

INDEX FRAUD
in
Ahmedabad

*AITUC's Note sent to the Experts Committee on
Ahmedabad Index*

1964

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FOREWORD

The textile workers of Ahmedabad hit the headlines of newspapers all over the country when they struck work on 8 August in protest against the compulsory deposit scheme. This was no doubt the beginning of a new phase in the TU movement in Ahmedabad.

The Majur Mahajan of Ahmedabad while openly supporting the CDS, had condemned the opponents as anti-national. However, events proved that those who opposed CDS were correct and they ultimately won.

The success achieved in the campaign against the CDS created a new confidence in the minds of the workers who were deliberately kept inactive against the employers by the local INTUC leadership. The workers while welcoming the withdrawal of the CDS were aspiring for a struggle to win back the concessions taken away by the millowners during the recent past. That is why the Samyukta Kamdar Sangram Samiti came into the picture with Indulal Yagnik as a leader, who defeated Khandubhai Desai and S. R. Vasavada, the INTUC stalwarts in two consecutive general elections. Shri Yagnik became a symbol of workers' struggle against the INTUC betrayal. The Sangram Samiti enrolled 50,000 members in a short period of one month which shows the popularity of the organisation among the workers. The citadel of the INTUC suffered a severe crack which cannot be repaired at any cost.

What is the reason for this success of the Sangram Samiti? There has been a longstanding discontent among the workers on issues like basic wages, D.A. and bonus. The INTUC leadership miserably failed to tackle them effectively in the interest of the workers while Sangram Samiti boldly championed the cause of the workers and united them for a

common action against the textile magnates. The Major Mahajan (INTUC) tried to recover lost ground by inviting G. L. Nanda, the Union Home and Labour Minister, to address a rally in Ahmedabad on 4 December 1963. As a leader who was the Secretary of the Mahajan in Ahmedabad for twenty years, Sri Nanda was expected to rally back the workers under the flag of the Mahajan. The Sangram Samiti decided to organise a parallel meeting on the same day. Even according to independent papers, the Sangram Samiti's meeting was ten times larger than the INTUC meeting. This is just an indication of the fighting mood of the workers in Ahmedabad and their desire to find an alternative leadership.

Despite the steep rise in the price level since the Emergency, the D.A. of the textile workers in Ahmedabad was showing a downward trend. The average D.A. of a textile worker came down from Rs. 90.77 in September 1962 to Rs. 86.92 in September 1963. This made the workers indignant and they began to express suspicions about the price index. The Sangram Samiti therefore took up the question of D.A. and the index and launched a broadbased campaign all over Ahmedabad. In cooperation with the AITUC, Sangram Samiti studied the question of index in detail and found that it was a great fraud perpetrated on the workers. The Samiti has published the findings in a booklet. We are also publishing here the important findings which expose the nature of the fraudulent index in Ahmedabad.

The study shows that the Ahmedabad index was wrong by 59 points which means a net loss of Rs. 22.62 nP. per month per worker on account of D.A. alone. The millowners have thus garnered nearly Rs. 3.25 crores an year as a direct consequence of this fraud.

An unprecedented campaign is being launched in Ahmedabad to get this index rectified and secure the due additional D.A. from the millowners.

But there are certain other problems which are agitating the minds of the textile workers in Ahmedabad.

At present, the D.A. is paid to the workers as per the award of 1948 by which a textile worker in Ahmedabad gets 2.84 pies per month per point rise in the consumer price index number (base 1927). This neutralisation was given on a minimum basic wage of Rs. 28. Later on, the Textile Wage Board awarded Rs. 10 (in two stages) as increase in basic wages. Thus a textile worker in Ahmedabad gets Rs. 38 per month as minimum basic wage. But while, as a result of the recommendation of the Wage Board, the minimum wages went up, the rate of neutralisation in D.A. remained unchanged, i.e., though the worker got Rs. 38 per month as basic wage since 1961, the D.A. neutralisation still continues on the old basic rate of Rs. 28.

The real wages of the textile workers have started depressing since 1960 because of the lower rate of neutralisation. Therefore, along with the question of rectification of the index number, the question of a higher rate of D.A. is also agitating the minds of the workers.

Secondly, the present wage scales for different categories of workers in the textile industry are also posing some problems of a basic nature. The 1948 Award had fixed first the minimum wage and then provided for differentials being added to the minimum to make up the wages of other categories. The Wage Board award gave a flat increase for all categories. This naturally disturbed the structure of the old differentials, when related to the base minimum. This created discontent among the semi-skilled, skilled and highly-skilled workers. In Ahmedabad where finer varieties are produced on a large scale, the proportion of the skilled categories is considerably higher than other centres.

The rate of D.A. is calculated on the basis of the wages of the lowest-paid unskilled worker. And the same rate is paid to all the workers. The workers earning wages more than the rock-bottom minimum are forced to reduce their standard of living while the costs of living rise. It has

created imbalances in the wage differentials of the workers. The workers in the higher range of wage-scales strongly feel the need for a higher or differential rate of D.A. for them as with every rise in the index, their real wage inevitably falls for want of full neutralisation of dearness in terms of their own wage-scales. As this leads to less and less remuneration, for more skilled labour, it results in less incentives for them.

The issues posed by the workers are real and need proper attention. These issues are however not limited to Ahmedabad workers alone. They are found in other centres too.

The new awakening among the Ahmedabad workers has been a matter of pride for the workers all over the country. The Indian working class will wholeheartedly express its solidarity with the Ahmedabad workers, who have been kept isolated and insulated too long from the general current of the fighting working class movement of the country as a whole.

13 January 1964

AITUC SECRETARIAT

POSTSCRIPT

Since the above lines were written, we have received the Report of the Experts Committee on Consumer Price Index Number, Bombay. The report states:

"Taking into account the corrections allowed for in the price indices of ghee, ready-made tea, house-rent and clothing group, the revised 1960 (average) consumer price index works out at 449 as compared to the published index—420."

Though the Committee has not brought to light the fraud in full, it is no doubt an open admission of the existing fraud in the computation of the present series of the index. The

Lakdawala Committee's findings have shown the following discrepancies in the Bombay index.

<i>Item</i>	<i>Current Index 1960</i>	<i>Revised Index 1960</i>	<i>Increase in Total Index 1960</i>
Ghee	432	911	5.06
Tea (Ready-made)	128	377	6.57
House-rent	106	178	10.52
Clothing	391	469	7.01
			TOTAL 29.16

The Committee, however, failed to take note of the rise in costs of food items, travelling to and from the native place, pan-supari, medicines, milk, etc. It also did not take note of dubious substitution resorted to by the Labour Department officials in computing the index.

The AITUC pointed out that the index was faulty by 104 points while the INTUC was of the opinion that it was lower by 50 points on major items alone. According to the AITUC, loss of D.A. to a worker in June 1963 was of the order of Rs. 29.44 per month due to the fraudulent index. Lakdawala Committee, however, has recommended rise of roughly Rs. 7 per month only.

With regard to housing, the Committee has taken into consideration, a rent of Rs. 11.33 per month only, which is much lower than what the workers are actually paying. The Report says:

“According to information obtained from the Bombay Municipal Corporation, for all houses whose ratable value is more than Rs. 500 a year, 4% increase in rent was permissible between 1954-1960. This did not include the additional rent that could be charged when major repairs or renovations were carried out nor any allowance for the ‘pagree’ which the ‘post-war’ tenants of ‘pre-war’ houses had generally to pay on their first occupancy. There are two additional factors to be considered. There was a great increase in the strength of the working class in Bombay city

during this period and it is obvious that all these could not have been accommodated in the old tenements. Some of them at least must be staying in post-war houses, the rent of which is much higher."

Though the Committee admitted these facts, it did not take note of them on the plea that "comparative data on many of these aspects are not available." Hence the Committee relied on the Labour Bureau enquiry and rent for 1960 was taken as Rs. 11.33

On the question of clothing also, the Committee has done a great injustice to the workers. It has taken into consideration only the rise in the wholesale prices since 1952 while the rise in the retail prices are substantially higher. Moreover, the Committee instead of comparing the present prices with that of the base year has taken into consideration the rise only since 1952. Whatever improper substitution was done previously was thus allowed to perpetuate.

In short, though the Expert Committee recommended partial rectification of the price index it has white-washed many irregularities in the method of computation of index. Therefore, on the whole the recommendations of the Committee are more in favour of the employers than the workers.

The Bombay experience is important for Ahmedabad because many aspects are the same in both the centres, so far as the price index is concerned. It is, therefore, not enough to bring to light the fraud partially. What is necessary is to correct the index fully and give proper D.A. to the workers. Unless this is done, the working class cannot obviously consider the introduction of a new series.

A NOTE¹ ON THE EXTENT OF INACCURACIES IN THE COMPUTATION OF CONSUMER PRICE INDICES FOR WORKERS IN AHMEDABAD

The consumer price index numbers for workers at Ahmedabad was based on the family budget survey conducted during 1926 and the series was introduced in 1927 taking the base as 100. The series consisted of 30 items while the miscellaneous group consisted of 2 items only. In this group, weightage for bidis was 71 and for soap 29. Thus the increase in the prices of other miscellaneous items that go into the workers' family budget had no reflection in the index number for this group. Items like barber, pan-supari, newspaper, travelling to and from native place, medicine, etc., had no place in the family budget prepared by the then authorities. These items do form a part of the miscellaneous group in the budget of a Bombay worker on which the indices are computed there. The weightage given to Miscellaneous Group is shown as only 4 in the General Index of Ahmedabad.

The "Manual of Instructions for Price Collection" prepared by the Labour Bureau contains the following directives in respect of collection of data regarding prices of essential commodities:

- (a) The prices should conform to the prescribed quality of commodity/service during each period of price reporting;
- (b) The prices should be collected from fixed shops during each period of price reporting;
- (c) The prices should be collected on the same day of each

1. Note sent to the Experts Committee on Ahmedabad Index by AITUC on 4 January 1964.

pricing period and preferably during the same hours of the day;

- (d) The prices should be those actually paid by the working class consumers for specific units of quantity and should be inclusive of sales tax and all other local taxes charged to the consumers;
- (e) The prices should be collected with an intelligent appraisal of the general market behaviour and purchasing habits.

These directives have been flouted by the Government's Labour Department while computing the Index Numbers for Ahmedabad. Some of the more glaring instances are :

(1) CHANGING THE GRADE OF A COMMODITY: The use of inferior quality of a commodity in comparison with the base year quality results in not reflecting the exact rise in the price level. By resorting to this method, the Labour Department has compared inferior quality of a commodity with medium or superior variety considered at the base year. This has happened in the case of rice and wheat. In the case of milk, the quality of milk taken into consideration is important. In the month of September, 1963, the milk sold at 64 nP. a seer was the worst quality of milk available in Ahmedabad. This milk was adulterated to such an extent that only the lowest strata of the population consumes it. Milk is supplied to the people in Ahmedabad by the Municipal Corporation at 37 nP. for half a seer. Therefore, an average of 70 nP. should have been considered while calculating the index for this item.

(2) CHANGE OF UNIT: In the case of Kerosene, the unit taken into consideration was a "small bottle". As no exact quantity was mentioned, the unit was not maintained while collecting the data. Therefore, it has been found that while in September 1963, a small bottle of Kerosene cost 15 nP., the Labour Department has taken into consideration only 12 nP. This is an attempt to take advantage of the vagueness of the earlier family budget study. Inquiries made with the

old workers would show that the "small bottle" of the old days was not so small as the Labour Department takes it to be and it could not have been so in view of the price charged at the base year.

(3) FREEZING THE INDEX ON CLOTHING: Without assigning any particular reason, the authorities of the Labour Department instructed the price investigators not to collect prices of clothing for the purpose of computing the index since 1952-53. This is not only against the basic concept of the index but has anti-social implications. In any civilized society, this would be considered as a criminal act. Despite significant rise in the prices of clothing, the index was kept stationary for over ten years as far as expenses on clothing were concerned. It is a well-known fact that cloth prices in the country had risen to such a level in 1960 that the Government spokesmen had to threaten serious action. The then Minister of Commerce and Industry had stated in Parliament that if textile prices were not brought down, Government would have to enforce rigorous controls. The prices of textile goods have gone up still higher in recent years. Therefore, the extent of the inaccuracy in the clothing index can be imagined.

(4) STATIC HOUSE-RENT INDEX: The Government appointed an Inquiry Committee in 1930 to find out the position of house-rent in Ahmedabad. The Committee pointed out that between 1926 and 1930, the house-rent had increased by 7 per cent. The index on house-rent was thereafter raised to 107. This index has remained pegged at 107 till today while during the last 30 years, the house-rents have gone up by over three times. Particularly after Ahmedabad was made the Capital of Gujarat, the rates of house-rent have skyrocketed.

A general survey of housing conditions in Ahmedabad shows that workers live in the following types of housing:

(i) *Government Housing Scheme* — The minimum rent charged by the Government Housing Scheme is Rs. 15.

There are tenements where workers are paying Rs. 21 and Rs. 29 also.

(ii) *Factory chawls* — The rent charged varies from Rs. 8 to Rs. 10 for one-room tenement. But “pugree” system prevails in such cases and while calculating the expenditure on house-rent, note has to be taken of the “pugree”. Workers have to borrow money from moneylenders to pay the “pugree”. The loan is paid back to the moneylenders by instalments of Rs. 10 or at times more per month.

(iii) *Private chawls* — The rent of one room tenement also is the same as charged by the Factory chawl owners. But there is a system of giving a receipt for lower amount while charging a higher rate of rent. Therefore a black-market rate exists which should be taken into account while compiling the index on housing. The Sixth International Conference of Labour Statisticians held at Montreal in 1947 in a resolution had pointed out: “In a period of price control and rationing, where illegal prices are charged openly for the group to which the index applies, such prices should be taken into consideration, as well as controlled prices.” The Rent Control Act is openly evaded by various methods. It is, therefore, necessary to take note of the actual rent paid by the workers.

(iv) *Private Tenements* — Workers who do not get any accommodation in the above-mentioned categories of housing have to find accommodation in tenements owned by private landlords. The rent in such cases varies from Rs. 15 to Rs. 25 per month. With the growth of the working class in the city, more and more workers have to rely on this type of costly accommodation.

(v) *Hiring Plots and Building Hutments* — Many workers are constructing huts on plots hired from some landlord when they do not get any other type of accommodation. The rent for such plots varies between Rs. 8 and Rs. 10 and the construction and repairing costs have to be defrayed over and above that.

(vi) *Cooperative Housing* — Some workers have construct-

ed their own houses. They have to borrow money to make the initial payment. They are given loan by the Government for which they have to pay in monthly instalments of more than Rs. 20. Besides, there are repairing charges and taxes.

Taking into consideration all these facts, the house-rent in Ahmedabad in no case can be considered to be below Rs. 15. Actually, it should be more than that. But, according to official statistics, a worker in Ahmedabad pays only Rs. 4.94 as house-rent. No accommodation is available in the city at that rate.

Our trade unions in Ahmedabad have made independent investigations about the actual prices or costs of the commodities and services and an attempt has been made to calculate the actual extent of the inaccuracies in the official index. (See APPENDIX). It will be seen that the index is faulty to the extent of 59 points, taking into account the prices prevailing in working class localities in September 1963. This is without taking into account the irrational provision for miscellaneous items in the 1927 series of the index; if that is also corrected, the fault would be of a much greater dimension.

A textile worker in Ahmedabad is paid 2.84 pies per day per point rise in the index. Hence, on an inaccuracy of 59 points, a worker will lose Rs. 22.62 per month on D.A. If the losses sustained by all the 1,20,000 textile workers in Ahmedabad are taken into account, it would reach a colossal figure of Rs. 3.25 crores per annum which the employers save because of the fraudulent index.

On the question of linking of the old and new series, we have to state that it is necessary to correct the 1927 series first. As the workers were paid less quantum of D.A. all these years, there was a depression in their living standard and the commodity basket taken into consideration while giving weightage in the new series was of a lower order. This cannot reflect the true state of affairs about the pattern of consumption of a working class family.

Therefore, we would suggest that, firstly, the present series should be corrected and workers should be paid the full quantum of dearness allowance due to them. When their pattern of new consumption will be stabilised after one year or so, then another family budget study should be conducted in consultation with local trade unions. Then alone can proper weightages be apportioned and a new series introduced on the basis of these studies. Taking note of the average of the old and new series, for one year, a suitable conversion factor can be evolved in a scientific manner. Only such a method could satisfy the workers and help to remove their present suspicions about official statistics.

We forward herewith for the perusal of the Committee, a copy of our recent publication, **THE INDEX FRAUD.**² The booklet contains the memoranda submitted by AITUC, INTUC and the HMS to the Expert Committee on Consumer Price Index Numbers in Bombay. As you will see, some of the inaccuracies are common to the indices published for Bombay and Ahmedabad.

². THE INDEX FRAUD, AITUC Publication, Price: Rs. 1.50.

APPENDIX

ACTUAL EXTENT OF ERROR IN OFFICIAL CONSUMER PRICE
INDEX NUMBER FOR AHMEDABAD

Name of Article	Price per unit of quantity in September 1963		Index No. for September 1963	
	As collected by Labour Deptt.	As obtained in the market.	Labour Deptt.	Actual Index with cor- rection
1	2	3	4	5
FOOD:				
Rice (Kilogram)	0.89	0.97	309	337
Wheat "	0.51	0.65	277	350
Bajri "	0.47	0.47	281	281
Mug-Dal "	0.69	0.71	294	303
Tur-Dal "	0.82	0.90	367	403
Sugar "	1.28	1.28	377	377
Raw Sugar "	1.33	1.33	364	364
Tea (½ Kilogram)	3.87	3.87	351	351
Salt (Kilogram)	0.07	0.07	105	105
Mutton (½ Kilogram)	1.50	1.50	420	420
Milk (Seer)	0.64	0.70	256	280
Ghee (Kilogram)	7.77	7.77	389	389
Potatoes (Kilogram)	0.64	0.64	337	337
Chillies (Dry) (Kilogram)	3.28	3.28	534	534
Sweet Oil (Kilogram)	2.05	2.05	287	287
Sweetmeats (Kilogram)	2.50	2.50	423	423
Chavanas				
			INDEX NUMBER — — — 329	334

1	2	3	4	5
FUEL AND LIGHTING				
Firewood (40 Kilogram)	3.96	3.96	390	390
Kerosene (Small Bottle)	0.12	0.15	177	222
Castor Oil (Kilogram)	1.51	1.84	282	342
Matches (2 Boxes)	0.13	0.13	374	374
			INDEX NUMBER — — — 357	369

CLOTHING :

Dhotis (Pair)	7.81	14.00	186	333
Coating (Yard)	3.77	3.77	428	428
Shirting (")	1.02	2.34	356	816
Cloth for Trousers (Yard)	0.91	1.83	301	606
Sarees (Each)	7.36	11.46	404	629
Cloth for Shirts (Yard)	1.55	2.56	408	673
Khans for Cholis (")	2.14	3.50	258	423
			INDEX NUMBER — — — 339	584
<i>House Rent</i>	4.94	15.00	107	325
			INDEX NUMBER — — — 107	325

MISCELLANEOUS

Bidis (25 Nos.)	0.19	0.19	304	304
Soap (Bar)	1.50	1.50	533	533
			INDEX NUMBER — — — 370	370

COMPUTATION FOR GENERAL INDEX

<i>Name of Article</i>	<i>Weightage</i>		
FOOD INDEX	58	329	334
FUEL & LIGHTING	7	357	369
CLOTHING	10	339	584
HOUSE RENT	12	107	325
MISCELLANEOUS	4	370	370
	<hr/>	<hr/>	<hr/>
	91	305	364