

A PAPER ON
INTEGRATED

**Incomes, Wages, Productivity
Employment & Price Policy**

By : Manahar P. Mehta, Advocate
FINANCE SECRETARY, B M S.



BHARATIYA MAZDOOR SANGH

While presenting the budget for the year 1978-79 in the Lok Sabha on 28th Feb., 1978, the Finance Minister of the Central Government stated, "Industrial unrest has been causing a great deal of anxiety this year. A certain reaction to the earlier constraint under the obnoxious emergency regime is understandable. But output is likely to be affected seriously, if this unrest is allowed to continue unabated. While the legitimate demands for additional emoluments should be met, these have to be appraised against the 'socio-economic realities of the country'. It is, therefore, important to have guidelines to determine a wages, incomes and prices policy. We have appointed a study group to suggest guidelines for such policy. Its report is due to be submitted shortly. A loss of production is not in the interest of the country. It is, therefore, of the utmost importance that labour management and government cooperate in bringing about harmonious industrial relations."

2. It appears that the Central Government has failed to recognise that the very same act of appointment of Study Group on National Wage, Price, and Income Policy has aggravated the already existing situation of industrial unrest, arising out of growing unemployment, soaring prices, subsistence level of the vast masses of employed workers and overgrowing disparity of income. There is genuine apprehension amongst the workmen that this is a veiled attempt to freeze wage and abrogate the workers' right to collective bargaining. This has compelled all the Central Trade Unions like I.N.T.U.C., B.M.S., C.I.T.U., A.I.T.U.C. etc. to join hands, for the first time since the formation of Janata Government, to fight for workers' right, and to launch a nationwide struggle in response to a call given at a convention of employees of public sector undertakings held at Hyderabad on 23rd and 24th December, 1977.

3. The imperative need for the frame-work of Income, Price and Wage Policy in the context of planned economic development cannot be denied. Such policies should be evolved in the perspective of objectives of economic growth. In view of the enormous inequalities of income, ever-rising prices and mounting unemployment, such policy is essential to fight against poverty, for guaranteeing employment, need-based consumption level to all the citizens and reduce the disparity of income to avoid concentration of economic power in few hands.

4. Recognising the necessity of framing such policy which, in its broad aspects, touches upon the entire gamut of our planning process and represents the whole range of fiscal, monetary and planning policies, the B.M.S. passed a resolution at Bombay as early as on 24th May, 1972 and last para of the resolution reads as under :—

“In order to enable the people to participate in the formulation and implementation of the National Plan, the Committee urges upon the Government of India to convene immediately a round table conference of all economic interest groups and to evolve, on the basis of its consensus, the national policies on employment, prices, productivity and incomes for the next five years. The B.M.S. assures the Government of its unreserved support in the implementation of such a People's Plan.”

5. The convention of Central Trade Unions held at Vigyan Bhavan, New Delhi on 18th September, 1977 emphasised the necessity for working out the Income Policy and urged the Janata Government to work out the Income Policy based on the following principles stated in its election manifesto :

- (i) The wage policy will be based on the need-based minimum wage,
- (ii) The workers should get a substantial portion of the gains of increase in productivity ;
- (iii) Rise in prices will be fully neutralised by Dearness Allowance and ;
- (iv) Disparity in incomes in the country will be reduced to 1 : 20 in ten years and 1 : 10 in the next ten years.

6. The workers were therefore pleased, when the Study Group to evolve Income, Price, Wage Policy was announced on 13th Oct., 1977 by the Central Government. But when the details of announcement and resolution were studied, the entire working class was shocked and disappointed. The workers had therefore no other alternative but to boycott the proceedings of the said group and focus the attention of the Central Government to various objections on the following grounds amongst others.

7(a) First and fundamental objection to the appointment of Bhoothalingam Study Group is that the group has not been appointed with a view to evolve the national policies on Wages, Income and Price, as a means to achieve the objective of establishment of an

economic and social order applicable to the country as a whole. Even a cursory glance at the resolution of the Government is enough to prove that the group has not been appointed in the context of any broader economic decisions or goals of social policy.

8. Following are the main features of the statements which form the basis for the appointment of the Study Group :

(i) Serious 'distortions' have crept in the structure of pay, dearness allowance, etc., of employees in public and private sectors.

(ii) These distortions have been largely as a result of the 'ad-hoc approach' followed in the past.

(iii) 'Rationalisation' is the need but this can be done only as an element of an integrated wages-incomes-prices policy.

(iv) Any wages-income-price policy can be considered in the context of a major part of the employment in the country being in the rural sector and the 'low incomes' of the vast majority in that sector.

9. Thus the Preamble more than clearly spells out that the Bhoothalingam Study Group has been appointed not with a view to make the Wages-Incomes-Price Policy an instrument for a dominant social and economic object but only to meet with certain limited aspects of "Distortions" brought about by "ad-hoc approaches" in wage structure and their "rationalisation" in the context of "low wages" of agricultural labour.

10. (b) Secondly the process of collective bargaining has been brought to a standstill by the appointment of this committee. The Finance Ministry has directed the Public Sector Undertakings that they should not enter into any settlement with the workmen till the report of this study group is not submitted and considered.

11. (c) The Bhoothalingam Panel, with a retired ICS Officer connected with a number of multi-national companies and big business houses as Director or Chairman after retirement, and people connected with institutes of Managements and bureaucrats, as members, is thoroughly incompetent to go into the question of wages-price-income policy. The Central Trade Unions have been totally ignored in the composition of the committee.

12. (d) The problem of wage-disparity has been unnecessarily magnified, while the vital problem of income disparity has been belittled. Income distribution means sharing of income in terms of

functions performed by those who contribute in some way to productive process. Thus wage determination becomes part of income distribution. But wage disparity problem has been specifically referred and the more important subject of income disparity has been sidetracked. What the Government is trying to do is to control the incomes of salary earners, whether they be blue or white collar workers. But what about the professional as well as those whose incomes are derived from 'profits' 'rents', 'interest' to use the terms in their economic connotation? Fair play would require that control should be exercised over that vast area also, otherwise what is being attempted would be utterly incomplete. Imposing the ceiling on all kinds of income including profit, adopting measures to reduce the income of the exploiting and appropriating industrialists and capitalists and preventing concentration of income and wealth is necessary to uphold the principle of economic justice and democracy.

13. (e) It is incorrect to say that "distortion" in wage structure has been crept in as a result of ad-hoc approach. The major cause of distortion is failure to implement the accepted principles and policy in respect of wage-fixation. Wage policy statements have been made from time to time by the Government after independence. The principles of Fair Wages have been enunciated by the Fair Wage Committee and accepted by the State and Supreme Court also.

14. Looking to the circumstances under which the Study Group has come about and the cryptic observations made in the Preamble of the Resolution, one fears some thing more ominous is in the offing. Is the Government contemplating to go back on their commitment like D.A., Fair Wages, Bonus and other economic issues of vital significance to the Industrial Labour? Is the Government making attempt to rewrite and reverse what all has been done since independence, in developing a wage policy with a social objective, and its economic content?

15. The wording of the preamble of the resolution of appointment of the committee and the submissions made by employers before National Commission of Labour are almost similar and apparently leading to the same line of thinking viz, industrial wage should be linked with Agricultural wages and/or with per capita income and/or industrial wages should be compared with earnings of self employed persons. The workers will be therefore justified in concluding that the said committee has been appointed by the Central Governmentt under influence of Employers with a view to deprive the workers of

their legitimate share in the additional income arising out of planned growth and development.

16. However, it should be noted that the said Commission has rejected the submissions of Employers with detailed reasoning. In this regard, it observed as under :

“The main contention of those advocating a linkage of industrial wage with per capita income are that (i) wages at given time in any sector should not be out of gear with average earning as reflected by per capita income and (2) wage changes over time should not be out of tune with changes in per capita income. The first contention fails to recognise that in any economy sectoral productivities are bound to differ due to differences in skills, technology and capital and hence wage differentials are not only inevitable but based on sound grounds. The second contention would be valid if wages in each sector were related to marginal productivity and the latter changed at the same rate throughout the economy. In so far as this is not so changes cannot be related to changes in per capita income. Hence again it has to be recognised that while changes in real per capita income reflected changes in productivity of the economy as a whole, wage variations in any sector may not always be based on productivity changes. The argument that industrial wages should be at par with agriculture wage or wage in small scale industries is apparently based on the assumption that marginal productivity of unskilled labour is the same throughout the economy. This is otherwise, far less in our own economy, where marginal productivity due to surplus labour in agriculture may be almost zero. The earnings of the self-employed persons and wages of employees can bear no comparison anywhere. Their efforts and sacrifices are altogether different and so are their working conditions. Their respective productivities and earnings cannot be related. Very often a self-employed worker may be under-employed. His earnings, therefore, cannot be taken as a criterion to determine wages of a worker required to put in full-time work.”

17. (g) The question of unorganised sector and rural sectors raised in the context of wage policy is unrealistic. Since the Rege Committee in 1946, all Committees and Commissions have been warning against laying much emphasis on the disparities of wages and earnings in the rural and industrial sectors. The National Commission on Labour has extensively dealt with the subject and gave various reasons as to why it would be fallacious to compare agricul-

tural wages with those in the industrial sector. It observed, "the disparity between industrial and agricultural wages may not be due to the fact that the former are high, but that the latter are disproportionately low." The higher wages that the organised working class has been able to enforce through its struggles have nothing to do with the appalling low wages of the agricultural labourers. Freezing their wages cannot lead to increasing the wage of the agricultural labourers and unorganised workers. This game of setting worker against worker and freeze the total wage bill of the industrialist shall not be allowed to succeed. In fact, the wages of agricultural labour and Bank employee should not be compared, but the income of agricultural labour and income of Tata-Birla should be compared to find out disparity of income. An attempt is being made to freeze the wages and thus allow the employer to raise his income of profits for the alleged purpose of capital formation for growth and investment.

18. (h) The Bhoothalingam Panel, set up by the Union Government to study and report on a National Wages, Prices and Income Policy, can hardly be expected to achieve anything. The Government also does not seem to be serious of any long range policy and probably this committee will be used for the limited object of denying the workers their legitimate rights. Such complicated and comprehensive problem of evolving National Policy is beyond any committee to solve within a short period of 6 months. Such a vital issue which calls for protracted study, requires the appointment of various sub-committees to examine the various aspects of the said policy.

19. (i) It may be recalled here that the steering group under the Chairmanship of Dr. B.K. Madan, Deputy Governor, Reserve Bank of India was formed to study the need and scope of an income policy in India in June, 1964. Its unanimous report was submitted on 19th January, 1967 to the Governor of Reserve Bank of India, Bombay. The group submitted, "the report that follows does not seek to furnish precise answer to the many issues of incomes policy. What the Group desires to do is not to offer a blueprint for immediate action in the sphere of wages, incomes and prices policies but rather to set out the framework for the direction of policies in these fields and the organisational set-up for the implementation of such policies. Definitive answer would depend upon the availability of various types of statistical information about the Indian Economy. As it is, there are numerous gaps in the data, bearing upon the Indian economy, more particularly in regard to income distribution, sectoral flows of

income, agricultural labour, wage structure in agriculture, labour productivity and so on. Even the National Income data need considerable refinement before they can be used for purposive analysis and policy formulation, more so in the sphere of incomes policy." This time too, such vital statistics and information which forms the basis for wider public discussion is not published and provided to the study group or to the organisation of employers of workers or public or private undertakings. Under these circumstances it will be impossible for the study group to carry out comprehensive study and provide definite guidelines to determine the suitable policy.

20. (j) As the study is unfortunately confined mainly to wage policy and the income and price policy has been introduced as incidental, the contemplated Price Policy is restricted to arrangements for 'regulation of Dearness Allowance'—and Income Policy is restricted to the issue of finding out the criteria for determining maximum income and relationship between maximum income and maximum wages, as stated in resolution. This is fundamentally a wrong approach.

ECONOMIC RECONSTRUCTION

21. As we believe that the Wage-Income-Price Policy is an instrument to achieve the aim of egalitarian Socio-Economic order, we cannot confine ourselves merely to opposition, protest and boycott. True to our positive and constructive outlook, we shall like to express our views on evolution of true and genuine Income-Wage-Price Policy within the framework of plan objectives for economic reconstruction.

22. The country is faced with difficult economic situation. The Government and the families alike have deficit budgets. The economic equilibrium has been disturbed and every one is trying to regain it by leaning against another. In the words of a renowned leader, "Whenever there is some difficulty, the people run to the Government (State) for help and the State Government runs to the Centre for help and the Centre asks some foreign country for help" and failing there, it should be added, it asks the people for help. The vicious circle is going on.

23. This vicious circle can be broken through planned development securing complete utilisation of man power and resources leading to full employment and maximum production and establishment of economic democracy resulting in equitable distribution. Planning is the important instrument of economic reconstruction and establishment of Bharatiya Socio-economic order.

PLANNING

24. As a patriotic labour organisation, the B.M.S. has always advocated that entire canvass of national economy should be taken into consideration before framing the national plan and policies of economic reconstruction. No economic issue can be considered in isolation. The study of national economy can be divided into two major aspects : Micro and Macro economies. Micro is concerned with the analysis of the structure and functioning of particular industry; the price of a particular product and not with general price level; demand of particular individual or industry and not with aggregate demand of community. Macro is concerned with the study of economic system as a whole. Macro economics addresses itself specially to the problem of promoting the prosperity and stability of overall economy. It studies how the aggregate demand, supply, savings, investments, etc. are determined and having known the determinants, how to ensure maximum income and employment. However, it must be clearly understood that micro and macro are interrelated parts of economics as a unified body of ideas. Individual parts of industry affect the national economy and similarly the national economy affects the individual parts. We should not commit a fallacy of composition by assuming that "what is true of part, is true of the whole." The old story of blind men who described elephant on the basis of their feeling of particular parts—the trunk, the side, the tail—is an example of fallacy of composition.

Keeping this in view, B.M.S. has consistently urged for all-round development and growth of self-reliant economy through the integration of Micro and Macro aspects of planning.

25. The objectives of the planning should be :

(i) Full employment and elimination of involuntary idleness of people ready to work.

(ii) Guaranteed Minimum Standard of Living.

(iii) Increase in growth rate of income through maximum production.

(iv) Balanced development of all regions and sections of society.

(v) Reduction of disparities in income and distribution of wealth i.e., equitable distribution.

(vi) Price Stability.

(vii) Establish self-reliant and egalitarian national economy.

INCOME POLICY

26. With the process of planned development, the specific role of incomes policy would be to ensure that the broad pattern of generation of money incomes is consistent with the plan, the disparity in income distribution and consumption is considerably reduced and that necessary savings are generated for financing investments.

INCOME GENERATION

27. Though balanced economy visualises a co-ordinated development of agriculture, industry, trade and services and all the four have to be activated, yet in order to create a self-generating economy we suggest the following priorities for income generation :

- (i) Increase in agricultural production.
- (ii) Expansion of labour-intensive industries to produce essential consumer goods, and
- (iii) Establishment of public utilities and basic industries.

AGRICULTURE

28. Prosperous Agriculture is the sine qua non of the developed economy. The basic agricultural problem is low yield per hectare. Raising the productivity of land, that is raising the yield per hectare should be the basic goal. The redistribution of land on equitable basis coupled with ceiling on land and intensive farming on family farms shall raise the productivity of land and rejuvenate the village life. The income policy must give top priority to generation of income through development of Agricultural Sector as a means for transforming Indian Economy and place it on the path of rapid economic growth.

INDUSTRY

29. Rapid industrialisation is the need of the hour. It will reduce the pressure on land and ultimately lead to a strong and self-reliant country. The inevitable need of industrialisation is admitted by all. But differences exist as to the pace and form of industrialisation. Generally, the Government and the people are anxious to follow the western pattern, considering it the only form of industrialisation. Foreign aid and foreign collaboration have also influenced pattern. The industrialisation so far has not helped us much. Of course there has been an increase in national income. But there has also

been disindustrialisation, decapitalisation, and increase in unemployment, greater dependence on foreign loans and imports, more concentration of power and disparities in income and wealth. Due to urbanisation at a very fast rate we witness large masses of people being uprooted from their homes, and living in the towns without any bonds or roots. This has led to a number of social, political and economic problems. We cannot dismiss these, simply as natural consequences of industrialisation.

30. Taking into account both the economic factors and the latest researches in science, small scale mechanised units should form the general basis of India's industrialisation. They will convert home, instead of factory, into centre of production. They can be correlated to agriculture, and established in villages. This will save us from the evil consequences of rapid urbanisation and the villages too will share the nation's prosperity. Small industry being labour-intensive, can help better in eradicating unemployment. It requires relatively less capital. In India the number of small scale entrepreneurs can be large compared to big ones. Overall capital formation would be much greater if the small-scale technology is adopted. Also these industries can evolve out of the existing ones and thus save technological decapitalisation and disemployment. The workers can own these industries and even if other workers are engaged, the human aspect will not disappear from the relationship between the employer and the labourers. Cooperation too has a big scope here. These are quick-return industries. Capital is not locked up here for long.

INDUSTRIAL OWNERSHIP

31. About the patterns of industrial ownership, our stand has always been pragmatic. Different patterns would be suitable for different industries, but through all of them the process of labourisation of industry must be expedited in varying degrees. Thus there is no dogmatism about our approach to this problem. Nevertheless, we feel, in future, priority should be given to the concept of workers' ownership of their industry. They should themselves have a right to ownership and management of their industry, through their duly elected representatives and with the active assistance of technologists and experts in the science of management. Persons contributing money for investment deserve the return on the same by way of interest but not ownership. It is, therefore, necessary to bifurcate the process of investment from the right of ownership.

LABOURISATION

32. "Labourisation" shall accord the labour a proud position and status of "Partner" in production, instead of, merely a "factor" of production. Also, it will bring about revolutionary change in the minds of workmen and they shall be emotionally attached and actively concerned with the progress of industry. It will generate an atmosphere and attitude of cooperation and mutual trust, leading to the evolution of industrial family. Surplus value of the labour will be directly managed and deployed by the labour and will lead to a social order, free from exploitation and domination by the employers or the state. The labour's right to full information and accounts shall help to end the parallel economy of black money, which is the major cause of price rise, disparity of income and conspicuous consumption.

33. We reiterate that the institution of Public or Private Ltd. Companies should be abolished. While it is a fact that the economy needs a vigorous search for the not-yet-discovered entrepreneurial talents, it is equally true that continuance of the status of entrepreneurs in a set up in which entrepreneurship has no specific role to play is detrimental to the health of national economy. Sleeping partners of the Limited Companies enjoy the status and privileges of 'entrepreneurs' without functioning actively as real 'entrepreneurs'. This has given rise to a number of malpractices too well known to require enumeration here. Moreover, this system of companies having chain of sister concerns and holding companies have facilitated the fantastic concentration of income and wealth.

DISTRIBUTION

34. Mahatma Gandhi once said, "There is enough for everybody's need, but not for everybody's greed." This is true and therefore our distribution policy must ensure need-based income and check greed-based profits. From this point of view, now it is well-accepted that distribution of income amongst all the citizens should be made in such a way that disparity in income should be reduced to 1 : 20 in ten years and 1 : 10 in the next ten years. This policy was declared in the manifesto of Janata Party. This means, there should be a guaranteed minimum income for all the citizens and the maximum income of any person in India, whether he may be businessman, Industrialist, Professional or Rashtrapati, should not exceed 20 times the aforesaid guaranteed minimum income.

35. The principles of fair distribution has two aspects. One of these is in terms of acceptable range of variation in personal incomes and as a corollary in standards of personal consumption. It is in this context that notion such as "Guaranteed Minimum Income," or "Ceiling on Income" are brought up in discussion of policy. The Second aspect of fairness is in terms of ensuring comparable rewards for comparable works or for comparable contribution to the product. This raises question of equity in respect of differentials in wage as well as profits from enterprise.

GUARANTEED INCOME

36. This will require the setting of a floor at one hand and a ceiling at the other to personal incomes—adjustable from time to time—in a manner which would command general approval. Within these limits, the links between "rewards and contribution" to production should be established. The Taxation Enquiry Commission had actually suggested fixation of a ceiling on personal incomes.

37. The laying down of a floor for income—minimum of income—and consumption to be assured to all citizens within a reasonable period is a useful starting point for consideration in this respect. This will have to be worked out. At this stage it may be merely noted that such attempt in this direction was made by a working group of planning commission in 1962.

38. The ratio of 1 : 20 guaranteed the income of at least '1' to all citizens, whether they are employed or unemployed. Therefore, as a first essential step towards implementation of this distribution policy, the Government must start making payment to unemployed a minimum amount as "unemployment allowance", in case the Government fails to provide him with employment.

CEILING ON INCOME

39. A ceiling for personal incomes will involve limitation of total property right as against property in any specific form as well as restriction on freedom of contract, if incomes are to be directly regulated at the stage of accrual. Further such ceiling may give a tremendous fillip to tax-avoidance and tax-evasion on large scale. The Government must, therefore, be prepared to crush any attempt of tax-evasion and amend the Constitution, if necessary, to curtail the right of property and modify the concept of "Private Property" in the interest of social welfare and 'social justice'.

40. Further, the nature and extent of investment and production, the pattern of production, suitable technology and fiscal as well as Institutional ownership policies should be adopted so as to take the economy towards a fairer pattern of personal incomes and personal consumption standards. Planned growth of decentralised industries, having a high labour content and a low capital and foreign exchange content will have in them an inbuilt mechanism that automatically resists concentration of economic power. This would redistribute incomes in favour of poor, increase their standard of living and alter patterns of consumption.

PRICE POLICY

41. Positive production and price policies are necessary to make an income policy effective, because rising prices of essential consumption goods depress real incomes directly and have the indirect effect of accentuating the degree of income inequality. This implies that there should be a close relationship established between income policy, production and investment policy and price policy with a view to stabilise the prices.

42. For ensuring a stable price level the agricultural sector holds the key. This is not only because agriculture provides the raw materials for industrial development, but also because foodgrain constitute more than 60% of the consumption expenditure of the majority of the population. Any increase in such prices would effect seriously the low income section. Hence there should be greater production matching the demand for supply of agricultural commodities. Stabilisation of agricultural prices would go a long way in stabilising the industrial prices. If, therefore, agricultural prices are kept within very narrow limits, more than half of the battle of inflation would have been won.

43. Inflation refers to a condition of persistent rise in general price level. General price increases may occur due to either or both the two major types of causation. One is the pull of excess demand. The other is the upward push of cost of production. As long as investment gestation period exists (and they lengthen in successive plan periods), the stepping up of investment would normally create money income ahead of the output creation. This increase in money income would step up the demand for goods and services, effecting a price rise. If an investment is directed towards capacity creation, as distinguished from capacity utility, the pressure on

prices would generally rise with the volume of investment. If the rate of the real saving is sufficient to meet the increased investment magnitudes, the danger of inflation is less. On the other hand, if the level of real saving is much lower than the contemplated level of investment, the emergence of inflation is almost certain. A balance between real investment and real saving is thus crucial for price stability.

44. The objectives of price policy consistent with planning shall be :—

(i) to ensure structural and balanced growth of agricultural and industrial sectors and bring about proper terms of trade between two sectors.

(ii) to raise productivity i.e., the yield per hectare in agricultural sector.

(iii) to regulate profits and non-wage income to prevent concentration of economic power.

(iv) to determine criteria for wage increase.

(v) to maximise savings and investment for growth.

(vi) to ensure supply of essential goods at reasonable price.

Thus, the objective of the policy is wide enough to cover all the steps necessary for price stabilisation.

SUPPLY OF ESSENTIAL COMMODITIES

45. The implementation of a large scale investment programme is feasible in a country like India with a reasonable price stability, only when there is an assurance of minimum supply of essential commodities at reasonable prices. As most of the essential commodities are agricultural or agro-based, the stabilisation of agricultural prices deserves highest priority. The Government can minimise, if not eliminate, through such an action the influence of a major factor in the demand for wage increases.

46. The following steps should be taken immediately to bring down prices and control inflation :—

(i) Institute a wide public distribution system eliminating middle men for distribution of all essential commodities, at uniform prices throughout the country, which are within the reach of the common people.

(ii) In order to eliminate hoarding and ensure supplies for such a wide public distribution system, the Government should maintain buffer stock by resort to widespread procurement of all essential commodities at fair prices taking into account the cost of production for the producer.

(iii) Open large number of fair price shops for distribution to the vulnerable sections of population at low price.

(iv) Ensure effectiveness of the public distribution system through supervision by People's Committees.

(v) Drastic reduction of excise duty and indirect taxes on essential commodities.

(vi) Impose ban on export of all essential commodities.

(vii) Evolve import policy based on import of essential commodity and goods only.

47. However, these measures can only improve the distribution system. They cannot remedy a basic shortage of supply. Maximising the production coupled with increase in purchasing power is the real solution.

WAGE POLICY

48. The Government appointed the Committee on Fair Wages (CFW) to determine the principles on which fair wages should be based and to suggest the lines in which these principles should be applied. The CFW defined three distinct levels of wages, viz., Living Wages, Fair Wages, and Minimum Wages. The "Living Wage" according to it, represents a standard of living which provided not merely for a bare physical subsistence but for the maintenance of health and decency, a measure of frugal comfort including education for the children, protection against ill-health, requirements of essential social needs and some insurance against the more important misfortunes. The "Minimum Wage" was to ensure not merely the bare subsistence of life but the preservation of the efficiency of the worker by providing some measure of education, medical requirements and amenities. It envisaged that while the lower limit for "Fair Wage" must obviously be the "Minimum Wage" the upper limit was set by the capacity of the industry to pay. The capacity of a particular industry in a specified region should be taken into account to determine "the capacity to pay" and this in turn could be ascertained by taking a fair cross section of the industry in the region concerned.

49. The progressive improvement of the real wage, ultimately leading to 'Living Wages' as contemplated by CFW has remained the declared objective of the Government, expressed through First and Second five year plans. The first five year plan envisaged the restoration of pre-war real wage as "a first step towards the Living Wage". In the second five year plan it is stated, "a wage policy which aims at a structure with rising real wages requires to be evolved".

50. Workers' right to a fair wage has been recognised but in practice it has been found difficult to quantify it. For the purpose of giving practical shape to the wage policy of securing Living Wage through rising real wage, the following decisions must have to be taken :—

(i) The lowest paid worker shall be entitled to the minimum of the fair wage as conceived by the Fair Wages Committee (FWC) irrespective of capacity of the industry to pay.

(ii) The need-based minimum wages as contemplated by the 15th Labour Conference Norms is the concretisation of the idea of the aforesaid minimum of fair wages.

(iii) There is an urgent need to quantify the same in monetary terms, the avoidance of which shall cause intense industrial unrest. The declaration of such quantification shall help to establish industrial peace, ensure the minimum standard of living for the workers and enable the employers to know its liability in advance and make provision thereof in cost of production.

(iv) With a view to maintain the current standard of living and protect the wage-earner from the adverse affects of rise in prices, the aforesaid minimum wage should be linked up with the consumers price index number and the automatic adjustment must give 100% neutralisation in the rise or fall of the cost of living for the lowest paid worker, tapering off gradually as the wage rises.

(v) For progressive improvement of real wages leading ultimately to living wages, the aforesaid wages should be simultaneously linked to the productivity index number also. A scheme should be devised in consultation with the workmen for sharing the gains arising out of the rise in production.

(vi) Wage differential should be fixed by method of job evaluation, the procedure in this respect has been well laid down in steps that start with job-description and job rating and end by fixing

monetary valuations, after due consideration of other attending factors. The problem can be better approached by providing general national guidelines and evolving National Job Evaluation System.

(vii) The problem of maximum wage cannot be considered, till the policy in respect of maximum income for all citizens is framed.

51. The Employment policy is directly linked with wage policy, especially with minimum wage decisions. Full employment constitutes a precondition for fixation of minimum wages. As far as unemployment prevails, the provision of minimum wages cannot be successfully implemented. Poor unemployed workers are compelled to offer themselves for wages, far below the minimum. We have experienced this on large scale in agricultural sector.

EMPLOYMENT POLICY

52. In formulating a wage and employment policy, it will no more be sufficient to harp on necessities or justification of capital formation alone. It is now well-recognised that the human element is also a form of capital. The resolution concerning employment policy adopted by the International Labour Conference in 1961 called upon Government to adopt as a major goal of social and economic policy the objective of full productive and freely chosen employment. This goal, which among other things, included higher standards of living being is understood to mean :—

(i) That there should be work for all who are available for and seeking work ;

(ii) that the jobs available should be as productive as possible ;

(iii) That there should be freedom of choice of employment and the fullest possible opportunity for each worker to qualify for and to use his acquired skills and natural endowments in a job for which he is well suited, irrespective of race, sex, creed, age or personal origin.

53. Unemployment is a personal tragedy and a social stigma and we cannot regard it, as only a basic malfunctioning of the economic system. Full employment therefore should be the primary objective of planning a socio-economic order. Every individual in society is born with two natural and fundamental rights : (i) right to consume and (ii) right to produce. It is the duty of the society to

evolve such socio-economic order that every citizen is able to secure both these rights. The fulfilment of these obligations is the main criteria of successful planning. In fact, "Right to work" should be incorporated in the Fundamental rights guaranteed by the constitution.

54. Unemployment anywhere, constitutes danger everywhere. Unemployment constitutes the biggest challenge to our National economy. Unemployment is a still more dangerous problem. In spite of this, it is very unfortunate that "Unemployment" or "Underemployment" have not been defined still. Unavailability of reliable statistics in this regard, poses a great difficulty in assessing the magnitude of the problem.

55. In 1968, the Planning Commission had set up a Committee of experts to enquire into the estimate of unemployment worked out in the previous plans and into the data and methodology used in arriving at them. The said Committee stressed that the character of our economy and consequently that of the labour force, employment and unemployment is too heterogeneous to justify aggregation into a single dimensional magnitude. The exact data of unemployment and underemployment with the well-defined methodology for arriving at it should be presented before the country every year. It will disclose the real progress of the plan.

56. "Employment creation" should be integrated to development through the maximum possible productive use of available labour to accelerate economic growth and, more particularly, to substitute labour for scarce capital where it is economically feasible. The I.L.O. suggested that this could be attained through a strategy of development, involving comprehensive programmes of rural development, labour intensive public works programme, and fuller utilisation of industrial capacity, promotion of labour and intensive industrial products for domestic and foreign markets, and application of economically sound labour intensive techniques in industrial production.

PRODUCTIVITY

57. The level of living for any society is a matter of higher productivity. An increase in productivity leads to an increase in economic welfare. No amount of economic jugglery can alter this fact in the long run. There is no short cut to economic growth except raising the productivity rate to the maximum. This factor

alone may count, in the long run in the victory of any economic or social system. The productivity has been generally identified with labour-productivity only and all about productivity of land and capital is neglected. Under the Indian condition, the productivity of land and capital is most urgent, since it can influence the rate of growth of National Income at maximum speed. Of these again, the productivity of capital is very crucial, as capital is very scarce in India.

LABOUR PRODUCTIVITY

58. The only way to achieve continuous rise in real wages, ultimately leading to living wages, is the necessity of linking wages to the productivity index. Progressive rise in wages through increased production, better performance and higher efficiency shall, on the one hand, help secure for the workers a better and higher standard of living and on the other, shall lead nation to plenty and prosperity. Production shall be increased with little or no extra capital investment. Total unit production cost shall be lowered, as overhead costs are relatively fixed. This will check the inflationary tendency, lead to full employment, accelerate the process of industrialisation and meet the necessity of greater investment through higher savings.

59. For this purpose, the proper scheme for devising the productive index and sharing the substantial portion of gains arising out of increased productivity shall have to be chalked out. The workers' doubts that such scheme shall ultimately lead to sweating, endangering the health of the workers and that such production bonus may stand in the way of general welfare should be removed.

The following conditions are necessary for success :

60. (i) A tripartite body representing the interest of industry, Labour and Government should be set up to devise a production bonus plan, if necessary, with assistance of experts. This is necessary to dispel the doubts in the mind of workers about the propriety and suitability of production bonus plans.

(ii) The foremost requisite for the introduction of production bonus plan is proper climate wherein the issues can be dispassionately viewed by all the parties concerned. This means that the relations between the management, the supervisory staff

and workers should be happy and free from suspicion. Any trace of animosity or bitterness mars the chances of success.

(iii) The work study, consisting of methods study and work measurements should be carried out by the experts appointed by above tripartite body. As this will provide a basis of the entire plan, fix up the work standard, and as the standards not acceptable to workers cannot be enforced, the workers should be taken into confidence during time studies. Both supervisors and workers should be associated in time study procedures and special training should be given to them if necessary.

(iv) Having evolved norms of works standard, the next thing to do is to devise a scheme for compilation of indices of labour production and to choose the type of production bonus plan, most suitable for nature of task. Simplicity in the scheme is essential. The scheme should be easily understood by the workers.

(v) It should also be seen that all the workers, whether directly connected with production or not, are covered by the scheme, either by linking indirect workers' production bonus earnings with those of direct production workers in some proportion, or in some other suitable manner. Otherwise there will be dissatisfaction amongst those left over and it will sow seed of dissention.

(vi) Production bonus rates for work above standard performance should be a subject of negotiations between management and labour and shall be fixed by agreement.

(vii) Whenever technological changes are introduced in the work process, through introduction of improved plant and equipment or improved methods or a combination of both, there should be a fresh work measurement for fixing new standards. It is necessary to come to an agreement with the workers with regard to these matters, so as to ensure their cooperation beforehand.

(viii) The normal wages based on need-based minimum wage should be guaranteed to the workers irrespective of the quantum of their output. Such a guarantee will remove several causes of friction and suspicion.

(ix) The time lag between performance and payment of production bonus earning should be short, say a week or a fortnight, so that workers shall be in a position to appreciate the relation between production bonus earning and their performances.

INTEGRATED APPROACH

61. In the ultimate analysis, formulation of a wages incomes and prices policy touches almost every aspect of the country's economic situation and cannot, therefore, be isolated from a comprehensive approach to the entire problem of growth with price stability. It covers vast field and touches macro and micro aspects of planning and represents the facet of the whole range of fiscal, monetary, investment, productivity, employment, production, distribution, consumption, foreign exchange policies. A piece-meal narrow approach would only worsen the situation.

62. Further, it must be understood that in pursuing various aforesaid objectives of planning and income price policy, conflict cannot be avoided in any economy, seeking rapid development and a move towards equalisation in the sharing of the national product at the same time. The objective of increased savings and investments conflicts with the objective of raising level of consumption, especially, in a society where existing standards are extremely low and there is a great consumption propensity. The objective of limiting income conflicts with the objective of maximising production, as it is likely, to act as deterrent to productive activity. Moreover, the conflicts of interests are likely to arise between State Government and Central Government, Private Sector and Public Sector, Workers and Employers, Agricultural Sector and Industrial Sector etc. in the formulation and execution of the plan and fixing upon priorities.

63. Therefore, with a view to coordinate the various policies on employment, prices, production and income and avoid all conflicts, the balanced and integrated plan of growth and progress shall have to be formulated.

DEMOCRATIC PLANNING

64. All the conflicts can be avoided and integrated policies on income, price, employment and productivity can be properly evolved, if the very style of planning is changed. At the formulation stage itself, the various socio-economic organisations should be associated with planning. Different interest groups should be involved in the process. The successful implementation of any plans depends considerably upon the willing cooperation of the people, their self-discipline and voluntary modification in attitude and behaviour in the economic field. When men participate in the process of the formulation of a

plan, they feel that they are a part of it. There is no need then to convince them of the desirability of self-discipline. As wide a participation by the interest groups as possible should tend to minimise the area of socio-economic conflict and offer greater possibility of evolving a concensus on the overall aims. Participation at this stage would enhance the status of the participants and develop in them a positive attitude towards development, much beyond the personal monetary gains.

65. Of course, this would necessitate proper organisation of various socio-economic entities at every level. The association of interest or pressure groups that are already organised should be accorded their pride of place in the scheme, and efforts should be made to organise expeditiously the interest groups that are unorganised so far. Industrial workers, employers commercial communities professionals etc. constitute the first category. The latter comprise peasants, agricultural workers, traditional artisans etc. All these bodies should be imbued with the spirit of patriotism and equipped intellectually to play their part in the formulation and implementation of the plan.

66. It is the experience of the developed countries that policies can succeed in its objectives much better in a stable economic environment brought about by a conjuncture of sound economic policies and with a concensus reached among the major socio-economic groups.

67. We, therefore, urge the Government to convene the conference of various socio-economic groups and give them all up-to-date statistical information about the Indian economy, more particularly in regard to Income Distribution, sectoral flows of income, Wage structure in Agriculture, Labour Productivity etc. Further the Government should educate such groups with regard to the rationale for the objectives of such national policies and solicit their cooperation and contribution in evolving such national policies on Income, Employment Price, and Productivity for the success of planned development for economic reconstruction and rejuvenation. There should be free, frank and fearless but purposeful and dispassionate discussions amongst the representatives of such socio-economic groups and the plan should be formulated in a democratic manner on the basis of concensus amongst them.

CONCLUSION

69. We recognise the necessity of framing policies on wage-income and price as an instrument of planned economic development and evolution of egalitarian socio-economic order. Our main grievance, amongst so many others, is that the Bhoothalingam Panel is appointed not with a view to make the Wage-Income-Price Policy such an instrument of economic and social transformation but to meet the certain limited aspects of alleged "distortion" in wage structure and the "Rationalisation" of wage structure (not income structure), in the context of low wages of the vast majority in the rural sector. Even a cursory look at the resolution of the Government shall convince anybody that the guidelines of the panel, framed in this context, will be used as an instrument to deprive the workers of their legitimate rights. We have, therefore, reiterated our demand that the Government should convene a round table conference of all socio-economic groups to evolve, on the basis of consensus, National Policies on Income (including wage), Price, Employment, Productivity as an integral part of National Plan of Progress.

69. We feel that there are certain non-controvercial measures which can be immediately taken without waiting for the report, recommendations or guidelines from any committee or conference. In this respect, we suggest that the following steps should be taken immediately by the Government :—

- (1) Evaluation of need-based minimum wage in monetary terms.
- (2) Ban on the export of all essential commodities.
- (3) Evolution of Import Policy based on import of essential commodities and goods only.
- (4) Removal of all indirect taxes on essential commodities.
- (5) Abolition of parallel economy of black money through stern measures.
- (6) Drastic reduction in deficit financing.
- (7) Ban on all vulgar, ostentatious and wasteful expenditure.
- (8) Framing of National Job Evaluation Scheme for fixing wage-differentials.
- (9) Evolution of methodology to assess unemployment and under-employment.

(10) Evolution of a national scheme for devising the productivity indices and for sharing the gains of productivity amongst the workers and employer.

(11) Introduction of Production Bonus Scheme, wherever productivity indices are available.

(12) Maintenance of buffer stock through procurement of essential commodities.

(13) Institution of public distribution system through fair price shops under effective supervision of People's Committees.

(14) Drastic curtailment in Government Expenditure.

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