

2026:PHHC:056699



**IN THE HIGH COURT OF PUNJAB AND HARYANA AT
CHANDIGARH**

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Date of decision: 08.04.2026

1. CWP-7291-2026 (O&M)

Nirmal Singh Dhanoa and others

....Petitioners

Versus

Additional Chief Secretary to Government of Punjab, Department of Finance,
Punjab Civil Secretariat, Chandigarh

....Respondent

2. CWP-9514-2026 (O&M)

Arun Kumar and others

....Petitioners

Versus

State of Punjab and others

....Respondents

3. CWP-10301-2026 (O&M)

Gagandeep Sharma and another

....Petitioners

Versus

State of Punjab and others

....Respondents

CORAM: HON'BLE MR. JUSTICE HARPREET SINGH BRAR

Present: Mr. Sunny Singla, Advocate and
Ms. Ritti Aggarwal, Advocate
for the petitioner(s) (in CWP-7291-2026).

Mr. Kanwar Abhay Singh, Advocate
for the petitioner(s) (in CWP-9514-2026).

Mr. Rashpinder Singh Sohi, Advocate
for the petitioner(s) (in CWP-10301-2026).

Ms. Anu Chatrath, Addl. A.G., Punjab/Senior Advocate with

Mr. Maninder Singh, Addl. A.G., Punjab/Senior Advocate and
Mr. Vikas Arora, DAG, Punjab assisted by
Dr. V.N. Zade, IAS, Secretary (Expenditure).

Mr. Neeraj Sharma, Advocate
for respondent No.4 (in CWP-9514-2026).

Mr. Rahul Sharma, Senior Advocate with
Mr. Karundeeep Singh, Advocate
for respondent No.4 (in CWP-10301-2026).

Mr. Raman B. Garg, *Amicus Curiae* with
Mr. Mayank Garg, Advocate,
Ms. Komal Parveen, Advocate and
Mr. Ajay Sharma, Advocate.

HARPREET SINGH BRAR J. (Oral)

A. INTRODUCTION

1. This common judgment shall dispose of all 03 of the abovementioned writ petitions. An identical stance has been taken by the respondent(s)-Corporations in all the aforementioned writ petitions that the payment of pay scales, pension, leave encashment, as well as Dearness Allowance (DA)/Dearness Relief (DR), is made and regulated strictly in accordance with the instructions issued by the Government of Punjab. The respondent(s)-Corporations have assumed a clear position that any decision taken by the Government of Punjab in this regard will be acted upon by them accordingly. As such, it becomes incumbent upon this Court to solicit a response from the Government of Punjab and scrutinise the same.

B. PRAYER(S)

CWP-7291-2026	a) Quashing the order dated 18.11.2025 (Annexure P-16) passed by the respondent/Additional Chief Secretary to Government of Punjab, Department of Finance, whereby the claim of the petitioners is kept in abeyance till the Government of Punjab takes a
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	<p>decision for grant of DA/DR.</p> <p>b) Direct the respondent to grant the relief of DA/DR @ 31% 01.07.2021 instead from 01.11.2021, @ 34% w.e.f. 01.01.2022 instead from 01.10.2022, @ 38% w.e.f. 01.07.2022 instead from 01.12.2023, @ 42% w.e.f. 01.01.2023 instead from 01.11.2024 and @ 46% w.e.f. 01.07.2023, @ 50% w.e.f. 01.01.2024, @ 53% w.e.f. 01.07.2024, @ 55% w.e.f. 01.01.2025, @ 58% w.e.f. 01.07.2025 and to revise the subsequent DA/DR in accordance with the recommendations of the 6th Punjab Pay Commission and in accordance with the installments granted to the Central Government employees on the basis of All India Consumer Price Index (hereinafter referred to as 'AICPI') as accepted and approved by Cabinet on 18.06.2021 (Annexure P-12).</p> <p>c) Further direct the respondent to grant the arrear of revised DA/DR and further subsequent increase in DA/DR onwards at par with the Government of India pattern alongwith interest @ 12% per annum on the delayed payment of enhanced DA/DR.</p>
<p>CWP-9514-2026</p>	<p>a) Direct the respondents to grant the benefit of Dearness Allowance/Dearness Relief @ 125% w.e.f. 01.01.2016, @ 31% w.e.f. 01.07.2021 instead of 28% from 01.11.2021, @ 34% w.e.f. 01.01.2022 instead from 01.10.2022, @ 38% w.e.f. 01.07.2022 instead from 01.12.2023, @ 42% w.e.f. 01.01.2023 instead from 01.11.2024 and @ 46% w.e.f. 01.07.2023, @ 50% w.e.f. 01.01.2024, @ 53% w.e.f. 01.07.2024, @ 55% w.e.f. 01.01.2025 and @ 58% w.e.f. 01.07.2025 and to revise the subsequent Dearness Allowance in accordance with the recommendations of 6th Punjab Pay Commission and in accordance with the installments granted to</p>

	<p>the Central Government Employees on the basis of AICPI vide F.No.1-3/2015-E-II(B) dated 23.09.2015 (Annexure P-1) as accepted and approved by Cabinet on 21.06.2021.</p> <p>b) Further to quash the letter dated 18.02.2025 (Annexure P-29) issued by respondent No.2, to the extent the payment of arrears of revised pay/pension/family pension/leave encashment including Dearness Allowance/Dearness Relief for the period 01.01.2016 to 30.06.2021 as per the 6th Punjab Pay Commission to the employees/pensioners/family pensioners.</p> <p>c) Direct the respondents to pay the employees/pensioners/family pensioners below 75 years of age, arrears of revised pay/pension/family pension/leave encashment including Dearness Allowance/Dearness Relief for the period 01.01.2016 to 30.06.2021, in not more than 12 monthly installments and along with interest, in parity with employees/pensioners/family pensioners above 75 years of age.</p> <p>d) Further direct the respondents to release the arrears of revised pensionary benefit of Dearness Allowance/Dearness Relief for the period i.e, 01.07.2021 onwards, @ 31% w.e.f. 1.7.2021 instead of 28% from 01.11.2021, @ 34% w.e.f. 01.01.2022 instead from 01.10.2022, @ 38% w.e.f. 01.07.2022 instead from 01.12.2023, @ 42% w.e.f. 01.01.2023 instead from 01.11.2024, and further release the arrears of revised pensionary benefit of Dearness Allowance/Dearness after granting the installment @ 46% w.e.f. 01.07.2023, 50% w.e.f. 01.01.2024, @ 53% w.e.f. 01.07.2024 & @ 55% w.e.f. 01.01.2025 and after further revising the subsequent</p>
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	<p>installments of Dearness Allowance in accordance with the recommendations of the 6th Punjab Pay Commission and in accordance with the installments granted to the Central Govt. Employees on the basis of AICPI vide F.No.1-3/2015-E-II(B) dated 23.09.2015 (Annexure P-1) as accepted and approved by Cabinet on 21.06.2021.</p>
CWP-10301-2026	<p>a) Direct the respondents to grant the benefit of Dearness Allowance/Dearness Relief to the employees working with respondent No.4 @ 31% w.e.f. 01.07.2021 instead from 01.11.2021, @ 34% w.e.f. 01.01.2022 instead from 01.10.2022, @ 38% w.e.f. 01.07.2022 instead of 01.12.2023, @ 42% w.e.f. 01.01.2023 instead from 01.11.2024 & @ 46% w.e.f. 01.07.2023, 50% w.e.f. 01.01.2024, @ 53% w.e.f. 01.07.2024, @ 55% w.e.f. 01.01.2025, @ 58% w.e.f. 01.07.2025 in accordance with the installments granted to the Central Government. Employees on the basis of AICPI.</p> <p>b) Further direct the respondents to grant the arrears of Dearness Allowance/Dearness Relief at par with Government pattern along with interest @ 12% p.a. on the delayed payment of arrears.</p>

C. FACTUAL BACKGROUND

CWP-7291-2026 & CWP-10301-2026	<p>The petitioners are retired/current employees of the Punjab State Power Corporation Ltd. (PSPCL). The retired employees were allowed revision of pension following orders of the Government of Punjab implementing the 6th Punjab Pay Commission (hereinafter '6th Pay Commission') recommendations. However, the benefit of DA/DR was not granted to the current/retired employees, respectively.</p> <p>The respondent- Additional Chief Secretary to Government of Punjab, Department of Finance passed</p>
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	<p>the impugned order dated 18.11.2025 (Annexure P-16 in CWP-7291-2026) which states that the matter of arrears of pay/pension, leave encashment from 01.01.2016 to 30.06.2021 as well as arrears of DA/DR from 01.07.2021 to 31.03.2024 was discussed in the Cabinet meeting. In furtherance of the same, a Cabinet Sub Committee was constituted for a holistic analysis. Further, the Council of Ministers held a Meeting on 13.02.2025 where the liquidation plan recommended by the Cabinet Sub Committee was duly approved for payment of relevant arrears from 01.01.2016 to 30.06.2021 as per the 6th Pay Commission.</p> <p>Further still, instructions dated 18.02.2025 were issued by the Government of Punjab which provided that after liquidation of arrears of 6th Pay Commission, any arrears on account of DA/DR from 01.07.2021 to 31.03.2024 will be considered for payment in installments. The said instructions have been adopted by PSPCL vide Finance Circular No. 03/2025 dated 03.04.2025. Since the PSPCL follows the decision of the Government of Punjab in this regard, the legal notice dated 28.05.2025 served by the petitioners was disposed of by respondent-ACS noting that the Government of Punjab is yet to take a decision regarding grant of four installments of DA/DR from 42% to 55%.</p>
CWP-9514-2026	<p>The petitioners are retired employees of Municipal Corporation, Ludhiana and are aggrieved by the failure of respondent-Municipal Corporation, Ludhiana to grant the DA/DR in terms of Central Government pattern based on AICPI. Furthermore, vide letter/liquidation plan dated 18.02.2025 (Annexure P-29 in CWP-9514-2026), the Government of Punjab has directed payment of arrears of revised pension</p>

	<p>(including DR) from 01.01.2016 to 30.06.2021 in 42 monthly installments without interest for pensioners below 75 years of age. Different disbursement plans have been provided by creating artificial categories within the homogenous class of pensioners. The Municipal Corporation, Ludhiana, in its reply, has stated that its employees are governed by the rules and statutory instructions issued from time to time by the Government of Punjab in this regard and in absence of a decision regarding grant of four installments of DA/DR from 42% to 55%, the Corporation cannot grant the said benefits.</p>
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D. SUBMISSIONS ON BEHALF OF THE PETITIONER(S)

2. Learned counsel for the petitioners (in **CWP-7291-2026**) *inter alia* contends that the petitioners are retired employees of PSPCL, who are currently in their sunset years. The petitioners were receiving pension along with Dearness Relief (DR) which is revised twice a year on the basis of AICPI. Notably, in the Meeting of the Council of Ministers held on 18.06.2021 (Annexure P-12), the Government of Punjab has approved the recommendation of the 6th Pay Commission to grant DA/DR on the Central Government pattern. However, despite such approval, the Government of Punjab has failed to grant the subsequent installments of DA/DR to the petitioners on Central Government pattern. Learned counsel contends that the failure to grant the benefit of DA/DR, on the pattern adopted by the Central Government, is not only violative of Articles 14 and 16 of the Constitution of India, but also contrary to the approval granted to the recommendations of the 6th Pay Commission by the Council of Ministers in its Meeting held on 18.06.2021.

3. Learned counsel argues that the petitioners have been subjected to hostile discrimination as the more privileged All India Service Officers

(IAS/IPS/IFS) and Judicial Officers serving in the State of Punjab are receiving the DA regularly on the Central Government pattern; whereas the petitioners who are more necessitous due to their comparatively meagre pension, are being subjected to step-motherly treatment. Further, more than 35,000 pensioners have died since 01.01.2016 while awaiting the release of their legitimate benefits in terms of the recommendations of the 6th Pay Commission.

4. Learned counsel for the petitioners further refers to Annexures P-6 and P-7 and submits that in Para 7.10, the 6th Pay Commission has made a specific recommendation regarding continuation of grant of DA on the Central Government pattern. In Para 7.11, the 6th Pay Commission has also emphasised that there should be no time lag in release of the DA and it should be implemented as soon as the DA is enhanced by the Government of India. The rationale behind the immediate implementation, as provided in Para 7.11, is that the efficacy of DA as a hedge against inflation is eroded if there are delays in its timely release. Learned counsel also refers to Annexures P-3, P-4, P-8, P-9 and P-10 and submits that approval of the recommendations of the 6th Pay Commission regarding grant of DA w.e.f. 01.01.2016 by the Government of Punjab is clearly discernible. He also drew the attention of this Court to the letter dated 21.06.2021 (Annexure P-12), and further refers to the Agenda Item No.147 of the Meeting of the Council of Ministers held on 18.06.2021 and submits that at Page 58 of the paperbook, the recommendations of the 6th Pay Commission regarding DA are clearly discernible, along with comments of the Department of Finance. The approval of the recommendations of the 6th Pay Commission as brought out in Para 1.8 to 1.13 by the Government of Punjab is discernible from para 2.1 at Page 77 of the paperbook. In terms of the aforesaid approval, a Notification dated 05.07.2021 (Annexure P-13) was issued by the

Government of Punjab, notifying the Punjab Civil Services (Revised Pay) Rules, 2021 (hereinafter referred to as 'Rules of 2021').

5. Learned counsel for the petitioners further refers Rule 3 (c) and (j) of Rules of 2021 which define 'existing emoluments' and 'revised emoluments.' A perusal thereof clearly demonstrates that the 'revised emoluments' includes Dearness Allowance. Rule 3(c) and (j) read as under:-

“(c) "existing emoluments" means the sum of-

- (i) existing basic pay as on the 31st day of December, 2015;*
- and*
- (ii) dearness allowance appropriate to the pay in the existing basic pay;*

(j) "revised emoluments" means the pay in the Level of a Government employee in the revised pay structure and includes dearness allowance.”

6. The Government of Punjab has not only adopted the recommendations of the 6th Pay Commission but has also acted upon it by releasing some of the installments of the DA/DR. Thus, the unilateral denial of DA/DR by the PSPCL to the petitioners and its other employees and pensioners, is contrary to the decision taken by the Council of Ministers on 18.06.2021 as well as Rule 3(c) and (j) of the Rules of 2021. Learned counsel for the petitioners relies upon the order passed by this Court in **CWP-29-2023**, titled as ***Kuljit Singh and others vs. State of Punjab and others***, decided on **10.01.2023** (Annexure P-5) and by referring to Paras 5 and 6, submits that the aforesaid writ petition was disposed of on the statement made by learned Additional Advocate General, Punjab appearing on behalf of the State of Punjab to the effect that all the employees of the Government of Punjab are entitled to the grant of Dearness Allowance. Further, it was undertaken that all other similarly situated employees shall be granted the said benefit within a

period of 03 months as there cannot be any discrimination amongst identically situated employees. He further refers to Paras 13 and 14 of the judgment rendered by the Constitution Bench of the Hon'ble Supreme Court in ***Purshottam Lal and others vs. Union of India and another, (1973) 1 SCC 651*** and contends that after acceptance of the recommendations of the 6th Pay Commission by the Government of Punjab, it becomes binding and denial of relief flowing therefrom to employees and pensioners, while granting the same to All India Service Officers, would amount to an act of discrimination.

7. Moreover, he relies upon Paras 21 to 25 of the judgment of the Division Bench of this Court in **CWP-15554-2007** and connected cases, titled as ***Gian Chand and others vs. State of Punjab and others***, decided on **23.12.2025** and submits that the employees and pensioners cannot be deprived of their fundamental entitlements on the ground of financial constraints. The Division Bench has not only rejected the ground of financial constraints but also adversely commented on the fiscal discipline and lack of financial prudence of the Government of Punjab. The relevant part of the said judgment reads as follows:-

“21. The State has estimated a figure of Rs. 839.85 Cr. by assuming that all 44,163 retirees would opt for pension commutation at an interest rate of 4.75%. However, there is no supporting data to prove that the State exchequer would have incurred financial consequences from this large amount.

22. Moreover, the State has miserably failed to demonstrate that its financial condition significantly improved in 2006, which led to restoring the interest rate to 4.75%. The State has not provided any data on the number of retirees who chose to commute their pensions at the reduced interest rate of 4.75% in subsequent years and the resulting financial impact on the State treasury.

23. It should be remembered that the Commutation of Pension is a statutory welfare scheme and an essential part of a retiree's pension benefits, especially for those who have dedicated most of their lives serving the State and have diligently paid their annual taxes for its development. It is the duty of the Welfare State to support its retired citizens by at least offering them

Commutation of Pension at lower interest rates, so they can plan the next chapter of their lives with pride and dignity.

24. The State remains completely silent about what other measures were taken to ease the financial burden and help the State recover from the crisis. It seems that the entire responsibility for the so-called self-made financial crisis was unfairly placed on retirees at the end of their careers, when they needed financial support the most.

25. Moreover if the State of Punjab was in a financial crisis, it could have definitely reduced their spending on unnecessary advertisements, billboards, and wasteful schemes, which only appeal for votes by the ruling party. However, they imposed cuts on employees who had completed their service, and if they had been wealthy, they would surely not have taken pension commutation, which itself indicates they have limited means.

(Emphasis supplied)

8. Furthermore, learned counsel for the petitioners has produced a notification dated 30.10.2014 issued by the Government of Punjab, which is taken on record as 'Mark X'. Referring to the same, learned counsel submits that keeping in view the welfare of the entire workforce, the Government of Punjab took a conscious decision to release Dearness Allowance to all its employees, even prior to its release to officers of the All India Services (IAS/IPS/IFS). However, this practice was discontinued in the year 2019 when the payment of Dearness Allowance to All India Service officers was de-linked from that of other employees vide notification dated 14.10.2019, which was produced in Court and is taken on record as 'Mark Y'. It is thus submitted that the past practice of the Government of Punjab reflects an informed policy decision prioritising its own employees, particularly those at the lower rungs, over the relatively privileged class of All India Service officers, a position which now stands reversed to the detriment of State Government employees.

9. Learned counsel for the petitioners (in CWP-9514-2026) submits that the petitioners after serving the Government of Punjab, retired from Municipal Corporation, Ludhiana, and their grievance is two-fold: *firstly*, the

respondents have not granted the pending installments of DA/DR; *secondly*, vide impugned letter/liquidation plan dated 18.02.2025 (Annexure P-29) the payment of the arrears of the revised pension/family pension and DR has been wrongly decided to be made in 42 monthly installments and that too without any interest. The pensioners have been separated into three different classes on the basis of their age, creating artificial class legislation for the purpose of the payment of revised benefits. The pensioners in the first two categories have already received their revised benefits, as per the 6th Pay Commission, in 02 and 12 installments, respectively, whereas the payment of revised benefits to the pensioners in the third category has been divided into 42 monthly installments. As such, the act and conduct of the Government of Punjab is violative of Article 14 of the Constitution of India.

10. Learned counsel appearing for the petitioners in **CWP-10301-2026** submits that the petitioners are employees of the PSPCL and adopts the arguments advanced by learned counsel for the petitioners in CWP-7291-2026.

E. ASSISTANCE RENDERED BY LEARNED AMICUS CURIAE

11. Learned *Amicus Curiae*, at the very outset, emphasizes that Dearness Allowance has consistently formed a part of ‘salary’ since the implementation of the applicable Service Rules in the year 1973. He submits that tracing the historical genesis and progressive institutionalization of Dearness Allowance indicates that it is neither a discretionary benefit nor a matter of executive largesse; rather, the concept of DA has been evolved to safeguard employees against the corrosive effects of inflation. Originating as a response to abnormal price rise, over the decades, DA has crystallized into a uniform and objective component of wage structure, anchored to the AICPI and

consistently applied across public employment through successive Pay Commission recommendations and is a consistent executive practice. Its evolution reflects a conscious shift from *ad hoc* relief to a legally enforceable facet of fair wages. He further submits that over time, it has been integrated within the broader framework of social welfare, economic justice and constitutional governance, thereby bringing it within the sweep of Articles 14, 16, 21 and 43 of the Constitution of India.

12. Learned *Amicus Curiae* further contends that the concept of Dearness Allowance is distinctly Indian. It is structured, formula-driven, and a legally recognized right which reflects India's commitment to protection of real wages in a developing, inflation-prone economy. As such, DA plays a crucial role in protecting employees from inflation shocks, maintaining industrial peace, ensuring social justice in wage policy and acting as an automatic stabilizer in any prevailing economic conditions.

13.1. In order to explain the judicial evolution of the concept of Dearness Allowance, learned *Amicus Curiae* has referred to a number of judgments, starting with the judgment rendered by a four-Judge bench of the Hon'ble Supreme Court in *Hindustan Times Ltd. vs. Their Workmen AIR 1962 INSC 385*, wherein, speaking through Justice K.C Das Gupta, the following was observed:

"13. ...It is, in our opinion, proper and desirable that the dearness allowance should not remain fixed at this figure but should be on a sliding scale. As was pointed out in Workmen of Hindusthan Motors v. Hindusthan Motors, (1962)2 L.L.J. 352 the whole purpose of dearness allowance being to neutralise a portion of the increase in the cost of living, it should ordinarily be on a sliding scale and provide for an increase on rise in the cost of living and a decrease on a fall in the cost of living...."

13.2. Further, he refers to the judgment of the Constitution Bench of the Hon'ble Supreme Court in *Hindustan Antibiotics Ltd. vs. The Workmen 1966 INSC 195*, wherein, speaking through Justice Subba Rao, the following was opined:

“10. Let us now consider the constitutional, legislative, executive and opinion trends in that regard. Article 39 of the Directive Principles of State Policy says that the State shall direct its policy towards securing equal pay for equal work for both men and women and Article 43 thereof enjoins on the State to endeavour to secure, by suitable legislation or economic organisation or in any other wages to all workers, agricultural, industrial or otherwise, work, a living wage, conditions of work ensuring a decent standard of life and full enjoyment of leisure and social and cultural opportunities. This Constitutional directive will certainly be disobeyed if the State attempts to make a distinction between the same class of labourers on the ground that some of them are employed by a company financed by it and the others by companies floated by private enterprise. These Articles do not countenance the invidious distinction which is now sought to be made on the basis of the character of the employer. The Legislatures in India even before the coming into force of the Constitution passed Acts regulating industries such as the Industrial Disputes Act, 1938, Industrial Employment (Standing Orders) Act, 1946 and Industrial Disputes Act, 1947. In these Acts no distinction is made between industries in public and private sectors vis-a-vis the service conditions of the labour. Under Section 2(g) of the Industrial Disputes Act, 'employer' means in relation to an industry carried on by or under the authority of any department of the Central Government or a Government of Punjab the authority prescribed in this behalf the head of the department and under Clause (j) 'industry' means any business, trade, undertaking, manufacture or calling of employers and includes any calling, service, employment, handicraft, etc. Section 2, Clause(s) defines workman to mean any person employed in any industry to do work for hire or reward.

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27.The doctrine of dearness allowance was only evolved in India. Instead of increasing wages as it is done in other countries, dearness allowance is paid to neutralise the rise in prices. This process was adopted in expectation that one day or other we would go back to the original price levels. But, when it was found that it was only a vain hope or at any rate, it could not be expected to fall below a particular mark, a part of the dearness allowance was added to the basic wages, that is to say, the wages, to that extent, were increased. While the Tribunal increased the wages, in fixing the dearness allowance, it looked into the overall picture, namely, whether the total wage packet would approximate to the total packet wages in comparable industries. There is no question,

therefore, of paying dearness allowance on dearness allowance, but it was only a payment of dearness allowance in addition to the increased wages. Even on the basis of the increased wages, dearness allowance was necessary to neutralise the rise in prices. ...”

13.3. He further refers to the judgment rendered by a three-Judge Bench of the Hon’ble Supreme Court in ***Bengal Chemical and Pharmaceutical Works Ltd. vs. Its Workmen and another 1968 INSC 242***, wherein, speaking through Justice C.A. Vaidialingam, the following was held:

“23. The following principles broadly emerge from the above decisions:

- 1. Full neutralisation is not normal given, except to the very lowest class of employees.*
- 2. The purpose of dearness allowance being to neutralise a portion of the increase in the cost of living, it should ordinarily be on a sliding scale and provide for an increase on the rise in the cost of living and a decrease on a fall in the cost of living.*
- 3. The basis of fixation of wages and dearness allowance is industry-cum-region.*
- 4. Employees getting the same wages should get same dearness allowance, irrespective of whether they are working as clerks or members of subordinate staff or factory workmen.*
- 5. The additional financial burden which a revision of the wage structure or dearness allowance would impose upon an employer, and his ability to bear such burden, are very material and relevant factors to be taken into account.”*

13.4. A reference has also been made to the judgment of a three-Judge bench of the Hon’ble Supreme Court in ***Management of Shri Chalthan Vibhag Khand Udyog Sahakari Mandli Ltd. vs. G. S. Barot and another 1979 INSC 168***, wherein, speaking through Justice P.S. Kailasam, the following was observed:

“9. The law is thus clear that dearness allowance is intended to neutralise a portion of the increase in the cost of living. Though 100 per cent neutralisation is not advisable as it will lead to inflation, full neutralisation may be permissible only in the case of the lowest class of employees. The management is entitled to complain if the neutralisation is more than 100 per cent.

10. *The purpose of grant of dearness allowance is to neutralise the increase in the cost of living due to rise in prices. Neutralisation may be such as to neutralise fully the increase in cost of living or may be restricted to neutralise only a portion of the increase. Full or cent per cent neutralisation can be achieved if the increase in the cost of living is fully compensated so that the pay of the worker is not adversely affected. But an award of more than 100 per cent of an increase in the cost of living would be more than neutralisation and would in effect give the worker an increased wage. The result would be the worker would be getting an increased wage packet whenever there is a price rise a result which would not have been envisaged in making provision for grant of dearness allowance.”*

13.5. Reliance has also been placed on the judgment rendered by a three-Judge bench of the Hon’ble Supreme Court in ***The Workmen employed by M/s. Indian Oxygen Ltd. vs. M/s Indian Oxygen Ltd. 1985 INSC 119***, wherein, speaking through Justice D.A. Desai, the following was opined:

“7. ...Dearness allowance is directly related to the erosion of real wages by constant upward spiralling of the prices of basic necessities and as a sequel to the inflationary input, the fall in purchasing power of the rupee. It is a notorious phenomenon hitherto unquestioned that price rise varies from centre to centre. Dearness allowance is inextricably intertwined with price rise, it being an attempt to compensate loss in real wages on account of price rise considered as a passing phenomenon by compensation. That is why it is called variable dearness allowance...”

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9. *What materials and statistical information enter into the compilation of consumer price index number may be briefly noticed.*

10. *The consumer price index number for industrial workers (base 1960 : 100) are being compiled and published by the Labour Bureau, Simla every month in respect of 50 industrial centres scattered all over the country. Amongst them is Kanpur. The material collected is through the family surveys of working class families. There are six main groups for which indices for each Centre are being compiled besides the general index. They are:*

- (i) *Food*
- (ii) *Pan, Supari, Tobacco and intoxicants*
- (iii) *Fuel and light*
- (iv) *Housing*
- (v) *Clothing, bedding and footwear, and*
- (vi) *Miscellaneous.*

Consumer price index numbers are intended to measure relative temporal (overtime) changes in the price of a fixed basket of goods and services consumed by the index population in a current period in relation to the base period. The index numbers

are compiled by using Laspeyers' Formula. Broadly stated this formula takes note of base and current prices for a particular item quantity consumed of that item during the base period. It would appear that for the compilation of an index, there are three essential requirements namely : (1) weighting diagram which is the relative percentage share of the total consumption expenditure 'as revealed by the basic family budget enquiry in respect of different item, (2) base prices of the different items which go into the index basket and (3) current prices in respect of each one of the items featuring in the index basket. The weighting diagram for a Centre is. derived on the basis of the data Collected through family budget enquiries which were conducted in the 1958-59 at each one of the 50 centres. The survey was conducted by taking all samples of working class families in each of the 50 centres and the data was collected by interviewing these families. Based on the results of the family budget enquiries, the average expenditure of a family per month on different items of consumption was arrived at. All-India average consumer price index number is a weighted average of the 50 centres' indices. This is compiled and published along with the index number for each centre (Source: Consumer Price Index : An anatomy published by Labour Bureau, Simla).

11. It would appear at a glance that there would be a noticeable difference between the consumer price index number for a centre and its weighted average for 50 centres which would be the all-India average consumer price index number, the latter would generally be lower than the former in some cases.”

14. Further still, learned *Amicus Curiae* highlights the historical perspective of the Government of Punjab in granting Dearness Allowance and reads out all the Pay Commission Reports i.e. from the 1st Pay Commission up to the 6th Pay Commission. He explains that consistently and historically the Government of Punjab has adopted the Central Government pattern in granting DA/DR to its employees and pensioners. The Rules have been amended from time to time and DA was made part of the revised pay scales in terms of the recommendations of the respective Pay Commissions which were duly adopted by the successive Governments of Punjab. Learned *Amicus Curiae* has incorporated the extracts of the Pay Commission Reports in a written note which is submitted before this Court and taken on record as ‘Mark A.’ The

relevant extracts of the Pay Commission reports have been taken from the Mark
'A' and reproduced as under:

<u>PUNJAB PAY COMMISSION REPORTS/SERVICE RULES OR INSTRUCTIONS:</u>	
1st Punjab Pay Commission Report 1967-68	<p>Learned <i>Amicus Curiae</i> submits that in Para 8.3, three elements of emoluments of Government servants in the Punjab have been provided i.e., Basic Pay, Dearness Pay and Dearness Allowance at Central Government rates.</p> <p>Further, the 1st Pay Commission traced the purpose of dearness allowance in Chapter 8 of its report and found that the Dearness Allowance has been available to employees of Government of Punjab from the year 1947 onwards and the same was increased from time-to-time on various dates including on 01.04.1958, 01.01.1965 etc. as mentioned in para 8.4 and table therein. In its para 8.1, the following was provided:</p> <p><i>“8.1 the level of prices or the cost of living is one of the most important factors to be taken into account in determining the emoluments of Government servants. A rational pay structure is one in which salaries are determined with reference to a base price level at which the prices are expected to get stabilized and below which the price level is unlikely to fall. The cost of living is, to that extent, supposed to be met by the pay scales so determined. Any short-term changes in the prices have to be compensated by what is termed as 'Dearness Allowance' which is a device to protect, to a greater or lesser extent, the real income of wage earners and salaried employees from the effects of rising prices. In other words, the concept of Dearness Allowance is only in the way of a balancing factor which serves the purpose of neutralizing temporary increase in prices above a certain level. If the balancing element is itself a disproportionately large element in the emoluments, the structure is itself irrational.”</i></p> <p>Further, in para 8.11, the Government of Punjab had itself decided that rates of Dearness Allowance are based on the Central Government pattern, which is as under:</p> <p><i>“8.11 The Government have during the term of the Commission, decided that in future as well, the rates of Dearness Allowance of their employees will</i></p>

	<p><i>be linked to the Dearness Allowance at the Centre, in accordance with the recommendations of the Gajendragadkar Commission. The demand of the State employees for parity with the rates of Dearness Allowance prevailing at the Centre and their automatic revision along with the revision of the same by the Centre have thus been fully met. The merger of the Dearness Allowance with the basic pay scales, if now recommended by the Commission, will throw them out of line with the rates of Dearness Allowance prevailing at the Centre. As discussed earlier in this chapter, while recommending the abolition of the element of Dearness Pay, the Commission has evolved the revised grades treating the existing pay to be basic pay plus Dearness Pay. The Commission is of the considered view that Punjab Dearness Allowance being linked with the Central Dearness Allowance, the rates of Dearness Allowance in Punjab should continue to remain separate till such time as a part or whole of it is merged at the Centre and meanwhile the base year should continue the same as at the Centre and the pay scales for the various services may be determined on their own merits.”</i></p>
<p>Pay Revision Rules w.e.f. 01.01.1968</p>	<p>Accordingly, learned <i>Amicus Curiae</i> highlighted that the Punjab Civil Services (Revised Scales of Pay) Rules, 1969 were notified and published on 30.01.1969 vide notification dated 21.01.1969 and thereby revised the pay scales of the employees of the Government of Punjab w.e.f. 01.01.1968.</p>
<p>Policy Instructions 15.01.1974</p>	<p>Further, the Government of Punjab revised the Dearness Allowance from time to time, including vide following letters:</p> <p><i>letters dated 11.5.1967 & 15.12.1967 w.e.f. 1.5.1967, letter dated 11/15.10.1968 w.e.f. 1.11.1967, letters dated 7.11.1968 & 13.3.1969 w.e.f. 1.2.1968, letter dated 14.7.1971 w.e.f. 1.7.1971, letter dated 18.4.1972 granting Additional Dearness Allowance (in addition to DA already prescribed) on different rates w.e.f. 1.3.1971, 1.10.1971 and 17.3.1972; letter dated 12.10.1972 letter dated 6.12.1973 w.e.f. 1.9.1973 w.e.f. 1.8.1972, letter dated 15.1.1974 w.e.f. 1.5.1973, 1.8.1973 & 1.10.1973 (All letters issued by Finance Department, Punjab)</i></p> <p>Moreover, in letter No. 346-5FR-74/885 dated 15.01.1974 issued by the Department of Finance, the commitment of the Government of Punjab to grant Dearness Allowance to its employees on Central government pattern is clearly discernible. The following</p>

	<p>was expressed:</p> <p><i>“Punjab Government is committed to grant dearness allowance to its employees on the pattern adopted by the Government of India from time to time. The last instalment of dearness allowance granted to the State employees with effect from the 1st September, 1968, was at par with that sanctioned by the Government of India for payment to its employees. The three installments of Interim Relief granted by the Central Government to its employees, on the recommendations of the Third Central Pay Commission with effect from 1st March, 1970, 1st October, 1971 and 1st August, 1972, were also given to the Punjab Government employees as additional relief with effect from 1st October, 1971, 17th March, 1972 and 1st August, 1972. The commitment of the Government of Punjab was restricted to the dearness allowance portion only of this additional relief.”</i></p>
<p>2nd Punjab Pay Commission Report of 1978</p>	<p>Thereafter, in para 84.1 of its report, the 2nd Pay Commission noted that the Government of Punjab is following sanction of Dearness Allowance on Central Government pattern, which is reproduced as under:</p> <p><i>“84.1. On the recommendations of the first Punjab Pay Commission the Government of Punjab had decided that on the revised pay structure effective from 1st February, 1968, the employees would continue to get Dearness Allowance at the rates on the pattern evolved by the Government of India for its employees from time to time. It was in pursuance of this policy decision that the Punjab Government have been allowing D.A./A.D.A. and have recently sanctioned the payment of Additional Dearness Allowance to its employees on Central Pattern with effect from 1st January, 1978 and 1st December, 1978. The last two installments were allowed while this Commission was dealing with the revision of pay-structure and the rates and the pattern of various allowances.”</i></p> <p>Learned <i>Amicus Curiae</i> further submits that in para 84.2, the rates of DA/Additional DA are based on the pay structure as per Consumer Price Index=200 (1960=100) as on 01.01.1973 and the new pay structure is evolved with reference to Consumer Price Index=320 as on 01.01.1978 and accordingly recommended to continue to grant Dearness Allowance on the Central Government pattern in the following words:</p> <p><i>“84.2. The rates of D.A./A.D.A. fixed by the Government of India for its employees are based on the</i></p>

	<p><i>pay structure evolved on the basis of Consumer Price Index-200 (1960=100) as effective from 1st January, 1973. We have evolved the new pay-structure after aggregating the total emoluments as on 1st January, 1978 with reference to Consumer Price Index =320. In other words, the pay in the revised scale would include basic pay, dearness allowance, dearness pay, additional dearness allowance, and additional relief. Earlier the A.D.A. on the Central pattern was admissible only on the basic pay plus dearness allowance plus dearness pay plus additional relief. The Government of Punjab is already committed to allow additional dearness allowance to its employees on the Central pattern. We have not considered it necessary to evolve a new formula for the grant of A.D.A. in the future. This is also in accordance with the demands of the employees who have pressed for continuance of admissibility of D.A. according to the pattern and scale allowed in Government of India. In the overall view of the matter the Commission recommends that the commitment made by the Government of Punjab should continue to be honoured. As mentioned earlier, we have now pegged at higher level the basic pay in the revised scales in respect of each employee. It would, therefore, necessitate the revision of percentages for the calculation of the Additional Dearness Allowance. If Additional Dearness Allowance were to continue to be paid in Central rates calculated on revised consolidated pay-ranges, the quantum of Additional Dearness Allowance to each employee of State will substantially increase in excess of the commitment made by the Government of Punjab. Therefore, it would be appropriate for the Government of Punjab to review the percentages of Additional Dearness Allowance allowed to its employees on Central pattern and consider suitable reduction therein keeping in view the increase in the basic pay in the revised scales of pay.”</i></p>	
<p>Implementation Committee decision on 2nd Pay Commission Report and its approval on 03.11.1979 by the Council of Ministers of Punjab</p>	<p>49. The existing practice of applying the Government of India's policy for the grant of dearness allowance to the Government of Punjab employees, will continue. Payment of the 7th installment and restoration of cut of the 6th installment, recently sanctioned by the Government of Punjab</p>	<p>Endorsed.</p>

	<p><i>with effect from 1st December, 1978, will continue.</i></p>	
	<p><i>50. For the purpose of calculating the D.A./A.D.A., the percentages adopted by the Government of India will need to be modified related to the new pay structure evolved with reference to C.P.I. 320 as the Central rates of D.A./A.D.A. refer to their pay structure evolved earlier on the basis of C. P. I.200 (1960-100).</i></p>	<p><i>(1) Government of India devised scales of pay with reference to CPI 200 with effect from 1st January, 1973. The Dearness Allowance sanctioned by the Government of India upto C.P.I. 320 and allowed to the Government of Punjab employees has been merged in the revised scales of pay as devised by the Commission with effect from the 1st January, 1978. With the rise of C.P. I. to 328, the Government of India granted another installment of A.D.A. with effect from the 1st December, 1978 @ 4% of pay to the employees drawing pay upto Rs. 400/- per mensem and @ 3% of pay to employees drawing pay above Rs. 400/- and upto Rs. 1000/- with marginal adjustments upto Rs. 1030/-. The Government of India simultaneously granted Dearness Allowance to employees in the higher pay ranges covering employees drawing pay above Rs. 2400/- also with effect from 1st December, 1978. The Government of India had also increased the rate of the Last installment sanctioned with reference to C.P.I. 320 with effect from the 1st December, 1978 by 0.5% to all the employees drawing pay upto Rs. 2400/-, subject to a maximum of Rs. 7/- which has not been merged in the revised scales devised by</i></p>

		<p><i>the Punjab Pay Commission.</i></p> <p><i>Keeping the aforementioned in view specific recommendations are made as follows:-</i></p> <p><i>(2) (i) The pay of the employees drawing emoluments upto Rs. 400/- as defined in Punjab Government, Finance Department letter No.346-5FR-74/885, dated 15.1.1974 with reference to C.P.I. 200 works out to be Rs.600/- with reference to C.P.I. Accordingly the Committee recommends the grant of Dearness Allowance (earlier known as A.D.A. on Central pattern) to employees drawing pay upto Rs.600/- @ 2.75% of their pay in the revised scales with a maximum of Rs. 16/- as against 4% allowed by the Government of India. Similarly, the pay of the employees drawing emoluments ranging from Rs. 401/- to Rs. 1000/- as worked out with reference to C.P.I. 206 ranges from Rs. 601/- to Rs. 1400/- and they are recommended to be allowed Dearness Allowance @ 2.25% of their pay in the revised scales with a minimum of Rs. 16/- and maximum of Rs. 30/- with marginal adjustments equal to the amount by which pay plus D.A. falls short of Rs. 1430/-. With the adoption of these percentages for the grant of D.A. neither the employees lose nor gain unduly with reference to what they have drawn, as</i></p>
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	<p>will be seen from the statement at Annexure I.</p> <p>(ii) For the increase in the installment sanctioned by the Government of India with reference to C.P.I. 320 the employees drawing pay upto Rs. 600/- be given 0.5% with a maximum of Rs. 2/- and the employees drawing pay from Rs. 601/- to Rs. 2399/- 0.5% with a maximum of Rs. 7/-.</p> <p>(iii) In the higher pay ranges the Dearness Allowance be sanctioned as under:- Rs. 2400/- Rs. 70/- Rs. 2500/- Rs. 300/- Rs. 2600-2650 Rs. 200/- Rs.2651 and above Rs.150/-</p> <p>(iv) The aforementioned rates/ amounts of Dearness allowance will be effective from 1.12.1978.</p> <p>(3) (i). The Government of India have sanctioned another installment of D.A. with reference to 336 with effect from the 1st August, 1979 at the same rate upto the pay ranges of Rs. 1600/- which now works out to Rs.2000/- with reference to C. P. I. 320. Accordingly Punjab Government employees be allowed Dearness Allowance with effect from 1.8.1979 at the following rates :-</p>				
	<table border="1"> <tr> <td data-bbox="544 2177 1136 2472">Upto Rs.600</td> <td data-bbox="1136 2177 1427 2472">5.5% subject to a maximum of Rs. 32/- plus 0.5% subject to a maximum of Rs.2/- on account of</td> </tr> <tr> <td data-bbox="544 2419 1136 2472">Rs.601</td> <td data-bbox="1136 2419 1427 2472"></td> </tr> </table>	Upto Rs.600	5.5% subject to a maximum of Rs. 32/- plus 0.5% subject to a maximum of Rs.2/- on account of	Rs.601	
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Rs.601					

		<p>to 2000</p> <p>Rs.2001-2060</p>	<p>restoration of cut.</p> <p>4.5% subject to a minimum of Rs. 32/- and a maximum of Rs. 60/- plus 0.5% subject to a maximum of Rs. 7/- on account of the restoration of cut.</p> <p>The marginal adjustments to the extent of amount by which pay plus D.A. falls short of Rs. 2060 plus Rs. 7/- on account of the restoration of cut.</p>
		<p>(ii) These rates will be inclusive of the amount sanctioned with effect from 1.12.1978. The employees drawing pay of Rs. 2400/- and above will continue to draw Dearness Allowance at the rates already sanctioned with effect from 01.12.1978.</p>	
<p>Pay Revision Rules w.e.f. 01.01.1978</p>	<p>As such, Punjab Civil Services (Revised Scales of Pay) Rules, 1979 were notified by notification dated 18.10.1979 and published on 18.10.1979 w.e.f. 01.01.1978. The relevant provisions of these rules are as under:</p> <p>“3. Definitions.- In these rules, unless there is anything repugnant in the subject or context,-</p> <p>(d) “existing emoluments” means aggregate of—</p> <p>(i) basic pay of a Government employee in the existing scale on the appointed day ;</p> <p>(ii) Dearness allowance, Dearness Pay,</p>		

Additional Relief, Additional Dearness Allowance sanctioned upto 12 monthly average consumer price index-320 (1960= 100) i.e. upto and including the installment of Additional Dearness Allowance sanctioned with effect from the first day of January, 1978 ;

(iii) adhoc pay, if any, where such ad hoc pay is abolished with effect from the appointed day; and

(iv) special pay or part of special pay, if any, which was granted in lieu of a higher time scale and has been abolished as a separate component in the revised scale with effect from the appointed day.

Note: Normal increment due and granted to any employee w.e.f. the first day of January, 1978 shall also be treated as part of existing emoluments for the purpose of these rules.

*(e) "revised pay" means basic pay of a Government employee in the revised scale appropriate to the **existing emoluments**;*

6. Fixation of pay in the revised scales: (1). *The initial pay of a Government employee in the revised scale shall, unless in any case it is otherwise directed, be fixed separately in respect of his substantive pay in the permanent post on which he holds a lien or would have held a lien had it not been suspended and in respect of his pay in the officiating post or posts, as the case may be, held by him in the following manner:-*

(i) Where a single existing scale has been replaced by a single revised scale, the pay in the revised scale in which a Government employee is placed shall be fixed at the stage next above the existing emoluments on the appointed day. In case the benefit so accruing is less than the amount equal to the rate of increment at the relevant stage in revised scale, the employee may be granted another increment in the revised scale of pay :

Provided that, in all cases where the benefit still falls short of twenty rupees per month the employee be given further increments) in the revised scale so as to give him a minimum benefit of twenty rupees per month :

Provided further that where the revised pay fixed at such stage exceeds the existing emoluments by more than seventy-five rupees the pay shall be fixed at the highest stage in the revised scale at which the revised pay, so fixed, does not exceed the existing emoluments by more than seventy-five rupees and the difference between the

existing emoluments plus seventy-five rupees and the revised pay shall be allowed as personal pay to be absorbed in the pay at the time of next increment.

(ii) Where more than one existing scale has been replaced by a single revised scale, the initial pay in the revised scale shall be fixed in the manner indicated in clause (i), as if each of such existing scales had been singly replaced by the revised scales.

(iii) Where an existing scale has been replaced by two revised scales, initial pay of the person fitted in the lower or higher revised scale shall be fixed in the manner indicated in the clause (1), as if the existing scale had been replaced by a single lower or higher revised scale, as the case may be, Provided that if the existing emoluments plus the benefit permissible in Clause (i) or (ii) or (iii) work out to be less than the minimum of the revised scale, the pay shall be fixed at the minimum of revised scale: Provided further that if the existing emoluments plus the benefit permissible in clause (i) or (ii) or (iii) exceeds the maximum of the revised scale, the pay shall be restricted to the maximum thereof, and the difference shall be treated as personal pay.

(iv) Where a Government employee is holding a permanent post and is officiating in a higher post and the scales of pay applicable to those two posts are merged into one scale, the pay shall be fixed under clause (ii) with reference to the officiating post only provided he has continuously officiated in that post for not less than one year and the pay so fixed, shall be treated as substantive pay. Where such a Government employee has not completed one year's continuous service in the higher officiating post on the appointed day, his pay in the revised scale shall be fixed separately with reference to his substantive pay and officiating pay in the existing scale and his pay in the revised scale as fixed with reference to the officiating pay shall be treated as substantive pay in that scale after rendering service for the period by which it fell short of one year on the appointed day, provided it is certified by the appointing authority that he would have continued to officiate in the higher officiating post during this period, had the revised scales not been introduced. If, however, the appointing authority certifies that he would have reverted to the lower post during this period, his pay in the revised scale would from the date on which he would have reverted be regulated on the basis of the pay fixed on the appointed day with reference to his substantive pay in the lower post.

	<p>(v) <i>Where two pay scales in the same line of promotion are replaced by a single revised scale, the revised pay of the Government employee working in the higher scale will not be fixed at a stage in the revised scale lower than that admissible to a Government employee working in the lower existing scale drawing basic pay at the same or lower rate as the employee working in the higher scale is drawing.</i></p> <p>(2) <i>If pay as fixed in higher officiating post under sub-rule (1) is equal to or lower than the pay as fixed in substantive post or a lower officiating post, officiating pay shall be refixed at the stage next above the substantive pay or the lower officiating pay, as the case may be.</i></p> <p>(3) <i>Where a Government employee continues to draw his pay in the existing scale and comes over to a revised scale from a date later than the appointed day, his pay in the revised scale from such later date shall so fixed as if he had elected to be governed by these rules with effect from the appointed day:</i> <i>Provided that such a Government employee shall not be required to refund the benefit derived by him in the existing scale till the date of his coming over to the revised scale."</i></p> <p>(4) <i>A Government employee who has officiated in a post prior to the appointed day but was not holding that post on that day and who on subsequent appointment to that post draws pay in the revised scale of pay shall be allowed the benefit of the previous officiating appointment in the same manner as it would have been admissible to him had he been holding that post on the appointed day and elected the revised scale of pay on that day."</i></p>	
<p>Implementation Committee decision on 3rd Pay Commission Report dated 11.07.1988 and its approval on 11 August, 1988 by the Council of Ministers of Punjab</p>	<p><i>The Dearness Allowance should continue to be given to the Government of Punjab employees on the pattern of the Government of India. Further that after every interval of three years, the Dearness Allowance admissible should be treated as Dearness Pay for the purpose of retirement benefits only. There is no rationale in</i></p>	<p><i>The Committee approved the recommendation that dearness allowance may continue to be given to the Government of Punjab employees on the pattern of Government of India. As regards the recommendation to treat the Dearness Allowance, after every interval of three years as Dearness pay for retirement benefits, the Committee</i></p>

	<p>having a separate classification for the Secretariat offices in the state. Recommended abolition of distinctions as among different Directorates and between sub offices and Head offices of the Directorates. Further expressed the view that functional differentiation between Secretariat and other offices to the extent it exists would be adequately met by the grant of special pay to specified categories in the Secretariat regarding which it has made recommendations separately.</p>	<p>recommended that this aspect may be brought for consideration before the Committee along with part-II of the report of the Commission in due course.</p> <p>Approved that this recommendation may be referred to the Department of Personnel and A.R. for detailed examination, as proposed in the Agenda Note.</p>
<p>Pay Revision Rules w.e.f. 01.01.1986</p>	<p>The relevant provisions of these Rules are as under:</p> <p>“3. Definitions. In these rules, unless there is anything repugnant in the subject or context,-</p> <p>(d) "existing emoluments" means aggregate of,-</p> <p>(i) basic pay and ex gratia biennial increments in the existing scale on the appointed day;</p> <p>(ii) the personal pay or special pay with the existing scales wherever merged in the revised scale;</p> <p>(iii) Dearness Allowance and ad hoc Dearness Allowance admissible on basic pay, non-practising allowance and ex gratia biennial increments upto the Consumer Price Index 608 sanctioned with effect from the first day of January, 1986; and</p> <p>iv) Interim Relief allowed under the Punjab Civil Services (Grant of Interim Relief) Rules, 1986;</p> <p>Explanation.- The increment due and granted in normal course or on account of promotion or on account of grant of biennial increments with effect from the appointed day shall form part of basic pay;</p> <p>(f) "revised pay" means basic pay of an employee in the revised scale appropriate to the existing emoluments;</p> <p>7. Fixation of initial pay in revised scale.-The initial pay of a Government employee who opts or is deemed to have opted for the revised scale in terms of the provisions of these rules shall, unless in any case the</p>	

	<p><i>Government by Special order otherwise directs, be fixed in the following manner, namely :-</i></p> <p><i>(i) an amount representing ten percent of the basic pay in the existing scale, subject to a minimum of rupees fifty shall be added to the existing emoluments of the Government employee ;</i></p> <p><i>(ii) after the existing emoluments have been so increased, the pay shall thereafter be fixed in the revised scale at the stage next above the amount of the existing emoluments so computed, if it falls between two stages :</i></p> <p><i>Provided that,—</i></p> <p><i>a) if the minimum of the revised scale is more than the amount so arrived at, the pay shall be fixed at the minimum of the revised scale;</i></p> <p><i>* (b) if the amount so arrived at is more than the maximum of the **revised scale and it falls in between two stages, the pay shall be fixed at the stage next above the amount of the existing emoluments so arrived at in the Master Scale and the amount of pay exceeding the maximum of the revised pay shall be treated as the amount of pay earned by way of ex gratia increments.</i></p> <p><i>Note.—In the case of a Government employee on deputation out of India or within India or on leave or on foreign service or one who would have officiated in one or more lower posts but for his officiating in a higher post existing scale as defined under clause (c) of rule 3 shall include the scale applicable to the office which he would have held but for his being on deputation or on leave or on foreign service or but for officiating in a higher post.”</i></p>
<p>Pay Revision Rules w.e.f. 01.01.1996</p>	<p>He further submits that the Government of Punjab had revised the pay structure of its employees on the basis of the recommendations made by the 4th Pay Commission by notifying the Punjab Civil Services (Revised Pay) Rules, 1998 by notification dated 16.01.1998 published on the same day, made applicable w.e.f. 01.01.1996. The relevant provisions of these Rules are as under:</p> <p>“3. Definition:- <i>In these rules, unless there is anything repugnant in the subject or context,--</i></p> <p><i>(c) "existing emoluments" means aggregate of--</i></p> <p><i>(i) basic pay in the existing scale as on the First day of January, 1996 or on the date of option under rule 6;</i></p> <p><i>(ii) dearness allowance appropriate to the basic pay admissible at the All-India Consumer Price Index</i></p>

average of 1,510 (1960-100) as on the First day of January, 1996;

(iii) amount of first installment of Interim Relief at the rate of rupees one hundred and fifty for those drawing basic pay of less than rupees three thousand and five hundred and rupees two hundred for those whose basic pay is rupees three thousand and five hundred and above; and

(iv) amount of second installment of Interim Relief at the rate of ten per cent of the basic pay in the existing scale as on the First day of January, 1996.”

*(f) "revised pay" means basic pay of a Government employee in the revised scale appropriate to the **existing emoluments**;*

7. Fixation of pay in the revised scale.--The pay of a Government employee who opts or is deemed to have opted for the revised scale in terms of the provisions of these rules shall, unless in any case the Government by special order otherwise directs, be fixed in the following manner, namely:--

*(i) an amount representing forty per cent of the basic pay in the existing scale shall be added to the "**existing emoluments**" of the employee; and*

*(ii) after the **existing emoluments** have been so increased, the pay shall thereafter be fixed in the revised scale at the stage next above the amount of the **existing emoluments** so computed, if it falls between two stages:*

Provided that--

(a) if the minimum of the revised scale is more than the amount so arrived at, the pay shall be fixed at the minimum of the revised scale;

(b) if the amount so arrived at is higher than the maximum of the revised scale, the amount in excess of the maximum of the revised scale shall be treated as personal pay which shall be absorbed in future increments and shall be reckoned as pay for all purposes:

Provided further that where in the fixation of pay, the pay of Government employees drawing pay at more than three consecutive stages in an existing scale gets bunched, that is to say, gets fixed in the revised scale at the same stage, the pay in the revised scale of such of those Government employees, who are drawing pay beyond the first three consecutive stages in the existing scale shall be stepped up by the grant of increment (s) in

the revised scale in the following manner, namely:--

(a) for the Government employees drawing pay from the fourth upto the sixth stage in the existing scale - by one increment;

(b) for the Government employees drawing pay from the seventh upto the ninth stage in the existing scale, if there is bunching beyond the sixth stage - by two increments;

(c) for the Government employees drawing pay from the tenth upto the twelfth stage in the existing scale, if there is bunching beyond the ninth stage - by three increments;

(d) for the Government employees drawing pay from the thirteenth upto the fifteenth stage in the existing scale, if there is bunching beyond the twelfth stage by four increments;

If by stepping up the pay as above, the pay of a Government employee gets fixed up at a stage in the revised scale which is higher than the stage at which the pay of a Government employee who was drawing more pay in the same existing scale is fixed, the pay of the latter shall also be stepped up to the level at par with the former:

Provided further that the fixation thus made shall ensure that every Government employee shall get at least one increment in the revised scale for every three increments inclusive of ex gratia increment(s), if any in the existing scale:

Note. See Illustrations 1 to 7 appended to these rules for guidance.

Provided further that in the case of a Government employee who is in receipt of Special Pay or Special Allowance attached to a post in addition to pay in the existing scale which has been revised without Special Pay or Special Allowance, as the case may be, such a Government employee shall draw Special Pay or Special Allowance at the existing rate of amount as a measure personal to him so long as he holds that post:

Provided further that in the case of a Government employee who is in receipt of Special Pay, Special Allowance or Non-Practising Allowance (NPA) in addition to pay in the existing scale which has been revised with Special Pay, Special Allowance or Non-Practising Allowance (by whatever name it may be

	<p><i>called) at the same rate or at different rate, such a Government employee shall draw Special Pay, Special Allowance or Non- Practising Allowance at the rate allowed with the revised scale.</i></p> <p><i>Note 1.--Where the increment of a Government employee falls on the First day of January, 1996, he shall have option to draw the increment in the existing scale or the revised scale.</i></p> <p><i>Note2.--Where a Government employee is on leave on the First day of January, 1996, he shall become entitled to pay in the revised scale from the date he joins duty. In case of Government employee under suspension, he shall continue to draw subsistence allowance based on existing scale and his pay in the revised scale will be subject to final order on the pending disciplinary proceedings.”</i></p>
<p>Recommendations of 5th Punjab Pay Commission dated 30.04.2021</p>	<p>Further, the recommendations of the 5th Pay Commission qua Dearness Allowance are as under:</p> <p><i>“6.2 The need for payment of Dearness Allowance stems from the fact that there is usually an erosion in the real value of Basic Pay on account of inflation. Consequently, the Dearness Allowance is positively correlated to the level of inflation. In Punjab, it is currently paid on the Government of India pattern.</i></p> <p><i>6.3 Government of India calculates the level of inflation for purposes of grant of DA on the basis of All India Consumer Price Index for Industrial Workers (IW) called AICPI (1982=100). The twelve monthly average of AICPI (1982=100) as on 1st January and 1st July of each year is used for calculating the Dearness Allowance. On 1st January 1996, the index was 306.33.</i></p> <p><i>6.10 The Commission, therefore, recommends that</i></p> <p><i>(a) we continue to follow Central pattern regarding grant of Dearness Allowance. This is desirable and rational approach as otherwise each State will have to devise its own separate mechanism for working out the price rise, and</i></p> <p><i>(b) Dearness Allowance should be converted into Dearness Pay each time CPI increases by 50% and be counted for all purposes including retirement benefits.”</i></p>
<p>Pay Revision Rules w.e.f. 01.01.2006</p>	<p>Accordingly, the Punjab Civil Services (Revised Pay) Rules 2009 were notified by notification dated 27.05.2009 and made applicable w.e.f. 01.01.2006. The relevant provisions of these rules are as under:</p>

	<p>“3. Definitions: - In these rules, unless there. is anything repugnant in the subject or context ;</p> <p>(c) "existing emoluments" means the sum of ;</p> <p>i. basic pay in the existing scale as on the first day of January, 2006 or on the date of option under rule 6;</p> <p>ii. dearness pay appropriate to the existing basic pay;</p> <p>iii. interim relief calculated at the rate of five per cent of the existing basic pay plus dearness pay; and</p> <p>iv. dearness allowance appropriate to the existing basic pay plus dearness pay plus interim relief.</p> <p>(j) "revised emoluments" means the pay in the pay band plus the grade pay of a Government employee in the revised pay structure and includes dearness allowance.</p> <p>7. Fixation of pay in the revised pay structure - The pay of a Government employee, who opts or is deemed to have opted under sub-rule (3) of rule 6 to be governed by the revised pay structure in terms of the provisions of these rules, shall, unless in any case, the Government by special order otherwise directs, be fixed in the following manner, namely:</p> <p>.....</p> <p>Note 4. Where the existing emoluments exceed the revised emoluments in the case of any Government employee, the difference shall be allowed as personal pay to be absorbed in future increases in pay.”</p>
<p>Recommendations of 6th Punjab Pay Commission</p>	<p>Learned <i>Amicus Curiae</i> submits that the recommendations of the 6th Pay Commission regarding the Dearness Allowance (DA) are contained in the following manner:</p> <p>“7.7 Dearness Allowance is paid to all the Government of Punjab employees as a payment to compensate the erosion in the real value of their pay package on account of inflation. It was on the recommendation of the First Punjab Pay Commission that the Government of Punjab decided to grant DA to its employees at the rates and pattern followed by the Government of India from time to time. The basic formula for working out the entitlement of DA for the Government of Punjab employees remains the same as followed by the Government of India. All the previous State Pay Commissions in Punjab have been supporting adherence to this time tested arrangement.</p>

It is noted that the Government of India arrives at the level of inflation for the purpose of grant of DA on the basis of the All India Consumer Price Index for Industrial Workers (AICPI). The twelve monthly average of AICPI as on 1st January and 1st July of each year is used for calculating DA.

7.8 *The Seventh CPC in its report has commented that the present formulation of DA has worked well over the years and as such recommended continuance of the existing formula and methodology for its calculation. It may be observed that, by and large, both the employees and the employer are satisfied with the effectiveness of this system. The rates of DA entitlement to the Punjab Government and the Central Government employees during the period 1.1.2006 to 1.1.2016 were as follows:*

<i>Date from which payable</i>	<i>Rate of DA (per cent)</i>
01.01.2006	No DA
01.07.2006	2
01.01.2007	6
01.07.2007	9
01.01.2008	12
01.07.2008	16
01.01.2009	22
01.07.2009	27
01.01.2010	35
01.07.2010	45
01.01.2011	51
01.07.2011	58
01.01.2012	65
01.07.2012	72
01.01.2013	80
01.07.2013	90
01.01.2014	100
01.07.2014	107
01.01.2015	113
01.07.2015	119
01.01.2016	125

7.10 *The Commission is, therefore, of the view that the Central pattern for grant of DA should be continued and that it should be converted into dearness pay to be counted for all purposes including retirement benefits each time the index increases by 50%.*

7.11 *The Commission would further urge that there should be no time lag in its implementation and that as soon as a DA increase is announced by the GoI, it should ideally be implemented for Government of Punjab employees as well. The Commission is aware that this is critically linked to the ways and means*

	<i>position of the Government of Punjab. However, it must be noted that the efficacy of DA as a hedge against inflation is eroded if there are delays in its timely release.”</i>		
Proposal of Finance Department, Punjab dated 17.06.2021	<p>Furthermore, the Department of Finance made the following comments for approval of the Council of Ministers:</p> <p><i>“1.9.2. The allowance-wise recommendation and Comments of the department of finance (FD) alongwith financial implications in tabulated below :</i></p> <p><i>a) Dearness Allowance (DA)</i></p>		
	<u>Recommendation</u>	<u>Financial Implication</u>	<u>Comments of FD</u>
	<p><i>a. The Commission is of the view that the Government of India pattern for grant of DA should be continued.</i></p> <p><i>b. It should be converted into dearness pay to be counted for all purposes including retirement benefits each time the index increases by 50%.</i></p> <p><i>c. DA of Government of Punjab employees be enhanced as soon as DA increase is announced by Government of India- No time lag in implementation</i></p>	<p><i>Included Financial Impact of Pay.</i></p>	<p><i>A. The Government may accept this recommendation.</i></p> <p><i>B. The Government may not accept this recommendation . Government of India does not allow the merger.</i></p> <p><i>C. The Government may endeavour to do so.</i></p>
	<p><i>2. The approval of the Council of Ministers is sought on the following:</i></p> <p><i>2.1 Consider the recommendations of the 6th Punjab Pay Commission alongwith the Comments of the Department of Finance on each of the recommendations as brought out in Para 1.8 to 1.13</i></p>		

	<i>and approve the recommendations as per the contents of the Department of Finance.”</i>
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15. Learned *Amicus Curiae* further submits that a bare perusal of the aforesaid recommendations regarding Dearness Allowance makes it as clear as daylight that the payment of Dearness Allowance has been made to the employees of Government of Punjab on the Central Government pattern. The DA is enhanced on 1st of January and 1st of July of each year on the basis of inflation determined by the prevalent AICPI. Learned *Amicus Curiae* further refers to the following sequence of events regarding implementation of the recommendations of the last Pay Commission:

Decision of Council of Ministers dated 18.06.2021	Council of Ministers of the Government of Punjab approved the proposals as contained in paragraphs 2.1 to 2.6 including the proposal of Pay Commission that the Government of India Pattern for grant of DA should be continued.
Policy Instruction dated 07.09.2021	The Government of Punjab issued policy instructions dated 07.09.2021 (Annexure P-3/Pg. 33 of CWP 7291/2026) implementing the recommendations of 6 th Pay Commission by granting Dearness Allowance from 01.07.2016 to 01.07.2019 @ 2%, 4%, 5%, 7%, 9%, 12% & 17% w.e.f. 01.07.2016, 01.01.2017, 01.07.2017, 01.01.2018, 01.01.2019 & 01.07.2019 respectively on the pattern of the Central Government.
Pay Revision Rules w.e.f. 01.01.2016	He further submits that accordingly, the Punjab Civil Services (Revised Pay) Rules 2021 were notified by notification dated 05.07.2021 and published on the same day revising pay scales w.e.f. 01.01.2016. The relevant provisions of these rules are as under: <i>“3. Definitions.- In these rules, unless there is anything repugnant in the subject or context,</i> <i>(c) “existing emoluments” means the sum of-</i> <i>(i) existing basic pay as on the 31st day of December, 2015; and</i> <i>(ii) dearness allowance appropriate to the pay in the existing basic pay;</i> <i>(j) “revised emoluments” means the pay in the Level</i>

	<i>of a Government employee in the revised pay structure and includes dearness allowance;”</i>
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15.1. From the tabulated information extracted above, learned *Amicus Curiae* submits that the Government of Punjab has approved the recommendations of the 6th Pay Commission on the Central Government pattern in the Meeting of the Council of Ministers held on 18.06.2021. The approved resolution of the agenda of the aforesaid meeting shows that the proposal of the 6th Pay Commission, as contained in paragraphs 2.1 to 2.6 including the proposal regarding continuation of grant of DA on the Central Government pattern, was duly approved. As such, it is clear that the Central Government pattern regarding grant of DA to its employees with effect from 1st of January and 1st of July of each year on the basis of the increase in the AICPI shall be followed for grant of DA to the employees of the Government of Punjab. Further, ‘*to make endeavour,*’ as per the comments of the Department of Finance, would mean the enhancement of DA within a reasonable period on the Central Government pattern. Thus, it cannot be construed that payment of enhanced DA would be kept in limbo for an indefinite period, at the discretion of the Government of Punjab.

16. Learned *Amicus Curiae* has relied upon the statutory mandate of the applicable Rules and submits that as per Rule 2.13 of the Punjab Civil Services Rules Volume I (Part I), the Dearness Allowance is defined as compensatory allowance in the following words:

“2.13. Compensatory allowance means an allowance granted to meet personal expenditure necessitated by the special circumstances in which duty is performed. It includes traveling allowance, dearness allowance but does not include a sumptuary allowance nor the grant of a free passage by sea to or from any place outside India.”

17. He emphasized that in view of the above Rules, it is crystal clear that the existing emoluments included Dearness Allowance and the same is also admissible in the revised emoluments as defined in the Rule 3 (c) and (j) of Rules of 2021. As such, the Government of Punjab has bound itself by the aforesaid Rules and cannot delay or deny the payment of DA/DR to its employees and pensioners on the Central Government pattern. However, the Government of Punjab has delayed the enhancement of subsequent installments w.e.f. 01.07.2021. The details are as under:

Subsequent Dearness Allowance enhancements	Government of India	Punjab Government
	21% w.e.f. 1.1.2020 24% w.e.f. 1.7.2020 28% w.e.f. 1.1.2021 (deferred due to Corona effect and granted only to the retiring employees for the limited purpose of calculation of Leave encashment and Gratuity only)	Yet to be granted
	28% w.e.f. 1.7.2021	28% granted w.e.f. 1.11.2021 vide letter dated 9.11.2021 (P-8 with CWP 7291/26)
	34% w.e.f. 1.1.2022	34% granted w.e.f. 1.10.2022 vide letter dated 21.10.2022 (P-9 with CWP 7291/26)
	38% w.e.f. 1.7.2022	38% granted w.e.f. 1.10.2023 vide letter dated 20.12.2023 (P-10 with CWP 7291/26)
	42% w.e.f. 1.1.2023	42% granted w.e.f. 1.11.2024 vide letter dated 30.10.2024 (P-11 with CWP 7291/26)
	46% w.e.f. 1.7.2023 50% w.e.f. 1.1.2024 53% w.e.f. 1.7.2024 55% w.e.f. 1.1.2025 58% w.e.f. 1.7.2025	Not granted till date

18. Learned *Amicus Curiae* further submits that the issue involved in the present petitions is squarely covered by the judgment rendered by a two-Judge bench of the Hon'ble Supreme Court in *State of West Bengal vs. Confederation of Government of West Bengal Employees, 2026 INSC 123*, wherein, speaking through Justice Sanjay Karol, the following was observed:

“1. The idea of a welfare state casts a positive duty upon the State to ensure the social and economic well-being of its citizens. The role of the State is as such not limited to maintaining law and order or facilitating markets, but extends to creating or easing the way for conditions in which individuals can live with security, dignity, and a reasonable standard of living. One of the most persistent threats to this objective that has become a permanent ‘bad penny’, is inflation, which steadily erodes purchasing power, thereby placing a disproportionate burden on salaried and lower-income groups. In this context, Dearness Allowance emerges as a practical instrument of protection in the hands of the welfare state, which protects its employees from the adverse effects of rising prices.

2. Dearness Allowance is designed to neutralise the impact of inflation. When the cost of essential goods increases, salaries that do not account for the same and remain in a bygone era, often fail to meet the basic needs, leading to a decline in living standards. By way of periodic adjustment to salaries in response to changes in the cost of living, the State attempts to ensure that employment continues to provide economic security. This reflects a core concern of the welfare state that its employees should not be pushed into hardship due to economic forces beyond their control. Put differently, Dearness Allowance is not an additional benefit but a means to maintain a minimum standard of living.

3. The importance of preserving a reasonable standard of living is closely tied to the constitutional idea of dignity. Human dignity does not mean mere physical survival. Access to food, clothing, healthcare, shelter and the ability to participate meaningfully in social life are crucial aspects. Dignity is compromised when individuals are unable to meet these basic needs. This link is recognized in our Constitution under Article 21, which guarantees the right to life and personal liberty. Judicial interpretation has consistently held that the right to life includes the right to live with human dignity, encompassing livelihood, adequate nutrition, shelter, and basic amenities. This right, under Article 21, would lose its substantive meaning without a minimum standard of living.

4. *PN Bhagwati J. (as his Lordship then was) felicitously captured this constitutional dictat in the following words in Francis Coralie Mullin v. Administrator, Union Territory of Delhi (1981) 1 SCC 608:*

*“8. But the question which arises is whether the right to life is limited only to protection of limb or faculty or does it go further and embrace something more. **We think that the right to life includes the right to live with human dignity and all that goes along with it, namely, the bare necessities of life such as adequate nutrition, clothing and shelter and facilities for reading, writing and expressing oneself in diverse forms, freely moving about and mixing and commingling with fellow human beings.** Of course, the magnitude and content of the components of this right would depend upon the extent of the economic development of the country, but it must, in any view of the matter, include the right to the basic necessities of life and also the right to carry on such functions and activities as constitute the bare minimum expression of the human-self. Every act which offends against or impairs human dignity would constitute deprivation pro tanto of this right to live and it would have to be in accordance with reasonable, fair and just procedure established by law which stands the test of other fundamental rights....”*

(Emphasis Supplied)

A bench of three judges, nearly two decades later, echoed a similar sentiment. In Common Cause v. Union of India (1999) 6 SCC 667, it was observed:

*175. “Right to Life”, set out in Article 21, means something more than mere survival or animal existence. (See: **State of Maharashtra v. Chandrabhan Tale [(1983) 3 SCC 387 : 1983 SCC (L&S) 391 : 1983 SCC (Cri) 667 : AIR 1983 SC 803 : (1983) 3 SCR 337]**.) This right also includes the right to live with human dignity and all that goes along with it, namely, the bare necessities of life such as adequate nutrition, clothing and shelter over the head and facilities for reading, writing and expressing oneself in different forms, freely moving about and mixing and commingling with fellow human beings....”*

(Emphasis Supplied)

5. *The Preamble of the Constitution, right at the outset of our founding charter, establishes this connection between dignity and material conditions of life. By committing the State to social and economic justice, equality, and fraternity assuring the dignity of the individual, the Preamble sets the philosophical foundation of the Indian welfare state. With large sections of the population still been unable to achieve and maintain basic standards of living, it is clear that much is left to be desired when it comes to the ideals of socio-economic justice. Inequality and deprivation attack the very core of social cohesion. Thus, the constitutional vision of dignity necessarily presupposes policies that protect living standards.*

6. *The strongest justification for Dearness Allowance in India, though statutory in nature, lies in its constitutional grounding, especially in the Directive Principles of State Policy. Articles 38, 39 and 43 thereof implore upon the State to promote social and economic justice, reduce inequalities, and secure a living wage and decent conditions of work. Dearness Allowance gives practical effect to the above-mentioned stipulations of the Constitution providing a barrier against salaries being compromised in value beyond sustenance. It is, as such, a tool for the realization of lived economic reality, ensuring that the promise of a living wage retains its substance.*

7. *Dearness Allowance represents a clear intersection of principles of welfare state and those enshrined by the constitutional vision. By protecting standards of living, it furthers the right to live with dignity under Article 21 and advances the goals articulated in the Preamble thereby being a concrete expression of the State's constitutional responsibility.*

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22. *What flows from the above, and other judgments of this Court is that the concept of DA is a distinctly Indian response to the problem of inflation and its impact on wages, developed to safeguard employees against the steady erosion of their real income caused by rising prices. Different from the position in other countries where the wages and salaries themselves undergo a periodic adjustment, India introduced a DA as a compensatory measure to address rises or jumps in the cost of living. While originally conceived as a short-term arrangement, it acquired a sense of permanence, given that it was almost within the realms of certainty that the prices would not return to their original state. When this expectation proved unrealistic and inflation appeared to be a continuing feature of the economy, a portion of the DA was absorbed into basic wages. Even after such wage revisions, however, the need for DA persisted, as prices continued to rise and purchasing power continued to decline.*

23. *At its core, DA is not intended to provide complete neutralisation of price rise for all employees, except in the case of the lowest paid categories. Its purpose is to offer partial compensation for increased living costs through a variable and flexible mechanism, usually linked to a cost-of-living index. This explains why DA is commonly structured on a sliding scale, rising alongside prices.*

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30. *It may be argued that since DA is subject to regular change to meet its basic purpose, the number as is given under Rule 3(1)(c), cannot be statically applied, and so, the subsequent memoranda were intended to obviate the repeated necessity of amending the RoPA Rules. This, however, was not advanced as an*

argument. Instead, there appeared to be an adaptation of contrarian stands by the appellant – State. In the course of submissions, initially, the learned senior counsel appearing for the appellant – State submitted that DA is a static concept and that the index average as stipulated in the Rules has to be followed without change and therefore, the State cannot according thereto, grant DA as per the rules or numbers currently followed by the Central Government. In subsequent oral argument as also the written arguments, however, the staticity of DA as a limb of argument was given up. In our considered view though, even if such an argument had been made, it was liable to be rejected. In rules specifically designed to be for the purpose of revision of pay and allowances, the understanding of ‘existing emoluments’ and the particulars supplied thereunder, cannot by any stretch of imagination be termed to be a gap or a void since the same is undoubtedly the mainstay of the rules and when particular intention has been demonstrated by inserting the definition, same as the Central Government Rules. To say that the number that has been explicitly put there is nothing more than a starting point or reference point, after which the State is free to do as it wishes under the garb of financial and fiscal policy, cannot be countenanced.

31. When the State did set up a Pay Commission for the purposes of revision of the pay rules nothing stopped the State from undertaking its own exercise to determine what the appropriate rate would have been, keeping in view its own financial resources and ability to pay. It is nobody’s case that such a study had been undertaken, and an independent finding had been arrived at. The Pay Commission in its wisdom adopted a stand and in consideration thereof, the appellant-State exercises its discretion to lay down a set of rules which would henceforth govern matters connected or incidental to the payment of its employees. Once it is so laid down, it is difficult to accept discretion overshadowing legislative exercise. In **Mahatma Gandhi Mission v. Bhartiya Kamgar Sena (2017) 4 SCC 449:**

“61. Once the Government of India accepted the recommendations of the Pay Commission and issued orders signifying its acceptance, it became the decision of the Government of India. That decision of the Government of India created a right in favour of its employees to receive pay in terms of the recommendations of the Sixth Pay Commission and the Government of India is obliged to pay.”

In effect, memoranda which are a product of discretion, in the current set up, trump Rules having legislative force. The only way possible, as it appears to us, for the State to deviate from what has been provided by the Rules is through a formal amendment thereto. The impact of this, it is made clear, cannot be taken to mean that the number as mentioned in the rule sets the emoluments to be paid thereunder, in stone. That would be going directly against its purpose, object and intent. It is not so much the

*particular number or base year which is important, since that is itself, by its very nature, fluid and subject to change, [See: Hindustan Workmen (supra, Pharmed (P) Ltd. V. Workmen (1969) 3 SCC 745] but **it is the statutory recognition of AICPI and the method for calculating existing emoluments, which is essential.***

32. ...This methodology ensures that the AICPI remains both statistically sound and policy-relevant. By grounding the index in real consumption data and periodically revising its base year and weights, the Labour Bureau ensures that the AICPI continues to accurately capture shifts in living costs and inflationary pressures faced by industrial workers across India.

33. What the above primer on the calculation of AICPI shows is that it is a number that comes together after taking into account a complex web of factors and variables, duly calculated by a body entrusted to do so. It is the diktat of logic then, that when a State is to grant DA, and it has not, on its own, carried out a study to determine rates, it ought to follow the rate as determined by a body that is otherwise authorized to do so. Logic is the lifeblood of law. It is not only judicial action that is to be supported by logic and reason. The issuance of memoranda is an administrative action. These actions also must be governed by reason. If a State decides to grant DA at a particular rate, it ought to be able to show itself to have 'done its homework' in arriving at that particular number. The respondents had made reference to the State of Kerala, and its procedure for granting the same, emphasising that the number adopted by the State had been arrived at by its own centers having undertaken the requisite study.

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37. The legislative exercise carried out provided for a clear basis on which existing emoluments were to be calculated by incorporating AICPI into the framework. Thereafter, when there are no perceivable or justifiable gaps present, it was not open for the appellant-State to deviate from the mechanism so provided, more so when such deviation is by means of an otherwise inferior form, i.e., executive memoranda. ...

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Question 10: Does Paucity Of Funds Defeat A Legal Right?

50. One of the implications of accepting the respondent's contention as submitted by the appellant – State is that it will lead to an incidence of thousands of crores on the State, thereby having a great negative impact on the economy and financial security of the State. We find this position difficult to accept. This is so because once a legal right has been established, as is the undoubted position in this case by virtue of the 'Judgment In Round One', as also our discussion supra, irrespective of whether it pertains to salary, pension, gratuity or other statutory benefits, it

is not within the realm of permissible actions for the State to refuse payment of the same on account of financial inability/paucity of funds. The least that is expected of a State in a democracy is that it honours its obligations and commitments, arising from a legislation or judicial decisions, for such obligations are not discretionary in any way, shape or form. This clear position protects such statutory obligations for, if such a ground of limited financial ability was readily available to the Government of Punjab, which may undoubtedly in certain situations face tough times, it would render these obligations illusory. When it comes to employees' dues, this proposition would be extremely dangerous and stifling since the amounts received thereby are not handouts or acts of charity but are earned compensation / consideration for services given, and denial of such consideration would have a direct impact on the right to life and livelihood enshrined in Article 21 of the Constitution. ...

51. It has often been recognized that the State must set an example for other employers in the country by behaving as a 'model employer'. Such a position should not be difficult to attain given all the advantages that it has. Its power lies in the volume of employment, its sovereign/constitutional authority to tax, ability to borrow and manage public finances. In embodying the 'model employer' the State not only fulfils its obligation but also instils and maintains public confidence in the rule of law, governance and administration of justice. Leading by example, fulfilling its financial duties in times of fiscal strain, gives it the moral authority to wield the sword of law against private entities, should they not do so. ...

52. In that view of the matter, it is not open for the appellant-State to shirk away from its responsibility from paying DA on the count of financial difficulty that it may face in doing so. It is an obligation arising out of the statute of its own creation and it must be met.

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55. ... It has been noted above that the question of DA being a legally enforceable right has already been put to rest. The time period in question is 2008 to 2019 that is approximately a period of eleven years. Each month that the requisite DA was not paid, is a wrong committed against the respondents. Certainly, when that is the case 'fiscal policy' cannot grant a cloak of protection to the appellant – State. Should such an argument be accepted, the very concept of judicial review would be shaken. No one denies that it is within the State's power to make decisions regarding payments to its employees but once such a decision has been made, it cannot deviate therefrom. It is this deviation which is a subject matter of judicial review."

(Emphasis supplied)

19. Lastly, the learned *Amicus Curiae* highlights that as of today, the employees and pensioners of the Government of Punjab are being paid 16% less DA than All India Service Officers (IAS/IPS/IFS), who have been paid at the Central Government pattern. Such iniquitous disparity exists despite the fact that the Government of Punjab has duly adopted the recommendations of the 6th Pay Commission regarding the grant of DA on Central Government pattern.

F. SUBMISSIONS ON BEHALF OF THE RESPONDENTS

20. Learned counsel for respondent No.4 has filed a reply on behalf of respondent No.4 (in CWP-9514-2026) in the Court today, which is taken on record. Learned Senior counsel has filed the written submissions on behalf of respondent/State of Punjab in the Court today, which are taken on record as 'Mark B'. Learned Senior counsel appearing for the State of Punjab has raised the following arguments:

- ***Non-Applicability of the judgment of Hon'ble Apex Court in Confederation of Government of West Bengal Employees (supra), the same being Per Incuriam***

21. At the outset, she submits that the judgment rendered by the Hon'ble Apex Court in *Confederation of Government of West Bengal Employees (supra)* is not applicable to the present case as there exist no statutory provision in the Punjab Civil Services (Revised Pay) Rules, 2009 (5th Pay Commission) or in the Revised Pay Rules, 2021 (6th Pay Commission) providing for the grant of DA/DR as and when announced by the Government of India for Central Government employees or otherwise. Furthermore, the employees of the Governments of Punjab and West Bengal, respectively, are governed by different sets of Service Rules and their service conditions are

distinguishable from each other. Learned Senior counsel further submits that the judgment of the Hon'ble Supreme Court in *Confederation of Government of West Bengal Employees (supra)* is *per incuriam* since the specific argument raised by learned State counsel therein regarding the earlier decision of the Hon'ble Apex Court in *Tamil Nadu Electricity Board vs. Tneb-Thozhilalar Aykkiya Sangam 2019 INSC 192* was not even dealt with. Reliance in this regard was placed on the judgment of the Hon'ble Supreme Court in *Sundeep Kumar Bafna vs. State of Maharashtra 2014 INSC 218*.

- ***There is no mandatory obligation on the Government of Punjab to pay Dearness Allowance to its employees on the Central Government pattern.***

22. Furthermore, the Council of Ministers had consciously decided that the Government of Punjab may 'endeavor' to follow the Central Government pattern with respect to DA/DR but the same does not create any binding or absolute obligation on it to mirror the Central Government rates. Reliance in this regard was placed on the judgment of the Hon'ble Supreme Court in *Tamil Nadu Electricity Board (supra)* wherein it has been held that each Government is competent to determine its own rate of Dearness Allowance payable to its employees. While a State may choose to adopt the revised Dearness Allowance on the Central Government pattern, there exists no obligation upon the Government of Punjab to do so. The fixation or revision of Dearness Allowance is thus dependent upon the financial position and policy considerations of the Government of Punjab.

- ***Mere adoption of the recommendation of the 6th Pay Commission will not bind the Government of Punjab to release DA/DR at a specific frequency, especially in view of its financial position.***

23. Learned Senior counsel for the State submits that the Council of Ministers has approved the recommendation of the 6th Pay Commission only to

the extent that the employees of the Government of Punjab shall be granted DA on the Central Government pattern. However, the Government of Punjab is not obligated to enhance DA/DR rates in tandem with the Central Government. Moreover, there is no provision in the Rules of 2021 which provides for the release of DA/DR at a specific frequency or definite intervals. It is the prerogative of the Government of Punjab to determine the frequency and rate at which DA/DR installments are to be released, keeping in view its financial capacity and fiscal priorities. Further, the approval of the Council of Ministers was never intended to create any automatic, mandatory or time-bound parity with the Central Government.

- ***The Government of Punjab is bound by the Letter/Liquidation Plan dated 18.02.2025 adopted by the Council of Ministers in its Meeting held on 13.02.2025, which was also approved by the Division Bench of this Court in CACP No.47 of 2024.***

24. Learned Senior counsel for the State of Punjab further submits that keeping in view the financial health of the Government of Punjab, the Council of Ministers adopted a systematic liquidation plan in its Meeting held on 13.02.2025 whereby the Government has decided to pay the arrears of revised pay, pension/family pension, leave encashment and DA/DR for the period of 01.01.2016 to 30.06.2021 in scheduled installments, in terms of the recommendations of the 6th Pay Commission. The total financial implication for the payment of the aforesaid arrears is approximately Rs.14,191/- crores. The year-wise planned expenditure in this regard is as follows:

2024-25	Rs. 500/- Crores
2025-26	Rs. 2,694/- Crores
2026-27	Rs. 2,922/- Crores
2027-28	Rs. 4,261/- Crores

2028-29	Rs. 3,814/- Crores
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25. Further, the aforesaid liquidation plan dated 18.02.2025 has been approved by the Division Bench of this Court in **CACP-47-2024**, titled as ***Ajoy Kumar Sinha, IAS, Principal Secretary, Department of Finance, Punjab Civil Secretariat, Chandigarh vs Balwant Singh and others***, decided on **21.02.2025**. The relevant part of the same was also reproduced in the affidavit dated 08.04.2026 submitted on behalf of the State of Punjab, and it reads as under:-

“11. In the wake of what have been stated above, after allowing the present contempt appeal and after taking on record the affidavit sworn by Sh. Ajoy Kumar Sinha, Principal Secretary, Government of Punjab, Department of Finance, this Court passes a mandamus upon the concerned to comply with the plans detailed in the affidavit, hence, for resolving and mitigating the grievances of the writ petitioners.”

- ***The scope of Judicial Review in policy matters is extremely narrow.***

26. Learned Senior counsel, while relying on the judgment of the Hon’ble Apex Court in ***Tamil Nadu Electricity Board (supra)***, argues that the scope of judicial review in matters of economic and fiscal policy is extremely limited as the decision regarding grant of DA/DR involves complex financial considerations and prioritization of public expenditure, which squarely falls within the domain of the Executive. The Courts have consistently held that such policy decisions ought not to be interfered with unless they are patently arbitrary or violative of statutory provisions, which is not the case herein. However, learned Senior counsel submits that the Government of Punjab would make every effort to release the pending installments in due course, which is strictly contingent upon the prevailing financial health and resources of the State.

- *There exists no parity between the All India Service officers and the employees and pensioners of the Government of Punjab.*

27. Learned Senior counsel for the State of Punjab submits that All India Services, Judicial Services and State services are constitutionally and statutorily on different pedestals. The All India Services derive their origin from Article 312 of the Constitution of India and are included at Entry No. 70 of the Union List (List-I) of Seventh Schedule of the Constitution of India. The service conditions, including pay and allowances of the Members of All India Services are governed by the All India Services Act, 1951. Furthermore, the grant of DA/DR to such officers is governed by the All India Services (Dearness Allowance) Rules, 1972 (Annexure-R-1 in CWP- 7264-2026). Rule 3 of the aforesaid Rules specifically provides that every member of the All India Services is entitled to draw the Dearness Allowance at such rate and subject to such conditions as may be specified by the Central Government from time to time.

28. Lastly, learned Senior counsel for the State of Punjab submits that the Government of Punjab is conscious of the fact that the DA/DR installments payable to its employees are due and, efforts are being made to release the same keeping in view the financial fortitude of the Government of Punjab. As a matter of fact, a Cabinet Sub-Committee, headed by the Finance Minister, has been constituted vide Notification dated 07.04.2026 (Annexure R-3 attached in CWP-7264-2026) which has been tasked with undertaking a comprehensive evaluation of financial feasibility and to recommend an appropriate course of action with respect to release of the pending arrears.

29. Learned counsel for the respondent(s)-Corporations, have reiterated the grounds taken in their respective replies and submit that the respondent(s)- Corporations are bound by the decision taken by the

Government of Punjab for the purpose of grant of pay, allowances, pensions, leave encashment and Dearness Allowance. The employees of these Corporations are governed by the executive instructions issued by the Government of Punjab from time to time and as and when any decision is taken by the Government of Punjab regarding payment of Dearness Allowance, the same would be implemented by the respective Corporations.

G. ISSUES FOR DETERMINATION

30. Having heard learned counsel for the parties and after perusing the record with their able assistance, the following legal issues arise for adjudication in the present controversy:

- i. Whether the scope of judicial review is completely restricted in policy matters?*
- ii. Whether the State of Punjab is obligated to grant Dearness Allowance to its employees on the 'pattern' as applicable to the Central Government employees?*
- iii. Whether the Government of Punjab can deny payment of Dearness Allowance on the ground of financial constraints?*
- iv. Whether the letter/liquidation plan dated 18.02.2025 (Annexure P-29 in CWP No. 9514 of 2026) is violative of Article 14 of the Constitution of India, inasmuch as it creates an impermissible classification within a homogenous class of pensioners on the basis of age?*
- v. Whether the Government of Punjab is not bound to maintain parity in grant of Dearness Allowance to all the employees receiving their emoluments from the same Consolidated Fund of the State of Punjab?*

31. Keeping in view the consistent stand of the respondent-Corporations that the DA/DR would be paid to its employees in terms of the

decision taken by the Government of Punjab, it is necessary to examine the Government's stance in this regard.

32. In that context, this Court vide order dated 25.03.2026, had directed the Principal Secretary, Department of Finance, Government of Punjab, to file an affidavit addressing the following points:

“(1) Up to which date have the installments of Dearness Allowance, on the pattern applicable to Central Government employees, been paid to All India Service officers and Judicial Officers serving within the State of Punjab?”

(2) Whether the emoluments of All India Service officers and Judicial Officers serving in the State of Punjab are being disbursed from the same Consolidated Fund of the State from which the salaries of other State employees are paid?”

(3) Whether any installments of Dearness Allowance are due and payable to the employees of the Government of Punjab, including the petitioners, for the period from 01.07.2023 to 01.07.2025?”

33. In compliance with the orders passed by this Court, 03 affidavits have been filed on behalf of the Government of Punjab. A perusal thereof indicates that the All India Service Officers (IAS/IFS/IPS) and Judicial Officers serving within the State of Punjab have been paid all up-to-date installments of Dearness Allowance on the Central Government pattern, from the Consolidated Fund of the State of Punjab while all other employees and pensioners of the Government of Punjab have not been paid installments of DA/DR w.e.f. 01.07.2021.

H. ANALYSIS AND FINDINGS

ISSUE 1: Scope of Judicial Review in Policy Matters

34. The power of judicial review is one of the basic features and forms the core of the Constitution. However, in the matters of policy, the Courts

ordinarily adopt a hands-off approach, recognizing that policy formulation lies within the domain of the Executive. Be that as it may, when a policy decision is arbitrary, violates fundamental rights, suffers from the vice of irrationality or is contrary to statutory or constitutional provisions, the Courts can invoke the power of judicial review to ensure constitutional supremacy and accountability for all organs of the State. [See: *Kesavananda Bharti vs. State of Kerala* 1973 INSC 91; *Indira Nehru Gandhi vs. Raj Narain* 1975 INSC 272; *Raja Rampal vs. Hon'ble Speaker, Lok Sabha* 2007 INSC 22, *I.R. Coelho vs. State of Tamil Nadu* AIR 2007 INSC 28 and *L. Chandra Kumar vs. Union of India* 1997 INSC 288].

34.1. A two-Judge bench of the Hon'ble Supreme Court in *Monarch Infrastructure (P) Ltd. vs. Commissioner, Ulhasnagar Municipal Corporation* 2000 INSC 299, speaking through Justice S. Rajendra Babu, held as follows in this regard:

“11. Broadly stated, the Courts would not interfere with the matter of administrative action or changes made therein, unless the Government's action is arbitrary or discriminatory or the policy adopted has no nexus with the object it seeks to achieve or is mala fide.”

(Emphasis supplied)

34.2. In *Col. A.S. Sangwan vs. Union of India* AIR 1981 SC 1545, a two-Judge Bench of the Hon'ble Supreme Court, speaking through Justice V.R. Krishna Iyer, observed as under:

“4.....A policy once formulated is not good for ever; it is perfectly within the competence of the Union of India to change it, rechange it, adjust it and readjust it according to the compulsions of circumstances and imperatives of national considerations. We cannot, as Court, give directives as to how the Defence Ministry should function except to state that the obligation not to act arbitrarily and to treat employees equally is binding on the Union of India because it functions under the Constitution and not over it. In this view, we agree with the submission of the Union of India that there is no bar to its

*changing the policy formulated in 1964 if there are good and weighty reasons for doing so. We are far from suggesting that a new policy should be made merely because of the lapse of time, nor are we inclined to suggest the manner in which such a policy should be shaped. It is entirely within the reasonable discretion of the Union of India. It may stick to the earlier policy or give it up. **But one imperative of the Constitution implicit in Article 14 is that if it does change its policy, it must do so fairly and should not give the impression that it is acting by any ulterior criteria or arbitrarily.***

(Emphasis supplied)

34.3. A two-Judge Bench of the Hon'ble Supreme Court in *Federation of Railway Officers Association vs. Union of India 2003 INSC 178*, speaking through Justice S. Rajendra Babu, made the following observations:

*“12. In examining a question of this nature where a policy is evolved by the Government judicial review thereof is limited. When policy according to which or the purpose for which discretion is to be exercised is clearly expressed in the statute, it cannot be said to be an unrestricted discretion. On matters affecting policy and requiring technical expertise Court would leave the matter for decision of those who are qualified to address the issues. **Unless the policy or action is inconsistent with the Constitution and the laws or arbitrary or irrational or abuse of the power, the Court will not interfere with such matters**”.*

(Emphasis supplied)

34.5. Furthermore, a two Judge Bench of the Hon'ble Supreme Court in *Directorate of Film Festivals vs. Gaurav Ashwin Jain 2007 (4) SCC 737*, speaking through Justice R.V. Raveendran, has observed as follows:

*“14. The scope of judicial review of Governmental policy is now well defined. Courts do not and cannot act as Appellate Authorities examining the correctness, suitability and appropriateness of a policy nor are courts Advisors to the Executive on matters of policy which the Executive is entitled to formulate. **The scope of judicial review when examining a policy of the Government is to check whether it violates the fundamental rights of the citizens or is opposed to the provisions of the Constitution, or opposed to any statutory provision or manifestly arbitrary.** Courts cannot interfere with policy either on the ground that it is erroneous or on the ground that a better, fairer or wiser alternative is available. Legality of the policy, and not the wisdom or soundness of the policy, is the subject of judicial review...”*

(Emphasis supplied)

34.6. While considering the policy of the Central Government regarding the principle of ‘One Rank One Pension,’ a three-Judge Bench of the Hon’ble Supreme Court in *Indian Ex-Servicemen Movement and others vs. Union of India and others* 2022 INSC 315, speaking through Dr. Justice Dhananjaya Y. Chandrachud, has observed as under:

“46 ...Most questions of policy involve complex considerations of not only technical and economic factors but also require balancing competing interests for which democratic reconciliation rather than adjudication is the best remedy. Further, an increased reliance on judges to solve matters of pure policy diminishes the role of other political organs in resolving contested issues of social and political policy, which require a democratic dialogue. This is not to say that this Court will shy away from setting aside policies that impinge on constitutional rights. Rather it is to provide a clear eyed role of the function that a court serves in a democracy....”

(Emphasis supplied)

- ***Constitutional Supremacy, Rule of Law and the Constitutional Mandate of Social Justice***

35. In a constitutional democracy, governance must be by rule of law and not by the whims and caprice of those who wield power. The Constitution does not permit *sic volo, sic jubeo* governance where the will of the authority substitutes the mandate of law. Furthermore, where discretion degenerates into arbitrariness, equality under Article 14 immediately stands violated. Under the principle of constitutional supremacy, all organs of the State derive their authority from the Constitution and are bound by its limitations. The Legislature, while vested with legislative power, must act within its competence and in accordance with constitutional rights and principles. Not only are the Courts empowered to review the validity of an executive action, their interpretation of the Constitution is also final and binding. Recently, the Hon’ble Supreme Court in *Confederation of Government of West Bengal*

Employees (supra), while dealing with a similar controversy regarding payment of Dearness Allowance, rejected the argument that judicial review in such policy matters is limited. The said principle is applicable to the facts of the present *lis* on all fours.

35.1. Further, a Constitutional Bench of the Hon'ble Supreme Court in *Kalpana Mehta and others vs. Union of India and others* 2018 INSC 470, reiterated the importance of constitutional supremacy.

“13. ...The Constitution is the fundamental document that provides for constitutionalism, constitutional governance and also sets out morality, norms and values which are inhered in various articles and sometimes are decipherable from the constitutional silence. Its inherent dynamism makes it organic and, therefore, the concept of ‘constitutional sovereignty’ is sacrosanct. It is extremely sacred and, as stated earlier, the authorities get their powers from the Constitution. It is the source. Sometimes, the constitutional sovereignty is described as the supremacy of the Constitution

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23. Thus, the three wings of the State are bound by the doctrine of constitutional sovereignty and all are governed by the framework of the Constitution. The Constitution does not accept transgression of constitutional supremacy and that is how the boundary is set.

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182....The Constitution does not allow for the existence of absolute power in the institutions which it creates. Judicial review as a part of the basic features of the Constitution is intended to ensure that every institution acts within its bounds and limits...”

(Emphasis supplied)

35.2. At this juncture, it would be apt to quote the judgment rendered by a Constitution Bench of the Hon'ble Supreme Court in *Minerva Mills Ltd. and others vs. Union of India and others* 1980 INSC 142, wherein, speaking through Justice Y.V. Chandrachud, it was held as under:

“91. ...But then the question arises as to which authority must decide what are the limits on the power conferred upon each organ or instrumentality of the State and whether such limits are transgressed or exceeded. Now there are three main departments of the State amongst which the powers of Government are divided; the Executive, the legislature and the Judiciary.....The Constitution has, therefore, created an independent machinery

for resolving these disputes and this independent machinery is the judiciary which is vested with the power of judicial review to determine the legality of executive action and the validity of legislation passed by the legislature....”

(Emphasis supplied)

35.3. Moreover, the importance of rule of law was also highlighted in the judgment rendered by a two-Judge bench of the Hon’ble Supreme Court in *H.C. Puttaswamy and others vs. The Hon’ble Chief Justice of Karnataka High Court, Bangalore and others 1990 INSC 338*, wherein, speaking through Justice K. Jagannatha Shetty, the following was opined:

“11.....But the Chief Justice or any other Administrative Judge is not an absolute ruler. Nor he is a free wheeler. He must operate in the clean world of law, not in the neighbourhood of sordid atmosphere. He has a duty to ensure that in carrying out the administrative functions, he is actuated by same principles and values as those of the Court he is serving. He cannot depart from and indeed must remain committed to the constitutional ethos and traditions of his calling. We need hardly say that those who are expected to oversee the conduct of others, must necessarily maintain a higher stands of ethical and intellectual rectitude. The public expenses do not seem to be less exacting.”

36. In view of the foregoing discussion, this Court is of the considered opinion that where a policy decision is found to be arbitrary, discriminatory, and violative of constitutional guarantees, it becomes incumbent upon the Courts to exercise its power of judicial review. Thus, Issue No.1 is answered accordingly.

ISSUE 2: Grant of DA to Employees of Government of Punjab on the Central Government ‘pattern’

37. Learned Senior counsel for the State of Punjab has contended that the State is not bound to grant Dearness Allowance, in terms of the recommendations of the 6th Pay Commission, at the same rate or frequency as applicable to Central Government employees. It is submitted that the recommendations were accepted only to a limited extent, namely, the adoption of the Central Government pattern for payment of Dearness Allowance, and

were never intended to create an automatic or time-bound parity with Central Government employees. It is further argued that, in the absence of any specific provision in the applicable Rules, the petitioners do not possess an enforceable legal right to claim such parity.

37.1 As noted above, insofar as the recommendation of the 6th Pay Commission regarding the acceptance of the Central Government '*pattern*' for grant of DA is concerned, the Finance Department, vide its proposal dated 17.06.2021, commented that the Government of Punjab may "*accept*" the same. However, with respect to the recommendation pertaining to the "*absence of time-lag*" in the implementation of Dearness Allowance, it was proposed that the Government may only "*endeavour*" to achieve such parity. Notably, these proposals were duly approved by the Council of Ministers in its Meeting held on 18.06.2021. Thus, it appears that while the Government of Punjab has consciously accepted the principle of granting DA on the "*Central Government pattern*," it only undertook to "*endeavour*" to eliminate any time-lag in its implementation. In other words, as soon as enhancement of DA is announced by the Central Government, the Government of Punjab would "*endeavour*" to increase it for its employees as well.

- *Interpreting 'Central Government Pattern'*

38. At this juncture, this Court finds it relevant to interpret the phrase '*Central Government Pattern*.' The term '*pattern*' has been defined in the **Black's Law Dictionary** as:

"a mode of behavior or series of acts that are recognizably consistent."

38.1 The **Merriam-Webster Dictionary** provides as many as 11 definitions of '*pattern*' as a noun, the most relevant of which read as under:

a) "*form or a model proposed for imitation*";

- b) “*something designed or used as a model for making things;*”
- c) “*Discernible, coherent system based on intended inter relationship of component parts;*”
- d) “*Frequent or widespread incidence.*”

38.2 Further, the **Cambridge Dictionary** defines ‘*pattern*’ (noun) as:

“*a particular way in which something is done, is organized or happens.*”

39. A perusal of the aforementioned definitions suggests that ‘***pattern***’ in the present context, refers to the method, structure, and formula used by the Central Government for granting DA to its employees. This Court finds merit in the argument of learned *Amicus Curiae* that adoption of the ‘***Central Government pattern***’ by the Government of Punjab necessarily means that the State is aligning its approach to grant of DA with that of the Central Government in the following key aspects:

- a. **Rate of Dearness Allowance:** The Government of Punjab will grant DA at the same percentage rate as applicable to Central Government employees. For instance, if the Central Government grants DA at the rate of 50%, the State Government will also grant it at the rate of 50%.
- b. **Formula for Calculation:** The formula adopted by the Government of Punjab to calculate DA is based on the All India Consumer Price Index (AICPI), akin to the Central Government.
- c. **Frequency of Revision:** The Central Government has historically carried out the revision of DA biannually i.e. on the 1st of January and 1st of July. The Government of Punjab has also historically mirrored this practice and followed biannual revisions under the same ‘***pattern.***’

39.1. In other words, in adopting the *Central Government 'pattern,'* the Government of Punjab has agreed to mirror the Central Government's system regarding DA i.e. its rates, formula, timing, and structure. This Court is of the considered view that a '*pattern*' in the context of inflation-indexed allowances is not merely a mathematical formula; rather, it is a temporal system. *If the Government accepts the pattern but ignores the timing, it has effectively rejected the pattern.* Thus, upon acceptance of the '*Central Government pattern*', the Government of Punjab has waived its right to treat DA as a discretionary bounty.

39.2. Furthermore, the 6th Pay Commission explicitly states that the efficacy of DA as a "*hedge against inflation is eroded if there are delays in its timely release.*" If inflation occurs in January and the State pays the adjustment in July, the employee has suffered an uncompensated loss for six months. The State's commitment to '*endeavour*' to implement the same without a time lag must be interpreted in light of the Commission's warning about '*erosion*'. An '*endeavour*' that results in a consistent failure to protect employees from inflation is a failure of the Government's duty to maintain the '*hedge*'.

40. Moreover, as highlighted by learned *Amicus Curiae*, historically, the term '*pattern*' has been understood exactly in the above-stated manner by the previous Pay Commissions and the successive Governments of Punjab. It was on the recommendation of the 1st Pay Commission that the Government of Punjab originally decided to grant DA to its employees from time to time, on the Central Government pattern. All subsequent Punjab Pay Commissions have supported adherence to this "*time-tested arrangement.*" Specifically, the 5th Pay Commission had recommended that once an enhancement in DA is announced by the Central Government, the Government of Punjab should

implement it within a period of 03 months. This consistent historical practice reinforces that the '*pattern*' operates as a binding benchmark for both structural and temporal uniformity, thereby giving rise to a legitimate expectation that such uniformity will be maintained in respect of all similarly situated employees. Thus, in light of the established practice of the Government of Punjab in granting Dearness Allowance at rates linked to the AICPI, in accordance with the recommendations of successive Pay Commissions, the petitioners have a legitimate expectation of continued adherence to this framework. In this regard, a reference may be made to the judgment of the Hon'ble Supreme Court in *Confederation of Government of West Bengal Employees (supra)*, wherein a *catena* of judgments on the doctrine of legitimate expectation has been considered.

- *Upon acceptance of the recommendations of the Pay Commission, the Government becomes bound to implement it in substance*

41. The issue regarding enforceability of the recommendation of the Pay Commission after its approval by the respective Governments is no longer *res integra*. This Court is of the considered opinion that once the Government has accepted the recommendation of the Pay Commission, the benefits arising from the said recommendations cannot be denied to the petitioners. The Constitution Bench of the Hon'ble Supreme Court in *Purshottam Lal (supra)*, speaking through Justice S.M Sikri, has held as under in this regard:

*“15. Mr. Dhebar contends that it was for the Government to accept the recommendations of the Pay Commission and while doing so to determine which categories of employees should be taken to have been included in the terms of reference. We are unable to appreciate this point. Either the Government has made reference in respect of all government employees or it has not. **But if it has made a reference in respect of all government employees and it accepts the recommendations it is bound to implement the recommendations in respect of all government employees. If it***

does not implement the report regarding some employees only it commits a breach of Articles 14 and 16 of the Constitution. This is what the Government has done as far as these petitioners are concerned.”

(Emphasis supplied)

41.1. Furthermore, a two-Judge bench of the Hon’ble Apex Court in ***Secretary Mahatama Gandhi Mission and another vs. Bhartiya Kamgar Sena and others 2017 INSC 27*** has categorically held that once the recommendations of the Pay Commission are accepted by the Government, they assume the character of a Government decision, thereby binding the State to extend the resultant benefits to its employees. Speaking through Justice Jasti Chelameswar, the following observations were made:

“58. The source of the rights, if any, of the employees* of the appellants to receive pay and allowances in terms of the recommendations of the Sixth Pay Commission is first required to be identified.

59. The Sixth Pay Commission appointed by the Government of India is only a body entrusted with the job of making an assessment of the need to revise the pay structure of the employees of the Government of India and to suggest appropriate measures for revision of the pay structure. The recommendations of the pay commission are not binding on the Government of India, much less any other body. They are only meant for administrative guidance of the Government of India. The Government of India may accept or reject the recommendations either fully or partly, though it has never happened that the recommendations of the pay commission are completely rejected by the Government so far.

60. **Once the Government of India accepted the recommendations of the pay commission and issued orders signifying its acceptance, it became the decision of the Government of India. That decision of the Government of India created a right in favour of its employees to receive pay in terms of the recommendations of the Sixth Pay Commission and the Government of India is obliged to pay.**”

(Emphasis supplied)

42. As noted above, the 6th Pay Commission had categorically recommended in Paras 7.10 and 7.11 to continue with the payment of DA on the ***Central Government ‘pattern’*** and that there should not be any time lag in releasing the DA as a delay in releasing the same would erode its efficacy as a

hedge against inflation. Further, in Para 7.7, it is expressly stated that the methodology of assessing the level of inflation for the purpose of grant of DA is based upon AICPI. Moreover, there is no denial to the fact that from the very inception i.e. from 1st Pay Commission onwards, the Government of Punjab has historically paid the Dearness Allowance at the same frequency and rates as the Central Government. In terms of the recommendations of the successive Pay Commissions, necessary amendments have been carried out in the applicable Service Rules and DA has been made part of the salary since the year 1973. Further still, Rule 2.13 of the Punjab Civil Services Rules, Volume I (Part I), defines the Dearness Allowance as “*Compensatory Allowance*” in the following manner:

*“2.13. Compensatory allowance means an allowance granted to meet personal expenditure necessitated by the special circumstances in which duty is performed. It includes traveling allowance, **dearness allowance** but does not include a sumptuary allowance, nor the grant of a free passage by sea to or from any place outside India.”*

(Emphasis supplied)

43. After the adoption of the recommendations of the 6th Pay Commission by the Council of Ministers in its Meeting held on 18.06.2021, a Notification dated 05.07.2021 (Annexure P-13) was issued, notifying Punjab Civil Services (Revised Pay) Rules, 2021 under the proviso to Article 309 of the Constitution of India, for revision of the pay structure of the employees of the Government of Punjab w.e.f. 01.01.2016. Rule 3 of the aforesaid Rules is the definition clause and Sub-Rules (c) and (j) define ‘existing emoluments’ and ‘revised emoluments,’ respectively, which read as under:

“(c) “existing emoluments” means the sum of-

- (i) existing basic pay as on the 31st day of December, 2015;*
- and*
- (ii) **dearness allowance** appropriate to the pay in the existing basic pay;*

(j) "revised emoluments" means the pay in the Level of a Government employee in the revised pay structure and includes dearness allowance."

(Emphasis supplied)

44. It must be pointed out that the above-mentioned Rules of 2021 do not provide a specific rate or the precise frequency at which DA would be released. Rather, the Rules merely include 'Dearness Allowance' within the definitions of 'existing emoluments' and 'revised emoluments' under Rule 3(c) and Rule 3(j), respectively. In the absence of any explicit criteria within the statutory Rules for the calculation of DA, a reference must be made to the recommendations of the 6th Pay Commission, which were duly approved by the Council of Ministers. A cumulative reading of the recommendations contained in Paras 7.7, 7.10 and 7.11 of the 6th Punjab Pay Commission Report, alongside Rules 3(c) and (j) of the Rules of 2021, clearly indicates that the term 'Dearness Allowance' must be interpreted to mean '***Dearness Allowance on the Central Government pattern,***' thereby ensuring structural and temporal uniformity. Therefore, this Court holds that the argument of the learned Senior counsel regarding the absence of any statutory rule for the grant of DA at a specific rate or frequency is liable to be rejected.

45. Further still, surprisingly, it is noteworthy that at no point did the Government of Punjab take a categorical stand that it would depart from the Central Government pattern; nor has it placed on record any alternative methodology for the computation of Dearness Allowance other than that followed by the Central Government. Moreover, neither the agenda nor the approval recorded in the meeting of the Council of Ministers held on 18.06.2021 even whispers of any deviation from the Central Government

pattern. Accordingly, the validity of acceptance of the recommendations made by the 6th Pay Commission by the Government of Punjab must be assessed solely on the reasons recorded therein and cannot be supplemented or justified by subsequent explanations. Reliance in this regard may be placed upon the judgment rendered by a Constitution Bench of the Hon'ble Supreme Court in *Mohinder Singh Gill and another vs. The Chief Election Commissioner, New Delhi and others (1978) 1 SCC 405*, wherein, speaking through Justice Krishna Iyer, the following was held:

“8. The second equally relevant matter is that when a statutory functionary makes an order based on certain grounds, its validity must be judged by the reasons so mentioned and cannot be supplemented by fresh reasons in the shape of affidavit or otherwise. Otherwise, an order bad in the beginning may, by the time it comes to court on account of a challenge, get validated by additional grounds later brought out. We may here draw attention to the observations of Bose J. in Gordhandas Bhanji Case:

“Public orders, publicly made, in exercise of a statutory authority cannot be construed in the light of explanations subsequently given by the officer making the order of what he meant, or of what was in his mind, or what he intended to do. Public orders made by public authorities are meant to have public effect and are intended to effect the acting and conduct of those to whom they are addressed and must be construed objectively with reference to the language used in the order itself.”

(Emphasis supplied)

46. Accordingly, the contention advanced by learned Senior counsel that the recommendations of the 6th Pay Commission were merely accepted to the limited extent of adopting the Central Government pattern and thus, the release of the benefits flowing therefrom is the sole prerogative of the Government of Punjab subject to its discretion and priority, is liable to be rejected. As such, in the light of the law laid down in *Purshottam Lal (supra)* and *Secretary Mahatama Gandhi Mission (supra)*, the adoption of the recommendations of the 6th Pay Commission cannot be treated as a mere formality or symbolic exercise. Upon acceptance, the State incurs a binding

obligation to implement the recommendations in their entirety and to disburse all consequential benefits to its employees and pensioners without exception. The Government of Punjab has not only approved the recommendations of the 6th Pay Commission, but has also acted upon it by paying some of the installments to its employees and pensioners. Thus, Issue No.2 framed above is answered accordingly. The Government of Punjab cannot be allowed to take a sudden U-turn and deny the petitioners their legitimate claim towards DA. Succinctly, after acceptance of the recommendations of the Pay Commission, it becomes an enforceable right.

ISSUE 3: *Financial Constraints as a ground to deny the payment of Dearness Allowance*

47. Learned Senior counsel for the State of Punjab has advanced another star argument that the present issue falls within the domain of policy, and that any decision in this regard is contingent upon the financial capacity and priorities of the Government of Punjab. It appears that the plea of financial constraints is a recurring defense taken by the Executive to justify denial or deferment of service benefits such as Dearness Allowance etc. However, the Constitutional Courts have consistently held that financial hardship cannot be invoked as a blanket justification to deny the legitimate, accrued service benefits. In *Confederation of Government of West Bengal Employees (supra)*, a specific argument was raised by the State of West Bengal before the Hon'ble Apex Court that the payment of DA would create a liability of more than Rs.41,000/- crores. However, the Hon'ble Supreme Court rejected the aforesaid argument of paucity of funds and declared that the payment of DA, being a legal right, cannot be deferred or denied on account of financial constraints. The aforesaid *ratio* applies on all fours to the instant *lis*. The relevant extract

from *Confederation of Government of West Bengal Employees (supra)*, is reproduced as under:

“50. ...The least that is expected of a State in a democracy is that it honours its obligations and commitments, arising from a legislation or judicial decisions, for such obligations are not discretionary in any way, shape or form. This clear position protects such statutory obligations for, if such a ground of limited financial ability was readily available to the Government of West Bengal, which may undoubtedly in certain situations face tough times, it would render these obligations illusory. When it comes to employees' dues, this proposition would be extremely dangerous and stifling since the amounts received thereby are not handouts or acts of charity but are earned compensation / consideration for services given, and denial of such consideration would have a direct impact on the right to life and livelihood enshrined in Article 21 of the Constitution.”

(Emphasis supplied)

47.1. On this legal issue, reliance can also be placed upon the judgments rendered by the Hon'ble Apex Court in *D.S. Nakara and others vs. Union of India 1982 INSC 103*, *All Manipur Pensioners Association vs. State of Manipur 2019 INSC 748*, *State of Rajasthan vs. Mahendra Nath Sharma 2015 INSC 465* and *Punjab State Cooperative Agricultural Development Bank Limited vs. Registrar Cooperative Societies and others 2022 INSC 34*. As such, the Government of Punjab cannot deny the payment of DA to the petitioners on the ground of financial position and priorities of the Government. Further, this Court is of the considered view that the present situation is a self-created problem. Having adopted the recommendations of the 6th Pay Commission on 18.06.2021, the Government of Punjab should have made the requisite budgetary allocation with respect to payment of DA in its successive budgets.

47.2. Moreover, this Court is of the considered view that the reliance placed by the learned Senior counsel for the State of Punjab on the judgment of the Hon'ble Supreme Court in *Tamil Nadu Electricity Board (supra)* is

misplaced. In the aforesaid case, the Hon'ble Supreme Court had held that there is no rule or mandatory obligation on a State Government to always adopt the rate of DA as revised by the Central Government, and that a State is competent to determine its own rates based on its specific financial position. However, in the present case, the Government of Punjab had explicitly accepted the recommendations of the 6th Pay Commission regarding the grant of DA on the Central Government pattern. While the Constitution envisions sufficient freedom for the State to choose its path in financial matters, the choice in this regard had been made by the Government of Punjab itself. In the matter at hand, the Government of Punjab has not carried out any legislative exercise in this regard but instead, has issued the notification dated 18.06.2021 in terms of the approval of the recommendations of the 6th Pay Commission. As such, at this stage, the Government of Punjab cannot be allowed to make a U-turn since it has voluntarily bound itself with the recommendations of the 6th Pay Commission. Accordingly, this Court is unable to accept the contention of learned Senior counsel that the judgment of the Hon'ble Supreme Court in *Confederation of Government of West Bengal Employees (supra)* is *per incuriam* merely on the ground that the argument regarding *Tamil Nadu Electricity Board (supra)* was not specifically dealt with therein.

47.3. Further still, it must be pointed out that the State's discretion in framing and prioritizing welfare schemes, even if driven by electoral considerations, is not absolute. It is constitutionally constrained by the mandates of fairness, non-arbitrariness, and the obligation to honour accrued and vested rights. In this backdrop, the State cannot justify the neglect or denial of legitimate dues to its employees and pensioners on the ground that resources are being diverted towards other welfare schemes. Government employees

constitute the backbone of the administrative apparatus and the State's capacity to implement welfare policies itself rests upon their functioning.

47.4. More importantly, the pensioners stand on a higher footing as not only have they rendered long years of service but they often exclusively rely on their pensions and other allied benefits post-retirement to support them in their sunset years. Thus, their entitlement to timely disbursement of retirement benefits, including DR, is a matter of right, not charity. A welfare State cannot selectively extend benefits to one class of citizens while depriving another, particularly its own workforce and retired employees, without falling foul of the equality doctrine. Such action constitutes manifest arbitrariness and violates the constitutional guarantee of dignity, especially for pensioners who are economically vulnerable. While pursuing broader welfare objectives, the State is constitutionally bound to strike a balance and cannot abandon those who have sustained its functioning. Thus, Issue No.3 is answered accordingly. The Government of Punjab cannot take shelter of financial constraints to justify depriving its employees and pensioners of their entitlements while promoting fiscal spending for electoral welfare schemes at their cost. Such an approach is legally untenable, being arbitrary, discriminatory, and contrary to the foundational principles of a welfare State.

ISSUE 4: *Validity of the Letter/Liquidation Plan dated 18.02.2025 (Annexure P-29 in CWP No. 9514 of 2026)*

48. Further, learned Senior counsel for the State of Punjab has opposed the prayer made by the petitioners on the ground that a Cabinet Sub-Committee was constituted to examine the issue and the report submitted in this regard was approved by the Council of Ministers in its Meeting held on 13.02.2025. A schedule of payment in installments was accordingly framed for pensioners as well as serving employees. The same was adopted by the

respondent-PSPCL vide Finance Circular dated 03.04.2025. Further, the liquidation plan prepared by the Cabinet Sub-Committee was approved by the Division Bench of this Court in *Ajoy Kumar Sinha (supra)*. Thus, learned Senior counsel has submitted that the petitioners cannot claim any relief beyond the schedule provided by the Cabinet Sub-Committee. The schedule of payment prepared by the Sub-Committee is reproduced as under:

“(1) For the State Pensioners/Family Pensioners

a. Pensioners / Family Pensioners age 85 years and above (as on 01.10.2024) and deceased family pensioners- During the Financial Year 2024-25 payment of arrear of Revised Pension/Family Pension (including DR arrear) (as per 6thPPC) will be made in two equal monthly installments (Feb., 2025 and March, 2025) to the pensioners/ Family Pensioners having age of 85 years and above and deceased family pensioners (to their legal heirs).

b. Pensioners/Family pensioners age 75 years but below 85 years (as on 01.10.2024) and deceased pensioners- During the Financial Year 2025-26 payment of arrear of Revised Pension/Family Pension (including DR arrear) (as per 6thPPC) will be made in 12 equal monthly installments (April, 2025 to March, 2026) to the pensioners age 75 years but below 85 years and deceased pensioners (to the family pensioner / legal heirs).

c. Pensioners/Family Pensioners age below 75 years- Payment of arrear of Revised Pension/Family Pension (including DR arrear) will be made in 42 monthly installments to the pensioners below age of 75 years as below:-

<i>Sr. No.</i>	<i>Year to which the arrears relates</i>	<i>No. of equally Monthly Installments</i>	<i>Period for payment</i>
<i>1</i>	<i>For the years 2016 and 2017</i>	<i>15</i>	<i>Instalment will start from the month of April, 2025</i>
<i>2</i>	<i>For the years 2018 and 2019</i>	<i>18</i>	<i>Instalment will start from the month of July, 2025</i>
<i>3</i>	<i>For the years 2020 and 2021 (upto 30.06.2021)</i>	<i>09</i>	<i>Instalment will start from the month of January, 2028</i>

d. Arrears of revised Leave Encashment- Payment of arrear of revised Leave Encashment of the Government employees retired between 01.01.2016 to 30.06.2021 will be made in 04 equal six monthly installments (i.e. April, 2025, October, 2025, April, 2026 and October, 2026)

(2) For Government Employees

e. Arrear of revised pay- The payment of arrear of revised pay (including DA arrear) to the employees **will be paid in 36 monthly installments as below:-**

Sr. No.	Year to which the arrears relates	No. of equally Monthly Installments	Period for payment
1	For the year 2016	12	Installment will Start from the month of April, 2026
2	For the years 2017, 2018, 2019, 2020 and 2021 (up to 30.06.2021)	24	Installment will Start from the month of April, 2027

f. After liquidation of the arrears of 6th Punjab Pay Commission any arrear on account of enhanced DA/DR from 01.07.2021 to 31.03.2024 will be considered for payment in installments. However the Government may also consider for early payment keeping in view the financial resources of the State.

(Emphasis supplied)

49. The arguments made by learned Senior counsel for the State of Punjab regarding the validity of the schedule of payment are liable to be rejected out-rightly on the following grounds: *firstly*, the Division Bench of this Court, while dealing with contempt appeal in *Ajoy Kumar Sinha (supra)*, has not commented on or decided any issue on merits. It is trite law that while exercising contempt jurisdiction, the Court cannot expand the scope of inquiry by adjudicating anything on merits. The jurisdiction of the contempt Court is confined to merely examining compliance with the directions issued. Reliance in this regard can be placed upon the recent judgment of the Hon'ble Supreme

Court in *SLP (C) No.20915 of 2024*, titled as *Jalim Singh vs. Nand Kishore*, decided on **17.03.2026**.

50. *Secondly*, the aforesaid schedule of payment cannot pass the constitutional muster in view of the law laid down by the Constitution Bench of the Hon'ble Supreme Court in *D.S. Nakara (supra)*, which has been further reiterated in *All Manipur Pensioners Association (supra)*. The Government of Punjab cannot justify arbitrary classification by dividing the pensioners into different categories. A two-Judge bench of the Hon'ble Supreme Court in *All Manipur Pensioners Association (supra)* has examined the aforesaid issue and speaking through Justice M.R Shah, made the following observations:

“7. The short question which is posed for consideration before this Court is, whether in the facts and circumstances of the case, the decision of this Court in the case of D.S. Nakara (supra) shall be applicable or not, and in the facts and circumstances of the case and solely on the ground of financial constraint, the State Government would be justified in creating two classes of pensioners, viz., pre-1996 retirees and post-1996 retirees for the purpose of payment of revised pension and whether such a classification is arbitrary, unreasonable and violative of Article 14 of the Constitution of India or not?”

7.1 At the outset, it is required to be noted that in the present case, the State Government has justified the cut-off date for payment of revised pension solely on the ground of financial constraint. On no other ground, the State tried to justify the classification. In the backdrop of the aforesaid facts, the aforesaid question posed for consideration before this Court is required to be considered.

7.2 It is not in dispute that the State Government has adopted the Central Civil Services (Pension) Rules, to be applicable to the State of Manipur. The State has also come out with the Manipur Civil Services (Pension) Rules, 1977. It is also not in dispute that subject to completing the qualifying service the government servants retired in accordance with the pension rules are entitled to pension. Therefore, as such, all the pensioners form only one homogeneous class. Therefore, it can be said that all the pensioners form only one class as a whole. Keeping in mind the increase in the cost of living, the State Government increased the quantum of pension and even pay for its employees. The State Government also enhanced the scales of pension/quantum of pension with effect from 1.1.1996 keeping in mind the increase in the cost of living. However, the State Government provided the cut-off date for the purpose of grant of benefit of revised pension

with effect from 1.1.1996 to those who retired post-1996 and denied the revision in pension to those who retired pre-1996. The aforesaid classification between these pensioners who retired pre-1996 and post-1996 for the purpose of grant of benefit of revision in pension is the subject matter of this appeal. As observed hereinabove, the aforesaid classification is sought to be justified by the State Government solely on the ground of financial constraint.

7.3 At the outset, it is required to be noted that in the case of D.S.Nakara (supra), such a classification is held to be arbitrary, unreasonable, irrational and violative of Article 14 of the Constitution of India...

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8. Even otherwise on merits also, we are of the firm opinion that there is no valid justification to create two classes, viz., one who retired pre-1996 and another who retired post-1996, for the purpose of grant of revised pension, In our view, such a classification has no nexus with the object and purpose of grant of benefit of revised pension. All the pensioners form a one class who are entitled to pension as per the pension rules. Article 14 of the Constitution of India ensures to all equality before law and equal protection of laws. At this juncture it is also necessary to examine the concept of valid classification. A valid classification is truly a valid discrimination. It is true that Article 16 of the Constitution of India permits a valid classification. However, a very classification must be based on a just objective. The result to be achieved by the just objective presupposes the choice of some for differential consideration/treatment over others. A classification to be valid must necessarily satisfy two tests. Firstly, the distinguishing rationale has to be based on a just objective and secondly, the choice of differentiating one set of persons from another, must have a reasonable nexus to the objective sought to be achieved. The test for a valid classification may be summarised as a distinction based on a classification founded on an intelligible differentia, which has a rational relationship with the object sought to be achieved. Therefore, whenever a cut-off date (as in the present controversy) is fixed to categorise one set of pensioners for favourable consideration over others, the twin test for valid classification or valid discrimination therefore must necessarily be satisfied. In the present case, the classification in question has no reasonable nexus to the objective sought to be achieved while revising the pension. As observed hereinabove, the object and purpose for revising the pension is due to the increase in the cost of living. All the pensioners form a single class and therefore such a classification for the purpose of grant of revised pension is unreasonable, arbitrary, discriminatory and violative of Article 14 of the Constitution of India. The State cannot arbitrarily pick and choose from amongst similarly situated persons, a cut-off date for extension of benefits especially pensionary benefits. There has to be a classification founded on some rational principle when similarly situated class is differentiated for grant of any benefit.

*8.1 As observed hereinabove, and even it is not in dispute that as such a decision has been taken by the State Government to revise the pension keeping in mind the increase in the cost of living. Increase in the cost of living would affect all the pensioners irrespective of whether they have retired pre-1996 or post-1996. As observed hereinabove, all the pensioners belong to one class. **Therefore, by such a classification/cut-off date the equals are treated as unequals and therefore such a classification which has no nexus with the object and purpose of revision of pension is unreasonable, discriminatory and arbitrary and therefore the said classification was rightly set aside by the learned Single Judge of the High Court.** At this stage, it is required to be observed that whenever a new benefit is granted and/or new scheme is introduced, it might be possible for the State to provide a cut-off date taking into consideration its financial resources. But the same shall not be applicable with respect to one and single class of persons, the benefit to be given to the one class of persons, who are already otherwise getting the benefits and the question is with respect to revision.”*

(Emphasis supplied)

51. In light of the above, this Court is of the firm conclusion that the letter/liquidation plan dated 18.02.2025 is patently violative of Article 14 of the Constitution of India, to the extent that it seeks to create an impermissible differentiation within a homogeneous class of pensioners. As established by the Constitutional Bench in *D.S. Nakara (supra)* and reaffirmed in *All Manipur Pensioners Association (supra)*, all pensioners form one single class for the purpose of receiving retirement benefits. By segregating retirees into three distinct tiers, i.e., granting arrears in 02 installments for those above 85 years, 12 installments for those between 75 and 85 years, and a staggering 42 installments for those below 75 years, the State has created a class within a class without any reasonable justification. Such a classification lacks a rational nexus to the object sought to be achieved. The object of Dearness Allowance is to provide a hedge against inflation, a market force that erodes the purchasing power of all retirees with equal severity, regardless of whether they are 65 or 85 years of age. Consequently, relegating younger pensioners to a nearly four-year-long payment schedule while inflation continues to rise unabated is both

arbitrary and discriminatory. However, it is clarified and reiterated that the letter/liquidation plan dated 18.02.2025 is being set aside only to the extent that it mandates a discriminatory and tiered schedule for the payment of arrears of revised pension/family pension (including DR) among the pensioners. Thus, Issue No.4 is answered accordingly. The State cannot be permitted to fulfill its constitutional obligations to one segment of a homogeneous class by effectively abandoning or indefinitely deferring the rights of another.

ISSUE 5: *Obligation of the Government of Punjab to maintain parity in grant of Dearness Allowance to all the employees receiving their emoluments from the same Consolidated Fund of the State of Punjab*

52. At this juncture, this Court must point out that there is no denial to the fact the Government of Punjab had issued a notification dated 30.10.2014 (Mark 'X') whereby, keeping in view the welfare of the entire workforce, the Government of Punjab took a conscious decision to release DA to all its employees, even prior to its release to officers of the All India Services (IAS/IPS/IFS). The All India Services (Dearness Allowance) Rules, 1972 were fully applicable and governed the service conditions of All India Service Officers during this time. However, this practice was discontinued vide notification dated 14.10.2019 (Mark 'Y') when the payment of DA to All India Service Officers was de-linked from that of other employees and it was decided that such officers would receive Dearness Allowance as and when it was revised by the Government of India. The aforesaid past practice of the Government of Punjab clearly reflects an informed policy decision prioritising its own employees, particularly those at the bottom of the pyramid, over the relatively privileged class of All India Service Officers, a position which now stands reversed to the detriment of State Government employees. The justification advanced by the Government of Punjab for paying Dearness

Allowance (DA) to All India Service officers (IAS/IPS/IFS) on the basis of distinct service rules is untenable. A classification founded solely on differing service rules cannot sustain unequal treatment in the grant of DA as the fundamental purpose of DA is to offset the effects of inflation, a burden that impacts all employees and pensioners uniformly. Thus, the entitlement to Dearness Allowance must be viewed through the lens of economic uniformity and constitutional equality, not through the narrow prism of fragmented service regulations. Any attempt to justify disparity on the basis of differing rules governing hierarchical posts is legally untenable, as it disregards both the purpose of the Dearness Allowance and the mandate of equal treatment under the Constitution.

53. Further, there is no denial to the fact that the Government of Punjab has implemented the recommendations of the 6th Pay Commission by paying some DA/DR installments to its employees and pensioners. However, w.e.f. 01.07.2021, the installments of DA/DR have not been paid. Subsequently, the Government of Punjab had introduced a structured liquidation plan dated 18.02.2025 (Annexure P-29 in CWP No. 9514 of 2026) to discharge its liability in terms of 6th Pay Commission, which has already been declared unsustainable by this Court in view of the law laid down in ***D.S. Nakara (supra)***. Conspicuously, during the pendency of the present writ petitions, the Government of Punjab has constituted another Sub-Committee vide notification dated 07.04.2026 (Annexure R-3 attached in CWP-7264-2026) to formulate another payment plan.

54. Thus, this Court is confronted with three distinct decisions taken by the Council of Ministers of the Government of Punjab concerning the payment of dues arising from the recommendations of the 6th Pay Commission.

A cumulative reading of these decisions indicates an apparent attempt on the part of the State to wriggle out of its responsibility to discharge its fiscal obligations. While the Government of Punjab continued to change its stance for its own employees, it continued to pay DA to All India Service Officers. Once the recommendations of the 6th Pay Commission were duly approved on 18.06.2021, it was incumbent upon the Government to implement the same in letter and spirit. Although the present Government, upon assuming office in the year 2022, has taken certain steps towards discharging its liability, the compliance remains partial, and the obligations flowing from the approved policy have not been substantially fulfilled.

- *A constitutional democracy demands not only the power to decide but also the responsibility to act with stability, reason, and accountability.*

55. This Court is of the considered view that Government policies which have a bearing on the wage structure of the entire workforce must be characterised by continuity, consistency, and stability. Thus, any deviation from such welfare-oriented policy measures must be justified by compelling considerations of public interest. A three-Judge bench of the Hon'ble Supreme court in *State of Tamil Nadu vs. K. Shyam Sunder 2011 INSC 555* examined the scope of change of policy with a change of Government. Speaking through Dr. Justice B.S Chauhan, the following was held:

"I. CHANGE OF POLICY WITH THE CHANGE OF GOVERNMENT:

16. The Government has to rise above the nexus of vested interests and nepotism and eschew window-dressing. "The principles of governance have to be tested on the touchstone of justice, equity, fair play and if a decision is not based on justice, equity and fair play and has taken into consideration other matters, though on the face of it, the decision may look legitimate but as a matter of fact, the reasons are not based on values but to achieve popular accolade, that decision cannot be allowed to operate". (Vide: Onkar Lal Bajaj etc. etc. v. Union of India & Anr. etc. etc., AIR 2003 Supreme Court 2562).

17. *In State of Karnataka & Anr. v. All India Manufacturers Organisation & Ors., AIR 2006 Supreme Court 1846*, this Court examined under what circumstances the Government should revoke a decision taken by an earlier Government. **The Court held that an instrumentality of the State cannot have a case to plead contrary from that of the State and the policy in respect of a particular project adopted by the State Government should not be changed with the change of the Government.**

The Court further held as under:-

“It is trite law that when one of the contracting parties is State within the meaning of Article 12 of the Constitution, it does not cease to enjoy the character of "State" and, therefore, it is subjected to all the obligations that "State" has under the Constitution. When the State's acts of omission or commission are tainted with extreme arbitrariness and with mala fides, it is certainly subject to interference by the Constitutional Courts.”

(Emphasis added)

18. While deciding the said case, reliance had been placed by the Court on its earlier judgments in *State of U.P. & Anr. v. Johri Mal, AIR 2004 Supreme Court 3800*; and *State of Haryana v. State of Punjab & Anr., AIR 2002 Supreme Court 685*. In the former, this Court held that the panel of District Government Counsel should not be changed only on the ground that the panel had been prepared by the earlier Government. In the latter case, while dealing with the river water-sharing dispute between two States, the Court observed thus:

“.....**in the matter of governance of a State or in the matter of execution of a decision taken by a previous Government, on the basis of a consensus arrived at, which does not involve any political philosophy, the succeeding Government must be held duty-bound to continue and carry on the unfinished job rather than putting a stop to the same.**”

19. In *M.I. Builders Pvt. Ltd. v. V. Radhey Shyam Sahu & Ors., AIR 1999 Supreme Court 2468*, while dealing with a similar issue, this Court held that Mahapalika being a continuing body can be estopped from changing its stand in a given case, but where, after holding enquiry, it came to the conclusion that action was not in conformity with law, there cannot be estoppel against the Mahapalika.

20. **Thus, it is clear from the above, that unless it is found that act done by the authority earlier in existence is either contrary to statutory provisions, is unreasonable, or is against public interest, the State should not change its stand merely because the other political party has come into power. Political agenda of an individual or a political party should not be subversive of rule of law.**”

(Emphasis supplied)

56. In a constitutional democracy, governance is anchored in principles of accountability, transparency, stability and adherence to the rule of law. The decisions taken by the Council of Ministers, being the highest executive authority, are expected to reflect careful deliberation, collective responsibility and a commitment to implementation in the public interest. Frequent changes in such decisions, particularly without cogent reasons or follow-through, raise serious concerns from the standpoint of public policy and constitutional governance.

57. Moreover, Cabinet decisions are not casual or tentative expressions of intent, rather, they are outcomes of structured processes involving inter-ministerial consultations, expert inputs and accountability. Repeated reversals may dilute this principle and signal a lack of coherence or consensus within the Government, thereby weakening institutional integrity and eroding public confidence in the Government's ability to govern effectively. Such conduct is also inconsistent with the doctrine of legitimate expectation, a well-recognized principle in law. When the government announces or adopts a policy, stakeholders may reasonably expect its implementation unless there are overriding public interest considerations justifying a departure. Arbitrary or frequent reversals without transparent reasoning may be viewed as a violation of this doctrine and invites judicial scrutiny. While it is true that policy flexibility is sometimes necessary to respond to changing circumstances, such flexibility must be exercised judiciously, transparently and in good faith. Changes in policy should be supported by rational justifications, grounded in public interest and communicated clearly to maintain trust and legitimacy. In that vein, there was no occasion for the Government of Punjab to have deviated from the decision taken by it on 18.06.2021. Once a decision has been taken, it

must be owned and implemented by the Executive as a whole and failure to act upon it without cogent reasons, is contrary to sound public policy.

- *The Selective conferment of benefits and their denial to other employees creates class legislation*

58. It is settled law that Article 14 forbids class-legislation but it does not forbid reasonable classification. The classification must not be *arbitrary, artificial or evasive*, but must be based on some real and substantial bearing and must have a just and reasonable relation to the object sought to be achieved by the legislation. The Constitution Bench of the Hon'ble Supreme Court in the *State of West Bengal vs. Anwar Ali Sarkar, 1952 INSC 1*, speaking through Justice Patanjali Sastri, laid down two essentials or conditions that are required to be satisfied to pass the test of reasonable classification. The same are reproduced below:

“55.....(1) that the classification must be founded on an intelligible differentia which distinguishes those that are grouped together from others and (2) that that differentia must have a rational relation to the object sought to be achieved by the Act....”

59. The Preamble of the Constitution of India promises social and economic justice. The Directive Principles of State Policy enshrined in Articles 38 and 43 of the Constitution mandate the State to secure a social order promoting welfare and ensure a decent standard of life for workers. Public administration in a democratic State must operate on fairness and equity rather than a hierarchy-based privilege. Even in policy decisions relating to service conditions, the State is bound by the mandate of Article 14 of the Constitution of India. Reliance in this regard can also be placed on the judgment rendered by the Hon'ble Supreme Court in *Shrilekha Vidyarthi vs. State of Uttar Pradesh, 1990 INSC 294* wherein it was held that every action of the State must satisfy

the test of fairness and non-arbitrariness. In a constitutional democracy, governance must prioritize the protection of the vulnerable rather than the privilege of the powerful. Any policy that reverses this order invites judicial scrutiny and constitutional correction.

- *Inflation does not discriminate between classes of employees; any State action that does the same, stands exposed as Constitutionally arbitrary.*

60. All employees and pensioners of the Government of Punjab constitute a single class and must be treated at par as far as payment of Dearness Allowance is concerned. The Constitution Bench in *D.S. Nakara (supra)*, has declared that pensioners cannot be categorised into different groups for the release of pensionary benefits and any attempt to create a classification must be supported by an intelligible differentia that has a rational nexus with the object the said classification has sought to achieve. The same analogy applies squarely to the present *lis* as all employees and pensioners of the Government of Punjab form a homogeneous class with regards to the impact of inflation and therefore, any artificial classification amongst them for the payment of DA would be unconstitutional.

61. Public power cannot be exercised as a personal prerogative as it works on accountability and public trust. This Court is of the view that the impugned action of the respondents is not founded on any discernible principles, rational criteria or legally sustainable justifications, rather, it reflects an exercise of naked executive discretion driven by whims and caprice, which is wholly antithetical to the constitutional mandate of equality. Reliance in this regard can be placed on *D.S. Nakara's case (supra)*, wherein, speaking through Justice D.A. Desai, the following was observed:

“13. The other facet of Article 14 which must be remembered is that it eschews arbitrariness in any form. Article 14 has, therefore, not to be held identical with the doctrine of classification. As was noticed in Maneka Gandhi's case in the earliest stages of evolution of the Constitutional law, Article 14 came to be identified with the doctrine of classification because the view taken was that Article 14 forbids discrimination and there will be no discrimination where the classification making the differentia fulfils the aforementioned two conditions. However, in E.P. Royappa v. State of Tamil Nadu, (1974) 2 SCR 348 it was held that the basic principle which informs both Articles 14 and 16 is equality and inhibition against discrimination. This Court further observed as under :

"From a positivistic point of view, equality is antithetic to arbitrariness. In fact, equality and arbitrariness are sworn enemies; one belongs to the rule of law in a republic while the other, to the whim and caprice of an absolute monarch. Where an act is arbitrary it is implicit in it that it is unequal both according to political logic and constitutional law and is, therefore, violative of Article 14 and if it affects any matter relating to public employment, it is also violative of Article 16. Articles 14 and 16 strike at arbitrariness in State action and ensure fairness and equality of treatment."

14. Justice Iyer has in his inimitable style dissected Article 14 as under :

"The article has a pervasive processual potency and versatile quality, equalitarian in its soul and allergic to discriminatory diktats. Equality is the antithesis of arbitrariness and ex cathedra ipse dixit is the ally of demagogic authoritarianism. Only knight-errants of 'executive excesses', if we may use current cliché, can fall in love with the Dame of despotism, legislative or administrative. If this Court gives in here it gives up the ghost. And so it is that I insist on the dynamics of limitations on fundamental freedoms as implying the rule of law; Be you ever so high the law is above you." ((1978) 2 SCR 621 at p. 728 : AIR 1978 Supreme Court 597 at p. 661).

Affirming and explaining this view the Constitution Bench in Ajay Hasia etc. v. Khalid Mujib Sahravardi, (1981) 2 SCR 79 held that it must, therefore, now be taken to be well settled that what Article 14 strikes at is arbitrariness because any action that is arbitrary must necessarily involve negation of equality. The Court made it explicit that where an act is arbitrary it is implicit in it that it is unequal both according to political logic and constitutional law and is, therefore, violative of Article 14. After a review of large number of decisions bearing on the subject, in Air India etc. v. Nargesh Meerza, (1982) 1 SCR 438 the Court formulated propositions emerging from an analysis and examination of earlier decisions. One such proposition held well established is that Article 14 is certainly attracted where equals are treated differently without any reasonable basis.

15. Thus the fundamental principle is that Article 14 forbids class legislation but permits reasonable classification for the purpose of legislation which classification must satisfy the twin tests of classification being founded on an intelligible differentia which distinguishes persons or things that are grouped together from those that are left out of the group and that differentia must have a rational nexus to the object sought to be achieved by the statute in question.

16. As a corollary to this well established proposition the next question is, on whom the burden lies to affirmatively establish the rational principle on which the classification is founded correlated to the object sought to be achieved ? The thrust of Article 14 is that the citizen is entitled to equality before law and equal protection of laws. In the very nature of things the society being composed of unequals a welfare State will have to strive by both executive and legislative action to help the less fortunate in society to ameliorate their condition so that the social and economic inequality in the society may be bridged. This would necessitate a legislation applicable to a group of citizens otherwise unequal and amelioration of whose lot is the object of state affirmative action. In the absence of the doctrine of classification such legislation is likely to flounder on the bed rock of equality enshrined in Article 14. The Court realistically appraising the social stratification and economic inequality and keeping in view the guidelines on which the State action must move as constitutionally laid down in Part IV of the Constitution, evolved the doctrine of classification. The doctrine was evolved to sustain a legislation or State action designed to help weaker sections of the society or some such segments of the society in need of succour. Legislative and executive action may accordingly be sustained if it satisfies the twin tests of reasonable classification and the rational principle correlated to the object sought to be achieved. The State, therefore, would have to affirmatively satisfy the Court that the twin tests have been satisfied. It can only be satisfied if the State establishes not only the rational principle on which classification is founded but correlates it to the objects sought to be achieved. This approach is noticed in Ramana Dayaram Shetty v. International Airport Authority of India, (1979) 3 SCR 1014 at p. 1034 when at page 1034 the Court observed that a discriminatory action of the Government is liable to be struck down, unless it can be shown by the Government that the departure was not arbitrary, but was based on some valid principle which in itself was not irrational, unreasonable or discriminatory.”

(Emphasis supplied)

62. Furthermore, the Constitutional Bench of the Hon'ble Supreme Court in *Olga Tellis vs. Bombay Municipal Corporation 1985 INSC 151*, has

recognized that economic deprivation can threaten the fundamental right to life enshrined in Article 21 of the Constitution of India. For employees and pensioners who depend primarily on a fixed income, withholding DA/DR directly undermines their ability to maintain a dignified existence. As the lower-rank government employees and pensioners depend heavily on DA/DR adjustments to maintain basic economic stability, denying them such protection against inflation while extending the benefit to the highest paid officers creates a structural imbalance in the service framework. Further, while service hierarchies may justify differences in basic pay, they cannot justify selective denial of inflation-neutralizing benefits whose purpose is universal protection against rising prices. Such treatment lacks any rational nexus with the objective of mitigating inflation or financial constraints. Instead, it results in reverse welfare, where the financially secure receive preferential treatment. It amounts to economic discrimination against the most vulnerable. In a welfare State governed by the Constitution, public policy must operate to protect the weaker sections of society rather than reinforce hierarchical privilege within the administrative structure.

63. Furthermore, learned Senior counsel for the State of Punjab has contended that DA/DR is paid to officers of the All India Services (IAS/IPS/IFS) under a different set of Rules. However, she was unable to point out any rational basis or distinguishing circumstance which would justify granting such officers preferential treatment in the matter of DA/DR, particularly when the impact of inflation is uniform for all employees. If the State is indeed facing financial constraints, then, as a welfare State, the burden of austerity must begin from the top rather than imposing it upon employees at the bottom of the pyramid.

64. It is reiterated that DA/DR is intrinsically linked to the AICPI and is intended to offset the erosion of real income caused by inflation. The concept of DA/DR has deep historical roots in India's wage policy and it became an institutionalized component of the wage structure through the recommendations of successive Pay Commissions. Thus, for employees in lower pay scales and retired pensioners, DA/DR forms a substantial component of their livelihood. Since their income remains fixed while the cost of living continues to rise, withholding DA/DR from employees and pensioners effectively reduces the real value of their pay/pension and undermines their post-retirement dignity.

65. Further, this Court is of the considered opinion that the issue raised in the present writ petitions is squarely covered by the judgment rendered recently by a two-Judge Bench of the Hon'ble Apex Court in *State of Kerala vs. M. Vijaya Kumar and others 2026 INSC 352*, wherein, speaking through Justice Manoj Misra, the following was opined:

“21. DA is paid to serving employees whereas DR is paid to pensioners. The object of both DA and DR is common, which is to enable the serving employees/pensioners meet the exigencies of inflation. As the object of both DR/DA is common, which is to meet inflationary pressures, and the inflation index is common to both the serving and the non-serving/retired employees, qua the measure, that is, the rate(s) of increase of DA/DR, could serving and retired employees be differentiated, is the issue which we shall address.

22. Article 14 of the Constitution forbids class legislation but permits reasonable classification which must satisfy twin tests: (1) that the classification must be founded on an intelligible differentia which distinguishes those that are grouped together from others, and (2) that differentia must have rational nexus with the object sought to be achieved by the Act - The differentia which is the basis of the classification and the object of the Act are distinct things and what is necessary is that there must be a nexus between the two. Legislative and executive action may accordingly be sustained if it satisfies the twin tests of reasonable classification and the rational principle correlated to the object sought to be achieved. The burden of proof lies on the State to affirmatively establish that these twin tests have been satisfied. The State must therefore not only establish the rational principle on which classification is founded but correlate it to the

objects sought to be achieved. Besides, equality is a dynamic concept with many aspects and dimensions, and it cannot be cribbed, cabined and confined within traditional and doctrinaire limits. From a positivistic point of view, equality is antithetic to arbitrariness. In fact, equality and arbitrariness are sworn enemies; one belongs to the rule of law in a republic while the other, to the whim and caprice of an absolute monarch. Where an act is arbitrary, it is implicit in it that it is unequal both according to political logic and constitutional law and is therefore violative of Article 14, and if it affects any matter relating to public employment, it is also violative of Article 16. Articles 14 and 16 strike at arbitrariness in State action and ensure fairness and equality of treatment. They require that State action must be based on valid relevant principles applicable alike to all similar situations and it must not be guided by any extraneous or irrelevant considerations because that would be denial of equality.

23. *In Ajay Hasia and others v. Khalid Mujib Sehravardi and others, (1981) 1 SCC 722, paragraph 16, this Court observed that doctrine of classification is the judicial formula for determining whether the legislative or executive action in question is arbitrary and therefore constituting denial of equality. If the classification is not reasonable and does not satisfy the two conditions referred to above, the impugned legislative or executive action would plainly be arbitrary and the guarantee of equality under Article 14 would be breached. Wherever therefore there is arbitrariness in State action whether it be of the legislature or of the executive or of an authority under Article 12, Article 14 immediately springs into action and strikes down such State action.*

24. *In State of Punjab & Ors. v. Davinder Singh & Ors, (2025) 1 SCC 1, Dr. D.Y. Chandrachud, C.J. (as His Lordship then was), while explaining the contours of Article 14, wrote:*

"85. The Constitution permits valid classification if two conditions are fulfilled. First, there must be an intelligible differentia which distinguishes persons grouped together from others left out of the group. The phrase "intelligible differentia" means difference capable of being understood. The difference is capable of being understood when there is a yardstick to differentiate the class included and others excluded from the group. In the absence of the yardstick, the differentiation would be without a basis and hence, unreasonable. The basis of classification must be deducible from the provisions of the statute; surrounding circumstances or matters of common knowledge. In making the classification, the State is free to recognize degrees of harm. Though the classification need not be mathematical in precision, there must be some difference between the persons grouped and the persons left out, and the difference must be real and pertinent. The classification is unreasonable if there is little or no difference. Second, the differentia must have a rational relation to the object sought

to be achieved by the law, that is, the basis of classification must have a nexus with the object of the classification".

(Emphasis supplied)

25. Now, applying the twin-tests principle, we shall test the validity of the Government Order to the extent it provides a lower rate of increase for DR than what it provides for DA. The object and purpose of dearness allowance/dearness relief is to mitigate the hardship faced by salaried employees/pensioners on account of inflation. The Government Order in question increases the rate of DA by 14% and DR by 11% even though the increase is to serve a common object, which is to mitigate the hardship faced by the serving employees and pensioners on account of inflation. Indisputably, inflation hits both serving and retired employees with equal force, therefore, differentiating the two qua the rate of increase of DA and DR, in our view, has no rational nexus to the object sought to be achieved.

26. The issue here is not about entitlement to DR on pension. Therefore, in our view, the decisions cited by the learned counsel for the appellants are not applicable on the facts of the case on hand. Besides, once pension is admissible and, based on inflation, DR is admissible on it, announcing DR at a rate lower than at what DA is provided, when both are linked to inflation and serve a common object, would be nothing but discriminatory as well as arbitrary. Therefore, in our view, the High Court was justified in holding the same to be discriminatory and violative of Article 14."

(Emphasis supplied)

I. Doctrinal Foundation: From 'In Personam' to 'In Rem'

66. Another issue that weighs on the mind of this Court is whether the relief granted by this Court upon finding the impugned action to be arbitrary and unconstitutional, ought to be confined only to the present petitioners only or be extended *in rem* to all similarly situated employees and pensioners of the Government of Punjab.

67. Ordinarily, relief under service law is *in personam*. However, where the adjudication invalidates a rule/policy, declares a principle of law, or finds systemic constitutional infirmity, the judgment transcends individual parties and acquires *in rem* character, binding the State qua all similarly

situated employees. This shift is rooted in Articles 14 and 16 of the Constitution of India as a void rule cannot survive selectively for non-petitioners. Further, the doctrine of '*similarly situated employees*' requires that equal treatment is mandatorily meted out to the entirety of a homogeneous class.

68. The following principles delineate the circumstances in which a judgment operates *in rem*, binding the State universally, and when it remains *in personam*, confined to the parties before the Court:

Grounds for 'in rem' applicability of a judgment or relief

69. A judgment or relief shall be applicable *in rem* where:

1. A statutory rule, policy, or notification is struck down as unconstitutional, it is void *erga omnes* and cannot be selectively applied [See: *D.S. Nakara (supra), Behram Khurshid Pesikaka vs. State of Bombay 1954 INSC 80*].
2. A declaration of arbitrariness or discrimination under Articles 14 and 16 of the Constitution is given, which operates universally and is not confined to the petitioners [See: *D.S. Nakara (supra)*].
3. Employees form a homogeneous class, thereby making artificial distinctions impermissible [See: *D.S. Nakara (supra), State of U.P. vs. Arvind Kumar Srivastava, 2014 INSC 735*].
4. Relief against systemic discrimination must extend to the entire affected class and cannot be granted selectively [See: *Inder Pal Yadav vs. Union of India, (1985) 2 SCC 648*].
5. Legal principles of general application declared by the Court govern all similarly situated cases within their ambit [See: *K.I. Shephard vs. Union of India, (1987) 4 SCC 431*].

6. The cause of action arises from a common policy or notification, its invalidation benefits all persons affected by it. [See: *Inder Pal Yadav (supra)*].
7. Denial of relief to similarly situated persons solely for not litigating amounts to fresh discrimination under Article 14 of the Constitution [See: *State of Karnataka vs. C. Lalitha, (2006) 2 SCC 747*].
8. Beneficial service schemes must be interpreted liberally and applied uniformly, without arbitrary exclusions [See: *Dr. Ishar Singh vs. State of Punjab, 1993 SCC Online P&H 49 (FB)*].
9. Non-litigating employees forming part of the same class are entitled to equal treatment and cannot be denied relief [See: *K.I. Shephard (supra); Inder Pal Yadav (supra)*].
10. The State must extend the benefit of a judicial declaration to similarly situated persons to avoid multiplicity of litigation [See: *Amrit Lal Berry vs. Collector of Central Excise, (1975) 4 SCC 714*].

Negative Test: When relief remains *in personam*

70. On the other hand, a judgment or relief shall only be applicable *in personam* where:

1. There is inordinate delay or laches since fence-sitters cannot claim parity after others succeed [See: *Arvind Kumar Srivastava, (supra)*].
2. There is acquiescence, i.e., acceptance of the adverse action without protest and enjoyment of consequential benefits [See: *U.P. Jal*

Nigam vs. Jaswant Singh 2007 (1) SCT 224; Arvind Kumar Srivastava (supra)].

3. Judgments are based on individual facts, merit, or personal eligibility and thus, do not extend automatically to others [See: *C. Lalitha (supra)*].
4. The Court expressly or impliedly limits relief to the petitioners [See: *Arvind Kumar Srivastava (supra)*].
5. Extension to others would prejudice third parties or disturb settled rights due to passage of time [See: *Union of India and Others v. Tarsem Singh 2008 INSC 930*].

71. Indubitably, all employees and pensioners are equally affected by the impact of inflation and, therefore, constitute a homogeneous class. Consequently, any arbitrary classification within such a class would be violative of Article 14 of the Constitution. As a natural corollary, the directions issued by this Court must extend to all similarly situated employees and pensioners, and cannot be confined merely to the petitioners herein.

72. In light of the aforementioned grounds, it is evident that the present judgment necessarily operates *in rem*, notwithstanding that the *lis* is between specific parties. The legal principle enunciated herein would, therefore, govern all similarly situated persons. Once a policy or rule is struck down, it cannot be permitted to survive selectively, and its invalidation must operate uniformly. Any attempt to confine the relief only to the petitioners would give rise to fresh causes of action and trigger a multiplicity of litigation by similarly placed employees, thereby imposing an avoidable burden on the judicial system. Moreover, selective extension of benefits would foster

administrative arbitrariness, erode public confidence, and be contrary to constitutional morality.

73. Further still, the State cannot be permitted to adopt a litigation-centric stance, forcing every affected employee to approach the Court individually as it would be contrary to the principles of fair governance and sound public policy. It is a settled proposition that *equality cannot be enforced in a piecemeal manner; once a classification is held arbitrary, it collapses for all.*

74. Moreover, beneficial service measures must receive liberal interpretation in matters relating to pay scales, DA/DR, pensionary benefits etc. Thus, once the vice of arbitrariness is judicially removed, its cure must operate across the entire class and not merely for those who have approached the Court. In the factual backdrop of the present case, this Court holds that *the relief must not be confined to those who litigate, but must extend to those who are entitled.*

75. Nonetheless, at this juncture, this Court must also address its earlier decision in **CWP-23651-2024**, titled as ***Surinder Singh and others vs. State of Punjab and others***, decided on **12.03.2026**. The petitioners therein were retired employees drawing pension from various Boards and Corporations of the State, whose primary grievance was the withholding of revised pension along with arrears of revised DA/DR despite the revision having been accepted pursuant to the recommendations of the 6th Pay Commission. In that instance, this Court had directed that all pensioners of the State of Punjab, including the petitioners therein, be paid their admissible revised dues strictly in accordance with the schedule approved by the Council of Ministers in its meeting dated 13.02.2025, i.e., the liquidation plan dated 18.02.2025. Thus, the aforesaid

decision was actuated solely on the basis of the existence of the liquidation plan without an occasion to adjudicate upon its legal or constitutional validity.

76. In view of the above, this Court has no hesitation in holding that the earlier judgment of this Bench in *Surinder Singh's case (supra)* is *per incuriam* and *sub silentio*, having been rendered due to judicial oversight and in the absence of adequate assistance. Since the relevant material and legal precedents, specifically those used to determine the validity of the liquidation plan dated 18.02.2025 in the present case, were not placed before this Court at the time of the pronouncement of the earlier judgment, that decision cannot be deemed a declaration of law on the validity of the plan itself. Reliance in this regard can be placed on the judgments of the Hon'ble Supreme Court in *State of U.P. vs. Jeet S. Bisht, 2007 INSC 656*, and *State of U.P. vs. Synthetics and Chemicals Ltd., 1991 INSC 159*, which clarify that precedents rendered without argument or conscious consideration of a specific legal point are of no moment.

J. CONCLUSION AND RELIEF

77. In light of the peculiar facts and circumstances discussed hereinabove, and keeping in view that the entire workforce, including pensioners, stands affected by the arbitrary and discriminatory manner in which Dearness Allowance/Dearness Relief (DA/DR) is being disbursed by the Government of Punjab, this Court, in the interest of justice, equity, and fair play, deems it appropriate to dispose of the subject-captioned writ petitions bearing **CWP No. 7291 of 2026, CWP No. 9514 of 2026, and CWP No. 10301 of 2026** in the following terms:

- (i) The letter/liquidation plan dated 18.02.2025 (Annexure P-29 in CWP-9514-2026) issued by respondent No.2-

Department of Finance, Government of Punjab, is hereby quashed *qua* pensioners/family pensioners as the Government of Punjab has segregated them into three different categories for payment of arrears of revised pension/family pension (including DR arrears), arising out of the recommendations of the 6th Punjab Pay Commission, being violative of *D.S. Nakara (supra)* and *All Manipur Pensioners Association (supra)*. As such, the Government of Punjab and the respondent-Corporations are directed to pay the arrears of revised pension/family pension (including DR arrears) as per 6th Punjab Pay Commission to all their pensioners and family pensioners, **within a period of 02 months i.e. on or before 30.06.2026**, as has been paid to the pensioners/family pensioners up to the age of 85 years and above.

(ii) The State of Punjab and respondent-Corporations are directed to grant and release **all up-to-date pending installments of Dearness Allowance/Dearness Relief (DA/DR)** to all its employees and pensioners, respectively, at the same rates as has been paid to the members of the All India Services (IAS/IPS/IFS) serving within the State of Punjab, in accordance with the Central Government pattern, **on or before 30.06.2026**.

(iii) In the event of non-compliance with the directions of this Court within the stipulated period, the question of entitlement of the employees and pensioners to interest shall remain open for consideration.

(iv) The Chief Secretary to the Government of Punjab is directed to ensure scrupulous compliance of the directions issued

herein and file a compliance report by way of affidavit before the Registry of this Court **on or before 02.07.2026**.

78. Pending miscellaneous application, if any, also stands disposed of.

79. A photocopy of this order be placed on the file of other connected cases.

80. The Registry is directed to tag 'Mark X', 'Mark Y', 'Mark A' and 'Mark B', respectively at appropriate places and list the matters before this Court on **02.07.2026**, for compliance report.

81. Before parting with this order, this Court would like to express its gratitude to Mr. Raman B. Garg, learned *Amicus Curiae* for the valuable assistance rendered by him.

(HARPREET SINGH BRAR)
JUDGE

08.04.2026
yakub

Whether speaking/reasoned: Yes/No

Whether reportable: Yes/No