



Centre Freezes DA/DR Increase for Staff

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Why in News

The Finance Ministry has **frozen the Dearness Allowance (DA) increases** for the central government staff and **Dearness Relief (DR) increases** for pensioners for the period between January 2020 and July 2021.

Key Points

- The move will impact 48 lakh central government employees and 65 lakh pensioners.
- However, DA and DR at current rates will continue to be paid to the employees and pensioners.
 - The **4% DA hike for central** government employees announced in March, 2020 . was effective from January 1, 2020.
- Since states generally follow the central government on DA and DR decisions, it is expected that **states may announce similar decisions.**
- The savings on account of freezing of increase in DA and DR to central government employees and pensioners would be **Rs 37,530 crore in the current financial year and 2021-22.**
 - This would **create room for stepping up expenditure on health** and welfare measures amid **Covid-19 pandemic**. Also, the government finances have been strained due to **decline in tax and non-tax revenues.**
 - If **states follow the Centre**, the estimated **savings will be Rs 82,566 crore.**
- **Similar steps taken by the government :**
 - Earlier, the Union Cabinet had cleared a **30% salary cut** for all **MPs, including the Prime Minister and Union Ministers, for a year.**
 - It also decided to **suspend all MPLADS (Members of Parliament Local Area Development Scheme) funds** for two financial years—starting April 1,2020.
 - Under MPLADS, each MP gets Rs 5 crore annually for development work in his/her constituency.

Dearness Allowance and Dearness Relief

- DA and DR is part of the government's policy to offset the impact of inflation on salaries and pension
 - DA is calculated on the basis of current basic pay of Government employees.
 - DR is calculated on the basis of basic pension of Government pensioners.
- The **payments are made twice a year-** in January and July **according to the formula prescribed by the 7th Pay Commission.** Currently, they are fixed at **17%** of the basic pay or pension.
- The DA is **calculated based on the All-India Consumer Price Index** for the past 12 months.

Source: IE