amount of salary. We have also examined the procedure of the above method. The above approach is based on data of the Per capita Net State Domestic Product available from Central Statistical Organization (CSO) and working out the monthly per capita income both at current and constant prices. This we have adjusted for a family size of 3, 3.5 and 4 members (see Table 4.8). Considering the increase in the nuclear families as well as the presence of more than one earning member in a household, we have fixed a family size of three, (two dependents and one earning member), for this exercise. It can be seen from Table 4.9 that for a three member family the average monthly income according to the current standard of Kerala economy is Rs.12329 at current prices and Rs.8864 in terms of 1999-2000 prices.

TABLE 4.9
Pay Determination: per capita NSDP in Kerala

Year	SPCI at current prices (in Rs)					SPCI 1999-2000 prices (in Rs)				
	Annual SPCI	MSPCI Adjusted for Family size				Annual SPCI	MSPCI adjusted for Family size			
		1	3	3.5	4		1	3	3.5	4
1999-00	19461	1622	4865	5676	6487	19461	1622	4865	5676	6487
2000-01	20094	1675	5024	5861	6698	19809	1651	4952	5778	6603
2001-02	21257	1771	5314	6200	7086	20659	1722	5165	6026	6886
2002-03	23484	1957	5871	6850	7828	21944	1829	5486	6400	7315
2003-04	25999	2167	6500	7583	8666	23159	1930	5790	6755	7720
2004-05	29071	2423	7268	8479	9690	25122	2094	6281	7327	8374
2005-06	33044	2754	8261	9638	11015	27714	2310	6929	8083	9238
2006-07	37947	3162	9487	11068	12649	30476	2540	7619	8889	10159
2007-08	43104	3592	10776	12572	14368	33372	2781	8343	9734	11124
2008-09	49316	4110	12329	14384	16439	35457	2955	8664	10342	11819

Notes: SPCI denotes State Per capita Income and MSPCI denotes Monthly SPCI
Source: Calculated from Central Statistical Organization, Government of India

- 4.14.** We have also examined in this context, the minimum wages of the unskilled labour determined by market forces. The source of information is the Report on “Wage Rates in Rural India (2008-2009)”, Ministry of Labour and Employment published in the year 2010. The average wage of unskilled workers are available in this report. We have compared this figures with the lowest salary of the last grade employee in Government service, who are supposed to be unskilled.
- 4.15.** We shall also bring in the minimum wage levels of unskilled workers in Kerala published by Directorate of Economics and Statistics, Government of Kerala. The estimates arrived by both the agencies are given in Table 4.10 and 4.11. We may arrive at monthly wages by multiplying it with 23,24,25 working days per month. The details are given in Table 4.10 and 4.11. The wage of unskilled labourers calculated for 23 days gives us a figure of Rs.3790, Rs.3755 for 24 days and Rs.5120 for 25 days for July 2008. In June 2009 it increased to Rs.4510, Rs.4706 and Rs.4902 respectively (see Table 4.10)

TABLE 4.10

Average Daily Wage rates in Agricultural operations in Rural Kerala

	June 2009			July 2008			June 2009			July 2008		
	Men	Women	Average	Men	Women	Average	No. of working days			No. of working days		
							23	24	25	23	24	25
Transplanting		143.98	144		125.24	125	3312	3456	3600	2881	3006	3131
Harvesting		149.33	149	142	124	133	3435	3584	3733	3059	3192	3325
Well digging	286.67		287	247.5		248	6593	6880	7167	5693	5440	6188
Group Average	287	147	193	195	125	169	4447	4640	4833	3877	4046	4215
Carpenter	297.25		297	248.75	249	6837	7134	7431	5721	5970	6219	
Blacksmith	294.71		295	236.59	237	6778	7073	7073	7368	5442	5678	5915
Mason	292.06		292	251.32		251	6717	7009	7302	5780	6032	6283
Tractor driver	214		214				4922	5136	5350			
Unskilled labourers	226.67	165.5	196	191.39	138.32	165	4510	4706	4902	3790	3955	4120

Source: Wage rates in Rural India: 2008-2009”, Ministry of Labour and Employment, Labour Bureau, Govt. of India, 2010.

TABLE 4.11**Minimum Wages decided by the Government of Kerala.**

		December 2008			December 2007			December 2008			December 2007		
		December 2008			December 2007			No. of working days			No. of working days		
		Basic	DA	Total	Basic	DA	Total	23	24	25	23	24	25
Agriculture	Hard work	125		125	125		125	2875	3000	3125	2875	3000	3125
	Light work	72		72		72	72	1656	1728	1800	1656	1728	1800
	Construction and maintenance of roads and buildings stone breaking and crushing	112	76	188	112	58	171	4327	4515	4704	3924	4095	4266
Plantations	Tea	40	68	109	40	58	98	2501	2610	2719	2254	2352	2451
	Rubber	51	68	120	51	58	109	2749	2869	2989	2503	2612	2721
	Coffee	40	68	108	40	58	98	2493	2601	2710	2246	2344	2442
	Cardamom	40	68	109	40	58	98	2501	2610	2719	2254	2352	2451
	Group average	43	68	111	43	58	101	2561	2672	2784	2315	2415	2516

- 4.16.** The data supplied by the Directorate of Economics and Statistics published in the Economic Review 2009 gives the daily wage rate of unskilled workers in the agricultural sector, which come to Rs.4383 for 23 days and Rs. 4765 for 25 days (See Table 4.12). These figures may be taken only as a rule of thumb for, the number of working days we considered are purely arbitrary. In certain seasons the number of days available for work may be much less.
- 4.17.** The point of emphasis is that these figures appear much less than the minimum wage existed in 2009 July for a last grade unskilled employee in Government service, the basic minimum salary of the Government employees being Rs. 7396 (4510 + 64% DA).
- 4.18.** When minimum wages are decided, the increase in per capita income is also taken into account. The argument has been that the benefit of increase in per capita income due zfrom 2004-05 to 2008-09, the latest year for which information is available, the per capita income at constant prices has increased from Rs. 2094 to Rs.2955. We may add this increase (Rs.861) to the existing minimum salary and the total comes to Rs.8257.

TABLE 4.12**Average Wage Rates of unskilled workers in the Agriculture Sector**

Year	Adjusted for number of days			
	1	23	24	25
2007-08	167	3834	4001	4167
2008-09	191	4383	4574	4765

Source: Calculated from Economic Review, 2009, Government of Kerala.

4.19. The minimum pay determined using the relative per capita real income criteria will be as follows:

i. Basic pay as on 1.07.2009	Rs.4510.00
ii. Increase in per capita income (at constant prices) during 2004-05 to 2008-09	Rs.861.00
iii. DA as on 1-7-2009 (64%)	Rs.2886.00
Total	Rs.8257.00

4.20. Thus it can be seen that the minimum pay based on per capita state income (constant prices) is a more realistic approach. Various Service organizations have demanded minimum pay ranging from Rs.9000/- to Rs.12700/- as shown in Table 4.4. The minimum pay arrived based on the per capita State income comes to Rs.8257.00 and it is below the expectation of the major service organizations. The Commission takes a generous approach and decided to enhance the same to the level near to their expectations and fix it at Rs.8500/- as on 1.7.2009.

4.21. As already explained in Para 4.2 above the number of pay scales in Kerala has progressively reduced and brought down to 24 with effect from 1.7.2004. The Commission examined the question of merging of scales of pay as demanded by major service organizations and came to the conclusion that such merger might result in creating anomalous situation while granting ratio or higher grade promotions.

4.22. The time span of current pay scales varies from 10 to 22 years. It is interesting to note that in Andhra Pradesh as per latest Pay Revision from 1.7.2009, the minimum scale of Rs. 6700-20110 is having 13 incremental stages and total residency period of 39 years. The higher time span will perhaps reduce the possibilities of stagnation in the case of senior employees officiating in lower pay scales. In the highest scale in Andhra Pradesh the time span allowed is only nine years with three incremental stages which is evident that the progression in the residency period of increments couldn't be maintained. In Kerala, the scenario is different on account of the fact that the periodicity of pay revision is

shorter viz; five years and employees are enjoying better ratio based/time bound higher grade promotion with in a shorter spell in their career. The existing pay scales shown in the time span of each scale is shown in Table 4.13 below.

TABLE 4.13

Sl. No	Existing Pay Scale	Span
1	4510-120-4990-130-5510-140-5930-150-6230	13
2	4630-120-4990-130-5510-140-5930-150-6680-160-7000	17
3	4750-120-4990-130-5510-140-5930-150-6680-160-7480-170-7820	16
4	5250-130-5510-140-5930-150-6680-160-7480-170-7990-200-8390	21
5	5650-140-5930-150-6680-160-7480-170-7990-200-8790	20
6	6080-150-6680-160-7480-170-7990-200-9590-240-9830	22
7	6680-160-7480-170-7990-200-9590-240-10790	22
8	7480-170-7990-200-9590-240-10790-280-11910	21
9	9 and 10	-
10	7990-200-9590-240-10790-280-11910-340-12930	20
11	8390-200-9590-240-10790-280-11910-340-13270	19
12	8790-200-9590-240-10790-280-11910-340-13610	18
13	9190-200-9590-240-10790-280-11910-340-13610-380-15510	21
14	9590-240-10790-280-11910-340-13610-380-16650	22
15	10790-280-11910-340-13610-380-16650-450-18000	20
16	11070-280-11910-340-13610-380-16650-450-18450	20
17	11910-340-13610-380-16650-450-19350	10
18	12250-340-13610-380-16650-450-19800	19
19	12930-340-13610-380-16650-450-20250	18
20	13610-380-16650-450-20700	17
21	16650-450-20700-500-23200	14
22	22 and 23	-
23	20700-500-23200-550-25400-600-26600	11
24	23200-550-25400-600-26600-650-31150	13
25	25400-600-26600-650-33100	12
26	26 and 27	-
27	26600-650-33750	11

4.23. The 8^h Pay Revision Commission while discussing the increment rates has remarked as follows:

“The increment rate is a crucial determinant in any pay scale and if it is a reasonable amount it can serve the purpose of at least partially alleviating the hardships that the employees face in the context of increasing prices. Thus, the regular grants of dearness allowance instalments and the salary increment rate

should suffice to keep pace with the cost of living. The rate of increment should however be evolved on a rational basis”.

4.24. The present Commission also concur with their views and with a view to provide better rates the new rationale is evolved to allow increment as a percentage of basic pay keeping progression in rate also. As per the latest Central pay revision the rate of increment allowed is 3% of basic pay. Majority of Service organizations have demanded to implement the same rate in the State also. Allowing increment at 3% of basic pay will cast heavy burden on the State finances. Taking into account the fact that by adding 64% DA to the existing minimum increment rate, the amount may more or less come to around Rs.200/-, the Commission decided to fix minimum increment as Rs.230/- which is 2.71% of basic pay. Another component which is relevant is the acceleration in increment rates over the span of the scale. The Table 4.14 shown below gives the rate of acceleration in increments in pre-revised scale.

TABLE 4.14
RATE OF ACCELERATION IN INCREMENT RATES IN DIFFERENT
SCALES
(PRE-REVISED)

Sl. No.	Scale	Span	Minimum Increment	Maximum Increment	% of increase from minimum to maximum	Average annual increase	No of Posts
1	4510-6230	13	120	150	25	2.31	39951
2	4630-7000	17	120	160	33.33	2.35	16734
3	4750-7820	16	120	170	41.67	3.13	13485
4	5250-8390	21	130	200	53.85	3.33	41804
5	5650-8790	20	140	200	42.86	3.00	9041
6	6080-9830	22	150	240	60.00	4.09	39968
7	6680-10790	22	160	240	50.00	3.64	73185
8	7480-11910	21	170	280	64.71	5.24	22947
9	7990-12930	20	200	340	70.00	7.00	41951
10	8390-13270	19	200	340	70.00	7.37	48986
11	8790-13610	18	200	340	70.00	7.78	250
12	9190-15510	21	200	380	90.00	8.57	46232
13	9590-16650	22	240	380	58.33	6.36	28294
14	10790-18000	20	280	450	60.71	8.50	27222
15	11070-18450	20	280	450	60.71	8.50	28036
16	11910-19350	10	340	450	32.35	11.00	7704
17	12250-19800	19	340	450	32.35	5.79	4180
18	12930-20250	18	340	450	32.35	6.11	1834
19	13610-20700	17	380	450	18.42	4.12	982
20	16650-23200	14	450	500	11.11	3.57	1870
21	20700-26600	11	500	600	20.00	9.09	526
22	23200-31150	13	550	650	18.18	7.69	334
23	25400-33100	12	600	650	8.33	4.17	118
24	26600-33750	11	650	650	-	-	20

Source: Compiled by PRC staff

4.25. Let us discuss the percentage of employees placed in different pay scale. Out of the total 24 pay scales, 11 pay scales covering 14.69% of employees are in the gazetted category and 13 pay scales covering 85.31% of employees in the non-gazetted category. The largest number of employees are in the scale of pay of Rs.6680-10790 and the smallest number of employees are in the scale of pay of

Rs.26600-33750. The share of each pay scale in the total staff strength may be seen in Table 4.14.

- 4.26.** In every pay revision exercise the question of disparity ratio between the minimum pay in the lowest scale and the minimum pay in the highest scale has to be looked into. The present disparity ratio in Kerala is explained in Para 4.4 of this chapter 4. The previous Pay Revision Commission has rightly pointed out that the disparity ratio has generally come down in Kerala and in contrast to the disparity ratio in the Centre, the ratios in Kerala are fair and low.
- 4.27.** The formulation of new pay scales involves the determination of the following factors.
- (i) Date of effect of the revised scale
 - (ii) Extent of merger of DA with basic pay as on the date of effect.
 - (iii) Stepping up of basic pay, if any required.
- 4.28.** Commission wish to clarify that in the Terms of Reference itself Government have stipulated that the date of effect of the pay revision shall be 1.07.2009. Hence there is no need for a detailed discussion on this issue.
- 4.29.** Regarding the extent of merger of DA, with basic pay as on the date of effect of pay revision, the previous Pay Revision Commissions have adopted different practices. In 1992 revision, no DA was merged with basic pay. In 1978, 1983, 1988, 1997 and 2004 a major portion, but not the entire DA was merged with the basic pay. Here Commission examined the various aspects and felt that the merger of entire DA with basic pay as on 1.07.2009 will benefit the employees more in general.
- 4.30.** The 8th Pay Revision Commission granted an amount equal to 6% of basic pay as fitment benefit subject to a minimum of Rs.350, before the employees are placed in the new pay scale. Naturally the quantum of fitment benefit in the present pay revision has to be examined. In the sixth Pay Revision for Central Government employees the system of fitment benefit was substituted by grade pay equivalent to 40% of the maximum of the pre-revised scale of pay. Here it is to be noted that the periodicity of pay revision in Central Government is once in ten years whereas in Kerala, it is once in five years. Moreover, the State finances do not permit a huge quantum of fitment benefit on par with Central Government employees. Besides, the State Government employees are also entitled to service weightage. Hence the fitment benefit to be given has to be determined taking into account the above mentioned factors. The Commission after detailed consideration, recommends to grant a fitment benefit of 10% of basic pay subject to a minimum of Rs.1000/-.

CHAPTER 5

NEW PAY STRUCTURE

5.1 Based on the principles discussed in Chapter 4, the Commission has formulated a new pay structure. Having decided on the minimum basic pay, the next aspect to be decided is the new increment rates. The revised increment rates are derived by adding 64% DA to the existing rates and stepped up to a stage corresponding to the multiple of the nearest rupees ten keeping in mind the fact that the increment rate shall more or less progressively go down from 2.72% to 2.09%. The table shown below is a ready reckoner showing the progression of increment rates in the revised pay structure.

TABLE 5.1
PROGRESSION OF INCREMENTAL RATES

Sl. No.	Increment Rate	Span	Percentage	Stages
1	230	3	2.71	8500-8730-8960-9190
2	250	3	2.72	9190-9440-9690-9940
3	270	4	2.71	9940-10210-10480-10750-11020
4	300	4	2.72	11020-11320-11620-11920-12220
5	330	4	2.70	12220-12550-12880-13210-13540
6	360	4	2.65	13540-13900-14260-14620-14980
7	400	5	2.67	14980-15380-15780-16180-16580-16980
8	440	4	2.59	16980-17420-17860-18300-18740
9	500	5	2.67	18740-19240-19740-20240-20740-21240
10	560	5	2.63	21240-21800-22360-22920-23480-24040
11	620	5	2.57	24040-24660-25280-25900-26520-27140
12	680	4	2.50	27140-27820-28500-29180-29860
13	750	4	2.50	29860-30610-31360-32110-32860
14	820	4	2.50	32860-33680-34500-35320-36140
15	900	5	2.50	36140-37040-37940-38840-39740-40640
16	1000	8	2.40	40640-41640-42640-43640-44640-45640-46640-47640-48640
17	1100	8	2.26	48640-49740-50840-51940-53040-54140-55240-56340-57440
18	1200	2	2.09	57440-58640-59840

Source: compiled by PRC Staff.

5.2 Accordingly the Commission recommends a revised master scale as shown below:

8500-230-9190-250-9940-270-11020-300-12220-330-13540-360-14980-400-16980-440-18740-500-	(3)	(3)	(4)	(4)	(4)	(4)	(5)	(4)	(5)
21240-560-24040-620-27140-680-29860-750-32860-820-36140-900-40640-1000-48640-1100-	(5)	(5)	(4)	(4)	(4)	(5)	(8)	(8)	
57440-1200-59840	(2)								

5.3 The concept of Master Scale was first introduced in Kerala by the Fifth Pay Commission. This system was adopted from Karnataka. At present Master Scale system is in vogue in Andhra Pradesh also. While recommending the master scale, the Vth Kerala Pay Commission had remarked “the rate of increment will be the same at every point on the scale irrespective of the post. Moreover, it guarantees a minimum of two increments when an employee moves from a lower scale to a higher scale”. The 1992 Pay Equalization Committee dispensed with the continuance of master scale and allowed normal revision to the corresponding scales of pay. The 1997 Pay Revision Committee also was not in favour of reintroducing master scale on the ground that this will cast a heavy burden on the finances of the State due to fixation and re-fixation under Rule 28 A. The Committee observed that an increment to an employee is not an isolated entity but something which brings in multipronged financial gains by way of simultaneous increase in Dearness Allowance, HRA, Pension, Gratuity, Commutation etc. However, the Committee recommended three to five fold increase in the incremental rates.

5.4 The 2004 Pay Revision Commission reintroduced the master scale which was subsequently modified by the Government as shown below:

4510 - 120 - 4990 - 130 - 5510 -140 - 5930 - 150 - 6680 - 160- 7480 -170 -	(4)	(4)	(3)	(5)	(5)	(4)
7990 - 200 - 9590 - 240 - 10790 - 280 - 11910 - 340 - 13610 - 380 -16650 -	(8)	(5)	(4)	(5)	(8)	
450 - 20700 -500 -23200 -550 - 25400 - 600 - 26600 - 650 - 33750	(9)	(5)	(4)	(2)	(11)	

5.5 The 8th Pay Commission felt that the adoption of a master scale would help to do away with many anomalies in pay fixation and would also ensure that all employees would receive two increments uniformly on promotion from one scale to another. However, the Commission advocated a change in method for applying Rule 28 A Kerala Service Rules which would prevent unintended financial gain to employees by way of fixation and re-fixation. The Commission

also took into account of the demand for reintroduction of Master Scales made by various Service Organizations. We have considered at length the need for continuance of the system and its impact in the background of the demands raised in this regard. We find no reason to do away with the master scale especially on account of the prevailing harmonious relationship between the employees and the Government. We also accept the continuance of a Master Scale.

5.6 The Corresponding revised pay scales which would be 27 in number, forming segment of the master scale are as follows.

Sl. No.	Proposed Scales	Span
1	8500-230-9190-250-9940-270-11020-300-12220	14
2	8730-230-9190-250-9940-270-11020-300-12220-330-12550	16
3	8960-230-9190-250-9940-270-11020-300-12220-330-13210	15
4	9190-250-9940-270-11020-300-12220-330-13540-360-14620	18
5	9940-270-11020-300-12220-330-13540-360-14980-400-15380	17
6	10480-270-11020-300-12220-330-13540-360-14980-400-16980-440-17420	20
7	11620-300-12220-330-13540-360-14980-400-16980-440-18740	19
8	13210-330-13540-360-14980-400-16980-440-18740-500-20740	18
9	13900-360-14980-400-16980-440-18740-500-21240-560-22360	19
10	14620-360-14980-400-16980-440-18740-500-21240-560-23480	19
11	15380-400-16980-440-18740-500-21240-560-24040	18
12	16180-400-16980-440-18740-500-21240-560-24040-620-27140	21
13	16980-440-18740-500-21240-560-24040-620-27140-680-29180	22
14	18740-500-21240-560-24040-620-27140-680-29860-750-31360	21
15	19240-500-21240-560-24040-620-27140-680-29860-750-32110	21
16	20740-500-21240-560-24040-620-27140-680-29860-750-32860-820-33680	20
17	21240-560-24040-620-27140-680-29860-750-32860-820-34500	20
18	22360-560-24040-620-27140-680-29860-750-32860-820-35320	19
19	24040-620-27140-680-29860-750-32860-820-36140	17
20	29180-680-29860-750-32860-820-36140-900-40640	14
21	32110-750-32860-820-36140-900-40640-1000-44640	14
22	36140-900-40640-1000-46640	11
23	40640-1000-48640-1100-54140	12
24	42640-1000-48640-1100-55240	13
25	44640-1000-48640-1100-56340	11
26	46640-1000-48640-1100-57440-1200-58640	11
27	48640-1100-57440-1200-59840	10
	8500-230-9190-250-9940-270-11020-300-12220-330-13540-360-14980-400-16980-440-18740-500-21240-560-24040-620-27140-680-29860-750-32860-820-36140-900-40640-1000-48640-1100-57440-1200-59840	

5.7 Salient Features of the Revised Scale.

- (i) The increase in incremental rates over a span varies from 2.72% to 2.09% with the maximum in the incremental stages of Rs.250/- and Rs.300/-.
- (ii) The disparity ratio between the minimum and maximum basic pay in the revised pay structure has come down to 1:7.04 from 1:7.48 of the previous revision. This has been achieved despite the increase of the number of scales from 24 to 27.
- (iii) By providing sufficient spans along with accelerated incremental rates, the possibility of stagnation of senior level officers has been minimized to a large extent.
- (iv) The existing internal relativity between scales have been ensured even on reducing the disparity ratio.
- (v) The number of scales have been increased from the existing 24 to 27 inducting three new scales at higher level. This has been done mainly to accommodate certain categories of higher level officers in line Departments viz; with Senior level functionaries in the Government Secretariat.

Formula for Fixation of Pay in the Revised Scale.

5.8. The next task before the Commission is to frame rules for the fixation in the revised scales of pay. The fixation rules are given at the end of the chapter with proper illustrations.

5.9. In the 2004 Pay Revision, 59% DA was merged with the basic pay on the date of option and a fitment benefit of 6% of the pre-revised basic pay, subject to a minimum of Rs.350/- was also given. Regarding service weightage, one increment in the revised scale for each completed four years of service, subject to a maximum of four increments was also given, after arriving the revised pay in the next stage of the scale of pay. The Commission adopted the above procedure in order to ensure that those employees who have put in more service should be given reasonable benefit as in the case of Central pay fixation rules. The long standing complaint that in every general revision senior employees having longer service get lesser monetary benefit has been taken care of to some extent.

5.10. In the 1997 Pay Revision, fixation of pay in the revised scales was done by merging 148% of DA and adding fitment benefit at the rate of 10% of basic pay and service weightage @ 1% for every completed year of service, subject to a maximum of 20% of Basic Pay in the pre-revised scale of pay. However, in 1992 pay revision (Pay Equalisation Committee) neither DA was merged nor weightage was granted. The Pay in the revised scale was fixed by adding 7% of basic pay in the existing scale of pay subject to a minimum of Rs.75/- and a maximum of Rs.250/-. There was also a provision for additional increments

in the revised scales in the case of bunching for more than five consecutive stages in the existing scales.

- 5.11.** In the 2006 Central Pay Revision (6th Central Pay Commission) four running Pay Bands were introduced. To switch over to the revised pay, the DA @ 74% was merged with basic pay as on 1.1.2006 and rounded to the next multiple of Rs.10/-. This was taken as the pay in the revised running pay band. Further Grade Pay computed @ 40% of the maximum of the basic pay in each of the pre-revised pay scale was also reckoned. The Commission had added that the Pay Bands introduced would ease stagnation at higher level in the case of senior officers, and remove many of the pay scale related anomalies and also would ensure that by and large no bunching would take place.
- 5.12.** In order to ensure reasonable monetary compensation to each employee, this commission has taken a pragmatic approach keeping in mind the basic principle to reduce the disparity between the highest paid officer and the lowest paid officer as explained in para 4.26 of Chapter 4 of the Report. This Commission has fixed the minimum pay at Rs.8500/- so as to ensure that the expectation of the Service Organisations and employees in general would be satisfied. The minimum pay so fixed is also based on the general principle of adding increase in percapita income (at constant Prices) during the period from 2004-2005 to 2008-2009 to the lowest pre- revised basic pay and DA there on as on 1.07.2009. Since in the Terms of Reference, the date of effect of the Pay Revision is stipulated as 1.07.2009, the Commission felt that contrary to the stand taken by the previous Pay Revision Commissions, the merger of entire DA with basic pay as on 1.07.2009 would benefit the employees in general and the highest paid employees in particular.
- 5.13.** To sum up, fixation in the revised scale is recommended to be made in the following manner.
- 5.14.** An amount equal to 64% DA at 147.91 (AICPIN) will be added to the basic pay in the pre- revised scale. 10% of the basic pay on the date of option will be further added as fitment benefit, subject to a minimum of Rs.1000/-(Rs. One thousand only). To the pay so arrived at, service weightage calculated at the rate of ½% for each completed year of service on the basic pay as on date of option subject to a maximum of 15% shall be added. Thereafter the revised pay will be fixed at the next stage of the corresponding revised pay scale. The pay so arrived at will be a stage in the master scale.

5.15. A few illustrations given below would clarify the point further.

(Case I)

A Class IV Employee having a continuous service of 6 years, drawing a basic pay of Rs.5250 in the pre-revised scale of pay of Rs.4510-6230.

Basic pay as on 1.07.2009	5250.00
DA @ 64%	3360.00
Fitment @ 10% of Basic Pay (Subject to a minimum of Rs.1000)	1000.00
Service weightage @ ½% of Basic Pay for each completed year of service	158.00
Total	9768.00

Next stage in the corresponding revised
scale of pay 8500-12220 Rs.9940.00

(Net benefit as on on 1.7.2009 Rs.1330/-)

(Case II)

An LD Clerk having 12 years of continuous Service drawing a basic a basic pay of Rs.7480 in the pre-revised scale of Rs.6680-10790. (TBHG Scale)

Basic pay as on 1.7.2009	-	7480.00
DA @ 64%	-	4787.00
Fitment @ 10% Basic Pay (Subject to a minimum or Rs.1000/-)	-	1000.00
Service weightage @ ½% for each completed year of service	-	449.00
Total		13716.00

Next stage in the corresponding
revised scale of Rs.11620-18740 13900.00

(Net benefit as on 1.7.2009 Rs.1633/-)

(Case III)

A Second Grade Draftsman/Overseer having a continuous service of 17 years drawing a basic pay of Rs.9590 in the scale of pay of Rs.9190-15510 (2nd TBHG scale)

Basic pay as on 1.7.2009	-	9590.00
DA @ 64%	-	6138.00
Fitment benefit at 10% of BP (Subject to a minimum of Rs.1000)	-	1000.00
Service weightage @ ½% for each completed year of service	-	815.00
Total	-	17543.00
Next stage in the corresponding revised scale of Rs. 16180-27140	-	17860
(Net benefit as on 1.7.2009 Rs.2132/-)		

(Case IV)

An High School Assistant having a continuous service of 10 years drawing a basic pay Rs Rs.11350 in the scale of pay of Rs.10790-18000. (1st TBHG)

Basic pay as on 1.7.2009	-	11350.00
DA @ 64%	-	7264.00
Fitment @ 10% Basic Pay	-	1135.00
Service weightage @ ½% for each completed year of service	-	568.00
Total	-	20317.00
Next stage in the corresponding revised scale of Rs.18740-31360	-	20740.00
(Net benefit as on 1.7.2009 Rs.2126/-)		

(Case V)

A Finance Officer having a continuous service of 14 years drawing a basic pay of Rs. 18450 in the pre-revised scale of pay of Rs. 12930-20250

Basic pay as on 1.7.2009	-	18450.00
DA @ 64%	-	11808.00
Fitment @ 10% Basic Pay	-	1845.00
Service weightage @ ½% for each completed year of service	-	1292.00
Total	-	33395.00

Next stage in the corresponding
revised scale of Rs.22360-35320 - 33680.00
(Net benefit as on 1.7.2009 Rs.3422/-)

(Case VI)

A Class IV Employee having a continuous service of 2 years drawing a basic pay of Rs.4750 in the pre-revised scale of pay of Rs.4510-6230.

Basic pay as on 1.7.2009	-	4750.00
DA @ 64%	-	3040.00
Fitment @ 10% Basic Pay		
(Subject to a minimum of Rs.1000/-)	-	1000.00
Service weightage @ ½% for every completed year of service	-	48.00
Total		8838.00

Next stage in the corresponding
revised scale of Rs.8500-12220 8960
(Net benefit as on 1.7.2009 Rs.1170/-)

5.16. Rules for fixation of pay in the revised scale.

- (i) The revised scales of pay shall come into force w.e.f.1.7.2009.
- (ii) Existing scale of pay for the purpose of these rules is the scale of pay immediately prior to 1.7.2009.
- (iii) Existing emoluments for the purpose of these rules shall be the total of :
 - (a) Basic pay in the existing scales as on the date of change over to the revised scale including the increments, if any, accruing on such date in the existing scale. Stagnation increments shall also be reckoned for this.
 - (b) Personal pay, if any, not specifically ordered to be absorbed in future increase of pay.
 - (c) Special pay drawn in lieu of higher time scale of pay, provided there is no special pay attached to revised scale.
 - (d) Dearness Allowance admissible at the rate of 64% on such pay vide (a), (b) and (c) above.

Note: - Special pay, in addition to the pay drawn in the existing scale shall not be reckoned for fixation of pay in the revised scale.

- (iv) To the existing emoluments computed above, shall be added an amount equal to 10% of basic pay subject to a minimum of Rs. 1000/- in Rule (iii) (a) above towards fitment benefit and another amount equivalent to ½% of basic pay, specified in Rule (iii) (a) above, for each completed year of service subject to a maximum of 30 completed years, towards service weightage.

Note: - Service for the purpose of this rule means service including broken periods of service qualifying for normal increments in the scale of pay. Time spent on leave not counting for normal increment will not be reckoned. Service during the period of bar on increment, without cumulative effect will be reckoned.

- (v) The amount so arrived at under Rule (iv) above shall be stepped up to the next stage in the revised scale of pay.
- (vi) If the amount arrived at under Rule (iv) above is more than the maximum of the revised scale, the pay shall be fixed at the maximum of the revised scale and the difference shall be treated as personal pay and it will not be absorbed in future increase in pay on account of granting increments. This personal pay will count for all purposes viz; fixation of pay, calculation of leave salary, drawal of allowance and pension.
- (vii) In cases, where a senior government servant promoted to a higher post before 1.7.2009, (other than a time bound higher grade) draws less pay in the revised scale than his Junior promoted to the higher post after 1.7.2009, the pay of the senior employee shall be stepped up to the level of the pay of the junior w.e.f. the date on which junior draws more pay, provided that
- (a) The senior and the junior employee should belong to the same category and should have been promoted to the same category of post.
 - (b) The pre-revised and revised scale of pay of the lower and higher posts in which they are entitled to draw pay should be identical.
 - (c) The senior Government servant at the time of promotion has been drawing equal or more pay than the junior
 - (d) The anomaly should have arisen directly as a result of the introduction of the revised scale of pay
 - (e) The anomaly should not have arisen due to the option exercised on different dates or due to any advance increments granted to the junior in the lower post or due to increased service weightage to the junior.

Note: - (i) If in the lower post, the junior employee was drawing more pay in the pre-revised scale than the

senior, the senior to such junior will have no claim over the pay of the junior.

(ii) In case where pay of an employee is stepped up in terms of clause (vii) above, the next increment shall be granted after completing the required service of one year in the new scale from the date of stepping up of pay.

- (viii) All appointments and promotions made on or after 1.7.2009 shall be deemed to have been made in the revised scale of pay. However, if an employee wishes to opt the revised scale of pay of his promoted post ie. the next immediate promotion post assumed on or after 1.7.2009, he will be permitted to opt the revised scale of the promotion post with effect from the date of promotion and his pay in the revised scale will be fixed on the basis of the pay he drew in the pre-revised scale of the promoted post on that date. This benefit will be restricted to the employees who were promoted in between 1.7.2009 and the date of issue of Pay Revision Order. Also employees who were in Government service prior to 1-7-2009 and got appointment through “by transfer” appointment or by PSC appointment shall be permitted to exercise option with effect from 1.7.2009 in the scale of pay of the post held by them prior to their new appointment. Employees who were promoted on or after 1.7.2009 cannot be allowed to exercise option of the feeder post beyond the date of such promotion.
- (ix) Provisional employees recruited through the employment exchanges who were in service on 30.6.2009 and continued thereafter shall be eligible for the minimum of the revised scale of pay only.
- (x) The next increment of an employee whose pay has been fixed in the revised scale of pay shall accrue on completion of one year from the date of option.
- (xi) An employee whose increment is withheld for want of declaration of probation on 1.7.2009 or on the date of change over to the new scale will also be allowed the benefit of fixation of pay notionally counting the increment accrued but withheld, in relaxation of Rule 37 B(b), Part I Kerala Services Rules, subject to the condition that the next increment after such fixation will be allowed only after he is declared to have satisfactorily completed his probation and the period of approved service required to earn an increment.
- (xii) In the case of an employee whose pay has been reduced with the effect of postponing future increments, fixation of pay in the revised scale will be allowed on the basis of the option exercised by him but he has to remain in that pay till the expiry of the period of

reduction. The pay will, however, be fixed on the date of expiry of the period of reduction. The next increment in such cases will be allowed only on completion of approved service required to earn an increment from the date of such fixation.

- (xiii) An employee can exercise option to come over to the revised scale of pay with effect from 1.7.2009 or with effect from any subsequent date he opts.
- (xiv) The option in writing is to be exercised within a period of six months from the date of Government orders revising the scales of pay.
- (xv) The option is to be filed with the officer competent to fix his/her pay in the form appended.
- (xvi) The option once exercised shall be final. In the case of subsequent reversion (after the exercise of option as per these rules), the employee will be allowed to exercise option in respect of the lower post also, provided such option is exercised within a period of three months from the date of orders of reversion. Re option will not be allowed for any pay revision(including the present pay revision) except in cases involving retrospective revision or change in scale of pay that takes effect on a date prior to the date of option exercised by the employee for the concerned pay revision. In such cases arrears of salary/pension will be payable only with effect from the date of filing of the option such re-option has to exercised within 3 month of the date of issue of the order revising/changing the scale of pay retrospectively .
- (xvii) An employee is allowed to exercise option only in respect of existing scale. If no option is exercised within the said period of six months of the date of Government orders revising the scale of pay of the Government employees, the date of effect of pay revision order ie. 1.7.2009 shall be treated as the date of option and the Officer competent to fix his/her pay is to proceed accordingly. No subsequent option shall be entertained.
- (xviii) If an employee dies before the expiry of the time fixed for option and without exercising option, the officer competent to fix his/her pay in the revised scale of pay shall fix his/her pay with effect from the date which is more advantageous to the survivors of the deceased. If the deceased is a Gazetted Officer the head of department and if the deceased himself was the head of department, the Secretary to Government concerned, in consultation with the Accountant General (A&E) will fix the date of option of the deceased employee, which is found to be more advantageous to the beneficiary.

- (xix) An employee on leave or on deputation or under suspension will be allowed to exercise option within a period of six months from the date of return to duty.
- (xx) Persons whose service were terminated on or after 1.7.2009 and who could not exercise the option within the prescribed time limit on account of death, discharge on the expiry of the sanctioned posts, resignation, dismissal or discharge on disciplinary ground are entitled to the benefits of the aforesaid rules.
- (xxi) In the case of employees whose increment in the pre-revised scale is barred as punishment without cumulative effect, their pay on the date of option (if it is w.e.f. a date on which the increment bar is in force) in the revised scale will be fixed on the basis of the pay notionally arrived at by counting increment each, in the pre-revised scale, for every completed year of service which would have been counted for normal increment, but for the punishment. The next increment in the revised scale will be sanctioned only after expiry of the remaining period of increment bar as on the date of fixation of pay in the revised scale, subject to Rule (x) of Pay Fixation Rules.
- (xxii) In the case of employees whose increment in the pre-revised scale is barred as punishment with cumulative effect, their pay on the date of option (if it is w.e.f. a date on which the increment bar is in force) will be fixed on the basis of the pay they were drawing immediately before increment bar. They will be entitled to the pay at the same rate till the expiry of the period of increment bar. The next increment in the revised scale will be sanctioned only after expiry of the period of increment bar subject to Rule (x) of Pay Fixation Rules.
- (xxiii) In the case of employees whose pay in the pre-revised scale is reduced to lower stage as penalty temporarily, their pay in the revised scale will be fixed on the date of option (if it is w.e.f a date on which the reduction in pay is in force) on the basis of the pay after reduction in the pre-revised scale. The next increment that will accrue in the revised scale in terms of Rule (x) of the above rules will be sanctioned only after the expiry of the remaining period of penalty.
- (xxiv) In the case of employees whose pay in the pre-revised scale is reduced permanently to lower stage as penalty with the effect of postponing future increments, his pay in the revised scale will be fixed on the date of option on the basis of the reduced pay in the pre-revised scale. They will have to remain in that pay till expiry of the period of reduction. The next increment that will accrue in the revised scale will be sanctioned only after expiry of the remaining period of penalty.

- (xxv) The employees who continue on Leave Without Allowance (LWA) on or after 1.7.2009 will be allowed to exercise option within 6 (six) months of return to duty.

(See Rules for fixation of pay)

FORM OF OPTION

I.....
hereby elect to the revised scale of Rs..... with
effect from

or

I, hereby elect to
continue in the existing scale of pay of Rs..... of my
substantive / officiating post mentioned below till 200.....

Signature

Name

Station:

Designation

Date:

Officer/Department.

Principles of Option

- 5.17.** Normally a pay revision with new pay scales takes effect from a date stipulated by Government. All subsequent appointments and promotions are deemed to have been made only in the revised scale of pay. However, in all earlier pay revisions, except in 1992, the employees were given the opportunity to exercise option in order to come over to the revised scale w.e.f any date which is convenient and beneficial to them. The employees have opportunity to exercise option in lower post and higher posts simultaneously w.e.f. the same date, which will enable them to reap the benefit of pay revision in the lower post and consequent fixation in the higher post as per the rules in KSR. In the Central Pay Revision, option facility was allowed only in one existing scale of pay till the V Pay Revision. The Revised pay scales based on Sixth Central Pay Commission recommendations came into effect w.e.f 1.1.2006 and the employees were given option only to continue in the existing scale (pre-revised scale) until the date on which he earns his next or subsequent increment in the existing scale or until he vacates the post or ceases to draw pay in the scale. We recognize the fact that an employee should be given an opportunity to exercise a right of option to come over to the revised scale at the same time. We are also of the firm view that unintended financial benefit should not be accrued as a result of the facility for exercising option. It is therefore essential to stipulate the principles of option enabling the employees to switch over to the revised scale of pay. The employees may be allowed to exercise option subject to the following conditions.

- a) A Government servant holding a post under the Government on the day before the date of coming into effect of the pay revision may

exercise option to continue in the existing scale till the date on which he/she earns his/her next increment in the existing scale of pay or until he/she vacates his/her post or ceases to draw pay in that scale, whichever is earlier. The date of effect of the option shall not in any case go beyond one year from the date of order of pay revision.

- b) In the case of a Government servant who died on or after the date of coming into effect of the pay revision, but before exercising option, he/she may be deemed to have opted for the revised scale from the most beneficial date as desired by the Head of office, Accountant General or the department, as the case may be.
- c) Promotions and appointments made on or after the date of pay revision shall be deemed to have been made in the revised scale and pay regulated on that basis. The Government servant is not entitled to exercise option in respect of the scale of pay of the post in which he/she is appointed/promoted.
- d) The option to retain the existing scale of pay shall be admissible in respect of one existing scale only. On subsequent reversion, the Government servant concerned may exercise option in respect of the lower post also on condition that such option will be exercised within three months from the date of reversion, failing which he/she will be deemed to have opted for the scale with effect from the date of pay revision.
- e) If a Government servant exercises option to come over to the revised scale with effect from a date beyond one year from the date of pay revision such option shall be deemed to be invalid and shall be treated as a failure to exercise option and he/she shall be deemed to have exercised option with effect from the date of pay revision.
- f) The option shall be exercised in writing and communicated to the Head of office or the Accountant General, respectively by the non-Gazetted officers and Gazetted officers within six months from the date of pay revision order failing which the Government servant will be deemed to have opted for the scale with effect from the date of coming into effect of the pay revision and pay fixed on that basis.
- g) A Government servant who is out of India on leave or deputation or Foreign Service, on the date of pay revision order shall exercise option in writing within three months from the date of his taking charge of the old post.

- h) A Government servant, who is under suspension on the date of coming into effect of the pay revision, shall exercise option within three months from the date of return to duty on re-instatement or within six months from the date of pay revision order whichever is later.
- i) Option once exercised shall be final and permission for re-option will not be granted on any account.
- j) Heads of Departments and Offices shall give proper guidance to their subordinates to select the most beneficial dates for exercising option, since re-option will not be allowed for rectification of the wrong option already exercised or for other reasons.
- k) In cases, where persons promoted after the date of pay revision, have been given retrospective promotion with effect from a date in the pre-revision period, they will exercise option in respect of the revised scale of the post within three months from the date of orders sanctioning such promotion. They will be eligible for arrears if any, also on condition that if the promotion is notional, arrears will be admissible from the actual date of promotion only.
- l) The next increment in the revised scale shall accrue on completion of one year from the date of option.
- m) DA, fitment benefit etc. which are to be added to the pay in the existing scale for the purpose of fixation of pay will be determined with reference to the pay as on the date of pay revision irrespective of the date of option exercised by the employees.
- n) Heads of Departments and Offices should be given the responsibility to see that the contents of the pay revision orders are communicated to their subordinates, including those who are on leave, deputation and on foreign service, so as to enable them to exercise option within the time-limit specified in the pay revision order. The fixation rules may be published prominently in Notice Board.

5.18 In the Terms of Reference (TOR) it was interalia suggested to find out remedies for the anomalies caused due to last Pay Revision and to recommend measures to avoid cascading effects, if any, likely to be caused by such anomalies. Majority of the Service Organisations have also voiced their argument in support of the alleged anomalies pointed out in the TOR. They argued that due to the implementation of the recommendation of 8th Pay Revision Commission then existed parity in the scales of pay between the employees in

different Departments and the Secretariat had been disturbed. This was characterised by them as 'degrading the non Secretariat employees'. They further argued that the execution of the decisions of the Government at the grass root level or at its final destination is as important as the decision itself. In other words the execution wing of the Government is also important as the decision making wing. The Service Organisations were of the view that there existed a harmonious pay structure by which various officials were placed in different scales of pay before the 8th Pay Revision Order. The Commission examined the issue carefully in the background of the above mentioned Terms of Reference and the representations made by Service Organisations. The Commission is of the view that in the present era of decentralized planning and execution, the role of Line Departments is all the more important. So also the importance and significance of the Secretariat of the Government cannot be under estimated. In the above circumstances we have taken care to restore parity as far as possible, that too considering the importance/significance of the duties and responsibilities of the various Departments, upholding at the same time the significance and importance of the Secretariat. The Commission has made an attempt to restore the harmonious pay structure without upsetting or ignoring the importance of the Secretariat.

5.19 The Commission is not in favour of placing all senior level officers in various Departments in the scale of pay equivalent to that of Additional Secretary/Joint Secretary taking into account the nature of functions and the size of the Departments. The Commission took note of the fact that the 8th Pay Revision Commission has reduced the number of scales from 27 to 24. By this merger of scales senior level officers in the Line Departments were placed at a lower level when compared with senior level officers in the Secretariat. Hence three new pay scales are introduced in order to accommodate the senior level functionaries such as Deputy Director/Joint Director/Additional Director in the Line Departments. The Commission feels that with introduction of three new scales and placing the senior level officers in certain Line Departments, the disparity that existed between the pay scales awarded to the Secretariat functionaries and Line Department functionaries has been reduced to a considerable extent, paving the way for a harmonious pay structure to continue.

5.20 The Classification of Heads of Departments was done long ago taking into account the functions and size of the Department that existed then. Such a classification was attempted by the IVth Kerala Pay Commission and constructed five groups covering Departments with Head of Departments other than those encadred in the IAS. We have also given our attention to this matter and re-grouped a few of the Heads of Departments on the basis of the duties and responsibilities attached to them and also considering the size of the Departments.

Relativities and connected issues

- 5.21** The next issue before the Commission, after the formulation of pay structure and fixation rules is the assignment of pay scales to various posts and cadres. This was a herculean task before the Commission especially in the context of conflicting demands made by various Service Organisations.
- 5.22** The Commission gave due consideration to the demands of the Service Organisations as well as the qualification, the nature of duties and responsibilities, the professional skill required for a particular job, the specialities of a particular Department, the nature of service rendered by the Department etc. to determine the most appropriate pay scale for each post. We also took into account the relativity between pay scales that existed prior to and after the 8th Pay Revision.
- 5.23** The basic qualification for the post of LD Clerk is SSLC. This qualification was fixed long ago, when there were no opportunities for a majority of the students to continue their studies beyond Matriculation. With the introduction of higher secondary education in almost all Panchayats it has become imperative to enhance the basic qualification of the entry post of Clerk to Plus two. Besides this, now a days computer knowledge is also a must. Hence the Commission has recommended to enhance the pay scale of LDC (re-designated as Clerk) to the corresponding revised scale of Rs.5650-8790.
- 5.24** Considering the fact that an LDC takes on an average service of ten years to get promoted as UDC (re-designated as Senior Clerk) and the enormous experience which he has gained in the Department, the Commission felt that the scale of this post is also to be given an upward revision in the corresponding revised scale of Rs.7480-11910.
- 5.25** Some of the Service Organisations have pointed out to the Commission that although the post of LDC is filled up from a common District wise rank list, there are instances when a higher ranked person faces stagnation in the concerned Department where as a lower ranked person obtains quick promotion in another Department where promotion opportunities are better. An LDC in Land Revenue, Civil Supplies, Commercial Taxes Department etc. can get promoted to a post having an identical time scale with that of Under Secretary while an LDC in Education and such other Departments can aspire promotion only to the post of Administrative Assistant, whose scale of pay is lower than that of Under Secretary. Similarly in Subordinate Judiciary the scale of pay of Sheristedar which is the highest ministerial post is below that of Under Secretary. The Commission felt that the scale of pay of Administrative Assistant has to be raised to the level of Under Secretary, considering the fact that the post is the highest promotion post in the ministerial cadre.

- 5.26** The technical posts in the non Gazetted cadre has also been fixed considering the basic qualification required for the post i.e. Diploma/Certificate, duties and responsibilities attached to the post.
- 5.27** The scale of pay of professional categories has been fixed taking into account their qualification and the level of learning. In this connection the Commission feels that the Assistant Surgeon has to be placed on a higher footing mainly on account of the fact that admission to this course (MBBS) is mainly taken by the top rank holders in the Entrance Examination to the professional courses. Also there is a need to differentiate the nature of duties responsibilities, and the risk involved in the execution of job by an Assistant Surgeon from other professionals. Another reason for placing Assistant Surgeon above other Medical professionals is the fact that there is a wide network of Health Care Centres in this stream namely Primary Health Centres, Rural Dispensaries, Taluk Hospitals, District Hospitals and General Hospitals. Accessibility to any one of these hospitals to a common man is highly relevant and Allopathy Medical profession is considered to be the top most among the professional cadres. The pressure of duties and responsibilities is high on an Assistant Surgeon. Hence the entry posts of Assistant Surgeon and equated categories in the Specialty Cadre have been placed in the scale of pay corresponding to Rs.13610-20700. The Commission has also given an upward lift to other directly recruited professionals such as Assistant Engineer, Veterinary Surgeon, Agricultural Officer etc. covered under the Career Advancement Scheme and placed them at the entry level in the scale of pay corresponding to Rs.11910-19350 so as to maintain the existing internal relativity between the scale of pay of Assistant Surgeon and other professionals.
- 5.28** The Commission understands the role of Teachers in the development of human resources which in turn paves way for the overall development of the State. Hence the Teachers from Primary to Higher Secondary level have been placed on a better footing in the revised scales of pay.

The existing and corresponding revised scales (see Para.4.22)

Sl. No.	Scales of pay (2004)	Sl. No	Revised scales of pay (2009)
1	4510-120-4990-130-5510-140-5930-150-6230	1	8500-230-9190-250-9940-270-11020-300-12220
2	4630-120-4990-130-5510-140-5930-150-6680-160-7000	2	8730-230-9190-250-9940-270-11020-300-12220-330-12550
3	4750-120-4990-130-5510-140-5930-150-6680-160-7480-170-7820	3	8960-230-9190-250-9940-270-11020-300-12220-330-13210
4	5250-130-5510-140-5930-150-6680-160-7480-170-7990-200-8390	4	9190-250-9940-270-11020-300-12220-330-13540-360-14620
5	5650-140-5930-150-6680-160-7480-170-7990-200-8790	5	9940-270-11020-300-12220-330-13540-360-14980-400-15380
6	6080-150-6680-160-7480-170-7990-200-9590-240-9830	6	10480-270-11020-300-12220-330-13540-360-14980-400-16980-440-17420
7	6680-160-7480-170-7990-200-9590-240-10790	7	11620-300-12220-330-13540-360-14980-400-16980-440-18740
8	7480-170-7990-200-9590-240-10790-280-11910	8	13210-330-13540-360-14980-400-16980-440-18740-500-20740
9	7990-200-9590-240-10790-280-11910-340-12930	9	13900-360-14980-400-16980-440-18740-500-21240-560-22360
10	8390-200-9590-240-10790-280-11910-340-13270	10	14620-360-14980-400-16980-440-18740-500-21240-560-23480
11	8790-200-9590-240-10790-280-11910-340-13610	11	15380-400-16980-440-18740-500-21240-560-24040
12	9190-200-9590-240-10790-280-11910-340-13610-380-15510	12	16180-400-16980-440-18740-500-21240-560-24040-620-27140
13	9590-240-10790-280-11910-340-13610-380-16650	13	16980-440-18740-500-21240-560-24040-620-27140-680-29180
14	10790-280-11910-340-13610-380-16650-450-18000	14	18740-500-21240-560-24040-620-27140-680-29860-750-31360
15	11070-280-11910-340-13610-380-16650-450-18450	15	19240-500-21240-560-24040-620-27140-680-29860-750-32110
16	11910-340-13610-380-16650-450-19350	16	20740-500-21240-560-24040-620-27140-680-29860-750-32860-820-33680
17	12250-340-13610-380-16650-450-19800	17	21240-560-24040-620-27140-680-29860-750-32860-820-34500
18	12930-340-13610-380-16650-450-20250	18	22360-560-24040-620-27140-680-29860-750-32860-820-35320
19	13610-380-16650-450-20700	19	24040-620-27140-680-29860-750-32860-820-36140
20	16650-450-20700-500-23200	20	29180-680-29860-750-32860-820-36140-900-40640
		21	32110-750-32860-820-36140-900-40640-1000-44640
21	20700-500-23200-550-25400-600-26600	22	36140-900-40640-1000-46640
22	23200-550-25400-600-26600-650-31150	23	40640-1000-48640-1100-54140
		24	42640-1000-48640-1100-55240
23	25400-600-26600-650-33100	25	44640-1000-48640-1100-56340
24	26600-650-33750	26	46640-1000-48640-1100-57440-1200-58640
		27	48640-1100-57440-1200-59840
	Master Scale		Master Scale
	4510-120-4990-130-5510-140-5930-150-6680-160-7480-170-7990-200-9590-240-10790-280-11910-340-13610-380-16650-450-20700-500-23200-550-25400-600-26600-650-33750		8500-230-9190-250-9940-270-11020-300-12220-330-13540-360-14980-400-16980-440-18740-500-21240-560-24040-620-27140-680-29860-750-32860-820-36140-900-40640-1000-48640-1100-57440-1200-59840

APPROACH TOWARDS FUTURE PAY REVISION

- 5.29** Pay Revisions always cast heavy burden on the State exchequer. Future Pay Revisions also may cast more burden on the resources of the State. However, Civil Servants being the arms of the Executive (Government) have to be reasonably paid in tune with the wage structure in public sector/private sector undertakings so as to attract better talents into its fold. In Kerala, periodicity of Pay Revision is generally accepted as five years on account of the rigid stand taken by the Service Organisations and the general policy adopted by the successive Governments. A Pay Revision exercise is done with the objective of conducting a detailed and comprehensive analysis of the existing pay structure and to revise the same after hearing the views of employees, Service Organisations and Heads of Departments. In Government of India this exercise is done at an interval of ten years or more whereas the neighboring States have almost adopted the Central pattern. In Kerala, the Central scales of pay has not been implemented, yet Kerala Government employees enjoy some additional privileges when compared to the Centre. So a periodicity in pay revision is a must and we are of the view that the existing five year periodicity may be continued.
- 5.30** To achieve the intended results, a careful and detailed examination of the existing pay structure is essential. This exercise has been done by the Pay Commissions/Committees appointed for the purpose and is an elaborate exercise requiring more time. Hence Government may take decisions in advance to constitute the Commission / Committee so as to enable them to have a very detailed study in this regard. In this connection the Commission wishes to place on record the fact that the period taken by us for this exercise is hardly ten months and perhaps this may be the only Pay Commission to have achieved this goal within the shortest period.
- 5.31** Further the Commission wishes to draw the attention of the Government to the pension liability of the State which is growing at an alarming pace. The number of pensioners in Kerala has already crossed the number of serving employees. It will be in the best interest of the State exchequer to find out a way to solve this problem of increasing burden on the State resources. The State Government may formulate a plan for this in consultation with Service Organisations.

CHAPTER 6

COMMON CATEGORY

- 6.1.** Posts coming under Common Category are Common to all Departments. The employees coming under Common Category are appointed in various Departments on the basis of a rank list periodically prepared by the Kerala Public Service Commission. The post from Class IV employee to Senior Administrative Officer comes under Common Category.
- 6.2. Class IV Employee (Scale of pay: Rs.4510-7480)**
- 6.2.1.** The qualification prescribed for these posts is a pass in VIIth Standard. They are appointed in various Departments based on the District wise common rank list prepared by the Kerala Public Service Commission. At present, they are eligible for a higher grade in the ratio of 2:1 between Gr.II and Gr.I posts. As per G.O (P) No.12/2010/P&ARD dated 5.4.2010, 10% of the posts of Lower Division Clerks and Lower Division Typists are reserved for appointment by transfer from qualified Class IV employee.
- 6.2.2.** The Commission examined the demands raised by various Service Organisations and after consideration of all aspects, makes the following recommendations:
- (i) No change in the designations.
 - (ii) The Fourth Time Bound Higher Grade may be allowed in the scale of pay corresponding to Rs.6080-9830 to avoid stagnation. The First, Second, Third and Fourth Time Bound Higher Grades in respect of Class IV employees may be placed in the scales of pay corresponding to Rs.4630-7000, Rs.4750-7820, Rs.5650-8790 and Rs.6080-9830 respectively.
- 6.3. Lift Operator (Scale of pay Rs.5250-8390)**
- 6.3.1.** The qualification prescribed for the post of Lift Operator is pass in ITI trade for direct recruits. Lift Operators are also appointed by transfer from Class IV employees possessing training in Lift Operation.
- 6.3.2.** After careful consideration of all aspects, the Commission recommends that the Lift Operators of various Departments may be brought under a Common pool of Public Works Department. Higher Grade in the ratio of 3:1 may be allowed between Lift Operator and Lift Operator (HG) and higher grade may be placed in the scale of pay corresponding to Rs.5650-8790.
- 6.4. Common Pool Librarians**
- 6.4.1.** Librarians in Government Departments, Professional Colleges, Arts & Science Colleges and various Commissions are grouped under Common Pool Librarians. Appointment to these posts are made from the Common rank list

prepared by the Kerala Public Service Commission. Librarians are now eligible for 5 level promotions from Librarian Gr. IV to Senior Grade.

6.4.2. After considering all aspects, Commission recommends no change in the existing system.

6.5. Attender / Clerical Attender (Scale of pay: Rs.4630-7000)

6.5.1. The post of Attender is the promotion post of Class IV employee and the qualification for the post is either pass in S.S.L.C or pass in suitability test conducted by the Kerala Public Service Commission. They are eligible for a higher grade on Rs.4750-7820 in the ratio of 2:1 between Gr.II and Gr.I.

6.5.2. Considering all aspects, Commission recommends no change in the existing system.

6.6. Artist / Photographer / Artist - cum - Photographer.

6.6.1. The posts of Artist / Photographer / Artist - cum - Photographer in various Departments are categorized into three groups and are placed in the scales of pay viz. Rs.5650-8790, Rs.7480-11910 and Rs.8390-13270.

6.6.2. The qualification, duties and responsibilities of Artist / Photographer / Artist - cum- Photographer vary from department to department. For some posts, the general qualification prescribed is pass in SSLC, whereas, for others, it is Standard VII. The Technical qualification prescribed varies from Certificate to Diploma. The experience in Photography is also prescribed.

6.6.3. Commission considered all aspects and normal revision is recommended.

6.7. Chief Operator (Audio Visual) (Scale of pay: Rs.7480-11910)

6.7.1. The posts of Chief Operator which exists in the Health Service Department is the promotion post of Audio Visual Trailer Operator / Cinema Operator / Projectionist Gr.I.

6.7.2. Commission recommends normal revision.

6.8. Cinema Operator / Projectionist / Audio Visual Trailer Operator / Driver - cum - Operator and similar categories

6.8.1. Cinema Operator / Projectionist Gr.II and Audio Visual Trailer Operator Gr.II are placed in the identical scale of pay of Rs.4750-7820. There is a higher grade to these categories in the ratio of 2:1 on Rs.5650-8790. The qualification prescribed for the post of Cinema Operator is a pass in VIIth Standard and one year experience in operating Cinema Projection equipment. The Driver - cum - Operator / Projectionist and similar categories are placed in the scale of pay of Rs. 6080-9830 and they are doing additional works such as driving, photography etc.

6.8.2. Commission considered all aspects and normal revision is recommended.

6.9. Binder (Scale of pay: Rs.4750-7820)

6.9.1. The post of Binder exists in various Departments such as Printing, Registration, Agriculture, Survey and Land Records, Archives, Health Services, Medical Education etc. The qualification prescribed for this post is pass in VII Standard and KGTE (Lower) in Binding in all Departments except in Printing Department. In Printing Department, the qualification prescribed for the post is SSLC (Course Completed) and KGTE / MGTE (Lower) in Binding. The method of appointment is by direct recruitment and by transfer from Group D employees. There is a ratio of 2:1 between Binder Gr.II and Gr.I

6.9.2. Commission considered all aspects and recommends normal revision to the post of Binder.

6.10. Driver (Scale of pay: Rs.5250-8390)

6.10.1. The qualification for the post of Driver in various Departments is VIIIth Standard and Valid Driving License. The method of appointment to this post is either by direct recruitment or by transfer from any other class or service. There is a ratio of 2:2:1 between Driver Gr.II, Gr.I and Senior Grade.

6.10.2. The Commission considered the demands raised by various Service Organisations and recommends that 10% of the Senior Grade Drivers will be allowed Selection grade in the scale of pay corresponding to Rs.8390-13270.

6.11. Typist Clerk / Clerk Typist / Clerk cum Typist (scale of pay: Rs.5250-8390)

6.11.1. The qualification for the post is SSLC with KGTE (Typewriting Lower) and the method of appointment is by direct recruitment. They are entrusted with clerical and typing works.

6.11.2. Commission considered various aspects and recommends the following:

- (i) The scale of pay corresponding to Rs.5650-8790 may be allowed at the entry level.
- (ii) The qualification for the post may be modified as follows:
 - (a) Pass in Plus Two or equivalent
 - (b) Pass in KGTE (Lower) in Type writing (English) and Computer Word Processing or equivalent.
 - (c) Pass in KGTE (Lower) in Typewriting (Malayalam) equivalent.

6.12. Typist (LD Typist / UD Typist)

6.12.1. The qualification for the post of LD Typist is SSLC, KGTE (Typewriting Lower) in English and Malayalam. The method of appointment is by direct recruitment and by transfer from eligible Group D (class IV) employees. There is a ratio of 2:2:1:1 between LD Typist, UD typist, Senior Grade Typist and Selection Grade Typist in the scales of pay as follows:

LD Typist	:	Rs. 5250-8390
UD Typist	:	Rs. 6680-10790
Typist (Sr.Gr.)	:	Rs. 7990-12930
Typist (Sel.Gr.)	:	Rs. 8390-13270

6.12.2. The Commission considered the demands raised by various Service Organisations and makes the following recommendations:

- (i) The qualification for the post may be modified as follows:
 - a) Pass in Plus Two or equivalent
 - b) Pass in KGTE (Lower) in Type writing (English) and Computer Word Processing or equivalent.
 - c) Pass in KGTE (Lower) in Typewriting (Malayalam) or equivalent.
- (ii) The post of Typist (Sr.Grade) and Typist (Sel.Gr.) may be merged as Typist (Sel.Gr.) with scale of pay corresponding to Rs.8390-13270. The ratio between LD Typist, UD Typist and Typist (Sel.Gr.) may be modified as 2:2:2 in the scales of pay corresponding to Rs.5650-8790, Rs.7480-11910 and Rs.8390-13270 respectively and the posts may be re-designated as Typist, Senior Typist and Selection Grade Typist.
- (iii) The Stipulation of a total Service of 10 years for category change to UD Clerk may be reduced to 5 years.

6.13. Fair Copy Superintendent (Scale of pay: Rs.9190-15510)

6.13.1. The post of Fair Copy Superintendent is the last promotion post of Typist. There is one Fair Copy Superintendent for every six Typists in an office. The post of Fair Copy Superintendent and Fair Copy Superintendent (HG) was merged into one in 2004 Pay Revision.

6.13.2. The Commission examined the demands raised by various Service Organisations and recommends that 20% of the posts of Fair Copy Superintendent or Fair Copy Superintendent on completion of 6 years of service as Fair Copy Superintendent may be granted a higher grade in the scale of pay corresponding to Rs.10790-18000.

6.14. Confidential Assistant / Steno – Typist

6.14.1. The qualification for the post is SSLC, Typewriting (English and Malayalam) and shorthand (English) . The method of appointment is by direct recruitment. There is a ratio of 1:1:1:1 among Grade II, Grade I, Senior Grade and Sel.Grade Confidential Assistants. The scales of pay of the posts are given below:

Confidential Assistant (Gr.II)	:	Rs. 6080-9830
Confidential Assistant (Gr.I)	:	Rs. 7990-12930

Confidential Assistant (Sr.Gr.) : Rs.9190-15510

Confidential Assistant (Sel.Gr.) : Rs.11070-18450

6.14.2. The posts of Personal Assistant and Personal Assistant (HG) are available in Secretariat, Kerala Public Service Commission and Advocate General's Office as promotion post of Confidential Assistant (Sel.Gr.).

6.14.3. The Commission after considering the demands raised by various Service Organisations, makes the following recommendations:

- (i) The qualification for the post may be modified as follows:
 - (a) Pass in Plus Two or equivalent.
 - (b) Pass in KGTE (Lower) in Typewriting (English and Malayalam) and Computer Word Processing or equivalent.
 - (c) Pass in KGTE (Lower) Shorthand in English and Malayalam or equivalent
- (ii) The 8th Pay Revision Commission recommended the abolition of pool system and modified the grades from 3:3:3:2 to 1:1:1:1. Government accepted the recommendations. Subsequently based on the representation from Confidential Assistants in various Departments, the Government ordered vide G.O (Ms)No.201/06/Fin. dated 4.05.2006 that the matter will be taken up by the next Government and till then the status quo will continue. Government vide letter No. 39207/PRC-C1/2006/Fin. dated 3.06.2010 referred the issue to the 9th Pay Revision Commission for appropriate recommendation. The Commission considered the issue in detail and recommends that the pool system which existed prior to the 8th Pay Revision may be restored. The posts in the Secretariat will constitute the Secretariat Pool, posts in Public Service Commission- the Public Service Commission Pool, posts in the High Court and subordinate Courts- the High Court pool and posts in other Departments the other Department pool. Instead of Revenue Department, the Director of Treasuries may be entrusted to administer the other Department pool to ensure timely promotion.
- (iii) In the offices of major Heads of Departments, the post of Personal Assistant may be sanctioned to the Heads of Department and selection grade Confidential Assistants may be posted on promotion as Personal Assistants in the scale of pay corresponding to Rs.11910-19350. The post of PA may also be sanctioned to all Principal District Judges.

6.15. Clerks (LD Clerk/UD Clerk/Head Clerk/Head Accountant and equated posts.)

6.15.1. The post of LD Clerk is the entry level ministerial cadre post in all Departments. The qualification for the post is pass in SSLC. LD Clerks are appointed from the common rank list prepared by District Offices of Kerala Public Service Commission for various Departments and by transfer from qualified Group D/Class IV employees. There is a ratio of 1:1 between LD Clerk (Rs.5250-8390) and UD Clerk (Rs.6680-10790). The post of Head Clerk/Head Accountant (Rs.8390-13270) is the promotion post of UD Clerk and there is one Head Clerk for every 3 to 5 Clerks. The post of Head Clerk is a supervisory post.

6.15.2. The Commission considered in detail the various demands raised by Service Organisations and all other aspects, makes the following recommendations:

- (i) The qualification for the post of Lower Division Clerk may be modified as pass in Plus Two and Computer knowledge.
- (ii) The existing designation of LD Clerk/UD Clerk may be changed as Clerk and Senior Clerk respectively. The existing designations of Head Clerk/Head Accountant may allow to continue.
- (iii) The post of LD Clerk (re-designated as Clerk) and UD Clerk (re-designated as Senior Clerk) may be placed in the corresponding scales of pay of Rs.5650-8790 and Rs.7480-11910 respectively.
- (iv) Some of the Associations and individuals in service put forward a demand that an opportunity should be given to the graduate employees in other departments to enter into the Secretariat service. It was represented that 10% of posts of Assistants should be reserved for such persons from other service who have put in 3 years service by holding a suitability test to be conducted by the Public Service Commission, so that their experience in the other service would be an additional advantage to the Secretariat Service.

As per G.O (P) No.199/2007/GAD dated, 17.03.2007, the Typists and Confidential Assistants of the Secretariat has an opportunity to get appointed as Assistant and by transfer appointment as Section Officer. A number of posts are reserved for Secretariat officials in many Departments. For procuring efficiency and better performance, the previous experience in other departments would be advantageous and any such entry of experienced persons may not in any way affect the persons in Secretariat service, as it is in the entry level. The Commission is of the opinion that it would be desirable to give an opportunity to the graduates in service in line Departments who have put in 3 years service,

to enter into the Secretariat service on the basis of a selection process by holding a suitability test conducted by Public Service Commission. Virtually, their experience in the former departments would be an additional attribute for their efficiency and performance in the Secretariat service. Hence the Commission makes the following recommendation:

10% of the posts of Assistants in the Secretariat shall be filled up by “by transfer appointment” from among Clerks having 3 years service in other departments and holding Bachelors Degree on the basis of a qualifying test to be conducted by the Public Service Commission.

6.16. Sergeant (scale of pay: Rs.6680-10790)

6.16.1. The post of Sergeant in various Departments other than the Secretariat is a separate class in Kerala General Subordinate Service. The method of appointment is by direct recruitment or by transfer from any other class, category or service.

6.16.2. The Commission after considering all aspects makes the following recommendations:

- (i) The Sergeants of other Departments may be brought under a common pool system.
- (ii) The post of Sergeant may be sanctioned higher grade in the ratio of 5:3:2 between Sergeant Grade II, Grade I and Senior Grade and placed in the scale of pay corresponding to Rs.6680-10790, Rs.7480-11910 and Rs.7990-12930 respectively.

6.17. Junior Superintendent and equated posts like Manager (scale of pay: Rs.9190-15510)

6.17.1. The post of Junior Superintendent which is a supervisory post is the promotion post of Head Clerk/Head Accountant. The existing norms in an office is one post of Junior Superintendent for every six posts of Clerks.

6.17.2. The Commission after considering all aspects and demands raised by various Service Organisations, recommends that 20% of the post of Junior Superintendent or Junior Superintendents who have completed six years of service as Junior Superintendent may be placed in the higher grade in the scale of pay corresponding to Rs.10790-18000.

6.18. Senior Superintendent and equated posts like Manager (Scale of pay: Rs.10790-18000.)

6.18.1. Senior Superintendent is the promotion post of Junior Superintendent. At present 20% of posts are in the Higher Grade.

6.18.2. The Commission after considering all aspects and demands raised by various Service Organisations, recommends that instead of 20%, 25% of the posts of Senior Superintendents may be placed in the Higher Grade in the scale of pay corresponding to Rs.12250-19800.

6.19. Divisional Accountant (Scale of pay: Rs.10790-18000)

6.19.1. The post of Divisional Accountant exist in Public Works Department, Irrigation Department, Harbour Engineering Department and Local Self Government Department. The recruitment to this post is made in the following manner.

- (i) 1/3rd of the vacancies by transfer from the category of Junior Superintendent of the above mentioned Departments.
- (ii) 1/3rd of the vacancies by direct recruitment.
- (iii) 1/3rd of the vacancies by transfer from eligible UD Clerks of all Departments including Assistants of Secretariat Service and UD Auditors of Local Fund Audit Department.

6.19.2. Appointment on by transfer and by direct recruitment is through competitive and qualifying test called Initial Recruitment Examination for Divisional Accountants conducted by Kerala Public Service Commission. The candidates so selected have to undergo practical training for a period of 12 months in various Offices of the above mentioned Departments and the Accountant General. The administrative Control of the post is vested with the Government in the Finance Department.

6.19.3. The Commission considered all aspects and the demands raised by various Service Organisations, makes the following recommendations:

- (i) The present method of appointment may be modified as 50% of the vacancies by transfer from the category of eligible Junior Superintendents of Public Works Department/Irrigation/Harbour Engineering Departments without appearing for the Initial Recruitment Examination for Divisional Accountants conducted by Kerala Public Service Commission and remaining 50% of the vacancies by Direct recruitment. Necessary amendments may be in the Special Rules.
- (ii) Higher Grade in the ratio of 1:1 in the scale of pay corresponding to Rs.12250-19800 may be allowed.

6.20. Administrative Assistant (Scale of pay: Rs.12250-19800)

6.20.1. The post of Administrative Assistant is the promotion post of Senior Superintendedent. The post of Administrative Assistant exists in District Offices, Regional Offices and in the office of Heads of Departments. In major Departments such as Health, Education and Police, the post of Senior Administrative Assistant exists.

6.20.2. The Commission considered the demands raised by the various Service Organisations, makes the following recommendations:

- (i) The post may be placed in the scale of pay corresponding to Rs.12930-20250.
- (ii) 25% of the post may be placed on Higher Grade in the scale of pay corresponding to Rs.13610-20700 and may be re-designated as Senior Administrative Assistant.
- (iii) The Sheristadar of Principal District Court may be placed on par with Administrative Assistants for the purpose of Higher Grade and higher scale of pay.

6.21. Financial Assistant/Accounts Officer (Scale of pay: Rs.12250-19800)

6.21.1. The post of Financial Assistant/Accounts Officer exists in various Departments. The method of appointment to the post is by promotion from the category of Divisional Accountants, by promotion from the category of Section Officers in the Finance Department and by direct recruitment from members of any other service, class or category through Public Service Commission in the ratio of 1:1:1. The Financial Assistants posted by promotion and by direct recruitment form part of Kerala General Service administered by Finance Department.

6.21.2. The Accounts Officers in various Departments other than Kerala General Service are appointed by promotion from Senior Superintendents and by transfer from Administrative Assistants having Account Test (Higher).

6.21.3. The Commission after considering all aspects and makes the following recommendations:

- (i) The posts of Financial Assistant /Accounts Officer in Kerala General Service/Secretariat Service may be given normal revision.
- (ii) The posts of Accounts Officer in various Departments may also be given normal revision and may be filled up by promotion from the category of Senior Superintendent who have passed Accounts Test (Higher). Necessary amendments may be made in the relevant Special Rules.

6.22. Finance Officer/Senior Finance Officer

6.22.1. The method of appointment to the post of Finance Officer is by promotion from the category of Financial Assistants of Kerala General Service and by transfer from the Officers of Finance Department in the ratio of 1:1. At present the post of Finance Officer is in the following grades:

Finance Officer	:	Rs.12930-20250
Finance Officer (HG)	:	Rs.16650-23200
Sr. Finance Officer	:	Rs.20700-26600

6.22.2. The Commission considered the demands raised by various Service Organisations and recommends that 1/3rd of the post of Senior Finance Officer may be placed in Higher Grade in the scale of pay corresponding to Rs.23200-31150 and may be re-designated as Chief Finance Officer. Necessary amendments may also be made in the Special Rules.

6.23. Administrative Officer/Senior Administrative Officer

6.23.1. The method of appointment to the post of Administrative Officer is by direct recruitment from Senior Superintendents of various Departments through a test conducted by Kerala Public Service Commission and by transfer from the officers of Administrative Secretariat in the ratio of 1:1. At present the post of Administrative Officer is in the following grades.

Administrative Officer	:	Rs.12930-20250
Administrative Officer (HG)	:	Rs.16650-23200
Sr. Administrative Officer	:	Rs.20700-26600

6.23.2. The Commission considered the demands raised by various Service Organisations and recommends that 1/3rd of the posts of Senior Administrative Officer may be placed in the scale of pay corresponding to Rs.23200-31150 and may be re-designated as Chief Administrative Officer. Necessary amendments may also be made in Special Rules.

6.24. The existing and the proposed scales of pay of the posts coming under Common Category are as follows:

Designation	Existing Scale of pay	Proposed Scale of pay	Remarks
Senior Administrative Officer	20700-26600	36140-46640	1/3 rd of the post in Higher Grade on Rs.40640-54140 and re-designated as Chief Administrative Officer
Administrative Officer (HG)	16650-23200	29180-40640	1/3 rd of the post on HG on Rs.29180-40640
Administrative Officer	12930-20250	22360-35320	
Senior Finance Officer	20700-26600	36140-46640	1/3 rd of the post on HG on Rs.40640-54140 and re-designated as Chief Finance Officer
Finance officer (HG)	16650-23200	29180-40640	1/3 rd of the post on HG on Rs.29180-40640
Finance Officer	12930-20250	22360-35320	
Financial Assistant /Accounts Officer	12250-19800	21240-34500	
Administrative Assistant	12250-19800	22360-35320	25% of the post on HG on Rs.24040-36140 and re-designated as Senior Administrative Assistant.
Divisional Accountant(HG)	12250-19800	21240-34500	
Divisional Accountant	10790-18000	18740-31360	50% of the post on HG on Rs.21240-34500

Designation	Existing Scale of pay	Proposed Scale of pay	Remarks
Senior Superintendent (and Equated posts like Manager) (HG)	12250-19800	21240-34500	
Senior Superintendent (and Equated posts like Manager)	10790-18000	18740-31360	25% of the post on HG on Rs.21240-34500.
Junior Superintendent (and Equated posts like Manager)	9190-15510	16180-27140	20% of the posts or JS having six years of service as JS may be on HG on Rs.18740-31360.
Fair Copy Superintendent	9190-15510	16180-27140	20% of the posts or HG on FCS having 6 years service as FCS will be on HG on Rs.18740-31360.
Head Clerk/Head Accountant (and equated posts)	8390-13270	14620-23480	
Upper Division Clerk (and equated posts)	6680-10790	13210-20740	Re-designated as Senior Clerk
Upper Division Accountant	6680-10790	13210-20740	
Accountant	6680-10790	13210-20740	
Store Clerk	6680-10790	13210-20740	
Auditor	6680-10790	13210-20740	
Store Keeper	6680-10790	13210-20740	
Clerk cum Accountant	6680-10790	13210-20740	
Cashier	6680-10790	13210-20740	
Assistant Store Keeper	6680-10790	13210-20740	
Store Assistant	6680-10790	13210-20740	
Accounts Clerk	6680-10790	13210-20740	
Clerk cum Accountant	6680-10790	13210-20740	
Steward Clerk	6680-10790	13210-20740	
Clerk cum Cashier	6680-10790	13210-20740	
Sergeant	6680-10790	11620-18740	Ratio 5:3:2 among Sergeant Gr. II and Gr. I and Sr. Grade on Rs.11620-18740, Rs.13210-20740 and Rs.13900-22360 respectively.
Lower Division Clerk (and equated posts)	5250-8390	9940-15380	Re-designated as Clerk. The existing ratio 1:1 between Clerk and Senior Clerk will continue.
Store cum Record Keeper	5250-8390	9940-15380	
Record Keeper	5250-8390	9940-15380	
Store Clerk	5250-8390	9940-15380	
Copyist	5250-8390	9940-15380	
Accountant	5250-8390	9940-15380	
Clerk cum Cashier	5250-8390	9940-15380	
Assistant Cashier Clerk	5250-8390	9940-15380	

Designation	Existing Scale of pay	Proposed Scale of pay	Remarks
Store Keeper	5250-8390	9940-15380	
Clerk cum Store Keeper	5250-8390	9940-15380	
Auditor	5250-8390	9940-15380	
Record cum Store Keeper	5250-8390	9940-15380	
Assistant Store Keeper	5250-8390	9940-15380	
Tally Clerk	5250-8390	9940-15380	
Clerk Steward	5250-8390	9940-15380	
Store Assistant	5250-8390	9940-15380	
Cashier	5250-8390	9940-15380	
Store Keeper cum Clerk	5250-8390	9940-15380	
Clerk cum Accountant	5250-8390	9940-15380	
Junior Accountant	5250-8390	9940-15380	
Cashier cum Clerk	5250-8390	9940-15380	
Confidential Assistant Sel. Gr.	11070-18450	19240-32110	
Confidential Assistant Sen. Gr.	9190-15510	16180-27140	
Confidential Asst/Steno Typist Gr. I	7990-12930	13900-22360	
Confidential Assistant/Steno Typist Gr. II	6080-9830	10480-17420	The ratio 1:1:1:1 between CA Gr. II, Gr. I, Sr. Gr. and Sel. Gr. will continue.
Typist (Sel. Gr.)	8390-13270	14620-23480	Typist (Sr. Gr.) and Typist (Sel. Gr.) will be merged and the Typist (Sel. Gr.) will be on Rs.14620-23480. Grade Ratio modified as 2:2:2
Typist (Sr.Gr)	7990-12930		
Upper Division Typist	6680-10790	13210-20740	Re-designated as Senior Typist
Lower Division Typist	5250-8390	9940-15380	Re-designated as Typist
Clerk cum Typist	5250-8390	9940-15380	
Clerk Typist	5250-8390	9940-15380	
Typist Clerk	5250-8390	9940-15380	
Driver Sr. Grade	6680-10790	11620-18740	Grade ratio 2:2:1 between Gr.II, Gr.I Sr.Gr. will continue. 10% of the Senior Grade Drivers will be on Sl.Gr on Rs.14620-23480
Driver Gr I	6080-9830	10480-17420	
Driver Gr II	5250-8390	9190-14620	
Binder Gr I	5650-8790	9940-15380	Existing ratio 2:1 between Gr. II and Gr. I will continue.
Binder Gr II	4750-7820	8960-13210	
Driver cum Operator / Projectionist and similar categories	6080-9830	10480-17420	
Cinema Operator/Projectionist Gr.I	5650-8790	9940-15380	Existing ratio 2:1 between Gr. II and Gr.I will continue.
Cinema Operator/Projectionist Gr.II	4750-7820	8960-13210	
Audio Visual Trailer Operator Gr.I	5650-8790	9940-15380	Existing ratio 2:1 between Gr. II

Designation	Existing Scale of pay	Proposed Scale of pay	Remarks
Audio Visual Trailer Operator Gr.II	4750-7820	8960-13210	and Gr.I will continue.
Chief Operator (Audio Visual)	7480-11910	13210-20740	
Artist/Photographer/Artist Cum Photographer	8390-13270	14620-23480	
Artist/Photographer/Artist Cum Photographer	7480-11910	13210-20740	
Artist/Photographer/Artist Cum Photographer and similar category	5650-8790	9940-15380	
Attender Gr.I	4750-7820	8960-13210	
Clerical Attender/Technical Attender Gr.I	4750-7820	8960-13210	
Clerical Assistant (and similar categories) Gr.I	4750-7820	8960-13210	
Attender Gr.II	4630-7000	8730-12550	Existing ratio 2:1 between Gr. II and Gr.I will continue.
Clerical Attender /Technical Attender Gr.II	4630-7000	8730-12550	
Clerical Assistant (and similar categories)Gr.II	4630-7000	8730-12550	
Common Pool Librarians			
Librarian Gr.I	11910-19350	20740-33680	Those who come under UGC Scheme will be given UGC Scale of pay
Librarian Gr.II	9190-15510	16180-27140	
Librarian Gr.III	8390-13270	14620-23480	
Librarian Gr.IV	6680-10790	11620-18740	
Telephone Operator	5250-8390	9190-14620	
Telephone Attendant	4750-7820	8960-13210	
Roller Driver Gr.I	6680-10790	11620-18740	
Roller Driver Gr.II	5650-8790	9940-15380	
Roller Driver/Assistant Roller Driver	5250-8390	9190-14620	
Roller Cleaner	5250-8390	9190-14620	
Lorry Cleaner	4630-7000	8730-12550	
Oil Engine Driver	5250-8390	9190-14620	
Driver cum Mechanic/Driver Mechanic	5250-8390	9190-14620	
Workshop mechanic/Motor Mechanic/Fitter	5250-8390	9190-14620	
Motor Boat Driver Gr.I	6080-9830	10480-17420	Grade ratio 1:1 between Gr. II and Gr. I will continue.
Motor Boat Driver Gr.II	5250-8390	9190-14620	

Designation	Existing Scale of pay	Proposed Scale of pay	Remarks
Tractor Driver/Boat Driver/Syrang Gr.I	6080-9830	10480-17420	Grade ratio 1:1 between Gr. II and Gr. I will continue.
Tractor Driver/Boat Driver/Syrang Gr.II	5250-8390	9190-14620	
Engine Driver Gr.I	6080-9830	10480-17420	Grade ratio 1:1 between Gr. II and Gr. I will continue.
Engine Driver Gr.II	5250-8390	9190-14620	
Motor Driver Gr.I	6080-9830	10480-17420	Grade Ratio 1:1 between Gr. II and Gr. I will continue.
Motor Driver Gr.II	5250-8390	9190-14620	
Loco Driver Gr.I	6080-9830	10480-17420	Grade Ratio 1:1 between Gr. II and Gr. I will continue.
Loco Driver Gr.II	5250-8390	9190-14620	
Driver cum Cleaner Gr.I	6080-9830	10480-17420	Grade Ratio 1:1 between Gr. II and Gr. I will continue.
Driver cum Cleaner Gr.II	5250-8390	9190-14620	
Carpenter	5250-8390	9190-14620	
Turner	5250-8390	9190-14620	
Moulder	5250-8390	9190-14620	
Welder	5250-8390	9190-14620	
Black smith/Smith	5250-8390	9190-14620	
Electrician	5250-8390	9190-14620	
Plumber	5250-8390	9190-14620	
Mechanic	5250-8390	9190-14620	
Workshop Mechanic	5250-8390	9190-14620	
Fitter	5250-8390	9190-14620	
Carpenter cum Black smith	5250-8390	9190-14620	
Lift Operator	5250-8390	9190-14620	Lift Operator of various Departments will be brought under a common pool under PWD. Grade ratio 3:1 between Lift Operator and Lift Operator HG on Rs.9940-15380.
Stencil Operator/Roneo Operator/Duplicate Operator	4750-7820	8960-13210	
Duffedar (H.G)	4750-7820	8960-13210	The existing ratio 2:1 will continue.
Duffedar	4630-7000	8730-12550	
Mochee	4630-7000	8730-12550	
Class IV Employee Gr.I	4630-7000	8730-12550	Existing ratio 2:1 will continue.
Class IV Employee Gr.II	4510-6230	8500-12220	