

Dearness allowance

The **Dearness Allowance (DA)** is a cost of living adjustment allowance paid to Government employees, Public sector employees (PSU) and pensioners in India & Bangladesh.

Dearness Allowance is calculated as a percentage of an Indian citizen's basic salary to mitigate the impact of inflation on people. Indian citizens may receive a basic salary or pension that is then supplemented by a housing or a dearness allowance, or both. The guidelines that govern the DA vary according to where one lives (for example, whether rural or urban).

History

The Dearness Allowance was introduced following the second World War, and was then known as the "Dear Food Allowance". The "Old Textile Allowance" was also introduced in 1947, though this was revised and reintroduced in 1953 as the "Revised Textile Allowance". Initially DA was given in response to demand of employees for wage revision, however later it was linked to Consumer Price Index. In the past various committees have been constituted to look into the issue of payment of D.A. to Central Government employees.

The **III Central Pay Commission** recommended payment of DA whenever the CPI rose by 8 points over the index of 200 (with base 1960 = 100). The extent of neutralisation granted with effect from 1-1-1973 ranged from 100% to 35%.

The **IV Central Pay Commission** recommended the grant of DA on a 'percentage system' of the basic pay (1986). It also recommended payment of DA twice a year; 1 January and 1 July. Each instalment of DA was to be calculated with reference to the percentage increase in the 12 monthly average of All India Consumer Price Index (base 1960). The extent of neutralisation now ranged from 100% to 65%.

The **V Central Pay Commission** looked into the issue of differential neutralisation and found it to be injustice to senior officers and recommended uniform neutralization of 100% to employees at all levels.^[1] The Commission had suggested that dearness allowance should be converted into dearness pay every time the cost of living rises by 50% over the base level.^[2]

The **VI Central Pay Commission** recommended revision of base year of the Consumer Price Index (CPI) as frequently as feasible. It also changed base year for DA calculation to 2001 (base year 2001=100)^[3]

DA Calculation Sheet

Formula for calculating Dearness Allowance for Central government employees after 1.1.2006 is :

Dearness Allowance % = {(Average of AICPI(Base year 2001=100) for the past 12 months - 115.76)/115.76}*100

Formula for calculating Dearness Allowance for Central public sector employees after 1.1.2007 is :

Dearness Allowance % = {(Average of AICPI(Base year 2001=100) for the past 3 months - 126.33)/126.33}*100

Dearness allowance with effect from January or July of a particular year in the future, once the AICPI(IW) for a particular month is published by the Government, whereas for PSU employees it is declared quarterly by DPE (Department of Public Enterprise).

Beginning 1 January 1996, the Dearness Allowance is granted to compensate for price increases to which the revised pay scales relate. This will be reviewed twice a year, on 1 January and 1 July.

The following table shows All India Consumer Price Index since 1.1.2006 with Base year 2001=100^[4]

Year	Jan	Feb	March	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Average
2006	119	119	119	120	121	123	124	124	125	127	127	127	123
2007	127	128	127	128	129	130	132	133	133	134	134	134	131
2008	134	135	137	138	139	140	143	145	146	148	148	147	141.66
2009	148	148	148	150	151	153	160	162	163	165	168	169	157
2010	172	170	170	170	172	174	178	178	179	181	182	185	175.9
2011	188	185	185	186	187	189	193	194	197	198	199	197	191.5
2012	198	199	201	205	206	208	212	214	215	217	218	219	209.33
2013	221	223	224	226	228	231	235	237	238	241	243	239	232.16
2014	237	238	239	242 ^[5]	244	-	-	-	-	-	-	-	

The **Vth Pay Commission** recommendations were implemented since 1.1.1996 and consequently DA rate wef 1.1.1996 became 0. Further in 1994 Central Government merged 50% of the Dearness Allowance (DA) with the basic pay w.e.f. 01.04.2004 and the Dearness Allowance continued to be calculated with reference to the AICPI (IW) average as on 1st January, 1996 of 306.33 without changing the index base consequent to the merger. Accordingly, Dearness Allowance (DA) as mentioned in table below were sanctioned from 01.07.2004 till 01.07.2007.^[6]

Year	1996	1996	1997	1997	1998	1998	1999	1999	2000	2000	2001	2001	2002	2002	2003	2003	2004	2004	2005	2005	2006	2006	2007	2007
Month	Jan	July	Jan	July	Jan	July	Jan	July	Jan	July	Jan	July	Jan	July	Jan	July	Jan	July	Jan	July	Jan	July	Jan	July
DA %	0	4	8	13	16	22	32	37	38	41	43	45	49	52	55	59	61	64	67	71	74	79	85	91
DA % after 50% merger in 1.3.2004	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	14	17	21	24	29	35	41

DA rate as applicable after implementation of **VIth Pay Commission** recommendations wef from **1.1.2006** is shown in table below :-

Year	2006	2006	2007	2007	2008	2008	2009	2009	2010	2010	2011	2011	2012	2012	2013	2013	2014	2014
Month	Jan	July	Jan	July	Jan	July	Jan	July	Jan	July	Jan	July	Jan	July	Jan	July	Jan	July
DA %	0	2	6	9	12	16	22	27	35	45	51	58	65	72	80	90	100	

Rate of Dearness Allowance to West Bengal Govt. Employees

F.D. Order No.	Date of Effect	Total Rates of D.A.
2580-F dt. 09.04.2010	01.04.2010	27%
10850-F dt. 23.11.2010	01.12.2010	35%
11080-F dt. 12.12.2011	01.01.2012	45%
10615-F dt. 31.12.2012	01.01.2013	52%
8840-F(P2) dt. 16.12.2013	01.01.2014	58%

Generally D.A. is declared twice in a year. But from the above table it is clear that West Bengal Govt. is providing D.A. to State Govt. employees in a very irregular fashion; for which the employees of West Bengal are very much deprived. Various public sector companies revise their DA every quarter but the formula for calculation of DA is different owing to various reasons : Firstly most PSUs follow IDA (Industrial Dearness Allowance) pattern whereas central government follows CDA (Central Dearness Allowance) pattern;^[7] Secondly PSUs received their wage revision from 1.1.2007 as per 2nd pay revision committee report^[8] whereas central government employees had their wage revision from 1.1.2006 as per 6th pay commission report;^[9] Lastly unlike Central government PSU revise their DA rate every quarter as per DPE(Department of Public Enterprise) orders i.e., Jan, April, July & October of concerned year.^[10]

Pensioners

Both pensioners and their families are granted DA and this continues following reemployment with the Central or State Government, a Government undertaking, an autonomous body or a local body; that is, DA is allowed in addition to a recipient's fixed pay or "time scale". In other cases of reemployment, access to DA is subject to the limit of emoluments last drawn.

DA is not allowed during a pensioner's time overseas if employment is undertaken; however, the DA remains accessible to overseas pensioners whilst the recipient is not employed.

Rates of DA for pensioners

Prior to 1972, there was no element of DA attached to pensions. From 1 April 1972 a flat rate of DA was paid to all pensioners:

01.04.1972	Rs.5	
01.04.1973	Rs.10	
01.10.1973	Rs.15	
01.04.1974	Rs.20	
01.02.1975	Rs.28	
01.02.1976	Rs.32	
01.04.1977	10%	subject to maximum of Rs.15
15.09.1977	Rs.10	for those retired prior to 01.06.1961, Rs.5 after 01.06.1961
01.04.1978	5%	increase minimum Rs.10, maximum Rs.25

From 1 April 1979 to 30 September 1984 there were 28 installments of DA paid to pensioners at certain fixed rates for 13 groups of pension amounts.

From 1 October 1984 to date, pensioners are paid DA at a certain percentage of basic pension. The allowance is calculated on the original pension without commutation. From 1 July 1986 the percentage has been revised every 6 months based on the cost of living index .72 to 80 DA may be allowance.

References

- [1] http://www.kar.nic.in/fnjpc/da_persp.html
 - [2] <http://finmin.nic.in/6cpc/6cpcreport.pdf>
 - [3] <http://finmin.nic.in/6cpc/6cpcreport.pdf>
 - [4] <http://labourbureau.nic.in/indtab.html>
 - [5] <http://labourbureau.nic.in/indnum.htm>
 - [6] http://www.referencer.in/TA_DA_Rules/DA_Rates.aspx
 - [7] http://dhi.nic.in/annrep/dhi_annrep1112_dpe2.pdf
 - [8] <http://pib.nic.in/newsite/erelease.aspx?relid=39306>
 - [9] <http://pib.nic.in/newsite/erelease.aspx?relid=41333>
 - [10] http://dhi.nic.in/annrep/dhi_annrep1112_dpe2.pdf
- <http://labourbureau.nic.in/OWSTP%20Chap.%20III.htm>

External links

- Government of Tamil Nadu, Directorate of Pension - Dearness Allowance (<http://www.tn.gov.in/dop/p3.htm>)
- Government of Tamil Nadu, Directorate of Pension - Dearness Allowance Rate Tables (<http://www.tn.gov.in/dop/forms/datatables.htm>)
- Indian Banks Association - Dearness Allowance for Bank Employees (<http://www.iba.org.in/viewDA.asp>)
- All India Oriental Bank Officers Association - Salary and Allowances for Bank Officers/Employees (<http://www.aioboa.org/Diary/Salary.html>)
- How to Calculate Dearness Allowance (<http://www.imyideas.com/2010/07/how-to-calculate-dearness-allowance-da.html>)
- Cabinet Approves 10% DA increase (<http://www.imyideas.com/2010/09/cabinet-approved-10-da-increase-for-cg.html>)
- Comparative study DA GOI vs banks (<http://airbiopf.wordpress.com/2012/10/14/>)
- Rate of Dearness Allowance and Interim Relief to W.B. Govt. Employees (<http://wbxpress.com/rates-of-dearness-allowances-and-interim-relief-to-the-w-b-state-govt-employees/>)

Article Sources and Contributors

Dearness allowance *Source:* <http://en.wikipedia.org/w/index.php?oldid=617092556> *Contributors:* A i s h2000, Abdars, Alvin Seville, Amazaing77, AvicAWB, Balster neb, Bearcat, Bgwhite, Biker Biker, Buster40004, Centralgovernmentnews, Dentalplanlisa, Dew.drenched.me, DoctorKubla, Ewikia, Explicit, Fragle81, Frze, HMSLlavender, Helpsme, Hu12, JLP22, Jamespeterv, Jenny owns amaranths, Karthik.raman, Katharineamy, Kbbalan, Kbbalanpec, Kboobalan, Kenfyre, Kg.iitb, LeoNomis, LilHelpa, Lupin, Magioladitis, Magister Mathematicae, Malcolm, Materialscientist, Mogism, Nichalp, Nomadpenguin, Rajababu31, Rama's Arrow, RuthLivingstone, Samidee, Shyamsunder, Soulparadox, Sparklism, Suneeshjacob, SupperNope, Syam Kumar, Tech426, Trradhesh, Utcursch, Vkwd7, 99 anonymous edits

License

Creative Commons Attribution-Share Alike 3.0
[//creativecommons.org/licenses/by-sa/3.0/](http://creativecommons.org/licenses/by-sa/3.0/)
