



GOVERNMENT OF INDIA
MINISTRY OF
LABOUR AND EMPLOYMENT

**REPORT
OF THE
STUDY GROUP
ON
SOCIAL SECURITY
1958**

LETTER OF TRANSMITTAL

To

The Secretary to the Government of India,
Ministry of Labour and Employment.

Sir,

I have the honour to submit herewith the Report of the Study Group on Social Security set up by the Ministry of Labour & Employment in August, 1957. The Report is unanimous.

Yours faithfully,

V.K.R. MENON

Chairman,

Study Group on Social Security

NEW DELHI,
10th December, 1958.

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INTRODUCTION

In pursuance of one of the recommendations on labour policy in the Second Five-Year Plan, the Government of India, Ministry of Labour and Employment, set up *vide* their Order No. L and E-3(5)/57, dated 3rd August, 1957, a Study Group consisting of the following:—

1. Shri V. K. R. Menon,
Director,
International Labour Office (India Branch),
NEW DELHI. *Chairman*
2. Colonel V. M. Albuquerque,
Director General,
Employees' State Insurance Corporation,
NEW DELHI.
3. Shri S. N. Mubayi,
Central Provident Fund Commissioner,
NEW DELHI.
4. Shri B. N. Datar,
Deputy Secretary to the Government of India,
Ministry of Labour and Employment, and
Director, Labour & Employment, Planning Commission,
NEW DELHI.
5. Shri S. Krishnamurty,
Research Officer,
Office of the Controller of Insurance,
Kennedy Cottage,
SIMLA.
6. Shri K. K. Bhargava,
Insurance Commissioner,
Employees' State Insurance Corporation,
NEW DELHI. *Member-Secretary*

2. The Group records with deep regret the death of Shri K. K. Bhargava on the 24th February, 1958. It also places on record the valuable services which he rendered to the work of the Group.

3. With Government's approval, the work of Member-Secretary was, in consequence of Shri Bhargava's death, entrusted to Shri S. Krishnamurty. But after a short while, the Ministry of Finance expressed their inability to release Shri Krishnamurty from his headquarters at Simla in view of pressure of urgent work in his own Department. It was only at a much later date that the assistance of Shri S. P. Jain, who since joined as Actuary in the Office of the Director General of the Employees' State Insurance Corporation, could be made available as Member-Secretary of the Group. These relatively unimportant matters of detail are mentioned at least to

List of Abbreviations used in this Report

E.S.I.	Employees' State Insurance.
E.P.F.	Employees' Provident Funds.
W.C.	Workmen's Compensation.
C.M.P.F.	Coal Mines Provident Fund.

show that they constituted one major, though unavoidable, reason why the Group took considerably more time to complete the work than was originally provided for.

4. The Study Group (hereinafter referred to as the Group) was to—
 - (a) examine the experience gained by the working of existing social security schemes;
 - (b) study how these schemes and any other privileges given to workers could be combined in a comprehensive social security scheme;
 - (c) work out the administrative details of such an integrated scheme;
 - (d) examine whether, without any appreciable increase in the total liability of employers and workers, additional advantages can be given to the working class; and
 - (e) examine and make recommendations regarding conversion, wholly or partly, of the present provident funds into suitable pension schemes as envisaged in the Second Five-Year Plan.

5. Unlike a Commission or Committee, where questionnaires are issued and evidence taken before conclusions are reached, the Group felt that its work should be on the basis of data and other information already available—including memoranda and other notes addressed to Government in the past by the different interests concerned in regard to the working of the social security measures now in operation. Any other procedure would have further prolonged the work of the Group. We have no doubt that this Report will, in due course, be discussed at a tripartite meeting or conference. Any lengthy discussions by the Group itself would have, in the circumstances, proved even superfluous and we felt it would be preferable to confine the report mostly to technical aspects. If every suggestion made from every quarter has not been fully discussed in this Report, this does not mean that the question was not fully considered. The omission is rather due to the Group's desire to keep the Report as short as possible. When dealing with the working of the different legislative enactments, the main points of criticism in regard to each have been summarised and, where appropriate, remedial action suggested. We may, however, deal with a few important points here.

6. There seems to be an impression in some quarters that integration of the different schemes will release funds which would be sufficient to provide extended benefits or new forms of benefit without requiring any further levy on the employers or workers. The fact that the administrative costs are at present only equal to a small percentage of the contributions will itself show that this assumption is wholly incorrect. Even if we assume, for the sake of argument, that administrative costs are reduced to zero, the savings would still be insufficient, by themselves, to provide any substantial additional or new benefits. We are, however, recommending integration to the limit possible as we are satisfied that this will result in added inconvenience to both employers and workers.

7. There is a feeling among workers that they are not getting the full worth for the contributions made by them to the E.S.I. Scheme as also

a resentment that, at present, the workers are contributing about double what the employers do though, if the maximum rates permitted in the Act were realised, the position would be the reverse—the employer contributing per worker double what the worker himself does. There is considerable force in both these complaints and our recommendations take them fully into account. We have recommended that the levy of contributions from the employers should be raised to the maximum statutory limit without further delay and also shown that unless this is done, it would not be possible to provide for the benefits on the scale that the legislation really intended. This and our other major recommendations appeared in the Press some months back and we are aware that since then, representations have been made that there should be no increase in contributions till the existing large surpluses (in the E.S.I. Corporation's funds) are spent up. While we have shown later that these surpluses will disappear as soon as the Corporation seriously starts its capital works programme of construction of hospitals etc., even on the minimum standards, we would like to emphasise a point here, even at the risk of repetition. It would be unfair to expect those responsible for the administration of the Corporation to frame and proceed with clear forward planning without an assurance that the requisite finances will be forthcoming. Any standard of hospital buildings, equipment, etc., adopted, say, at Kanpur should be such as can be adapted to every other city or area in India to which the Scheme applies. It would, therefore, be extremely risky for the Corporation to start on a serious forward programme by merely feeding on the accumulated fat. It is our general belief that among the many reasons why the Corporation has not been able to accomplish so far all that it should have done, at least one reason has been a state of uncertainty as to the future. We hope that whatever might have been the effect of this in the past ten years, there will be no occasion for repetition of this in the next five years.

8. In regard to the other major enactment, the Provident Fund Schemes, the objections raised are mostly minor and have been dealt with later. The major objection from the workers is that Provident Funds are no effective substitute for a Pension Scheme. We entirely agree with this view and have made a recommendation for substituting the present schemes by one of old age and survivorship pension. Indeed, this is the major single recommendation in this Report.

9. Some of our recommendations, particularly in regard to improvements in certain matters, as for example, provisions relating to duration and/or quantum of sickness and maternity benefits etc., have, we understand, already been independently considered by the E.S.I. Corporation. In such cases, where the issues have still not been implemented, we hope that our endorsement of the same recommendations might, to some degree, facilitate their early implementation.

10. The Report does not deal with unemployment relief in any form. The Group is aware that the present provisions in the Industrial Disputes Act relating to compensation on retrenchment and lay-off, by no means, constitute a perfect remedy. But chronic unemployment in general is a problem that has been baffling the country for decades. Though we recognise that the case for some relief to those who were in employment and are thrown out is distinguishable from the many more that never had a regular employment at all. A factor which has aggravated the situation

during the last year or two has been the closure of working units. Some closures are admittedly due to mis-management, or, at least, inefficient management. The compensation payable under the Act, even if this can be realised in such cases, will, at the most, be only a temporary relief. New avenues of employment may not be easily available. The more satisfactory solution is to find means of avoiding closures where the causes are remediable. But this will require some funds to be built up to provide ways and means for keeping such units running till an independent enquiry and actual working during this period show conclusively whether or not the unit can continue to run reasonably satisfactorily. Even in some industrially advanced countries, there is statutory provision requiring industrial units to build up 'crisis reserves' for such emergencies. The Group feels that this would be a more practical approach than merely doling out pure relief to an infinitesimal section of the total unemployed population. This, however, requires an intensive study. Even the scanty information regarding the 'crisis reserves' came to the Group's notice only very lately. The recent report of the Textile Enquiry Committee also advances some good guidance points in this direction. If Government so wishes, the Group will be quite willing to undertake this study separately, with suitable expansion of the Group, if necessary.

11. The Group held a number of meetings to discuss various aspects of the question. Its general approach was to consider first, the schemes in operation in the country at present which could be considered as falling within the ambit of social security; secondly, to discuss the lacunae in the present schemes in the light of the experience gained in the country as well as the experience and trends in the development of similar schemes in other countries; thirdly, to examine both the feasibility and desirability of integration from the point of view of the various parties concerned; fourthly, to suggest solutions to the practical difficulties that may have to be encountered even where integration is both feasible and desirable; and, finally, to evolve as comprehensive and well-knit a scheme of social security as is feasible in the present conditions of the country along with some details of the administrative structure that will be required for its implementation.

12. The orthodox form of Reports of this type is to state the Conclusions and Recommendations towards the end. The Group felt, however, that as its recommendations do not, in terms of benefits or the incidence of costs, involve a wide departure from what are involved under existing conditions, the Report could be made shorter and more effective by stating the Conclusions and Recommendations immediately following upon this Introduction.

CHAPTER I

CONCLUSIONS AND RECOMMENDATIONS

13. Under existing conditions, any large extension of social security measures will not be possible either in terms of coverage or actual benefits. The aim should be to improve upon existing measures and to simplify administrative procedure, restricting additional financial levy for the time being, to what is required for this limited purpose.

14. (a) Existing enactments providing for some form of social security or social insurance in the accepted sense are :

<i>Act</i>	<i>Contingencies Provided for</i>
(i) Employees' State Insurance Act.	Medical care and treatment, sickness benefits, maternity benefits, employment injury including invalidity and dependants' pensions where death arises as a result of employment injury.
(ii) Employees' Provident Funds Act, Coal Mines Provident Fund and Bonus Schemes Act and Assam Tea Plantations Provident Fund Scheme Act. (The scheme of old-age pensions introduced in the Uttar Pradesh is left out of account for present purposes).	Old age or death while still in service.
(iii) Coal Mines Labour Welfare Fund Act, and Mica Mines Labour Welfare Fund Act.	Medical care and treatment.

(b) Existing enactments providing for relief in certain contingencies but which are not measures of social security in the accepted sense as the liability in each case is placed directly on the individual employers :

<i>Act</i>	<i>Contingencies Provided for</i>
(i) Workmen's Compensation Act.	Compensation in the form of single lump sum payments in case of permanent disability or death resulting therefrom and periodical payments in case of temporary disability.
(ii) Plantations Labour Act.	Medical care and treatment, sickness benefits, maternity benefits.
(iii) Maternity Benefit Acts of State Governments and Mines Maternity Benefit Act.	Maternity benefits.
(iv) Industrial Disputes Act.	Payments in cases of retrenchment and lay-off—a form of limited unemployment relief.

15. One single agency should be set up—hereinafter referred to as the Organisation—which should as a first step assume administrative responsibility for the enactments mentioned in items (i) and (ii) para. 14 under (a) above. In case of workers covered by both the Employees' State Insurance Act and one of the Provident Fund Acts, employers will pay to this Organisation in one single payment, the contributions due under both. Inspectorate and supervisory staff will be unified. These and other consequential measures will aim at simplification and added convenience to both parties—employers and workers.

16. The coverage under items (i) and (ii) under 14(a) are not identical but the advantages of setting up the Organisation still exist. It should, however, be the aim to make the coverage under the two enactments identical as far as practicable and in stages by a prescribed target date. As one step towards facilitating this, action should be taken to delete the provision in the E.P.F. Act under which newly-established factories are exempted from its provisions for the first three years. The deletion of this provision is necessary for another reason as well.

17. The present arrangement in respect of item (iii) under 14(a) by which the respective Welfare Funds are responsible for medical care and treatment of workers in coal and mica mines is working satisfactorily and should continue.

18. The quantum of cash benefits at present granted under the E.S.I. Act should be augmented as follows :

- (i) Sickness benefit should be payable up to a maximum period of 13 weeks in any three benefit periods of 26 or 27 weeks each.
- (ii) Extended sickness benefit, at full normal benefit rate may be granted in case of tuberculosis, or other prescribed long term diseases for a further period of 39 weeks but only to such persons as have completed at least two years of qualifying service.
- (iii) The maternity benefit rate should be raised so as to be equal to the full average wage of the insured woman and subject to a minimum of Re. 1 per day.*

19. There is considerable scope for improving the standard of medical care and treatment for workers covered by the E.S.I. Act. The provision of medical care and treatment (including hospitalisation) for families of workers is urgently needed as it is this omission that has brought in the largest and quite legitimate criticism from organisations of workers and individual workers themselves. All these improvements could be provided only if substantial additional funds are available. For this purpose, the levy on employers should be increased to the maximum that the law already provides for. The justification which existed for levying contributions at lesser rates has, with the considerable extension of the scheme, lost much of its force. The standard of medical care and treatment should be greatly improved and the scope extended to cover families. In fact, a beginning has already been made in this direction.

*We are glad to note that this has already been done, effective from June, 1958.

20. The enactments relating to Provident Funds have proved a real boon to workers covered thereby, in the form of provision for old age. But payment in lump sum has obvious disadvantages compared with a regular pension scheme. The time is ripe for converting the Provident Funds into a statutory Pension Scheme to be administered by the Organisation. A scheme of Old Age, Invalidity and Survivorship Pension-cum-Gratuity is recommended for adoption. This involves payment of a small gratuity sufficient to meet immediate needs and using the rest of the resources towards giving the maximum pensionary benefits. Though the Assam Tea Plantations Provident Fund Act is an Act of the State Legislature, it is hoped that it would be merged in the new Scheme. Otherwise, the workers in plantations in Assam would be deprived of a valuable benefit.

21. To provide pensions of reasonable amounts, the resources should be augmented by :

- (a) Increasing the present rate of contributions of workers and employers to Provident Fund from $6\frac{1}{4}$ per cent to $8\frac{1}{3}$ per cent.
- (b) While the statutory amendments and administrative arrangements required for the conversion into a Pension Scheme will take time, the increase of Provident Fund contributions (to $8\frac{1}{3}$ per cent) should be given immediate effect by amendment of the rules under the respective Acts. Delay in effecting the increase will adversely affect the insured workers as a year of contribution at the existing rate ($6\frac{1}{4}$ per cent) will be taken as only nine months for reckoning length of service.

22. (i) Translated in terms of percentage contributions the recommendations regarding rates of contribution in paras 19 and 20 above imply that as a transitional arrangement rates for the three classes of factories may be laid down as follows :

- (a) For factories, employees of which would be eligible only to the benefits under the Employees' State Insurance Act, there will be no change. Their rates of contribution, when raised to the maximum that the law provides for, work out to about $4\frac{2}{3}$ per cent by employers and $2\frac{1}{3}$ per cent by employees.
 - (b) For factories, the employees of which would be eligible only to the benefits under the proposed scheme of Old-Age, Invalidity, and Survivorship Pension-cum-Gratuity, their rates of contribution will be raised to $8\frac{1}{3}$ per cent by employers and $8\frac{1}{3}$ per cent by employees.
 - (c) For factories, the employees of which are covered for the full range of benefits under the E.S.I. Act plus the proposed scheme of Old-Age, Invalidity, and Survivorship Pension-cum-Gratuity, their rates of contributions as under (a) and (b) above would work out to about 13 per cent by employers and $10\frac{2}{3}$ per cent by employees.
- (ii) In addition, the employers will be liable to pay an administrative charge not exceeding 0.4 per cent of the total wage bill in cases under (b) and (c) above. No separate administrative charge will be leviable in cases under clause (a).

23. The Workmen's Compensation Act originally provided coverage for both workers in organised industry as also in several scattered employments. With the gradual extension of the E.S.I. Act more and more workers in organised industry will be governed by this Act. Several cases will still remain, particularly of scattered employments where the responsibility for payment of compensation will continue to rest with the individual employer concerned. A pension scheme can be adopted even in these residuary cases by requiring the employer to pay to the Organisation a lump sum amount and the Organisation then taking on the responsibility for making recurring pensionary payments to the injured worker or his dependants as the case may be. Steps should be taken to revise the relevant schedule to the Workmen's Compensation Act to increase the present scales of lump sum payments to meet the cost of the new pensionary liabilities.

24. While the provisions in the Industrial Disputes Act relating to compensation on retrenchment and lay-off have afforded some relief and acted as some deterrent to hasty retrenchment, certain unsatisfactory features have nevertheless been revealed. The permanent remedy may be in the form of a scheme of unemployment benefit but a scheme of this type will not be practicable for some time to come. Till then, improvements should rather be in the direction of avoiding closures—and consequent retrenchment, as far as possible, as, e.g., by creation of a fund through which industrial units in temporary difficulties can be assisted and kept running where such a course is in the interests of the workers and the public interests at large. This subject will be studied and a supplementary report submitted if Government so wishes.

25. Comparative studies made of some countries in Europe by the I.L.O. show that the employer's liability towards cost of social security measures for the workers—expressed as a percentage of the wages—is, in many cases higher than what the Group has recommended—this, in spite of the fact that adequate standards of medical care, hospitalisation etc., are provided in these countries by the State for the population as a whole including industrial workers.

CHAPTER II

ACHIEVEMENTS AND CRITICISMS OF THE EXISTING SCHEMES

26. Before considering what changes in benefits should be made, we took some account of the social security insurance benefits provided in other countries and the working and progress of the existing schemes in India. The contingencies against which social security measures in other countries are provided consist of sickness, maternity, employment injury, invalidity, unemployment, old-age or death of the breadwinner. Usually the rates of benefits are adjusted to the number of children and dependents of workers. The measures which provide some kind of protection in the contingencies mentioned above in India at present are :

1. Medical care	Coal and Mica Mines Welfare Fund Acts; E.S.I. Act and the Plantations Labour Act.
2. Sickness Benefit	E.S.I. Act, Mines Maternity Benefit Act, State Maternity Benefit Acts and Plantations Labour Act.
3. Employment Injury	Workmen's Compensation Act and E.S.I. Act.
4. Unemployment	Industrial Disputes Act (Provisions relating to retrenchment and lay-off).
5. Old Age & Death	Employees' Provident Funds Act; Coal Mines Provident Fund Act and Bonus Schemes Act; Assam Tea Plantations Provident Fund Scheme Act. (The recently introduced scheme of old-age pensions in the Uttar Pradesh is still in an experimental stage and limited to destitutes and not to workers as a group and has not, therefore, been taken into account for purposes of our general study or recommendations).

27. Of the Acts enumerated above, the Mines Maternity Benefit Act, the State Maternity Benefit Acts, the Plantations Labour Act, Workmen's Compensation Act and the Industrial Disputes Act place the liability directly on the employer concerned and, as such, cannot be said to be social security measures in the normally accepted sense. Social security in the latter sense is provided today mainly by the E.S.I. Act, the E.P. Fund Act and the Coal Mines Provident Fund and Bonus Schemes Act. Appendix II shows the gradual progress made in applying the above schemes, the present position, the success so far achieved and also the various benefits provided for under the schemes.

28. We now proceed to describe briefly the salient features of the above enactments as also to give a list of the many criticisms levelled against

them from time to time. No comments are needed in regard to the Plantations Labour Act as it is still in the process of implementation and the only serious criticism (of the workers) has been that the implementation has been proceeding at too slow a pace. Some of the criticisms on the other enactments, the Group accept as fully valid while some others have partly influenced our recommendations. Criticisms which fall in these categories have been shown in italics. After giving the list, the Group's own findings and recommendations in respect of each enactment are summarised.

Workmen's Compensation Act, 1923

29. This Act may be said to be the forerunner of the measures under consideration and has now been in operation for nearly 35 years. It has been amended a number of times since and even now, a number of amendments are under the consideration of the Government of India including suggestions to extend its scope and to improve its working. In factories to which all provisions of the E.S.I. Act apply, the provisions in this Act are replaced by the more progressive measures of the E.S.I. Act. The principal criticisms of this Act are :

30. *Employees' View-point* : (1) Evasions occur particularly with small backward employers or with employers not in a good financial position.

(2) Salary limit is low and even some manual workers are not covered.

(3) Schedule II to the Act defining scope could be widened and clerks might also be covered.

(4) Definition of 'employment injury' is narrow as compared to that in other countries, e.g., wilful disobedience or drunkenness deprives the employee of compensation even in cases involving permanent disablement. Accidents to and from place of work are not covered.

(5) The waiting period of seven days is rather too long.

(6) The list of occupational diseases needs enlargement.

(7) *Lump sum payments in case of death and permanent disablement are not adequate and are likely to be frittered away. Pensions provide better security in serious disablement or for dependants.*

(8) Payment made for temporary disablement is deductible from lump sum payments for death or permanent disablement thus reducing the amount available in many cases.

(9) The employees are generally in a weak position to make their claims and get them against comparatively powerful employers.

(10) A claim against employer creates a contentious atmosphere and may result in loss of employment.

31. *Employers' View-point* : An employer who is not prudent enough to take a Workmen's Compensation Insurance policy is landed in difficulties when a case of death or permanent disablement arises if his capital is not much. The difficulty would become aggravated if the compensation payable under the Workmen's Compensation Act is increased.

Group's Findings and Recommendations

32. The Group does not feel justified in examining each of the criticisms detailed above but only those which are of such wide importance as to justify a basic change in the existing law. In the present case, there is

also the fact that Government, it is understood, is already considering amendments to the Act to meet many of the points of criticisms and that an amending Bill is before Parliament.

33. Item 7 of the points taken by employees is, however, of importance and has a direct bearing on the Group's terms of reference. A worker in a factory who is invalidated or dies as a result of employment injury can get an invalidity pension, or, in case of death directly resulting from the injury, the family gets a survivorship pension. But the family of a worker engaged in, say, elephant catching and who dies as a result of employment injury gets only a lump sum compensation which, in terms of relief, is much smaller than the pensions admissible under the E.S.I. Act. Yet, prior to the enactment of the latter, the position of both the workers was identically the same as both were governed by the W.C. Act. If there was any likelihood of all persons covered by the W.C. Act receiving, in the foreseeable future, the alternative and better benefits provided by the E.S.I. Act, it might have been only a matter of waiting. We recognise that progressive implementation of the E.S.I. Act will cover more and more of the categories now protected only by the W.C. Act. But it is obvious that there will still remain many occupations included in the Schedule to the W.C. Act which are not regular steady employments and the question of regular monthly contributions in such cases will be wholly outside practical politics.

34. Therefore, several cases will still remain where the provisions of the W.C. Act will continue to apply making the individual employer responsible for compensation to individual workers receiving employment injury or dying as a result thereof. But even in such cases, a system can be evolved by which the employer is required to pay a lump sum not to the worker or his family but to a public authority, the E.S.I. Corporation, in this case. The latter, in its turn, will arrange to disburse to the worker or his family periodical payments in the form of pensions. The quantum of pension will, of course, depend on the amount which the employer is required to deposit in the form of lump sum. If pensions are to be on the scale provided in the E.S.I. Act, the lump sum payable will have to be considerably more than what is provided in the existing schedule to the W.C. Act. This might cause serious hardship to the individual employer. The E.S.I. Act covers workers in organised industries where there is steady employment. No special hardship is, therefore, involved in requiring the employers to pay monthly contributions towards possible employment injury, irrespective of whether or not an injury is sustained during the period of employment under a particular employer. But in the case of purely temporary employment under different employers, many will escape liability altogether if no employment injury is sustained by a worker while in their employment. On the other hand, the employer under whom an injury is sustained will be called upon to pay a disproportionately large sum which may be even beyond his means as several of such employers may themselves be men of not great means. There will, consequently, be even the risk of suppressing the reporting of injuries.

35. To meet these difficulties a decision should first be reached as to the limits to which the amounts provided in the Schedule to the W.C. Act can be suitably increased. Though some increases were made some years ago, there is no doubt that the existing limits do not provide adequately for the large increase in wages and the cost of living that have occurred after the Schedule was last revised. Under conditions as exist today, the Group

feels that the Schedule can be revised so that the maximum liability on the employer can, in each case, be doubled. This is recommended and, thereafter, actuarial calculations should be made as to what scale of recurring pensions may be provided from the lump sum payments of these amounts received by the Corporation. It is desirable, however, to ensure a simple form of pensionary benefits as the amounts, in any case, will not be as great as those provided in the E.S.I. Act. We have suggested the E.S.I. Corporation as the agency for distributing these pensions as it is already doing this type of work in regard to pensions under the E.S.I. Act. It is understood that the Corporation can make suitable arrangements for remitting sums due to persons or dependants living in outlying areas where the Corporation may not have its own offices.

36. We are aware that many cases of compensation under the Act now go by default as the law requires a claim to be lodged before the court which workers or their families often fail to do due to ignorance. Among the amendments receiving Government's consideration is one by which any authority specifically empowered can bring in before the court cases where compensation is payable even where the worker or his family do not make a claim. We would state, however, that if the E.S.I. Corporation is required to disburse invalidity or survivorship pensions as recommended above, this will be done only in cases where lump sum payments have been deposited. The Corporation will not be called upon to adjudicate any claims nor undertake any other functions under the W.C. Act. All those functions should continue to be performed by the various authorities prescribed in the Act.

Employees' State Insurance Act, 1948

37. This might be said to be the first enactment which placed the liability for benefits according to need, not on the employer, but on a national organisation. Mainly because of the cautious policy followed so far, its working has shown that the income has been in excess of the expenditure.

38. *Employees' Viewpoint:* (1) Benefits are granted only in certain contingencies and those who do not claim, feel that their contributions are wasted. This applies especially to clerks.

(2) The exemption limit for contributions from employees should be fixed higher. It has been suggested that the limit be Rs. 3 per day below which employees should not contribute.

(3) The employers are contributing less than the employees at present. *This will however be removed if the employer's special contribution is raised as already notified by the Central Government or if transitory provisions cease to be in operation.*

(4) *Medical care for families should be included straightaway and on a comprehensive basis.*

(5) *Better hospitalisation facilities should be provided under the Scheme for insured persons and also for families.*

(6) Cash benefit should be paid more promptly, if necessary by simplifying the procedures.

(7) There should be some benefit for those also who do not make claims.

(8) *Cash benefit should be for a longer duration, particularly in the case of T.B., cancer, etc.* For T.B., the period has been extended to six months but even this proves inadequate in many cases as persons get neither wages from the employer nor benefit from the Corporation and yet are unable to go back to work.

(9) Better facilities granted by some employers are withdrawn on implementation of the Scheme. To prevent hardship, the Regulations provided for withdrawal only to a limited extent. Even so, the employees often feel that this is a hardship because, with the contributions they pay, the benefits they get are not much more.

(10) There should be provision for maternity benefit in case of abortion or miscarriage.

(11) *In certain States, maternity benefit is granted at full wages. The E.S.I. Act grants approximately 7/12th of wages. This results in reduction in benefit in these cases.*

(12) There should be provision for some kind of death grant.

39. *Employers' viewpoint:* (1) *The contributions charged from non-implemented areas are considered unjustified and a burdensome tax.*

(2) The contributions charged are much too heavy as evidenced by the accumulation of funds with the Corporation. The employers generally claim that the benefits granted by the Corporation could be given at lesser cost.

(3) The maintenance of contribution cards, calculation of appropriate stamp to be affixed and the submission of returns is rather cumbersome.

(4) The employer's contribution is being increased while, at the same time, there is reduction in the State Government's share. This has been resented by employers.

(5) To keep down the cost on employers which ultimately is passed on to the consumers, there should be simplification of administration and the contributions should be kept as low as possible.

(6) Some workers take leave from employers on wages and claim sickness benefit also. This results in malingering. The employer is unable to deduct benefit from wages, if wages are drawn before claiming sickness benefit.

(7) The Corporation is entitled to make recoveries from employers under Section 66 of the E.S.I. Act. Some organisations of employers do not consider this right, though this provision has been having a salutary effect in getting the requirements of the Factories' Act more carefully followed.

40. *General:* Owing to division of responsibility between the Corporation and the State Government for cash and medical benefit respectively, there have been delays in implementation, in improving medical arrangements, particularly hospitalisation and inclusion of families for medical care.

Group's Findings and Recommendations

41. As the Scheme under the E.S.I. Act was the first national scheme involving even a modest form of social security, Government were doubtless anxious that great caution should be exercised in the earlier stages. Many

doubts had been expressed that as a result of malingering or abuse of the benefits provided under the Act, the funds of the Corporation might become bankrupt. Further, even if ample funds were available, the building of dispensaries, hospitals or extension of existing hospitals as also of getting an adequate number of trained doctors and medical attendants would take time. The division of responsibility between the Corporation and State Governments in regard to medical care and treatment also brought about minor differences which took time to solve. Nobody can claim that the existing standard of medical care and treatment is at all adequate. Hospitalisation facilities have only made a bare beginning. The decision to extend benefits to families was taken only very recently and is yet to be effectively implemented. One cannot blame the workers when they point out that some of them were enjoying a better standard of medical care and treatment including hospitalisation for themselves and their families, all provided free by certain progressive employers, whereas, by the application of the Act, they have to make a contribution and still receive benefits of a lower standard and hitherto confined to the workers alone and not to their families. On this point, it may, however, be stated straightaway that the Corporation will not, at least in the foreseeable future, be able to provide standards equal to what is provided by the best employers. It may also be noted that employers who provide such high standards are still the exception. A scheme of insurance involves equalising of benefits to all and if the equalised standard has to be the same as the higher standards enjoyed by a small section, the cost will indeed be prohibitive.

42. Little purpose will be served by analysing the many causes leading to the above complaints. Instead, our attempt should be to suggest measures by which the Corporation will be able to go ahead with its forward programming with a reasonable assurance of adequate financial support and in the light of experience gained so far. It may be recalled that before deciding on the question of levy to be imposed on the employers and workers, as eventually incorporated in the Act, a considerable amount of actuarial studies and investigations had been made. This was over twelve years ago though the legislation itself was enacted only in 1948. Leaving aside minor points of detail, there are only two major factors that have since been brought to light. The average sickness rate has proved lower than what was estimated and, in passing, this shows that the complaint of malingering which one hears of occasionally is by no means serious. As against this, the cost of medical care and treatment has risen very considerably since the original calculations were made, the percentage rise in cost being much more than the percentage of wage increase during the same period. Calculations made in the light of conditions today show that if a reasonable standard of medical care and treatment as well as hospitalisation are to be provided for the insured workers and their families, even a contribution from employers at the maximum rate of 4-2/3 per cent will not meet the cost. This is why the calculations in Appendix III have taken into account the existing savings as one means of partially liquidating future liabilities.

43. The improved standards which the Corporation decides to provide will, of course, have to be limited to the resources available. But once standards are fixed, the Corporation should be in a position to provide the same standards throughout the country—otherwise, serious discontentment is bound to arise. For this, the Corporation must have the financial resources assured not only for today but equally for the years to come. It will be impossible to do real forward planning or programming otherwise.

44. At the moment, the Corporation has a surplus approximating to thirteen crores of rupees. A view is expressed that this alone indicates that the rate of contribution is in excess of the needs. Such a view is obviously erroneous and can be easily proved so. Hitherto, the benefits were extended only to the worker and not to the family. Adequate hospital facilities have not yet been provided in the majority of cases. The result is that the expenditure incurred *per capita* is no more than a fraction of what the cost would have been if these had been provided on a reasonable standard and if families had been covered. One further partial cause of the surplus is the collections made from non-implemented areas. If matters have now to be proceeded in a business-like fashion, the Corporation will require large sums for capital construction and the accumulated surpluses can, at the most, only provide the resources for meeting this capital cost. From this point of view, the accumulated surpluses have proved a blessing.

45. We are frankly disturbed by a suggestion from some quarters that there should be no increase in the levy on employers till the existing surpluses available are all spent up. As already indicated, unless the future resources are clearly settled, the Corporation will not be able to plan on certain determined standards, and also, the present savings will be required for partially meeting future liabilities. Apart from all this, a question even arises of the equity of such a suggestion. Hitherto, owing to some fortuitous circumstances, the employers, even in the areas to which the Act has been extended, have been contributing on behalf of each worker only about half of what the worker himself has been contributing. This disparity is difficult to justify as the reverse would have been more equitable and is what the Act actually provides. It will perhaps be agreed, as facts abundantly show, that the surpluses have arisen mainly because the workers have not, so far, received benefits commensurate with their contributions, though they have been contributing at the maximum rates prescribed under the Act. On merits, it would be more equitable to hold that the savings which have arisen owing to the workers being on 'short rations' during the last six years or so should be spent rather on giving them extra rations in future. In any case, we are of the view that to retain the employers' contribution at about a fourth of the statutory maximum till all the existing surpluses are spent up, is a proposition that will be almost impossible to defend.

46. As already stated, the present provisions relating to contributions from employers were framed to avoid any competitive disadvantage for employers in areas covered by the Act over those in the uncovered areas. It will be recalled that this difficulty arose when the first pilot project was proposed to be started at Kanpur, which has one major industry which would have been materially affected in comparison with the same industry in other parts of India to which the Act was not extended. The transitory provisions were introduced and though these gave some relief to the employers in the areas covered, the position on the whole, did not result in a perfect solution. Employers in the non-covered areas were also required to make a contribution, though they got nothing in return. It is clear, however, that these transitory provisions were intended to be a temporary measure.

47. The position has now completely changed. The scheme has long ceased to be of a pilot type. The total number of workers that are eligible to be covered by the Act is approximately twenty-two lakhs. A few scattered areas will have to be exempted for many years to come, if not

permanently at least because the Corporation will be unable to extend its services to those areas without wholly disproportionate costs and with no possibility of effective supervision and control. For present purposes, we may assume that the total number to be exempted in this fashion may be two lakhs. The number covered till now is about thirteen lakhs. As soon as another three lakhs are covered bringing the total to sixteen lakhs, the factor of competitive disadvantages will have disappeared, as the major industries, where this factor applies, would have been covered. We recommend that as soon as sixteen lakhs of workers are covered by the provisions of the Act, the contributions from employers in the covered areas should be raised to the statutory maximum which works out at about 4-2/3 per cent of the wage bill. With effect from the same date, the levy of contributions on employers in the uncovered areas will cease. We specifically emphasise that the decision should be reached now for, as already explained, positive future planning will be difficult unless the future financial resources are also assured.

48. In regard to improvements in cash benefits, duration of benefits in case of prolonged illness like T.B., cancer, etc., our recommendations are contained in Chapter IV. We note however, that some of these have already been independently considered by the Corporation and decisions reached.

Employees' Provident Funds Act and Coal Mines Provident Fund Scheme

49. The Coal Mines Provident Fund Scheme was established with a view to implement one of the recommendations of a Board of Conciliation made in 1947. The Employees' Provident Funds Act replaced in 1952 an Ordinance passed earlier and established a unified Provident Fund for six industries to begin with. It has been extended to thirty-two other industries since. The principal points deserving mention about these two Funds are as follows :

50. *Employees' Viewpoint:* (1) *Provision for maintenance of families in case of premature death is wholly inadequate.*

(2) *The provision of contribution at 6½ per cent from each party is inadequate.*

(3) *The system of payment of provident fund accumulations in one lump sum has certain obvious disadvantages which can be removed by substituting for the present scheme a suitable Pension Scheme.*

(4) *All industries are not at present covered.*

(5) *Small factories are not covered as also new factories for a period of three years.*

(6) *Members of provident funds are discriminated against when looking for employment as, in their case, employer has to pay provident fund contributions from the very beginning.*

51. *Employers' Viewpoint:* (1) *Some industries feel that the contribution rather tells heavily upon them.*

(2) *Separate contribution cards, returns and inspections for the Provident Funds Act and for the E.S.I. Act make the work of the employer more as well as cumbersome. The extra administrative charge they pay could be*

eliminated or reduced if the cost of administration were brought down by integration or otherwise.

Group's Findings and Recommendations

52. Of all the criticisms made, the most important is the one that a provident fund has certain disadvantages which can be remedied by adoption of a pension scheme. It is hardly necessary to elaborate this at length. Lump sums, if they are to serve during old age, should be wisely invested and not many workers have the experience to do so. Cases are not unknown where even high placed officials who commuted the bulk of their pensions suffering in later years as a result of unwise spending of the commuted amounts. Where the recipient of the provident fund is a worker's widow, there is every risk of her being exploited by male relatives. If a worker dies young, the amount payable to his dependants will be so small as to constitute hardly any real relief. The Chairman as the Secretary in the Ministry of Labour when the E.P.F. legislation was enacted can testify that the main reason for not starting with a pension scheme in the very beginning was that this would require a large administrative machinery which could not be set up all at once. Now that the machinery for administration of the E.S.I. Act and the E.P.F. Act are well established, the time is ripe for establishment of a pension scheme which the existing machinery dealing with the two Acts can, with adjustments and minor expansion, well handle.

53. The Group also recommends the amalgamation of the three Organisations, those dealing with the E.S.I. Scheme, E.P.F. Scheme and the C.M.P.F. Scheme all into one. This need not wait till the coverage under the different enactments is made uniform though, as far as practicable, such uniformity should be progressively aimed. After the integration, employers and workers will make single payments of amounts representing their liabilities under one or more of these three enactments. The parent Organisation to which the others should be merged is the E.S.I. Corporation. When this is done, there will be no further duplication of inspectorates or supervisory staff and the criticism of the employers, which has considerable force, will disappear.

54. The Group makes it clear, however, that the integration is recommended primarily for the convenience of the parties. This aspect, as also the question of what the administrative changes should be, are discussed later.

CHAPTER III

FEASIBILITY OF AN INTEGRATED SCHEME

55. One of our terms of reference relates to a comprehensive social security scheme and another to an integrated scheme. Both in effect mean the same and this general question requires some discussion. This is even more necessary because, now-a-days, expressions like 'comprehensive', 'co-ordinated' and 'integrated' appear to be given a more exaggerated significance than is warranted on the merits of each case. In our view, any integration of two or more schemes can be justified only if this fulfils one or other of two main tests. The tests are, first, whether the integration will result in any substantial economy and, secondly, whether it will result in distinct added convenience to the parties concerned—the employers and workers.

56. Our recommendations do not include any new item of social security though the recommendation for converting the present form of provident funds into a scheme of Old Age and Survivorship Pension-cum-Gratuity Scheme does mean a very major change. Possible integration has, therefore, to be considered as among the schemes already in operation. We will consider each of them by applying the aforesaid tests.

57. The Coal and Mica Mines Labour Welfare Funds are created through a cess levied specifically for the purpose of providing various welfare measures for workers in coal and mica mines respectively. The only part of the activities of these three Funds which form an item of social security as such is in regard to medical care and treatment including hospitalisation. There are tripartite advisory committees to advise on all matters relating to activities of the Fund and the administration has been proceeding smoothly enough. It is advisable that all activities of these Funds should be controlled and co-ordinated by one authority as at present. The only possible integration with another organisation will be in regard to medical care and treatment but this, even if effected, is not likely to result in any savings or added convenience to the workers. Thanks to the liberal income from the cess, the standards of medical care and treatment provided by the Funds are of a high order. An integrated scheme should normally involve application of uniform standards. But, within the available resources, it is doubtful whether the standards now provided for workers in coal and mica mines can be applied, at least for some time to come, to all industrial workers in general and the likelihood is of the standards prevalent in the case of the former being levelled down rather than a general levelling up. There is no justification for this. It follows that the present system of working of these Funds should continue unchanged and that there should be no integration with any of the other schemes. True, workers in coal mines in particular will continue to be provided with standards higher than is available to industrial workers in general. But all the world over and the I.L.O. have recognised that coal miners, because of the peculiarly uncongenial and hazardous nature of their work, are entitled to special favoured treatment.

58. In regard to the enactments listed below, the financial liabilities rest on the individual employers:

Act	Contingencies provided for
(i) Workmen's Compensation Act.	Compensation in the form of single lump sum payments in case of permanent disability or death resulting therefrom and periodical payments in case of temporary disability.
(ii) Plantations Labour Act	Medical care and treatment, sickness benefits, maternity benefits.
(iii) Maternity Benefit Acts of State Governments and Mines Maternity Benefit Act.	Maternity benefits.
(iv) Industrial Disputes Act	Payments in cases of retrenchment and lay-off—a form of limited unemployment relief.

59. Government's function in these cases is, therefore, one of ensuring effective enforcement. Constitutionally this is the responsibility of the State Governments and this alone can be a major reason why none of these can be integrated with schemes operated by Central authority. Even if there were no constitutional difficulties, any such integration will not achieve either of the purposes which we have earlier indicated as tests. We are aware that one major reason advanced by those who advocate Central legislation and administration is the need for ensuring uniform standards. We feel, however, that this should be effected through means other than integration. The machinery for this purpose already exists in the tripartite bodies set up by the Ministry of Labour and Employment and in the recent creation of a separate division in the Ministry dealing with enforcement and implementation of labour laws. If, however, the present system of payment of workmen's compensation in lump sums is converted into a system of pensionary payments, there will be a case for partial integration. This has been discussed earlier.

60. With most of the enactments thus eliminated as unsuited for integration, we are left with only two major items, the Employees' State Insurance, the Employees' Provident Fund and the schemes of Provident Funds for workers in coal mines and in plantations. The coverage in respect of the first two is not identical but a very large number of workers are covered by both. With the further extension of these two schemes, this number will further increase though a cent per cent uniformity may still take some time.

61. There are certain factors common to these enactments, which make them ideally suited for integration. The E.S.I. Corporation has, among its other functions, that of disbursing payments direct to individual workers either as sickness benefits or recurring payments in case of employment injury. Similarly, the Provident Fund administration has to make payments to the subscribers as and when their claims fall due. Workers would definitely prefer to deal with one office alone in regard to claims under both the Acts than having to run to different offices in connection with different claims. This convenience will be appreciated much more if, as in our major

recommendation, the lump sum payments in the form of provident funds is substituted by a system of recurring pensionary payments—involving several regular visits to the office.

62. The integration will give even greater relief to the employers. Both the administrations now have their own separate inspectorates. When inspecting factories or offices of the employers, a good deal of the same records and information may be called for by both series of inspectors. Integration will combine the functions of two inspectors in one and thus give some clear relief to the employers.

63. It follows, therefore, that the suggested integration clearly fulfils one of the two tests, added convenience—or, perhaps lesser inconvenience—to the parties concerned. As to the other test, that is, of possible economy, we do not wish to be dogmatic. At the outset, we would point out that economy, if possible, can be only in respect of the cost of administration. We are not sure if it is sufficiently recognised that the administrative costs, even today, form only a very small portion of the wage bill. In the case of provident funds, the present rate amounts to only 3/8 per cent (three-eighths) of the wage bill. The E.S.I. Act makes no separate provision for administrative charges. But the expenditure now incurred is about 9.8 per cent of the total contributions or about 0.4 per cent of the wage bill of workers in the areas in which the Act has been implemented.

64. Even assuming that, as a result of the integration, the combined administrative costs can be reduced by, say, 15 per cent, the actual relief to individual employers will, in terms of the total contributions, be relatively negligible. In view, however, of the growing general criticisms in respect of mounting administrative expenditure, we would have made a positive recommendation for a reduction if we could only do so with confidence. But there are many points involved and we can only touch upon some of them.

65. At first thoughts, it may be argued that the combination of the inspectorates and some supervisory posts should alone bring about an immediate reduction, however small, in the administrative costs. But as against this, the conversion of provident funds into a pension scheme will involve handling of more than twenty times the number of individual transactions than at present. The economy effected by integration of work at local offices may well be offset by the need for opening more local offices for the convenience of the very large number of persons to be catered for. It is noted in this connection that the Provident Funds Scheme has, at present, no local offices. But with the introduction of the pension schemes, local disbursing offices will be essential. A further question which will also have a bearing on the cost of administration but which we are not in a position to adjudge on is the extent to which an existing agency like the post offices or local treasuries will be made use of in regard to disbursements.

66. We are also aware that both the E.S.I. Corporation as well as the Board of Trustees of the Provident Fund Schemes do keep a regular watch against any undue mounting up of the costs of administration. As the statutes themselves do not lay down any limits, this, in the long run, will be the only effective remedy. So far as we are concerned, the most we can say is that with the many unknown factors, we cannot safely recommend that any specific reduction in administrative costs is possible. We can only

recommend that the present accepted ceilings should not be exceeded. What these are, are stated in Chapter IV.

67. As explained earlier, the coverage under the two schemes (E.S.I. and the Provident Funds) is not identical and cent per cent identity may not, for practical reasons, be attainable for quite some time to come. There is, however, only one fundamental obstacle. Under the E.S.I. Act, there is no special exemption given to 'infant factories', that is, for the first three years of their establishment. The E.P.F. Act, however, gives this exemption and this is bound to raise administrative difficulties in the working of the integrated scheme. This provision in the E.P.F. Act will create difficulties, even if there were no integration. Let us take the case of a worker covered only by the E.P.F. Act. If our recommendation for converting the provident funds into a pension scheme is accepted, the amount of pension will depend on the total length of service and on payment of contributions. In these circumstances, we recommend that steps be taken to delete the special provision relating to exemption of factories for the first three years under the E.P.F. Act.

68. We make it clear, however, that the integration of the schemes of Employees' State Insurance and of the Provident Funds administered by the Central Government can be effected as soon as the necessary administrative arrangements can be made. The proposed organisational set up is described in Appendix I. We recommend that the sooner the administrative integration can be effected, the better it may prove for future smooth working.

69. In view of the definite long-term advantages, it is presumed that the Government of Assam may agree to integrate their scheme of provident fund for workers in plantations, though it is at present administered by the State Government.

CHAPTER IV THE SCHEME

70. The integrated scheme will provide for medical benefit and cash benefits for sickness and maternity, compensation for employment injury, life pension on normal or invalidity retirement-cum-gratuity and survivorship pension to dependants on the death of the insured person, whether in service or on pension. The scales and conditions for the various benefits will be as given below: the terms average wage contribution and benefit periods and qualifying service used in this connection are explained at the end of this chapter.

1. Medical Benefit

71. (a) *Normal Medical Benefit*: An insured person and his family will be entitled to medical care and treatment including hospitalisation so long as he remains in insurable employment and for a period of 13 weeks thereafter.

(b) *Extended Medical Benefit*: In the case of tuberculosis, cancer, mental disorders, leprosy and such other long-term diseases as may be specified, this benefit will be extended by another 52 weeks provided the insured person has completed at least two years of qualifying service. This extended benefit will be admissible only to the insured person and not to his family.

2. Sickness Benefit

72. The sickness benefit will be on the present level, that is, about 60 per cent of the average wage earned during the preceding contribution period. On payment of contributions for 90 days at least, the insured person will be entitled to sickness cash benefit during the ensuing benefit period but it will be subject to a maximum of 13 weeks in any three half-yearly benefit periods. In cases which satisfy the conditions laid down under extended medical benefit, full rate of cash benefit will be continued for the further period of 39 weeks. No sickness benefit will be payable for the first two days of sickness. Sickness not separated by more than 15 days will be deemed to be linked.

3. Maternity Benefit

73. Full average wage subject to a minimum of Re. 1 per day will be paid for a period of 12 weeks, of which six weeks should precede the expected date of confinement. This amount will also be payable in cases of miscarriage, occurring after twenty-six weeks of gestation. Insured women, who are qualified for sickness cash benefit, will be eligible for maternity benefit.

4. Employment Injury

74. (a) In cases of temporary disablement arising out of and during employment, 60 per cent of average wage will be paid during the period of disability. Temporary disablement benefit will not be paid for the first three days, but if it lasts for more than 28 days, the benefit will be paid for the first three days also. In cases of permanent, partial or total disablement, a

life pension depending on the degree of disability, subject to a maximum of 60 per cent of average wage will be paid during the life-time of the insured person. On his death, this pension will be continued to the dependants as Survivorship Benefit. This will be in addition to any survivorship pension accruing in terms of the contributory record for the period subsequent to the injury. On the death due to employment injury, 60 per cent. of the average wage will be admissible as Survivorship Pension Benefit. The Survivorship Benefit will be payable as indicated in sub-para (b) below:

(b) The Survivorship Pension Benefit will be payable to the specified dependants as follows:

- (i) In case of a male insured person :
50 per cent to the widow or widows till death or remarriage; 20 per cent for each legitimate child up to the age of fifteen (eighteen if studying in school) and terminable, in case of girls, on marriage if this occurs earlier; where there are three or more legitimate children, an amount of 50 per cent of the Survivorship Benefit will be equally distributed among them.
- (ii) In case of female insured person :
50 per cent. to the husband only if he is totally incapacitated from earning himself; 20 per cent. for each child up to the age of fifteen (eighteen if studying in school) and terminable, in case of girls, on marriage if this occurs earlier; where there are three or more children, an amount of 50 per cent of the Survivorship Benefit will be equally distributed among them.

In cases under both (i) and (ii) above, where there is no widow or a husband eligible for pension, the share of the children may be raised provided the total does not exceed the maximum Survivorship Benefit and no one child gets more than 30 per cent.

(c) The title to employment injury benefits will accrue on the first day of entering into insurable employment.

5. Retirement Benefit

75. (a) *Pension*.—On reaching the age of 60 (55 for women) in service and having put in 15 years of qualifying service or on earlier medically certified invalidity after five years of qualifying service, an insured person, provided he entered insurable employment before the age of 45, will be eligible for a pension for life. The pension will be the last five years' average wage multiplied by a fraction equal to 1/80th of the number of years of qualifying service. The fraction will, in no case be less than 20/80th or more than 35/80th (30/80th for women). One-third of the pension can be commuted on an actuarially prescribed basis for specified purposes, such as, house construction.

(ii) An insured person entering insurable employment after the age of 45 will, on reaching the normal retirement age in service, be entitled to receive his own contribution together with the employer's contribution on his behalf and interest at a specified rate not exceeding three per cent. per annum, provided that the amount so due may be paid in such instalments as may be prescribed.

(b) *Survivorship Benefit*.—This will be admissible (a) to the family of an insured person who dies after not less than five years of qualifying service and (b) to the family (as existed on the date of retirement) of a pensioner who dies while in receipt of a retiring or invalidity pension.

The survivorship pension in either case will be limited to a maximum of two-thirds of the retiring pension which the pensioner was drawing or, in case of death while in service, two-thirds of the invalidity pension that would have been admissible had the deceased worker retired on such pension on the date preceding the date of his death. This will be payable to the dependants in the manner described in para 74 (b) above.

(c) An insured person, after reaching the normal retiral age 60 (55 for women), if he continues in service, will not earn any further pension in respect of the additional years of service. He will, however, continue to be covered for the other non-pensionary benefits and contributions will be reduced accordingly.

6. Gratuity

76. In case of retirement after 20 years of qualifying service, gratuity equal to four months of last five years' average wage will be paid. If retirement takes place after 25 years of qualifying service, the gratuity will be increased to six months' average wage of last five years.

7. Withdrawal Benefit

77. If, before attaining the age of fifty, an insured person opts out of insurable employment for reasons not involving dismissal for misconduct, he will be paid the percentage of wages shown below for the period for which contributions were paid :

Less than one year of service	8%
1—15 years	10%
15—25 years	12%
Over 25 years	15%

Entrants after age 45 (40 for women), who so opt out even after the age of 50 will also be eligible for this benefit.

78. Persons opting out after attaining the age of fifty and who have fulfilled the qualifying period for retiring pension will not be allowed withdrawal benefits but will be entitled to draw on reaching the age of 60 (55 for women) the admissible retirement pension, based on the contributory period. Survivorship pension will also be admissible in such cases if death occurs before.

Contributions

79. (i) Full contributions will become payable on entry in insurable employment subject to any general exemption of a class of persons, e.g., casual workers.

(ii) Till uniform coverage for all benefits under the Integrated Scheme is possible, three separate scales of contribution for the following groups will be laid down as a transitional arrangement :

(a) *Those covered for pensionary benefits only* : Calculations shown in detail in Appendix III reveal that the proposed pension scheme will

require a contribution of 8-1/3 per cent. of wages by the employers and the same rate by the workers. In regard to persons covered for pensionary benefits only, contributions should be levied at these rates. For purposes of calculating pensions, a year of service rendered with the present rate of contributions will be reckoned only as nine months. So, the longer the delay in raising the rates, the more will be adverse effect on present members of the provident fund, when the pension scheme comes into force. Therefore, as a first step, the present rate of contributions to the Provident Fund should be raised from 6-1/4 per cent. to 8-1/3 per cent. from as early a date as possible; that is, this should *not* wait till the pension scheme is actually introduced.

(b) *Those covered for benefits under the E.S.I. Act only* : Contributions from employers and workers in areas where the Act has been implemented, should be raised to the maximum provided under the Act. This works out at about 4-2/3 per cent. of the wage bill from the employers and 2-1/3 per cent. of wages from the workers.

(c) *Those covered for benefits both pensionary and under the E.S.I. Act* : The contributions payable will be the sum total of those payable under (a) and (b) above and will be paid in single consolidated amounts. The aggregate payable works out to about 13 per cent of wages from the employers and 10-2/3 per cent from the workers.

(iii) Persons continuing in service beyond the age of 60 (55 for women) will cease to pay pension contributions. As a corollary, they will get no additional pensionary benefits either for the service rendered beyond this age. Contributions on the scale under sub-clause (ii) (b) above will, however, continue to be paid for as long as the person is in insurable employment.

(iv) *Administrative Charges* : For reasons explained, it would be risky to suggest any reduction in the maximum limit of levy for administrative charges. It will be for the administrative authorities to keep these charges as low as possible, within this limit. The only change needed is to provide for these charges being reckoned as a percentage of the wages and not on the contributions. Otherwise, the quantum of the levy will increase the moment contributions to the provident fund are raised from 6-1/4 per cent. to 8-1/3 per cent. and we can find no justification for this. The maximum levy now provided in the E.P.F. Scheme works out at 0.4 per cent. of the wage bills. This rate (0.4 per cent of the wage bill) may be prescribed as the maximum levy on the employers in cases under sub-clauses (a) and (c) of clause (ii). As no separate levy is made for administrative charges under the E.S.I. Act, this position should continue.

General

80. Contributions and benefits both will be related to the average wage earned during the relevant half-yearly contribution period. The actual amount of benefit during a half-yearly benefit period will, unless otherwise stated, be based on the contribution record of the preceding half-yearly period separated by a period of three months for operational convenience. The average will be obtained by dividing the earnings by the days paid for. Pensions will, generally speaking, be based on the qualifying service. For this purpose, in a contribution period, 11 to 44 days paid for will count for 1/8th year's qualifying service; on the same basis 44-89 days paid for will

count for 1/4th year's qualifying service and 90 days or over paid for will count for 1/2 year's qualifying service.

81. For the purpose of determining the amount of pension earned, and for this purpose only, a year of qualifying service during the period when provident fund contribution under the existing E.P.F. Scheme is paid at 6-1/4 per cent will count for 3/4th of a year of qualifying service relatable to the Integrated Scheme, under which the relevant contribution is payable at 8-1/3 per cent.

82. The detailed calculations for the Integrated Scheme are given in Appendix III. One point may, however, be explained here. The provisions we have recommended in regard to pensions for a worker who is invalidated as a result of employment injury, and his family, in the event of his death are appreciably more liberal than what is provided in cases of normal retiring or survivorship pension. This is because it is well recognised in other countries as well that persons invalidated or dying directly as a result of employment injury deserve more liberal treatment than one invalidated or dying owing to normal causes. In India itself, while statutory provision for some old age benefits, in the form of Provident Funds, was made only as late as 1951, protection in respect of employment injury has been in force from as far back as 1923. The provisions we have recommended in cases of employment injury, are substantially the same as already provided in the E.S.I. Act. As the number of persons who are likely to get pensions on account of employment injury will be only a very small fraction of the total number of insured workers, the incidence of cost will not be very appreciable either. In the case of normal retiring or survivorship pensions, however, what we have recommended is all that can be provided even with an increased levy (8-1/3 per cent.) on the employers and workers. On the whole, these provisions are more favourable than what is admissible to the large number of Government servants, as for example, the pension for the widow will be for life or till remarriage and not limited to any specific period. We have no doubt that these provisions are adequately reasonable and that the disparity in the benefits arising in the two types of cases is justified and even inevitable.

CHAPTER V

CONCLUSION

83. We have, so far, definitely refrained from discussing in detail two of the terms of reference, though the preceding Chapters provide the answer. The terms in question are :

- (a) Whether, without any appreciable increase in the total liability of employers and workers, additional advantages can be given to the working class;
- (b) to make recommendations regarding conversion, wholly or partly, of the present provident funds into suitable pension schemes.

84. We have assumed that (b) above is not qualified by (a) for, if it did, then our report would have consisted of merely a factual report ending up with a recommendation that if the existing liabilities are not to be increased even in the slightest degree, then no improvements can be effected in any direction; in particular, that no reasonable pension scheme can be worked out if the resources are limited to what is now available from the provident funds.

85. The final result of our recommendations is that the employer's liability in regard to the E.S.I. Act and the Provident Funds Acts will together amount to 13 per cent. of the wage bill against 7-1/2 per cent. of the wage bill which is being paid today by employers in areas to which both the Acts have been applied. The liability of the workers will increase by the increased contribution in regard to the Pension Scheme, that is from 6-1/4 per cent. to 8-1/3 per cent. But as organisations of workers have themselves been pressing for this increase and for institution of a scheme of pension, it can be safely assumed that there will be no adverse reaction to our recommendations so far as the workers are concerned. As for the employers, though an increase from 7-1/2 per cent. to 13 per cent. of the wage bill is quite a significant increase, it should be emphasised that when viewed in the background, it will be apparent that our recommendations should cause no alarm. Critics who are pressing for many other measures like unemployment insurance, etc., may even feel that our Report is one of the proverbial mountain producing a mouse! As already made clear, the increase in the contributions under the E.S.I. Act will only bring it to the level, which the law intended, when it was enacted ten years ago. It should be assumed that when Parliament enacted the law, it accepted the position that this levy will not result in an excessive burden on the industry. As such, it would be hardly fair to hold otherwise today, ten years after enactment of the law just because, for certain administrative reasons, only a much lower rate than the maximum has actually been levied all these years. As for the contributions towards the Pensions Scheme, we would recall that at the 13th Session of the Labour Ministers' Conference (December 1956) it was agreed that the contributions to provident funds should be increased to 8-1/3 per cent. The new factor that has arisen is that unless this increase is effected, a suitable pension scheme cannot be worked out. Here again, therefore, our recommendation only emphasises a matter which

has been under discussion for long and where the general view is identical with what we have recommended.

86. In this connection, we have often heard complaints that the total of the social security charges weigh heavily on the industry and the individual in India. We have, therefore, tried to assess the incidence of such charges in other countries which follow the contributory pattern. Comparisons are rather difficult in this field as different countries follow different methods of financing social security. General tax revenues and specific contributions appear in various combinations and where some of the services relating to social security are provided by other departments like the post office, the true incidence tends to get obscured. It may also be urged that some employers in India are voluntarily providing other additional benefits e.g., gratuity, and that such additional benefits are occasionally made binding on the employers through awards of tribunals. The comparative position has, therefore, to be accepted with caution. But even allowing for all this, the position as indicated in Appendix IV makes it clear that the level of contributions towards social security of workers made by the employers is far heavier in other countries and that there is little or no justification for any suggestion that the burden imposed by the present schemes in India are either excessive or disproportionate.

V. K. R. MENON— <i>Chairman</i>	} <i>Members</i>
V. M. ALBUQUERQUE	
S. N. MUBAYI	
B. N. DATAR	
S. P. JAIN— <i>Member-Secretary</i>	

APPENDIX I ORGANISATIONAL SET UP

The proposed Scheme will provide for medical and cash benefits for sickness and maternity, compensation for employment injury, life pension on normal or invalidity retirement and survivorship pensions to dependants on the death of the insured person. Medical and cash benefits for sickness and maternity and compensation for employment injury resulting in disablement or death are already being administered by the Employee's State Insurance Corporation. The present Employees' Provident Fund Organisation administers the collection of contributions from subscribers to the Employees' Provident Fund and payment of the contributions standing at the credit of the subscriber on retirement after superannuation or on account of permanent and total incapacity for work or when he has not been in employment in any factory to which the Scheme applies for a continuous period of six months.

The present organisational set up of the Employees' State Insurance Corporation and the Employees' Provident Fund Organisation is shown in *Annexures I and II* respectively.

On the integration of the two schemes, the present funds of both will be pooled to provide the benefits under the integrated scheme and the existing benefits of the Employees' Provident Fund will be replaced by the superannuation or invalidity retirement and survivorship pensions.

An administrative machinery for the collection of contribution from employers and employees as well as for making payments of cash benefits including periodical payment to the insured persons and their dependants already exists under the present set up of the Employees' State Insurance Corporation. It will, therefore, be possible to administer the benefit of superannuation or invalidity retirement pensions and survivorship pensions with the same administrative machinery by the addition of some extra staff or branches where necessary.

The integrated scheme may therefore be administered by an Organisation having central, regional and local offices. There may be (i) a central office to be known as the Directorate General of Social Security, headed by a Director General; (ii) Regional offices in each State headed by Directors; and (iii) local offices for payment of cash benefits to insured persons in local areas headed by manager/managers. The staffing pattern for the proposed Central, Regional and local offices are given in *Annexure III*.

The employers would pay a single contribution in respect of insured persons to the Organisation and will be required to maintain one set of records. Each State will have at least one office located in it. As some major States may have more than one such office, these offices may be designated Regional Offices as at present. A single inspection organisation would be able to function effectively and efficiently and will be under the direct supervision of the State Directors, as at present under the two schemes. The work relating to collection of contribution, maintenance of

accounts etc., coverage and enforcement will also continue to be the function of the Regional Offices. The Local Offices will be responsible for registration of employees, issue of documents, payments of cash benefits, both long term and short term, including the various types of pensions.

It is obviously impossible to give, at this stage, the fullest details of the number of persons required at the different levels right to the bottom. An attempt has, however, been made to give an estimate of requirements in regard to all officers of gazetted status.

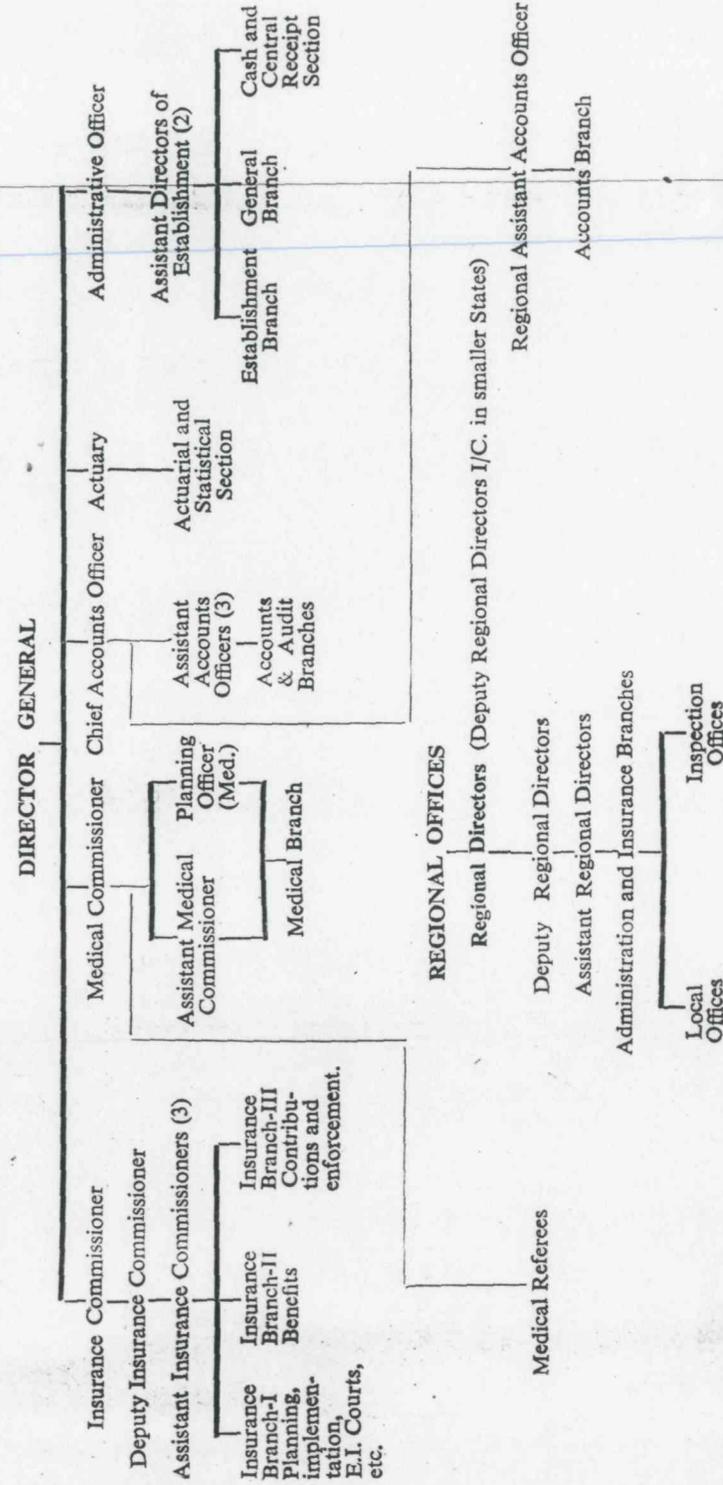
The following specific remarks seem necessary: (i) The Insurance Commissioner, under the proposed set up, will have the new added responsibilities in regard to disbursement of pensions. It is desirable, however, that one Principal Officer should be in ultimate charge of all disbursements whether of pensions, cash benefits or other forms of payment—otherwise, there may be lack of co-ordination. But, for effective working, a good deal of work and responsibility will have to be delegated to the Deputy Insurance Commissioners. The latter should, therefore, be of a status adequate to handle a great share of responsibility on their own.

(ii) The combined establishment under the Scheme will naturally be larger than either of them individually has at present. Unless a person of adequate status is in charge of establishment, a good deal of even routine matter will go to the Director General. Even if the E.S.I. Scheme had continued in its present form, an Administrative Officer would have hardly been sufficient when the coverage of the Act extended to the whole country. A Director of Administration is clearly needed to head the branches dealing with administration, in the Scheme.

(iii) The work of the Actuary includes compilation of statistics. The latter will be both heavy and important, as the experience of working of the scheme should be closely watched by collection and maintenance of statistics on a continuing basis. The need for having a Deputy/Assistant Actuary is, therefore, particularly stressed.

ANNEXURE I

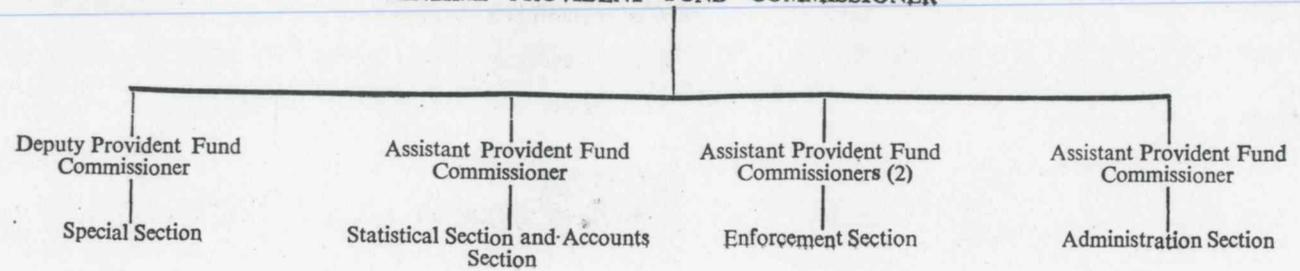
ORGANISATIONAL SET-UP OF THE EMPLOYEES' STATE INSURANCE CORPORATION



ANNEXURE II

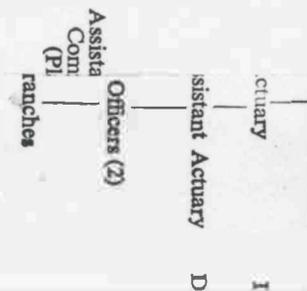
ORGANISATIONAL SET-UP OF EMPLOYEES' PROVIDENT FUND COMMISSIONER'S OFFICE

CENTRAL PROVIDENT FUND COMMISSIONER



REGIONAL OFFICES

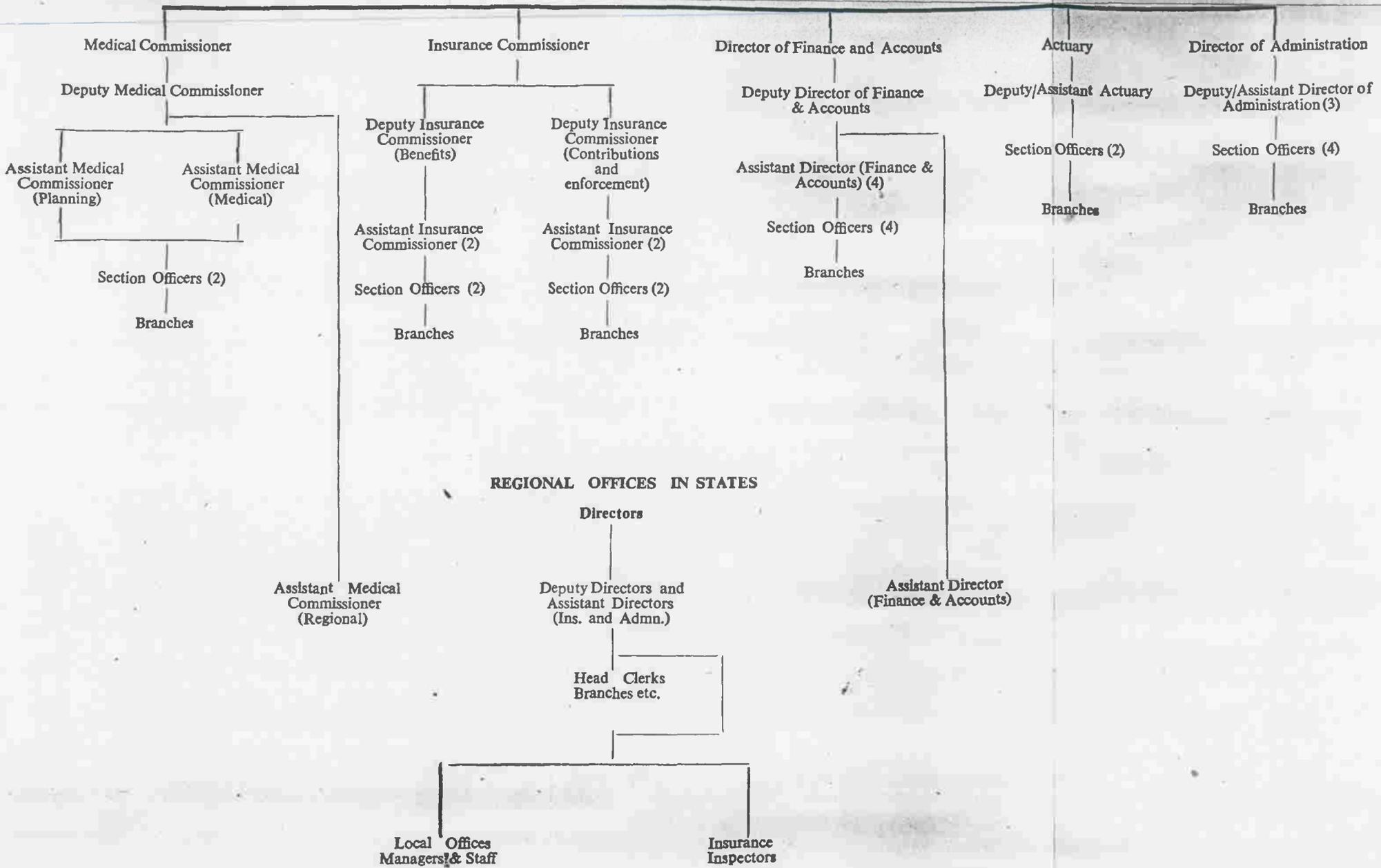
Regional Provident Fund Commissioner (14) (Full time for Bombay, West Bengal, Madras, Mysore and Kerala. Part-time State Labour Commissioners in remaining States)



ANNEXURE III

PROPOSED ADMINISTRATIVE SET-UP OF THE INTEGRATED SCHEME

DIRECTOR GENERAL



SET-UP IN STATES

Sl. No.	Designation of Post	PRESENT STRENGTH OF E.S.I. CORPORATION														Total	Present strength of E.P. Fund Organisation	No. of posts estimated to be required in the scheme	
		Assam	Andhra	Bihar	Bombay	Ahmedabad	Delhi	Kerala	M.P.	Madras	Mysore	Orissa	Punjab	Rajasthan	U.P.				West Bengal
1.	Regional Provident Fund Commissioner.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	3	—
2.	State Director, Grade I	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	3
3.	State Director, Grade II	—	—	—	1	1	—	—	—	1	—	—	—	1	1	—	—	5	5
4.	State Director, Grade III	—	1	1	—	—	1	1	1	—	1	1	1	—	—	—	—	9	9
5.	Deputy Director (Insurance and Administration).	—	—	—	2	1	—	—	—	1	—	—	—	1	2	—	—	7	10
6.	Assistant Provident Fund Commissioner.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	1	—
7.	Assistant Director (Insurance & Administration).	1	—	—	4	1	—	—	—	2	—	—	—	2	3	—	—	13	25
8.	Assistant Medical Commissioner (Regional).	—	1	—	6	3	1	1	1	3	1	—	1	—	1	4	—	23	30
9.	Assistant Director, Grade I (Finance & Accounts).	—	—	—	1	1	1	—	—	1	—	—	—	—	1	1	—	6	9
10.	Assistant Director, Grade II (Finance & Accounts).	—	1	—	1	—	—	1	1	—	1	—	—	—	—	1	—	6	7
11.	Provident Fund Inspector	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	29
12.	Local Office Manager, Grade I	—	—	—	12	6	1	—	—	3	—	—	—	—	5	—	—	27	40

	Employees' State Insurance Act	Employees' Provident Fund Act	Coal Mines Provident Fund Act	Workmen's Compensation Act	Maternity Benefit Act	Industrial Disputes Act (Provisions relating to Lay off and Retrenchment only)
1	2	3	4	5	6	7
1. Industrial Coverage :						
(i) Industries	All factories other than seasonal.	Initially six industries of Cement, Cigarette, Engineering, Iron & Steel, Paper & Textiles, but now extended to 32 other factory and non-factory industries.	Coal Mines ancillary to coal mines and situated within the coal-field area such as head-offices, workshops, coke-plants, and lines, labour recruiting offices, hospitals etc; are also covered.	Factories, Mines, Plantations, Railways, Mechanically propelled vehicles, construction work and certain hazardous occupations specified in Schedule II of the Act.	There are Central Acts applicable to the whole of India except Jammu and Kashmir providing for Maternity Benefits, e.g., Mines Maternity Benefit for mines, Plantations Act for plantations. Besides there are State Maternity Benefit Acts covering non-seasonal regulated factories generally, but in Assam, Kerala and West Bengal, plantations are also covered.	Factories, Mines and Plantations.
(ii) Establishments	All factories using power and employing 20 or more persons but excluding mines and railway running sheds.	At least 3 years' standing and employing 50 or more persons. Reduction of the limit to below 50 is under active consideration.	All irrespective of employment strength.	All establishments.	All.	For retrenchment—all industries covering business trade, undertaking manufacture or calling of employers including any calling, service, employment, handicraft or industrial occupation or avocation or workmen. For Lay off—all establishments employing over 50 workers and not working seasonally or intermittently.
(iii) Exemptions	(a) Provision to exempt Govt. factories or factories belonging to any local authority if benefits are substantially similar or superior to those provided under the Employees' State Insurance Act. (b) Provision to exempt from time to time privately owned factories subject to certain conditions. (c) Provision also exists for exemption of persons or class of persons subject to such conditions as the appropriate Government may deem fit to impose.	Units having their own provident fund, gratuity or pension scheme in force and providing equal or higher quantum of benefits eligible; also their employees as a class or as individuals can opt out. Exempted units are required to invest in Central Govt. securities, vest the fund in boards of trustees on which employees' representation should be equal to the employer's etc.	Option for continuance of membership of previous recognised provident funds.	Nil.	Nil.	Nil.
(iv) Extension	(a) Provision : Any establishment or class of establishments, industrial, commercial, agricultural or otherwise. (b) Proposal : By the end of Second Plan period it is proposed to cover all centres in the country having 1,500 or more workers including extension of medical care to families of insured persons.	Provision to (a) any other industry (b) establishments having no provident fund (c) establishments employing less than 50 persons by notification. By the end of Second Five Year Plan to cover other industries employing 10,000 workers or more and also other well organised ones, even if employing less. There is a proposal to extend the Act to commercial establishments including banks, insurance companies, hotels, studios, transport companies, general trading concerns, etc.	Provision—All coal mines in the whole of India except Jammu and Kashmir. Extension to the tribal areas of Assam is under consideration.	State Government can add specific hazardous occupations to the schedule. This power has been exercised. The original Act has been amended 8 times and again there is an amending Bill before the Rajya Sabha. Its main object is to enlarge the scope of Schedules I, II and III on injuries deemed as leading to permanent partial disablement, coverage of employment and hazardous occupational diseases.	Nil. Nil.	Nil. Nil.
2. Geographical Coverage	Whole of India except Jammu and Kashmir State.	Whole of India except Jammu and Kashmir.	West Bengal, Bihar, Orissa, Madhya Pradesh, Assam, Bombay, Andhra Pradesh and Rajasthan.	Whole of India except Jammu and Kashmir.	All these Acts together provide for maternity benefit throughout India except Jammu & Kashmir.	Whole of India except Jammu and Kashmir.
3. Persons Covered :						
(i) Class	All employees employed for wages in connection with the work of the factory or establishment.	All employees having completed one year's continuous service or 240 working days' work during a period of 12 months.	All employees with the exception of (i) malis, sweepers and domestic servants engaged in personal work; (ii) employees of the National Coal Development Corporation (P) Limited who are governed by railway rules and/or civil rules; and (iii) labourers or contractors for brick making, tile making and building. <i>Qualifying Period</i> (i) For those whose basic wages do not exceed Rs. 300 p.m. earning attendance bonus under Coal Mines Bonus Scheme for the first time; (ii) For those whose basic wages exceed Rs. 300 p.m. seventy-five days' attendance in a quarter for the first time.	Persons working in employments specified in Schedule II to the Act excepting casual or those employed otherwise than for employer's trade or business.	All women workers who satisfy certain qualifying periods of service preceding the date of giving notice of pregnancy. The period varies from State to State from 150 days to 9 months.	All workers excluding casual or badli workers having completed one year's continuous service.
(ii) Wage limit	Rs. 400.	Rs. 300 p.m. basic, initially, but raised to Rs. 500 inclusive of dearness allowance from February, 1957.	There is no wage limit for entry to the Fund.	Rs. 400 p.m.	Nil.	Nil.
(iii) Actual No. covered	Up to 30th November, 1958 the Scheme has been implemented at 73 centres in 12 States and the Union Territory of Delhi covering 13.57 lakhs insurable employees out of a total of 22 lakhs insurable employees in the country.	By 31-7-58 in the entire area about 6,720 units employing 29.5 lakh persons covered with a membership of 24 lakhs subscribers, of which 10 lakhs were in exempted units.	Nearly 3.5 lakhs workers are active subscribers.	In 1956 the Act covered 34 lakhs employees.	In the year 1956, a total of 4.91 lakhs women workers were covered.	All factories, mines and plantation workers.
4. Benefits provided	(a) <i>Medical Benefit</i> : Medical care to the insured persons and their families. In the case of T.B., medical benefit extended by further one year after normal title ceases if the insured person has put in 3 years' continuous service. (b) <i>Sickness Cash Benefit</i> : At 7/12th of the average daily earnings for 36 days in any 365 days. In case of T.B. extended cash benefit at half the rate of sickness benefit for a further period of 18 weeks if the insured person has been in continuous service for 2 years. (c) <i>Employment Injury Benefit</i> : On the average at 7/12th of the average daily wage for the duration of temporary disablement or for life on permanent total disablement. In case of permanent partial disability, full rate is reduced according to the extent of disability. (d) <i>Dependents' Benefit</i> : In case of death due to employment injury at 3/4th of the full rate to widow till remarriage or death and 2/5th of full rate each child below the age of 15 or 18 if studying or in the case of daughter until she attains 15 years of age or until marriage whichever is earlier. All shares of the dependents are reduced pro rata so as not to exceed the full rate. If no widow or child survives, benefits may be paid to other dependents. (e) In the event of confinement, an insured woman gets full average wage or 12 as. whichever is greater for a period of 12 weeks.	Refund of employer's and employees' contribution with interest after 15 years' membership or on death, permanent disability, superannuation and retrenchment. Employer's contribution with interest thereon is refunded only to the extent of 85% if membership period be 10-15 years, to 75% if 5-10 years, to 50% if 3-5 years and to 25%, if less than 3 years.	Same as in the Employees' Provident Fund with the exception of the facilities for the payment of life insurance premia out of provident fund.	Compensation on prescribed scale depending on the nature of injury and the average monthly wage in case of death, permanent total/partial disablement, or temporary disablement. In case of death compensation to adults paid in lump sum varies from Rs. 500 to Rs. 4,500 and in case of total permanent disability from Rs. 700 to Rs. 6,300. Compensation in case of permanent partial disablement is a fraction of that paid in the total case depending on the percentage loss of earning capacity as laid down in Schedule to Act. In case of temporary disablement, half-monthly payments varying from half a month's wage, to Rs. 30 according to the wage slab.	The usual rate of benefit is average daily earnings subject to a minimum of 8 as. (in some States 12 as.). In some States the rate is uniform 8 or 12 as. The rate varies considerably. The period of benefit is usually 8 weeks but in some cases it is 7 or 12 weeks.	In case of Lay off 50% of Basic wage allowance payable for 45 days in a year. retrenchment, a month's wages if one month in writing not given and a gratuity at 15 days' average pay for every complete service or any part thereof in excess of six
5. Contributions	Approximately 4 1/2% of wage bill from employer and 2 1/2% from employees but at present employers are required to pay only 1 1/2% in areas where the Scheme is implemented and 1/2% in non-implemented areas.	Employer and Employees each contribute 6 1/2% of basic wages and dearness allowance including value of food concessions, if any. Employer has also to pay administrative charges (at present at 3%	Rates same as in the Employees' Provident Fund except that in coal mines they are based on total emoluments.	Nil.	Nil.	Nil.

APPENDIX III
ACTUARIAL CALCULATIONS REGARDING
THE PROPOSED SCHEME

The Scheme provides fairly comprehensive benefits covering the contingencies of sickness, maternity, employment injury, invalidity, old age and death. For calculating costs, a wide range of basic statistics is required relating to wages, size of family and incidence of sickness, confinements, accidents, invalidity, withdrawals and mortality appropriate for the working classes proposed to be covered. Most of it is not readily available. Material collected from the records of the two current Schemes under the E.S.I. Act, and E.P.F. Act, that are being proposed for integration, was analysed to obtain the requisite data as far as available. While the statistics thus collected are suitable for the purpose, a word of caution may be sounded at the very beginning. No new scheme can be expected to have ready-made statistics available at its inception. It is not practicable to collect such statistics specially but, even if it were, the result would not be commensurate with the effort involved. The various limitations and conditions relating to payment of contributions and grant of benefits affect the resultant statistics. In effect, every social insurance scheme generates its own peculiar statistics in the course of its working. Thus, it would be more appropriate to make use of the readily available data, closely relevant to the Scheme, and, if necessary, to modify them suitably in consideration of the expected deviations. These introductory remarks are made in order to emphasise that what is being attempted in this appendix is nothing more refined than to show that the rates of benefit proposed in the Scheme can, as far as it is possible to foresee, be met by the rates of contribution suggested and that there would be a comfortable margin to face any adverse experience. When the Scheme gets its feet firmly on the ground, say, after five years of its launching, it will be time to assess the experience and adjust the contributions and benefits suitably. Prudence suggests that, to begin with, the Scheme should grant benefits on a conservative scale, even if the actuarial calculations, necessarily based on improvised data, seem to indicate a further liberalisation of benefits. They may be raised later on in the light of experience.

The Sources of Basic Data

Health insurance in India, which made a modest beginning in February 1952 has recorded rapid advances during the last four years. In certain centres, the Scheme has been in force for four to six years but the process of development in various directions is still going on. While, in general, the E.S.I. Scheme can furnish good basic material in regard to sickness, maternity and employment injury provisions, it can furnish only certain indications in some cases, where the experience is in infancy. For instance, extension of medical care to families has just made a start, extended sickness benefit in tubercular cases was introduced recently, and maternity benefit has been raised to full wage rate a few months back. Available material under the Scheme was specifically analysed and the results taken note of Pensionary benefits to workers on a national scale are being considered for the first time but it is here that there is need for fairly reliable data, since, unlike the E.S.I. Scheme benefits, one is dealing with long range benefits. The E.P.F.

Scheme has been in existence for the last six years, though it also is still developing. Provident fund is very much simpler in operation than a scheme of pensionary benefit, saddled as the latter is with invalidity and survivorship benefits. The E.P.F. Scheme cannot furnish all the data required nor can the data be reasonably close. But it can supply workable statistics of wages and withdrawals. These data for the Delhi centre were analysed in detail on sorting and tabulating machines. Statistics of annual withdrawals from the Fund were specially collected from all over the country. The material available in the literature on labour problems such as *Industrial Awards in India, Indian Labour Year Book, Indian Labour Gazette, etc.*, was studied and information was supplemented by special collection from some of the important local units. The basic elements required for the actuarial calculations and the process by which they were determined along with the current experience are given in the various Annexures.

PART I

Pensionary Benefits

1. In the pensionary group the following may be taken as identifiable benefits :

- | | |
|-----------------|-------------------------------------|
| 1. Retirement | (a) Normal |
| | (b) Invalidity. |
| 2. Gratuity | |
| 3. Survivorship | (a) Death while in service |
| | (b) Death after normal pension |
| | (c) Death after invalidity pension. |

Before discussing the cost of these items, some remarks are needed about the constitution of the membership of the pension fund. Workers enter industrial employment at all ages, though there is a well-defined concentration at younger ages. Provident Fund data, relating to workers, who had practically completed at least a year's service before joining the Fund, show the entry ages spread out as follows :

Age	Central age	Per cent. of total
Below 18	Below 18	6%
18-22	20	37%
23-27	25	25%
28-32	30	13%
33-37	35	8%
38-42	40	5%
Above 42	Above 42	6%

Entry ages are thus concentrated in the age span 18-27 but the proportion in the higher ages is not negligible. Under the Scheme, contributions and benefits will not vary with age at entry, but the cost of benefits, in relation to the contributions, varies considerably with age at entry. Accordingly, calculations were made for entry ages 20, 25, 30, 35 and 40. The detailed breakdown of cost of the various benefits for these central ages are shown separately in Table 1. The discussion that follows is based on the overall average for all entry ages obtained by combining them in the ratio of percentage employment shown by the group corresponding to respective central age.

2. The contribution of 1,000 members entering at ages 20 to 40 spread over central ages as given in para (1) above, on reaching stationary conditions, would form a Fund. On the basis of the calculations made, the Fund will annually pay the following amounts as benefits. These amounts are also shown in the last column as percentage of the value of wages earned by the members during their employment. Thus, the last column gives the contributions required to support them.

Benefit	Cost Rs.	Contributions
(a) Pensions (to members)	6,95,168	5.12
(i) Normal	Rs. 4,76,625	3.51
(ii) Invalidity	Rs. 2,18,543	1.61
(b) Pensions (to families) on death	10,54,819	7.78
(i) in service	Rs. 8,44,364	6.23
(ii) on normal retirement	Rs. 1,46,121	1.08
(iii) on invalidity retirement	Rs. 64,334	0.47
(c) Gratuity	81,373	.60
(d) Withdrawal	2,19,489	1.62
	20,50,849	15.12
Add cost of administration at 10%	2,05,085	1.51
	22,55,934	16.63

An explanation seems necessary in regard to the provision of cost of administration at 10 per cent. It has been explained in the Report that while there will be no increase in the levy now made on employers in respect of administrative charges, it would be risky to make any reduction either. A pension scheme is far more complicated than one of a provident fund. For purposes of present calculations, the maximum administrative charges have been assumed at ten per cent of the cost of the benefits. It is possible that with constant vigilance, the actual expenditure may prove slightly less but the difference will be so small that it will not be material.

In the above calculations, entrants at still later ages have not been taken into account, as, under the Scheme, such persons will get no pensionary benefits but only a return of their own and their employers' contribution together with compound interest not exceeding 3 per cent per annum. This will be slightly less than the rate of interest which the Fund itself earns. These late entrants who withdraw before retirement age will get withdrawal benefit only, thus leaving a small fraction of employers' contribution in the Fund. It follows that this group of late entrants can never be a strain on the Fund. Indeed, they will confer a slight benefit.

(3) (i) A few other points also require explanation. The full pension admissible to a member has been taken as the survivorship pension payable to his family. In every case, the family has been taken to consist of a widow and children as suggested by the data relating to 193 families of persons insured under the E.S.I. Scheme, who died due to employment injury. The

data showed 4 per cent cases where only orphans were left as survivors. There is no doubt that the number of cases, where only orphans are left as survivors forms a small percentage somewhere near this level, but it is not possible to fix its precise extent with the available data. However, the Scheme provides for increased allowances to orphans as compared to children left with mothers surviving. It is considered that the provision made on the basis of a family of a surviving widow and children in each case will cover the cost of allowances in the case of orphans. However, as a safety measure, an *ad hoc* extra provision of 10 per cent of the cost of the benefits in respect of a family of a widow and children has been made.

(ii) The hesitancy to introduce an age for compulsory retirement is doubtless due mainly to the absence of any provision of old age pensions. With the introduction of such pensions, an age for compulsory retirement might be introduced. The Scheme, however, does not lay down any such compulsory age for retirement. But it provides cessation of payment of contributions and accrual of additional benefits after the age of 60 (55 for women), in so far as pension portions are concerned. For purposes of calculation, it has been taken as if retirement is compulsory at age 60 (55 for women).

(iii) The results given above mainly pertain to male workers. Due to the absence of the necessary data, it is not possible to arrive at the corresponding figures for female workers with the same degree of confidence. There is no information about their withdrawal and invalidity experience, and family structure. The records of E.S.I. Scheme show that they form about 6 per cent of the total number of workers in the sector covered. A study of the records for 1955 of 20 cotton textile factories in the different areas in Bombay by Shri R. G. Gokhale, Labour Officer, showed that 49.42 per cent of women workers were married, 49.70 per cent widows and the small percentage of 0.88 unmarried. They had an age distribution different from men. The comparative figures are given below :

Age	Male	Female
Below 20	0.2	0.1
20-24	6.5	2.0
25-29	19.4	8.2
30-34	23.0	15.6
35-39	18.1	19.4
40-44	12.8	19.4
45-49	8.5	15.5
50-54	6.4	10.9
55-59	3.2	5.4
60 & over	1.9	3.5
Total Workers:	100	100

Indian women workers in factories, mines and plantations are usually employed on relatively light unskilled work. Their earnings tend to be no higher than those of the unskilled category among the male workers. It is not certain how far women have uninterrupted employment like the male counterpart. These features perhaps explain why the E.S.I. and E.P.F. records for Delhi centre, which furnished useful material for fixing bases of calculation for male workers, yielded so little in respect of women workers.

Nevertheless, the information given above coupled with the consideration of the benefits available to women workers under the Scheme lead to the certain conclusion that the rate of contribution arrived at in the case of male workers will definitely be adequate to pay for the benefits. In fact, there may be an overall safety margin provided by the block of women workers—not much though, since the block accounts for only a small proportion of total employment.

(4) (i) It will be seen that on the bases adopted in the calculations, contribution at 8-1/3 per cent by an employee and the employer each will, on the whole, pay for the benefits evaluated. As circumstances permitted, care has been taken to keep the bases as realistic as can be foreseen. Actual experience of working of the Fund alone can give better data. Prudence requires maintenance of an adequate safety margin in such a case, as it would be easier to step up the benefits at a later date than a stepping down. This approach can be illustrated more concretely by a consideration of the cost of the various benefits for different entry ages shown in Table I. It will be seen that as the age at entry increases from 20 to 40 the contributions required to support the benefits increase steadily from 13.78 per cent to 18.45 per cent of the wages. At age 30 it is just 16.41 per cent, below this age it is less but above, it is more. Thus, the overall average, which just equals the prescribed contribution rate, very much depends on the relative ages of the members at entry. There is no statutory or conventional restriction about the entry ages, as is usual in most pension funds. By and large, industry does take up able-bodied active workers, who can put in strenuous work required of them, but in actual fact, entry ages spread over a large range as is shown by the E.P.F. data. The stabilising influence of the pension scheme may gradually narrow down the span of entry ages. The important point to note is that variations in this factor may well tilt the balance.

(ii) Among the various benefits, gratuity costs very little as a percentage of contributions. The percentage rises from 0.44 to 0.99; it is slightly less for age 40. All benefits, except withdrawal, cost increasingly more as the age at entry increases. The cost of withdrawal declines from 2.38 to 0.8 and the fall is distinct from age to age, obviously because of the reduction in span of ages, over which withdrawals take place; as is well known, withdrawals are more a function of duration of service rather than of age attained. Only for entry age 20 is the cost relatively important, being comparable with the cost of normal retirement. Socially, withdrawals defeat the main purpose of a pension scheme. But from the point of view of the Fund's solvency, withdrawals are even advantageous. The number which would have figured in the costly death or retirement benefit will be correspondingly less and, in some cases, those withdrawing leave in the Fund something out of the employer's contribution. The E.P.F. data indicate that the rate of withdrawal is slightly higher than what is adopted in the present calculations. This is because one major effect expected from the institution of a pension scheme is to stabilise the labour force and to reduce withdrawals. When this happens the cost of pensions will increase.

(iii) The next important item is the member's retirement pension. Its cost rises steadily from 2.52 to 6.02 for normal retirements and from 1.31 to 2.49 for invalidity retirements. The total cost on account of invalidity pensions is less only because actual cases are few. But the cost of invalidity pensions for an individual is much more than it is in the case of retirement pension.

The more costly item, however, is the family pension. Its cost rises from 7.13 to 9.02 forming practically half of the cost of all benefits together. The cost of family pension in case of a person, who has retired is relatively, small as the family advances in age, while the retired member is alive and supports them. It is in the case of death in service that the cost of family pension is much heavier. In those cases, the cost rises almost steadily between 5.98 and 6.48, the variation with age at entry being not much. But as stated in the Report, it is this death benefit which is most urgently needed in any real social security scheme. The cost has, therefore, to be met.

It may be added that no investigation of the mortality of workers in India has been made. Only a proper mortality investigation of Indian workers can show what the appropriate basis should be, and, hence, there is a need to keep a safety margin in the cost estimates for any deviation of the actual experience from the assumed basis.

5. The conclusion, arising from the considerations discussed above, is that, at least initially, it would be prudent to keep a safe margin between cost of benefits and the contributions. The simplest way of doing this is to restrict the total survivorship pension, in the first instance, to two-thirds of that admissible to the insured person himself and this is what has been recommended. In the light of experience it will be easy to increase this ratio progressively, if periodic reviews of the financial position justify this. This initial restriction will reduce the cost by 2.6 per cent of the wages of the members, which will be an adequate safety margin between cost and contribution. As illustrations the relative figures of contributions and various benefits for an average worker entering at different ages on this basis are given in Table II.

PART II

Health Benefits

1. The health benefits under the Scheme are medical care and cash benefits for sickness, maternity and employment injury. The cash benefits are precisely laid down in terms of money, whereas medical care is a service item and should depend on the residual left after meeting the cost of cash benefits. It will, thus, be a case of cutting the coat according to the available cloth. The cost of cash benefits is given below :

Benefit	Cost as percentage of average wage
1. Sickness	2.32
2. Maternity	0.22
3. Employment Injury	
(i) Permanent Disablement (pension to member and family)	0.54
(ii) Temporary Disablement	0.19
(iii) Survivorship (in case of death)	0.13
	3.40

The bases, and the other details regarding the above, along with the current experience are given in Part II of *Annexure I*. It may be mentioned here that while the cost of pensionary benefits have been evaluated on 'Reserve'

basis, the present benefits have been dealt with on 'Assessment' system, i.e., every year's revenues would, more or less, meet the year's costs without aiming at providing any reserve to be carried forward. Under employment injury, there is a provision for pension to the member and his family in certain cases. In the Scheme, such cases will be taken over by the pension side, but their cost is being considered here, since, at present, the relevant contributions are meant to provide for them.

Out of a total contribution of 7 per cent of wages required to be made by employer and employee for medical care and the above cash benefits, 10 per cent may be laid aside for administration expenses. Thus, of the total contribution, only 2.9 per cent of average wage is available for medical care, after providing 3.4 per cent for cash benefits. The all-India average wage in 1956 in factories covered by the Payment of Wages Act was Rs. 1,212. As at that time, only employees getting upto Rs. 200 p.m. were covered by this Act, against the limit of Rs. 500 proposed in the Scheme, the average may be taken at Rs. 1,250 per annum. Thus the amount available for medical care of the member and his family is only Rs. 36.25 per employee. As against this, it is estimated that the cost of providing medical care including hospitalisation to the employee and his family would work out to Rs.56 per employee. One-third of this is on account of hospitalisation of the employee and his family. It is based on a provision of 2.5 general beds, 2 T.B. beds and 0.5 maternity bed per 1,000 employee-family units. At present, the State Governments are sharing 1/4th of the cost of medical care to be insured persons, but this will be reduced to 1/8th on inclusion of families. At present, only employees get full medical care. Families, though included recently, are entitled to only restricted benefit—out-patient treatment and domiciliary confinement. The question as to how far the State Governments will share the increased costs on account of granting full medical care to families is still not settled. Thus, there is a substantial uncovered gap and ways and means have to be found to cover it.

2. Though the bases, on which the figures in the preceding paragraph have been arrived at, take due note of the actual experience so far, they are comparatively more stringent. In the Interim Valuation Report on the working of E.S.I. Scheme up to the period ending September 1953, the Valuer toned down the original bases very considerably. These have been modified to a still lower level in the present calculation and yet the actual experience is lighter still. There has been no adequate analysis of the present experience on the strength of which one could decide the probable future experience. The Scheme is still expanding in geographical coverage and assimilating experience. The benefits are also being adjusted in the light of experience gained. The standard of medical care is not yet up to the desired level. Inclusion of families for medical care is a new venture. The Scheme has not, therefore yet reached a state of anything like maturity. In the circumstances, there should be a greater statistical justification than now exists, if actual experience gained so far is to be the determining factor for purposes of calculation. But wherever statistical evidence from independent sources lends support to the actual experience, it has been adopted with a small margin for future variations. In other instances, it is unsafe to change the interim valuation basis. What has been considered a safe margin between the adopted bases and actual experience has been maintained. If future experience so justifies, it may be reduced later.

3. (i) The position, as it would be, assuming that the present favourable experience continues, may now be discussed. The year 1957-58, was the first, when new areas qualifying for cash benefit during the year added only a comparatively very small number to the total number of employees already covered at the commencement of the year. Thus, in that year, particularly all those employees, who contributed, were eligible for all the benefits under the Scheme throughout the year. The employees' contributions which work out $2\frac{1}{2}$ per cent of the total wages, was Rs. 352.36 lakhs during the year. The total wages were thus about Rs. 15,101.12 lakhs, giving an average wage of Rs. 1,265 per employee.

Under the Scheme, extended sickness benefit for another 39 weeks at full rate is being provided in case of specified long-term diseases and the rate of maternity benefit is being increased to full wage instead of half. Under permanent disablement, full pension to family is also being provided. The expansion of the Scheme requires opening of new State Regional Offices and hence cost of administration will increase. The following table gives the actual expenditure during 1957-58 under the various items of cash benefits and administration, their percentage to total wages and the additional cost of extra benefits under the Scheme estimated on the basis of the present experience :

Item	Expenditure (lakhs of rupees)	Percentage of wage bill	Cost of extra benefits as percentage of wage bill
1. Sickness Benefit	172.81	1.15	0.25
2. Maternity „ „	5.17	0.04	0.04
3. Employment Injury:			
(i) Permanent and tempo- rary disablement (total and partial) benefit	29.75	0.20	0.20
(ii) Dependents' „ „ ..	5.45	0.04	..
4. Administration Cost	61.81	0.40	0.20
		1.83	0.69

The above figures show that a margin of 4.48 per cent of wages will be left over for medical care. This gives roughly Rs. 56 per employee for medical care to the insured person and his family, adequate to meet the estimated cost.

(ii) The difference between the cost of different benefits given in para 1 and the costs on current experience given in the preceding sub-para is striking. The incidence of maternity and employment injury benefits being small, it is hardly necessary to discuss in detail the reasons for the difference regarding these items. There is some interest round the figure of cost of

sickness benefit. As against the figure of 1.4 per cent based on actual experience, 2.32 per cent is adopted in para 1 above. On the basis of 14 days' sickness benefit per employee per year, the cost works out to 2.98 per cent, whereas the experienced percentage of 1.15 is the cost of seven days' sickness per employee per year as deduced from the records of sickness benefit days. There are two main reasons to show that seven day' sickness is definitely low. Even in the areas covered, the scheme is not fully stabilised as it came into operation on different dates and no claims are admissible for the first nine months after date of entry. Experience also shows all admissible claims are not actually made in the earlier stages and this is borne out by the fact that in areas where the scheme has been in force for a few years, there is a progressive increase year by year. The calculations also bring out a figure of 1.49 per cent for seven days' sickness while the actual cost is only 1.15 per cent. This might indicate as if there were greater sickness among the low wage group section, but there is no solid evidence to establish this. The conclusion is that it is not safe to go strictly by the actual past experience.

4. The many reasons for accumulation of a large surplus in the funds of the Corporation have been explained in the main Report. These surpluses will not disappear overnight. Construction of hospitals and other ancillary buildings will take time, even if ample funds are readily available. So, for a short interim period, if the contributions are raised to the maximum, the surpluses may even show an increase. But, for purposes of long-term planning, these surpluses will be the only safety valve which can be drawn upon in the contingency referred to in the preceding paragraph. The surpluses, if used on construction of buildings, will, to that extent, give some relief on future liabilities on the Funds. The existence of the surpluses at the time when the Corporation is embarking on large building programmes is a timely coincidence in that it avoids the need for borrowing of capital and payment of interest thereon.

TABLE I

Percentage of Wages required for the various benefits for different entry ages.

Age at entry	20	25	30	35	40	All Ages
(1) Pension to Member	3.83	5.34	6.30	7.37	8.51	5.12
1.1 Normal	2.52	3.69	4.41	5.22	6.02	3.51
1.2 Invalidity	1.31	1.65	1.89	2.15	2.49	1.61
(2) Family Pension	7.13	8.00	8.36	8.72	9.02	7.78
2.1 Death in Service	5.98	6.38	6.45	6.48	6.38	6.23
2.2 Normal retirement	0.77	1.13	1.35	1.59	1.85	1.08
2.3 Invalidity retirement	0.38	0.49	0.56	0.65	0.79	0.47
(3) Gratuity	0.44	0.61	0.79	0.99	0.84	0.60
(4) Withdrawal	2.38	1.46	0.96	0.54	0.08	1.62
TOTAL :	13.78	15.41	16.41	17.62	18.45	15.12

TABLE II

Monthly Contribution and Benefits at different ages in an average case.

Entry Age	At Age	20 (Rs.)	25 (Rs.)	30 (Rs.)	35 (Rs.)	40 (Rs.)
1. Contribution by employee (or employer)	20	6.50	—	—	—	—
	25	9.92	6.50	—	—	—
	30	10.04	8.92	7.17	—	—
	35	11.33	10.33	8.00	7.17	—
	40	11.92	11.33	8.83	8.00	6.25
	45	12.33	11.92	9.58	8.42	6.58
	50	12.75	12.33	10.00	8.83	7.00
	55	13.17	12.92	10.42	9.25	7.42
2. Normal retirement Pension to Member	60	70.00	68.03	47.81	35.47	22.48
Pension to Family thereafter..		46.67	45.35	31.87	23.65	14.99
3. Invalidity retirement Pension to member	25	23.23	—	—	—	—
	35	32.73	29.08	22.75	—	—
	55	68.03	56.44	38.28	27.13	21.63
4. Death in Service. Pension to Family	25	15.49	—	—	—	—
	35	21.82	19.39	15.17	—	—
	45	30.31	23.35	18.49	16.42	12.83
	55	45.35	37.63	25.52	18.09	14.42
5. Gratuity	40	572	—	—	—	—
	45	888	572	—	—	—
	50	918	888	480	—	—
	55	948	918	750	444	—
	60	978	948	780	696	360
6. Withdrawals	25	605	37	—	—	—
	35	2510	1302	598	41	—
	45	5708	3511	2243	1189	507
	49	6788	4347	2917	1683	898

ANNEXURE I

Actuarial Bases

The calculations cover two distinct fields, which are considered below separately in two parts:—

PART I

Pensionary Benefits

1. *Rate of interest.*—A rate of compound interest of 3 per cent. per annum has been assumed. The present financial situation might suggest a slightly higher rate, but it would not be safe to assume such a higher rate for long range purposes.

2. *Mortality.*—(a) *In service.*—The nearest available Indian experience is Census Life Table, 1951. Industrial workers have to undergo a heavy occupational strain. Mostly, there is no medical selection on recruitment, though due to the very nature of the work expected of them, generally speaking, they have to be able-bodied and physically strong. Further, those who break down in health either leave service or will under the Scheme get invalidity pension, if eligible. On balance, it was felt appropriate to adopt the mortality in service as shown by Census Life Table, 1951 reduced by two years. Mortality in service has an important role in the Scheme. It determines the number entitled to the costly survivorship pension on death in service as also the number going up to retirement age.

(b) *Pensioners.*—(i) *Normal.*—It is generally taken that those serving a full working life are stronger and healthier than those left behind. But in a compulsory scheme there is no scope for self-selection in availing of the pensionary right. The mortality of normal retirement is, therefore, taken as shown by Census Life Table, 1951 reduced by five years. The assumption of such a lighter mortality for pensionary benefits, of course, errs on the safe side. Note should also be taken that pensioners' mortality of manual working class will be significantly heavier than in other sections, as, e.g., clerical.

(ii) *Invalidity.*—The Scheme provides that invalidity will be medically certified and in view of the relatively high cost of this benefit this should be of appropriate standards. Mortality rate of impaired lives will be particularly heavy, but as the most seriously deteriorated lives are removed by earlier death, the mortality rate of the survivors will be less heavy. The reverse selection would generally be more marked at the younger ages. The employer and the medical opinion are likely to be more lenient in permitting retirement on pension at, say, 55 than at age 35. A retirement at a young age means a heavy reduction in income; the employee also is likely to apply for voluntary retirement at a young age, only when the degree of disability is much higher. Thus, on the whole, mortality of invalidity pensioners should be heavier not only when compared with that of normal retirements but also with reference to the mortality of active members in service. The mortality has been taken to be the same as that of members in active service, which leaves a small margin on the safe side.

3. *Wage Scale.*—There are well-defined sections of membership with their own wage characteristics. Unskilled workers and operatives covering

machine workers, craftsmen and process workers, together forming 90 per cent of the total members generally have a fixed wage which may be on time-rate, or, piece-rate basis. The rest comprising clerical, professional, technical, administrative and executive staff and other incidental services have time scales at different levels. The Scheme, being compulsory, with a rate of contribution not varying with occupation, needs a common wage scale for purposes of calculation. The scale adopted for entry age 20 is given below and the manner in which it has been arrived is described in *Annexure II*.

Age	Average monthly Wage
	Rs.
Below 25	90
25-29	115
30-34	130
35-39	140
40-44	145
45-49	150
50 and over	155

The wage scales adopted for other entry ages are given in *Annexure II*.

4. *Withdrawals*.—The E.P.F. data, covering employees in the various industrial centres who become members only after practically a year's service, show that as at present 7.3 per cent. of members withdraw due to resignation or dismissal. An analysis of the E.P.F. data for Delhi Centre for the period 1952-57 gives an idea of the present withdrawal rates by age, which are the ones required for present purposes. These withdrawals will be considerably reduced on the introduction of the pension scheme. Withdrawal rates in Table I are based on this assumption. The manner, in which they have been arrived at from the information furnished by the E.P.F. data, is described in *Annexure III*. It may be of interest to note here that according to the rates adopted entrants at age 20 will experience a withdrawal rate of 2.9 per cent of membership set up by this block of entrants. This corresponds to 50 per cent of new entrants at this age.

5. *Invalidity Retirements*.—There are no Indian data to guide in the matter. The withdrawal rates adopted are based on the experience of Railway Service Pension Funds in the U.K. Accordingly, invalidity retirement rates have been adopted from that experience and are also given in Table I. The rates adopted for entry age 20 work out to 5.9 per cent of new entrants at that age.

6. *Family Statistics*.—Based on an analysis of the E.S.I. Scheme data, the following ages of children and wives to husbands in the various age groups have been adopted :

Age of husband	Wife Younger by years	Age of Child		
		First youngest	Second youngest	Third youngest
20-29	3	1	4	7
30-39	6	3	5	8
40-49	6	4	8	10
50-54	8	5	8	10
55-59	8	10	13	15

The number of children in the family of workers in the various age groups has been taken as follows :—

Age group	Percentage of workers having at death number of children below 18 at least			
	0	1	2	3 or more
20-29	15	85	65	10
30-39	10	90	80	60
40-49	5	95	85	55
50-54	5	95	75	40
55 and over	40	60	50	40

The manner in which these family statistics have been determined is discussed in *Annexure IV*. Widows' and children's benefits have been calculated by the 'Collective Method'.

7. *Proportion Contributing*.—Taking into account the experience of E.S.I. Scheme at Delhi centre, it has been assumed that 30 per cent of contributions will not be received in the first year of entry, 20 per cent in the second year, 15 per cent in the next 20 years and 10 per cent in the remaining period of membership. The details of the information obtained from E.S.I. Scheme is given in *Annexure V*.

PART II

Health Benefits

1. *Sickness*.—Under the present E.S.I. Scheme, sickness benefit is payable for not more than 56 days in any continuous period of 365 days. The average sickness experienced may be taken to conform to age 35. The expected number of sick weeks under such a scheme may be taken to be given by $(Z + \frac{8}{35} \frac{Z^{30/all}}{52})$. On the basis of a standard sickness table of Manchester Unity, this expression has the value. 7014 week *i.e.*, five days.

The normal sickness benefit under the Scheme is for 13 weeks in any three half-yearly contribution periods. The expected number of sick weeks for the benefit is given by $(Z + \frac{1}{6} \frac{Z^{13 45.5/all}}{35})$. On the same basis this works out to less than 0.82 week.

Extended sickness benefit is admissible in case of prolonged specified sickness, the incidence of which is not likely to exceed 20 per thousand employees according to the E.S.I. experience. In respect of such cases, full benefit is payable for another 39 weeks in any three half-yearly contribution periods. The expression for the expected number of sick weeks for this benefit is $(Z + \frac{13}{35} \frac{Z^{13/13}}{40} + \frac{26}{45} \frac{Z^{26/52}}{45} + \frac{65}{3} \frac{Z^{65/all}}{45})$ this works out to less than 1.41 weeks.

Combining .82 and 1.41 in the ratio of their incidence *viz.*, 49 : 1, we get the average as .832 or, say .85. Thus, the average days of illness under the Scheme may be expected to be 17/14 times that expected under the E.S.I. Scheme. The latter may be taken to be 10 days, as against 7.1 days experienced in 1957-58. Provision for 12 days of sickness per employee per annum is, therefore, adequate. The Interim Report of the Valuer on E.S.I. Scheme has recommended 12 days for the current benefits alone.

The adequacy of two days' margin, arising mainly on account of extended Sickness Benefit, is also supported by the working of the E.S.I. Scheme in 1957-58. The Scheme gave Extended Sickness Benefit at half the benefit rate for another 18 weeks in case of tuberculosis. The E.S.I. Scheme shows the incidence of T.B. cases to be 12 per thousand employees. Of these 43 per cent (or say, 50 per cent) qualified for the Extended Benefit, who drew the benefit for 80 days on the average. The period under the Scheme is 39 weeks at full benefit rate in any three half-yearly benefit periods for a greater range of prolonged diseases, the incidence of which will be below 20 per thousand. Roughly speaking, this extension of the benefit period may result in individual cases remaining longer on the Fund. On the average, this period may be taken to be 120 days. In terms of days the Extended Benefit will cost $.02 \times .5 \times 120 = 1.2$ days' benefit.

It may be of interest to note the results of a special analysis of the E.S.I. experience during 1957-58 by individual centres, where the Scheme had stabilised. The variation from the all-centre average of 7.1 days was considerable. The average number of days was as low as 2.5 in centres in Punjab and as high as 12.76 for Nagpur. The average was 10.5 for Hyderabad, 10.18 for Coimbatore, 9.92 for Indore, Gwalior, Ujjain and Ratlam, 7.5 for Madras, 7.26 for Kanpur, 7.0 for Delhi, 6.8 for Bombay and 6.7 for Howrah and Calcutta. While certain abnormal factors may partly account for these wide variations the fact remains that some wide variations should be expected in future as well. Hence, the need for providing a safety margin.

2. *Maternity*.—The E.S.I. Scheme shows that women form 6 per cent of the total insured persons. However, Factories Act statistics for factories employing 10 persons or more and using power indicate that they are little over 10 per cent of the total number of persons employed. The difference is considerable and may be explained by the fact that E.S.I. Act applies only to factories employing 20 workers or more and, possibly, there is greater employment of women in smaller units. Even then, the difference is still significant. To be on the safe side, the percentage of women workers has, therefore, been taken in the calculations to be eight as against 12 indicated in the Interim Report. Of these, 50 per cent are taken as married as shown by the study referred to in para 3(iii) Part I of Appendix III.

'A study in Birth Order Statistics of India' published by Shri S.P. Jain shows 194.9 births per 1,000 married women in the general population. Considered with the proportion married, number of confinements per 100 women employees comes out to be 10 which has been adopted. The Interim Report has given a figure of 12.

The actual experience in 1957-58 showed only 5 confinements per 100 women employees. This may indicate fewer confinements among manual women workers. But there being no positive evidence, the rate for

general population is safer to adopt. As the cost of this benefit is small such adoption will not, in any case, make any material over-all difference.

3. *Disablement (Employment Injury)* : (i) *Permanent*.—The statistics of Workmen's Compensation Act show that the incidence of permanent disablement in factories in 1956 was 1.26 per thousand employees, but it was higher in the previous years. In 1953, it was 1.84 per thousand. Accordingly, the rate of 2 per thousand has been adopted. The Interim Report also recommends a rate of 2 per thousand for men and 1 per thousand for women. As already stated, women form a very small percentage of total insured persons, and in the absence of any definite data, it is hardly worth dealing with this small section separately. The rate for all insured persons, experienced under the E.S.I. Scheme during 1957-58 was 1.3 per thousand.

The statistics of percentage disability under the E.S.I. Scheme for 1957-58 show, that in 41 per cent of cases, the extent of disability was below 5 per cent, in 23 per cent it was between 5—10 per cent and only in 7.6 per cent was it between 11—15 per cent. The percentage tapers down sharply for the higher degrees of disability. The percentage was only .10 for total disability. This distribution of percentages leaves no doubt that the average disability need not be taken at more than 20 per cent at the most. This has been adopted. The interim report takes it at 30 per cent in respect of partial disablement cases only. But as the difference between partial and total disablement is only one of degree, there is little point in treating them separately. Both have, therefore, been included in arriving at the average disability of 20 per cent adopted.

The cost of disability pension varies with the age at which disablement occurs. The average cost has been determined by taking a weighted average of the cost for different age groups as determined for survivorship pensions already dealt with in Part I. The weights adopted for the purpose have been obtained by the age distribution of 4,026 disability cases under the E.S.I. Scheme that occurred so far. The distribution adopted is as follows:

	Percentage
Below 25	24.6
25-29	21.1
30-34	17.6
35-39	14.1
40-44	10.6
45-49	7.1
50-54	3.6
55 and Over	1.3
	100.0

(ii) *Temporary* : The statistics of the Workmen's Compensation Act Over a number of years show that in factories the incidence has not been more than 20 per thousand. The statistics collected under the Factories Act give the rate of non-fatal accidents in units using power as about 40 per thousand. This covers all accidents which involved absence from work for 48 hours or more. Under the Scheme the waiting period is three days unless disability lasts for 28 days at least. Thus, the

incidence of disablement has been taken at 40 per thousand. The E.S.I. Scheme data for the last three years shows an average of 32 per thousand, with an average number of benefit days of 20 per spell. To have a safety margin this average may be taken to be 25 days. This gives $.04 \times 25 =$ One day's benefit per employee, which has been adopted. The Interim Report has recommended $1\frac{1}{2}$ days for men and $\frac{1}{2}$ day for women.

(iii) *Death*: Statistics of the Workmen's Compensation Act show that the incidence of compensated fatal accidents in factories was 0.18 per thousand in 1956. The statistics collected under the Factories Act show that the rate has never been more than 0.10 per thousand. On balance, it is felt adequate to take it at 0.15 per thousand. The E.S.I. experience over the last three years gives .056 per thousand and the Interim Report recommends 0.20 per thousand for men and 0.10 per thousand for women.

The cost of family pension on death varies with the age and number of surviving dependants. The cost can be taken to be the same as in survivorship pensions, already discussed in Part I. The only further point relates to the averaging of the cost over the various ages of the dying insured persons. Here again, an average cost has been adopted, as in the case of disablement. The weights in this case have been obtained from the age distribution of 205 deaths from employment injury recorded under E.S.I. Scheme so far. The age distribution adopted is as follows:

	%
Below 25	11.4
25-29	19.6
30-34	17.2
35-39	14.9
40-44	12.6
45-49	10.3
50-54	8.1
Over 55	5.9
	100.0

4. *Proportion Contributing*. On the basis of the proportions given in para 7, Part I, it has been taken that 85 per cent of contributions will actually be paid.

5. *Proportion Claiming*. For claiming benefits dealt with in this part, there will be some condition about the minimum number of contributions for becoming eligible to benefits. At present it is two-thirds of the number of weekly contributions due during the contribution period subject to a minimum of 12. An analysis of the contribution record for the major industrial centres of Bombay, Madras, Calcutta, Delhi and Kanpur shows that 6.8 per cent do not satisfy the condition of minimum 12 contributions. On this basis, it may be taken that not more than 95 per cent of the insured persons qualify for the benefits. On the other hand, those who go out of insurable employment carry some of the cash benefits earned for sometime after exit. On balance, therefore, no adjustment, need be made for proportion claiming benefits.

TABLE I

Showing Invalidity and Withdrawal Rates.

Age	Invalidity Rate	Withdrawal Rate for entry age.				
		20	25	30	35	40
20	..	.0650	..	..	..	..
21	..	.0600	..	..	..	..
22	..	.0550	..	..	..	..
23	..	.0500	..	..	..	..
24	..	.0470	..	..	..	..
25	.00020	.0440	.055	..	..	..
26	.00020	.0410	.048	..	..	..
27	.00020	.0380	.042	..	..	..
28	.00020	.0350	.037	..	..	..
29	.00020	.0330	.033	..	..	..
30	.00035	.0310	.030	.045	..	..
31	.00055	.0290	.027	.037	..	..
32	.00075	.0270	.025	.031	..	..
33	.00095	.0250	.023	.026	..	..
34	.00120	.0230	.021	.022	..	..
35	.00140	.0210	.019	.019	.030	..
36	.00160	.0190	.017	.017	.023	..
37	.00190	.0170	.016	.016	.018	..
38	.00220	.0150	.015	.015	.015	..
39	.00240	.0140	.014	.014	.014	..
40	.00270	.0130	.013	.013	.013	.015
41	.00300	.0120	.012	.012	.012	.010
42	.00340	.0110	.011	.011	.011	.007
43	.00380	.0100	.010	.010	.010	.005
44	.00420	.0090	.009	.009	.009	.003
45	.00470	.0080	.008	.008	.008	.001
46	.00530	.0070	.007	.007	.007	.001
47	.00590	.0060	.006	.006	.006	.001
48	.00680	.0050	.005	.005	.005	.001
49	.00800	.0040	.004	.004	.004	.001
50	.00920	..	..	..	..	..
51	.01080	..	..	..	..	..
52	.01270	..	..	..	..	..
53	.01500	..	..	..	..	..
54	.01740	..	..	..	..	..
55	.02000	..	..	..	..	..
56	.02290	..	..	..	..	..
57	.02600	..	..	..	..	..
58	.02950	..	..	..	..	..
59	.03330	..	..	..	..	..

NOTE:—The invalidity for first five years of entry does not enter in the calculations, as no invalidity benefit is payable under the Scheme.

ANNEXURE II

Wage Scale

Wage Scale is at once the most important and yet the most difficult element in a pension scheme. In the present context, the problem of determining an appropriate wage scale for making calculations for the Scheme is made more complex not only due to the existence of well-defined sections of membership mentioned in para 3 of *Annexure I*, Part I but also due to variations on account of unit, locality and industry differentials. Workers are widely scattered in the various industrial centres, which have different wage levels; within a centre, there are marked wage differences between industries and between units in the same industry. To add to the complexity, the required basic data on wages are not available. To collect them, an extensive survey like a Wage Census is necessary which in the present context is out of the question. Hence, reliance has to be placed on the guidance that can be had by piecing together the material available from different sources. In this direction the records of E.P.F. for the Delhi Centre furnished important information on wage by age. The nature of the data is described in *Annexure II*. Further, the publication—'*Industrial Awards in India*'—gives in Appendices I & II basic minimum wages and dearness allowances fixed by Adjudicators, Industrial Tribunals, etc., for workers in important industries in the different centres. Subsequent information is given in the *Indian Labour Gazette* under quarterly wage revisions. The *Indian Labour Year Book* and the *Indian Labour Gazette* contain information collected under Payment of Wages Act and in the surveys of specific industries. The E.S.I. Scheme also had records of age and wage in respect of cases of permanent disability benefit occurring throughout India. These also were analysed to give corroborative evidence. All these sources were studied and further information on incremental scales was collected by a personal visit to the important local factories in Delhi.

Then, we have the results of two important surveys on occupational pattern in manufacturing industries, which throw useful light on the structure of factory employment. One is the all-India sample survey by the Planning Commission and the Indian Statistical Institute conducted through the agency of Sample Survey of Manufacturing Industries in 1946. The second survey relates to 30th December, 1955 and was repeated in 31st December, 1956. It was conducted by the Director General, Resettlement and Employment, in Delhi Employment Market. Both surveys show that 90 per cent of factory employees fall in the group of unskilled and operatives, the last term covering machine and plant operators and other craftsmen, such as, carpenters, blacksmiths etc. The remaining 10 per cent of the employees come under the groups of professional and technical staff, administrative and executive staff, and clerical, transport and communication and other service staff.

After a study of all this material, one feels on firmer ground in coming to a decision on wages of the unskilled group but a little less on the case of operatives where heterogeneity in occupation and wages is very great. In these two groups, fixed wages are the rule and incremental scale an exception. The position is different in the case of the remaining 10 per

cent section, which mainly comprises employees having varying incremental time scales; the saving grace, however, lies in the smallness of the group. In the situation, one cannot do better than assume dominant wage scales for various identifiable groups in the section. These assumptions can at best be based on the impression left on the mind after going through the available material collection of fresh data being out of the question. A usual safeguard against going wrong and landing a long-range scheme like the pension fund in difficulties is to provide that the basic assumptions will be reviewed after a period of say, five years, when the necessary statistics will be thrown up by the actual working of the Scheme.

2. After a due consideration of the available material, the following average wages by age groups for the five identifiable groups of workers, which have a distinct wage basis, were arrived at. The average wages for all workers entering at age 20, as, adopted for calculations for the Scheme, are given in the column headed 'Adopted'. These are arrived at mainly by rounding of the exact average figures.

Age group	Officers					All worker average		
	Un-skilled	Operatives	Clerical staff	Junior	Senior	Exact	Adopted	E.P.F. Data
% of workers in the grade	(40·8)	(50·5)	(5·6)	(2·3)	(0·8)			
Below 25	75	90	120	215	..	88	90	67
25-29	82	120	155	255	325	111	115	91
30-34	87	140	180	310	390	127	130	108
35-39	87	150	225	360	480	136	140	122
40-44	87	160	280	370	500	139	145	130
45-49	90	160	330	370	500	149	150	124
50-59	90	160	370	370	500	151	155	137

The averages shown by the E.P.F. data for Delhi Centre are also shown side by side. The E.P.F. data give an average wage of Rs. 92 as against Rs. 101 shown by the Payment of Wages Act data for 1956. It will be seen that in each age group the proposed scale is usually Rs. 15—26 above the E.P.F. average. Thus, the adopted scale contains sufficient margin for future increases. Further, it like the E.P.F. averages shows rapid increases in the earlier years and a stable level in the later years. This conforms to the Workmen's Scale, which has been aptly described primarily with reference to the U.K. as follows :

"Among manual workers...the average wage tends to reach a figure equal to the full adult wage at quite a young age, say 25, after a series of fairly rapid increases. There would be little variation thereafter and the only increases in earnings, which would normally occur would arise upon promotions, would be relatively infrequent and would have only a small effect upon the scale of average salaries. The curve representing the salary scale in such a case would thus rise rapidly for a few years, but after age 25 or thereabouts, would be almost level. Such a scale may be referred to as a workmen's scale."

A wage scale for the purposes of the Scheme will more appropriately be in terms of average wage according to age rather than as a time scale. The statistical basis for the wage scale adopted for the five groups of workers is discussed in Part II.

3. Workers join employment at ages well spread out in the age span 20—30. Entrants at age 25 will pass through the same incremental stages and reach the same maximum, although they will enjoy it for the last five years only. In the case of entry age 20, it has been taken that senior officers will enter at age 25, and hence, while entrants at age 20 do not have any senior officers against age 'Below 25', entrants at age 25 will include the prescribed quota of senior officers age 25. This small difference does not affect the emergent scale materially, because of the low percentage of senior officers. It will, therefore, be reasonable to adopt the same wage scale for entrants at age 25 with the difference that the figures in the scale will read against the next age group, the group 50—59 being split up into 50—54 and 50—59. The following table shows the wage scale adopted for other entry ages :

Age Group	Entry Age							
	25	30		35		40		
	Un-skilled	Skill-ed	Com-bined	Un-skilled	Skill-ed	Com-bined	Un-skilled	
25-29	90	60	40	75	25			100
30-34	115	75	90	90	..	..	..	..
35-39	130	82	120	110	75	90	90	..
40-44	140	87	140	110	82	120	100	75
45-49	145	87	150	115	87	140	105	82
50-54	150	90	150	120	87	150	110	87
55-59	155	90	160	125	90	160	115	90

Column headed 'combined' shows the scale adopted for the entry age. It is assumed that officers' class does not join at ages 30 and over and that the proportion of unskilled increases as the entry age increases. At age 30, unskilled form 60 per cent, at age 35, 75 per cent and at 40, cent per cent of the total entrants.

In every case wage by single ages was determined by interpolation.

PART II

4. *Occupational Distribution.* The results of two important surveys on occupational pattern mentioned in para. 1 may first be considered. The Sample Survey of Manufacturing Industries covered 4,361 units out of a total of about 26,000 units of both types, using power and not using power. Units employing large number of workers were fully enumerated. The results may be taken to reflect the condition in the manufacturing sector fairly faithfully. The inclusion of factories not using power is a slightly disturbing factor for present purposes, but since employment in this sector is only about 9 per cent of that in the sector using power, this is not of much significance. The point may, however, be borne in mind. The Delhi Market Survey covered the whole of public sector and about 50 per

cent of the units in private sector. Figures for manufacturing industries are available separately. The results of the two surveys in respect of manufacturing industries are as follow :

Occupational Group	Percentage of total according to:		
	SSMI	Delhi Market Survey	
		(31-12-56)* Private Sector	(31-12-55)** Public Sector
1. Unskilled	47.14	40.4	18.0
2. Operatives	42.77	50.3	60.3
3. Professional and Technical ..	2.24	1.7	2.9
4. Administrative & Executive ..	1.39	1.4	1.4
5. (a) Clerical	4.54	5.6	15.1
(b) Sales	0.04		
6. Transport & Communication	0.64	0.4	1.1
7. Service Staff	1.24	0.2	1.2
	100.00	100.0	100.0

*Covered 67,007 persons.

**Covered 123,979 persons.

The percentages in the two surveys are consistent enough to provide a basis for calculations for the Scheme after suitable adjustments are made for the sector to be covered by it and the likely future trends. A major long term development in the offing is the increasing automation of industry, in spite of the present hold up. Further, the salary ceiling of Rs. 500 in the Scheme will exclude a very small number of top executives and technicians, and salesmen as a class may not be covered. These exclusions, however, will be small and are not likely to affect the percentages shown above materially. The all-India SSMI percentages lean more towards the unskilled group, when compared with the Delhi Market percentages. In view of the likely future developments, the Delhi Market figures for private sector have been adopted for the present calculations.

5. *Background Information on Wages:* Before preceding to a discussion of the prevalent wages and the wage scale adopted, the necessary background information may be discussed.

(i) *Distribution of Industry and Wage Levels:* For fixing attention on variations in wage structure, important industries along with their main location are given in the statement at the end. It shows that cotton mills and the jute mills largely dominate factory employment, the former accounting for a little more than 4th of the total and the later about 1/10th. Cotton mills are largely concentrated in Bombay, which is a high wage pocket. They are also fairly well distributed in other States like Madras, Madhya Pradesh, Uttar Pradesh and West Bengal. These States have a distinctly lower wage level. Generally speaking, high paying industries are located in areas, where cost of living is high, and lower paying industries in areas, which have lower cost of living. Jute mills have a much lower wage level and are mainly concentrated in West Bengal. Other industries are distributed in several States but the largest concentration is in Bombay and West Bengal. Madras and Uttar Pradesh follow next in order. Among

the States, in 1956, the highest average wage was in Assam (Rs. 1,526) followed by Delhi (Rs. 1,467), Bombay (Rs. 1,415) and Bihar (Rs. 1,236). Uttar Pradesh (Rs. 1,014) and West Bengal (Rs. 1,142) came in as States having a medium wage level. The wage level was particularly low in Madras (Rs. 950), Orissa (Rs. 949), Madhya Pradesh (Rs. 982) and Punjab (Rs. 991). Among the industries, the heterogeneous group falling under the common heading "Engineering" usually forms a high wage section. In this group Transport and Transport Equipment had an average wage of Rs. 1,560 in 1956 followed by the Basic Metal Industry with an average of Rs. 1,488. The average wage was also high in Rubber and Rubber Products, being Rs. 1,502. The average in the Textiles was considerably lower, being Rs. 1,245. The average wage was low in Paper and Paper Products (Rs. 1,036), Leather and Leather Products (Rs. 756) and Chemical and Chemical Products (Rs. 981).

For arriving at an all-India wage scale, an idea of the variations described here is necessary.

(ii) *Basic Wage* : In so far as workers comprising unskilled, piece-rated operatives and a great majority of time-rated operatives are concerned, incremental time scale is an exception. This group gets a fixed wage. The pattern in cotton mills, which, as already shown, dominate factory employment, is set by the Bombay and Ahmedabad Awards. They lay down fixed wages. Next in importance come jute mills, if the heterogeneous engineering group is passed over for the present. In the jute industry, there is no incremental scale and similar is the position in very many other industries. The cotton mills scales are very often looked upon as guiding lights for fixing wages in other industries. As regards promotions, there is very little mobility between the groups of unskilled and the operatives. The workers, while generally remaining in their group, may get a small *ad hoc* increment in wages, either as a result of promotion to a slightly better paid job or as a reward from the employer or due to increased skill and proficiency resulting from continued handling of the same job. A notable exception in this matter is the heterogeneous engineering industry. In this industry, in most of the bigger units, the workers get an incremental scale. In one important Award, the following scales were fixed:

Unskilled		30— $\frac{1}{2}$ —35
Semi-skilled	Gr. II.	35—150
	Gr. I.	50—260
Skilled	Gr. III.	60—4—100
	Gr. II.	100—5—150
	Gr. I.	150—6—210—8—250

In the public sector, which accounts for nearly $\frac{1}{4}$ th of total factory employment, incremental scale is being increasingly adopted. A typical example is as follows :

Unskilled	Gr. II.	30— $\frac{1}{2}$ —35.
	Gr. I.	35—1—50.
Operatives	Gr. III.	50—2—60—3—75.
	Gr. II.	75—5—100—8—140—10—160.
	Gr. I.	160—10—330 (really a junior technical supervisory staff as the next grade is that of Asstt. Engineers).

In the units in the private sector, where there is an incremental scale, any number of variations in the scale may be expected. One common feature of incremental scales for workmen, however, is that they have a narrow bridge.

As regards the remaining occupational groups 3—7 mentioned in para 4, which together account for 10 per cent of the total employment, there are distinct incremental scales based on length of service for each group. The scales are varied, but these occupational groups are small and too much accuracy in the incremental scale need not be aimed at. There are fairly well recognisable model scales, which can well serve the purpose of calculation. So long as any reasonable scale is adopted, the final result will not materially differ.

(iii) *Dearness Allowance* : This element in wage has no long range stability, as it is liable to fluctuations according to the price levels. In the Textile Mills during 1954—57, while dearness allowance in West Bengal remained at Rs. 30 p.m., it increased from Rs. 50 to Rs. 55 in Kanpur, from Rs. 45 to Rs. 54 in Madras, from Rs. 41 to Rs. 54 in Nagpur, from Rs. 52 to Rs. 56 in Indore, from Rs. 69 to Rs. 74 in Ahmedabad and from Rs. 65 to Rs. 79 in Bombay. The Bombay Mill-owners' scale of dearness allowance, linked as it is to cost of living, very often acts as a determinant of dearness allowance in many other industries. In those industries, dearness allowance is usually a percentage of the Bombay figure.

Here again, there is a difference in respect of unskilled and operatives groups and the rest, which is linked to the situation regarding basic wage. In a few instances, dearness allowance may be given as a percentage of basic wage, but, by and large, dearness allowance for all unskilled and operatives is a flat amount. It may be mentioned separately or included in the consolidated wage and there is no uniformity. For other occupational groups, and the operatives group, where there is an incremental scale, it may be prescribed by grade or basic wage slabs. For instance, in a unit in the public sector, unskilled gets Rs. 45 p.m. as dearness allowance, operatives Grade III, Rs. 45, Grade II, Rs. 55, Grade I, Rs. 65. In another important unit, dearness allowance is Rs. 28 up to Rs. 50 basic wage, Rs. 33 for basic wage between Rs. 50—70, and so on, increasing by Rs. 5 for the different wage slabs of varying width and going to a maximum of Rs. 78 for the range of salaries under consideration. In the Engineering Industry Award in Bombay, dearness allowance was fixed at Rs. 25 for basic wage up to Rs. 50, Rs. 35 for basic wage between Rs. 51—100, Rs. 40 for Rs. 101—150, Rs. 45 for Rs. 151—200, Rs. 50 for Rs. 201—250, Rs. 60 for Rs. 251—300, and Rs. 70 for Rs. 301—500. The same rates were awarded for the Engineering Industry in West Bengal.

The final effect of the incidence of the dearness allowance system described above is to tone down the wage differentials by occupation, particularly in the unskilled and operatives groups. In the lowest paid categories, dearness allowance is usually more than the basic wage, in others it is very substantial. Hence, it is more to the point to think in terms of consolidated wages, in so far as these two occupational groups are concerned. The narrow incremental bridge, wherever it exists, loses much of its significance. In the other groups, it disturbs the incremental scale, since dearness allowance, which is quite substantial, remains the same over a wider range of pay than the incremental bridges. So, for these groups, it would be appropriate to take note of the incidence of dearness allowance as a separate item.

6. *Workmen's Wage Scale* : After considering the available information regarding wages and dearness allowance by grades and occupations, and the distribution of workers between them, and taking note of chances of promotion, the next step is to fix the average salary for each attained age. For this purpose, the actual data on present wage by age may be a good guide, if the age distribution of workers, and the conditions of wage increment and promotions were fairly stable. In our present stage of development, however, this is not so. The approach, therefore, has to be to make an estimate of expected wages, which may reflect, with reasonable accuracy, future progress in the industry as a whole. It is possible that the actual experience of the individual age groups may show fairly wide fluctuations.

The problem of wage scale for the industry has, thus, to be conceived of in terms of workers falling in various grades, each receiving a distinct wage, which may or may not relate to age and/or length of service in the grade. In the case of unskilled and operatives, it is, generally, not related to age or length of service. Some promotions, but not frequent, may occur according to vacancies arising or efficiency attained. The industry, taken as a whole, works out to fairly stable ratios of the number of workers in related wage groups determined by the nature of employment and economic and other forces. This underlying structure of the industry tends to produce at successive age groups a certain pattern of occupational classification and corresponding average wages. That generates a pattern of average wages by age which may not be a pronounced or a wide one. It is well illustrated practically by the E.P.F. data on average wage by age group given below :

Age	Average wage for wage slab:					All Wages
	Below 70	70-99	100-179	180 & above		
Below 25	52	80	122	96	234	67
25-29	55	83	131	109	264	91
30-34	55	82	131	110	271	108
35-39	55	81	133	111	265	122
40-44	56	82	133	116	267	130
45-49	50	81	138	112	278	124
above 50	53	83	136	117	296	137
All ages	53	81	130	107	270	92
	3,137	1,221	1,305	2,526	484	6,147
No. of workers	51%	19.9%	21.2%	41.1%	7.9%	100%

There is absence of any evidence of time scale in the wage groups below 70, 70—99 and 100—179 except for an appreciable increase in changing from age group "Below 25" to 25—29. The average wage by age in the two component wage slabs, under the impact of percentage of workers in each, generates some sort of a wage scale, which is in evidence in the composite wage slab 70—179. The wage slab "180 and above" shows a distinct evidence of an incremental time-scale. In the final result, average wages in the various wage slabs under the impact of the respective percentage of workers in each, give rise to a distinct wage scale shown under

the column "all wages". It conforms to the features of Workmen's Scale described in para 2.

7. *Wage Scales Adopted* : (i) *Unskilled Group*—For this group, basic wage of Rs. 26—30 per month is widely prevalent at present in most of the industries; in West Bengal, it is as low as Rs. 20.15. The element of dearness allowance, however, shows a large variation between industries and localities. In Delhi, a consolidated wage of Rs. 52.50 p.m. is the prescribed minimum for certain industries. There is a large volume of employment on Rs. 45 p.m. in many other industries. A study of the wages of the unskilled worker given in the *Indian Labour Gazette* and the Awards shows that the consolidated wage goes above Rs. 65 per month only in a few localities. In a large majority of industries and localities, it is well below. In the Delhi Cloth Mills with the level of dearness allowance at say, Rs. 55, the wage of an unskilled worker comes to Rs. 80 or so. In Cotton Textiles at Bombay, Ahmedabad, Sholapur, Kanpur and Delhi it is above Rs. 108. In the public sector, it is Rs. 75 to 80. These figures do not include cash payments by way of house rent, compensatory allowance and the like granted by Government, but these elements do not take the average very much high. The low wage pockets are more numerous in the industry taken as a whole. The average wage of Rs. 65 per month will appear to be a safe figure for an unskilled worker in the manufacturing industry. This is further supported by the wage distributions shown by the E.P.F. and E.S.I. data. They are given below :

	E.P.F.			E.S.I.		
	No. of Workers	Per cent.	Average Wage Rs.	No. of Workers	Per cent.	
1. Below 49	736	12.0	40	Below 52	417	10.7
2. 50-59	1,521	24.7	55			
3. 60-69	880	14.3	62			
4. 70-79	569	9.3	74	52-78	816	21.1
5. 80-89	351	5.7	83			
6. 90-99	301	4.9	93			
7. 100-129	694	11.3	111	78-104	1,311	33.9
8. 130-179	611	9.9	150	104-156	993	25.6
9. 180 & above	484	7.9	270	156 & above	330	8.7
	6,147	100.0	92		3,873	100.0

E.S.I. data relate to cases of serious employment injury, which entailed the grant of permanent disability benefit to the worker. In such cases, an individual record is maintained, which shows the age at the time of accident, and the daily rate of full benefit, to which the percentage of disability is applied to determine the amount of benefit payable. The full rate of benefit is fixed according to the wage slabs, in which the actual earnings of the worker fall. The wage slabs are fairly close. Hence, the record can be used to obtain indirectly the wage distribution by the age of workers. It may, however, be noted that the plant and the machine operatives are, generally speaking, more liable to accidents than the unskilled or the supervisory type. The E.S.I. data have, thus, a bias, which gives substantially higher representation to machine and plant operatives. If allowance is made for this fact, the two distributions agree fairly well with each other.

E.P.F. data bring out an average wage of Rs. 92, whereas E.S.I. data show the average at Rs. 100. Provident Fund data show 36.7 per cent of employees getting below Rs. 60. The proportion for unskilled labour adopted in para. 4 is 40.4 per cent and to reach this percentage, the wage limit of Rs. 65 will be covered. E.S.I. data show that 31.8 per cent get below Rs. 78 per month and to make up the unskilled proportion of 40 per cent the wage limit will go up to Rs. 85 per month or so, but this has to be discounted for the bias for operatives.

The present pressure by the workers for rise in wages is likely to grant some increase to the unskilled group. In the near future, there are few chances of the price level coming down. It is, therefore, considered that for purposes of calculation, the wage scale for unskilled workers, generated in accordance with the explanations given in para. 6 above, may be taken to start at Rs. 75 per month for age 20, and to rise by the retiral age of 60 by 20 per cent to Rs. 90 per month as follows :

Age below 25	Proposed	Provident
	Rs.	Fund Data Rs.
25-29	75	52
30-44	82	55
45-60	87	55
	90	51

For the sake of comparison, the actual average wage for workers getting below Rs. 70, which is the range for unskilled workers according to E.P.F. data, is also shown. The wage scale may become more pronounced due to future developments in regard to wages following the initiative taken by the public sector in granting an incremental scale to unskilled workers.

(ii) *Operatives* : This group may be taken to start at the upper wage-limit of unskilled worker. The wage may increase rapidly in the earlier years reaching nearer the stable level in five to ten years. Then, a small fraction may get promotion as foremen and overseers in due course. According to the E.P.F. data employees getting over Rs. 180 form 8 per cent. This percentage suggests that the wage group of over Rs. 180 pertains mainly to professional, technical, administrative, executive, and such of clerical staff, as cross the limit of Rs. 180 consolidated pay, since all these together approximately form 8 per cent according to the occupational distribution given in para 4. Thus, by a process of elimination, the operatives would seem to fall in the wage slab 65—180. It may be recognised that this group covers all shades of skilled and semi-skilled workers, who get wages, which may be fixed at various points in this wage slab. The average wage of this group in Delhi Cloth Mills and Swantantra Bharat Mills is about Rs. 125. In Delhi Cloth Mills (Chemicals), it is Rs. 110 per month against an average of about Rs. 85 per month for unskilled workers. In Ayodhya Textile Mills, it is about Rs. 80 against an average of Rs. 65 for unskilled workers. In the Silk section of Swantantra Bharat Mills the average is about Rs. 115. In Delhi Cloth Mills, a piece-rated worker gets nearly Rs. 130. Unfortunately, unlike the case of unskilled group, information on the average wages of the group is not available extensively for localities and industries. But the above figures, even though relating to a few isolated instances, taken with the range for the wages of the group and the marked differentials by locality and industry, help to suggest, for calculation purposes, an average

wage scale generated in accordance with the explanation given in para 6. This average scale may be taken as follows :

	Proposed Rs.	E.P.F. Data Rs.
Below 25	90	96
25-29	120	109
30-34	140	110
35-44	150	113
45-55	160	115

The figures under E.P.F. data show the actual average for workers getting Rs. 70—179, the range for the group.

(iii) *Clerical Staff* : The Delhi Cloth Mills has a basic wage scale of Rs. 55—5—90—6—120—8—160—10—210—15—300 for clerical staff. In the Central Government a Lower Division Clerk gets Rs. 60—3—81—E.B. 4—125—5—130, an Upper Division Clerk Rs. 80—5—120—8—200—10—220 and an Assistant Rs. 160—10—300—15—450. All the three grades are combined in one of the Delhi Cloth Mills grade. In the industry, there are sharp rises in time scale, since the clerical staff there has a greater responsibility for independent handling of important matters. A simplified form of the Delhi Cloth Mills grade that may be adopted for calculation seems to Rs. 55—5—90—6—120—8—160—10—300.

(iv) *Professional and Technical group* : This group may be taken to have two grades Rs. 150—10—300 and Rs. 250—10—300—15—360—20—500. The ratio of posts in junior and senior grades may be taken as 7 : 3.

(v) *Administrative and Executive group* : As in (iv) above except that the ratio of posts in junior and senior scales may be taken as 8 : 2.

For categories (iii)—(v) above dearness allowance may be taken at the present Government rate of Rs. 55 for basic pay slab 51—100. Rs 60 for 101—150, Rs. 65 for 151—200 and Rs. 70 for 201—500. On the above basis, the salary scales of clerical staff, junior and senior officers in the various age groups work out as follows :

	Clerical Staff Rs.	Officers' Jr. Scale Rs.	Officers' Sr. Scale Rs.	E.P.F. Data Rs.
Below 25	120	215		234
25-29	155	255	325	264
30-34	180	310	390	271
35-39	225	360	480	265
40-44	280	370	500*	267
45-49	330	370	500*	278
50 and over	370	370	500*	296

*Since the Scheme is limited to the ceiling of Rs. 500 wage.

For the sake of comparison, the average salary for employees getting Rs. 180 and over, the range of pay for this class according to E.P.F. data, is also shown.

(vi) *Transport and Communication staff* : This group consists mainly of drivers and cleaners. Drivers get slightly more than an unskilled worker. One Award gave drivers Rs. 70 consolidated. In another, a basic wage of Rs. 40—3—70 plus dearness allowance was given. Cleaners fall in the group

of unskilled workers. Considering their scale, the drivers may be included in the group of operatives and the cleaners in the group of unskilled workers. The group may be split up into operatives and unskilled workers in the ratio of fifty-fifty.

(vii) 'Other Services': This category consists mainly of watchmen, peons, sweepers, etc. In this group, only watchmen and peons may have a distinctly better scale than the common scale of unskilled workers, but the rest of the group may be identified with the latter. In one award the watchmen got Rs. 30—2—50 plus dearness allowance. In another, Rs. 40 basic with Rs. 40 dearness allowance. In a third, their wage was fixed at Rs. 22 basic with Rs. 26 dearness allowance. Peons get the grade of Rs. 30—1/2—35 with dearness allowance at Rs. 50 in the Central Government. These specified scales for watchmen and peons suggest that for calculation purposes, the group as a whole may be assigned to the unskilled group.

The wage scales adopted for the five categories of workers are reproduced in para. 2 above.

Statement showing important Industries and their main location.

Statistics of factories for 1956 show the following important industries with their location. The figures in brackets indicate employment (in thousands) in the industry in 1956 :

1. Edible Oil including hydrogenated oil (52)* —Bombay (19) & U.P. (7).
2. Tea factories (90) —Assam (55), West Bengal (27).
3. Cotton Mills (760) —Bombay (476), M.P. (43) Madras (103), U.P. (57), West Bengal (41), Delhi (16).
4. Jute Mills (273) —West Bengal (254)
5. Silk Mills (48) —West Bengal (36), Punjab (7).
6. Woollen Mills (14) —Bombay (4), Punjab (4), U.P. (3), West Bengal (1).
7. Paper (21)* —West Bengal (10), Orissa (3).
8. Letter Press and Lithographic Printing and Book Binding. (75)* —Bombay (26), Madras (13) West Bengal (10), U. P. (9).
9. Tanneries and Leather Finishing. (15) —Madras (8), U.P. (3).
10. Rubber Footwear (12) —West Bengal (12).
11. Fine and Pharmaceutical Chemical. (17)* —Bombay (6), West Bengal (6).
12. Matches (21)* —Madras (14).
13. Glass and Glass Products (30) —Bombay (7), U.P. (12), West Bengal (7).
14. Pottery, China & Earthenwear. (13) —Bombay (3), West Bengal (5), M.P. (3).

15. Cement (10)* —Bihar (5), Bombay (3).
16. Mica Factories (13) —Bihar (12), Andhra (1).
17. Iron and Steel (48) —Bihar (23), West Bengal (23).
18. Rolling & Rough Casting Metal Industries. (39)* —Bihar (8), West Bengal (18).
19. Metal Containers & Steel Trunks. (26)* —Bombay (9), West Bengal (7).
20. Textile Machinery & Accessories. (14)* —Bombay (7).
21. General and Jobbing Engineering. (63)* —West Bengal (19), Bombay (15).
22. Ship Building and Repairing. (32) —Bombay (12), West Bengal (14), Andhra (4).
23. Railways Workshops (117) —Bihar (13), Bombay (30), Madras (20), U.P. (21) and West Bengal (23).
24. Repair of Motor Vehicles (48) —Andhra (23), Bombay (14), Madras (14).
25. Electricity, Light & Power (24)* —Bombay (5), West Bengal (5).

*Industries marked with an asterisk occur in a fairly good concentration in other States as well.

These together account for 18,94 thousand workers in a total factory employment of 28,82 thousand.

Besides the above, there are Sugar (96), Ginning and Bailing (105), Rice (66), Bidi (71), Bricks and Tiles (16) and Ordnance (61) industries together accounting for 415 thousand workers. As in the E.S.I. Scheme, they are not likely to be covered under the Scheme.

ANNEXURE 3

Withdrawals

The E.P.F. has valuable data on withdrawals and wage by age of workers. The Fund keeps a record of the identity of the worker joining the Fund, date of appointment, and the date, age and wage at joining. Where the worker goes out of the Fund, information regarding the date and cause of exit are also maintained. To obtain information about withdrawals and wage by age of workers, the E.P.F. records for Delhi centre were specially analysed. Since these records are created in connection with the Pension Fund, which involves contribution by employer and the employee, it can safely be presumed that the record of wage is very reliable. Further, the current withdrawal experience of workers attached to the industries covered is properly reflected by these records, since casual workers are weeded out by the condition that workers can join the Fund only practically after a year of service. Only genuine withdrawals are recorded as such, since a withdrawal entry is made, only if the worker keeps out of insurable employment for six months at least.

2. To appreciate the significance of the data, a few facts about the Scheme may now be given. The E.P.F. scheme started in November, 1952, covering six industries. Thereafter, the scope was extended on different dates during the period 31st July, 1956 to 30th November, 1957. The Fund for Delhi Centre finally covered two units in cement, 56 units in electrical, mechanical and general engineering products, two units in Iron and Steel, three in Textile, two in Edible Oils and Fats, 12 in Printing, one in Refractories, one in Tiles, four in Heavy and Fine Chemicals, one in Oxygen, Acetylene and Carbon-dioxide gases industries and eight in newspaper establishments. In July 1957, the wage limit for the membership of the Fund was raised from Rs. 300 to 500 per month. Thus, in the years 1953—55, the membership increased mainly due to first entrants in the industries, which had been initially covered. After 1956, quite a large number of old entrants joined the Fund, as more industries were covered. All the workers, who were on the Fund of Delhi Centre at any time during the period 1st January, 1953 to 31st December, 1957 were included in the analysis. Naturally, exempted units were not included.

The total number of workers, whose records thus became available, was 7386. Of these, 111 were women. There were only six exits due to withdrawals during the period and 105 women were on the Fund on 31st December, 1957. The remaining 7275 were male workers, of whom 515 were discharged by the employer, 517 withdrew on their own and 24 died. The number of male workers on the Fund as on 31st December, 1957 was 6219. Of these, only 1664 were first entrants in employment since the Fund started. Thus, the membership included a good proportion of workers having longer period of service. On the other hand, the Fund started in November, 1952 and is still young. The workers have yet to realise fully the value of keeping their contributions in the Fund. The tendency to withdraw their money early along with a portion of employer's contribution, which to them is easy money, is in evidence. There is an opinion that the

present waiting period between the date of entering employment and of joining the E.P.F. encourages a tendency in the employers to discharge workers from service before they become eligible for membership, in order to save employers' contribution. Such a consideration may work mainly with the unskilled workers, for an employer does have a greater value for experienced skilled and semi-skilled workers. Further, the better organised units get exemption. On balance, it may be taken that experience reflected by the present data is a good guide for the present condition in the industry at large. It has, of course, to be suitably modified keeping in view the possibility of further stabilisation, as the Scheme progresses and labour legislation becomes more effective.

3. The average wage per worker, according to the data, came to Rs. 92, whereas the payment of Wages Act, which so far covered employees getting Rs. 200 per month, show that the average wage in Delhi during the period 1952—56 was Rs. 113. The all-India average according to the Payment of Wages Act during this period was Rs. 95. The records of 3873 disability benefit cases under the E.S.I. Scheme gave an average of Rs. 100 per month for all-India. According to the Payment of Wages Act data, the average for perennial factories for 1956 was Rs. 122 per month for Delhi, Rs. 118 for Bombay and Rs. 101 for all-India. It would thus appear that the average given by the E.P.F. data is on the lower side. This seems to be so because of the exemptions from the Scheme, which by virtue of the condition for granting such exemption, extends mostly to the more advanced employers, who have a similar scheme of their own. The information furnished by the employers of the exempted factories for the month of April, 1958 regarding their total wage bill and the number of subscribers to their Fund on the last date showed that the average wage in the case of Ayodhya Textile Mills was Rs. 96, Bombay Textile Mills Rs. 93, Delhi Cloth Mills Rs. 108, Delhi Cloth Mills Chemicals Rs. 112 and Ganesh Flour Mills Rs. 100. These figures confirm the general conclusion that the better paying employers are under-represented in the present E.P.F. data. The analysis of the data on wage by age is discussed in *Annexure II*.

4. The data for the Delhi Centre showed the following withdrawal by ages, the number exposed to risk having been determined by the 'Policy Year' method :

Age at entry in the Fund	Withdrawal Rate %
Upto 22	4.08
23-27	8.64
28-32	7.86
33-37	7.39
38-42	6.32
43-47	6.88
48-52	6.97
Overall	6.98

The above figures show only a small decline with age, in the withdrawal rate ignoring, for the present, the subnormal rate for ages below 22, which is not easy to understand. The rate does not show the sharp decline as the age increases, which is usually associated with withdrawals. The data were

further analysed taking into account only the first entrants in factory employment. The following withdrawal rates by year of service were obtained :

Age at entry in the Fund	Withdrawal Rate Per cent		
	1st year	2nd year	3rd year
Up to 22	8	13.8	10.1
23-27	10	10.9	11.6
28-32	7	9.4	4.2*
33-37	7.1	15.6*	5.3*
Over 38	7.1	6	4.5*
All ages	8.3	11.9	8.8

*Based on only about 50 workers or so.

The first year in the above Table roughly corresponds to the second year of employment, because of the condition of waiting period in the E.P.F. Scheme. The withdrawals in the third year of employment are rather heavier than those in the second year. In the fourth year they continue to be quite heavy at least up to the age 27. The withdrawal rates become small after fourth year of employment. Here again, the rate up to age 22 is lower than that in the age group 23—27 in the second and the fourth year of employment. The above features are rather peculiar and contrary to the prevalent notions about established industries. They may perhaps be due to the fact that in the country, industrial population taken as a whole, is still in a state of immaturity. It is affected largely by the urge of the workers to return to their native place after they have been in a factory employment for sometime. Perhaps things may improve when the withdrawal benefit gets considerably reduced and the provident fund is replaced by a pension scheme. Most of the well organised units have built up a stable labour force and their withdrawals are very low. This tendency may spread further with the increasing tempo of labour legislation directed to ameliorate the workers' condition and further advancement of their rights. In view of these developments, it is presumed that the withdrawal experience of the Scheme will follow the usual course of heavy withdrawals in the earlier years dropping down sharply, after a few years, to lower levels. As against the present withdrawal rate of 7 per cent nearly half of which is contributed by employers' discharge of workers, it may be assumed that the experience will stabilise at a much lower level, particularly due to marked reduction in discharges by employers.

5. Information regarding membership of the Fund, number of entrants and exits by cause, e.g., discharge by employer, resignation by the worker, death for each of the five years of existence of the Fund was also collected from 27 most important industrial centres in the country. It covered over 2.8 lakh workers spread all over India. Its analysis showed that the exit rate from all causes was 7.6 per cent of the membership; withdrawals due to discharge by employer and resignation by workers was 7.3 per cent. These leave out first year withdrawals. Discharge by employer accounted for 48 per cent of total exits as against 43 per cent exits due to resignation and 5 per cent due to death. These percentages for the individual centres varied considerably. For instance, the rate of exit varied between 0.30 to 0.21.

6. The data discussed in the preceding paragraphs seem to establish that the present rate of withdrawal is about 7 per cent of membership; that, in the rate, there is very little variation with age and that withdrawals are

heavier in the first four years of entry, after which decline starts. As discussed in paragraph 4 it is to be expected that the Scheme will be effective in stabilising labour and bringing the withdrawal experience more and more in conformity with the general trend recorded elsewhere. It is proper to adopt withdrawal rates based on such anticipations, as unduly heavy withdrawals, which may not be experienced, lead to an under-estimation of liabilities of a pension fund. There is no Indian Table of withdrawal rates which can serve as a guide. In the circumstances, one cannot do better than to rely on an appropriate Table pertaining to foreign countries. A study of the available material suggested that, for purposes of calculation, the rates may be adopted from the Tables constructed from the Funds of the Great Railway Service in U.K. Among others, this was taken into account by the Departmental Committee on Superannuation Funds of Railway Companies. The withdrawal rates and invalidity rates for entry age 20 so determined are given in Table I, Appendix I. The withdrawal rates for other entry ages shown in this Table were fixed keeping in view the fact that withdrawals are effected not so much by the age of the person as by the length of service.

7. As an evidence of the suitability of the rates of withdrawal, invalidity and death adopted, the ultimate composition of a fund experiencing such rates and supported by 10,000 new entrants at age 20 may be considered. Such a Fund will experience 3,004 deaths, 4,984 withdrawals, 591 invalidity retirements and 1,420 normal retirements giving the corresponding rates per 100 members to be 1.73, 2.87, 0.34, 0.82 respectively. This gives a total labour turnover rate of 5.76, which may be contrasted with the present rate of 7.6, of which 7.3 is due to withdrawals. The assumed labour turnover rate is somewhat below the present one, but the striking difference lies in its distribution between deaths and withdrawals. It is only natural that when withdrawals are reduced, more deaths will be recorded by the Fund.

The following Table shows the percentage of workers in the various periods of length of service in such a Fund and the various well-stabilised industries. The figures for industries have been taken from the results of surveys given in the *Indian Labour Gazette*. The last column shows the figures for several industries combined, covering most of the important ones but not all.

Under 1 yr.	5.8	6.1	6.0	5.6	5	8.7	6.0
1-5	23.4	32.2	8.2	14.5	29	11.9	28.0
6-10	17.5	30.2	39.5	25.4	10	32.6	32.6
Over 10	53.5	31.5	46.3	54.5	56	46.8	33.4
	100.0	100.0	100.0	100.0	100	100.0	100.0

There are all shades of staff stability. Cotton Textiles represent a fairly stabilised industry, while the others given above are the highly stabilised ones. On the other extreme is glass, for instance. In the industry 36 per cent of workers have under one year of service and only 8 per cent have over 10 years of service. The above figures show that percentages relating to the Fund are within practical limits. It may, however, be borne in mind that, actually, new entrants will join at ages later than 20 and withdrawals in the industry as a whole will take a long time to come down to the level assumed. At present, deaths shown by the E.P.F. data are subnormally low, the death rate being only 0.43 per cent. Persons in indifferent health get out as withdrawals, but as these go down, deaths will go up.

ANNEXURE 4

Family Statistics

In the E.S.I. Scheme, dependants' benefit to widow and children becomes payable on the death of an insured person due to employment injury. Accordingly, on such death a card is prepared, which *inter alia* shows the ages of the insured person, the widow and the surviving children. The experience is limited, as only 205 cases are on record so far. However, the material was analysed to serve as a broad guide in determining the figures to be assumed for purposes of calculation.

It was found that in 22 cases neither a widow nor any child was left surviving and in eight cases only children survived, there being no widow. These figures indicate that in a very high proportion of cases widows and children are left as survivors. It is erring on the safe side, if the small fraction of cases not leaving surviving claimants, is ignored. Accordingly, it has been assumed that in every death case there will be a surviving widow and children as discussed below.

The data show that 25 per cent of workers leave no child on death. Childlessness is a known feature of Indian fertility pattern. 1931 census results showed 6 per cent of marriages, which had lasted 15 years or more, as sterile. This percentage is 11 for marriages, which had lasted 10—14 years, 16 for 5—9 years, 30 for 0—4 years. Workers can get involved in accidents at all durations of marriage and hence 25 per cent of childless cases is not entirely out. An analysis of the data gave the following percentages of workers in the various age groups having no child, at least one child, at least two children and three or more children, the children in all cases being below age 18 :

Age group	Percentage of workers having at death number of children below 18 at least			
	0	1	2	3 or more
20-29	26	74	50	8
30-39	16	84	76	45
40-49	27	73	61	41
50 & over	42	58	45	29

The differences in the ages of wives and husbands and ages of children in the various age groups of husbands were as follows :

Age of husband	Wife younger by years	Age of child		
		1st youngest	2nd youngest	3rd youngest
20-29	3.1	1.3	4.6	7.6
30-39	6.2	2.8	5.5	8.0
40-49	5.9	4.5	8.0	9.9
50 & over	12.2	5.0	8.2	10.1

On the basis of the above, the figures given in para 6 relating to Family Statistics in Part I Annexure III were adopted. The appropriateness of these

figures may be seen from the results obtained elsewhere. National Sample Survey in its study on 'Couple Fertility' shows an average difference of 7.1 years in the age of wife and husband in the urban areas in India. This average in the case of England was 2.7. According to the National Sample Survey results, the interval between first and second birth is 2.8 and between second and third birth it is 2.7. Data concerning London Fire Brigade gave the following comparable figures :

Age of husband	Wife younger by years
27	1.8
32	2.8
37	3.3
42	3.9
47	5.2

ANNEXURE 5

Proportion Contributing

The contributory record available on about 7,500 contribution cards pertaining to one set having contribution period July, 1957—January, 1958 from the Delhi Regional Office was analysed to determine the proportion contributing in each year after entry. The contribution card bears the weekly stamps in respect of the employees' weekly contributions paid but there is no information about the year of entry. The only way was to fix it with reference to the insurance number allotted during the successive half-yearly contribution periods. The following figures show the number of cards falling in each half-yearly periods starting from July, 1957—January, 1958 and counting backwards and the number of contributions paid during July, 1957 to January, 1958 :

Half-yearly period (counting backward)	No. of I.P.'s	No. of Cont. paid	Average (3)/(2)	%
(1)	(2)	(3)	(4)	(5)
1st (July, 1957-Jan., 1958)	2841	42110	14.8	57
2nd (Jan., 1957-July, 1957)	1182	23655	20.0	77
3rd (July, 1956-Jan., 1957)	1284	27661	21.5	83
4th (Jan., 1956-July, 1956)	872	19646	22.5	87
5th (July, 1955-Jan., 1956)	741	17258	23.3	90
6th (Jan., 1955-July, 1955)	452	10556	23.4	90

Col. (5) shows the percentage of the average to the possible number of 26 contributions. The percentage reached a high level for entrants prior to second half-yearly period.

Entrants in the first and second half-yearly periods ran their first year in the contribution period under consideration, those in the third and fourth their second year and those in the fifth and sixth their third year.

There is a sharp difference in the percentage shown by the entrants in the two periods, evidently because the entrants in the first period do not get a chance of contributing for the whole six-monthly period, while those of the second period do. The latter may, therefore, be taken to reflect safely the percentage of contributions which entrants will make during the first year of entry, as it is not unsound to presume that under stable conditions, the contribution performance during a period of six months, more or less, reflects the performance during a whole year. It may be emphasized that in the present context, we are concerned with the contribution performance of members who stay on in the Scheme during the year, excluding those who opt out during the year. The defaults in contribution arise for various factors, these being, (a) full weeks of excusals on sickness, disability and maternity (b) no liability to pay when not earning wages as e.g., being on unauthorised leave, strike or lock-out. For the same reason, the contribution performance of the fourth period entrants may be taken to reflect the percentage contributing in the second year of their stay and that of sixth period

entrants in the third year of their stay. On this evidence, it is safe to assume that 70 per cent of contributions will be paid during the first year, 80 per cent the second year and 85 per cent during the next 20 years followed by 90 per cent during the remaining period of their membership. The percentages appear to be reasonable and erring on the side of safety, considering the magnitude of the defaults that can arise due to the exigencies enumerated.

APPENDIX IV

INCIDENCE OF WAGE SUPPLEMENTS, PARTICULARLY IN RESPECT OF MEASURES OF SOCIAL SECURITY IN CERTAIN SELECTED INDUSTRIES IN SOME COUNTRIES IN EUROPE

The *International Labour Review*, Vol. LXXVI, No. 6, December, 1957 contains an article under the heading "Wages and Related Elements of Labour Costs in European Industry, 1955—A Preliminary Report". The article gives for selected European countries, figures of wages and other items of labour cost based on returns from 8,000 establishments in the following industries: cotton textiles, leather footwear, radio electronics, machine tools, ship-building, steel, coal mining and State railways. The coverage was generally high with more than 50 per cent of the workers being covered by the data for most industries and countries. The samples tended to over-represent larger establishments, which may have led to some, but not serious, upward bias in the indicated levels of wages and other labour costs. The detailed figures and findings are available in the article. The following is a brief summary:

Table 1 given below shows the percentage ratio of non-wage elements to the total of all comparable elements of labour cost in 1955 in the various industries in the different countries.

The elements of labour cost included are comparable from country to country and exclude the residual item 'other payments related to labour costs', such as costs for recruitment and training, and tax on wages, as in France. The excluded items generally formed only 0.2 to 0.3 per cent of the total labour cost except in France, where they came to 5.3 per cent. The non-wage elements as taken here cover bonuses, payments in kind, time paid for but not worked excepting holidays, obligatory and non-obligatory social security contributions, direct benefits and subsidies. These non-wage items are sometimes termed as 'social charges', 'wage supplements' or 'fringe benefits'. To indicate the scope of the terms direct benefits and subsidies, it may be stated that direct benefits include sums paid by the employer to the worker or his beneficiaries or to a reserve fund for payments in case of birth, marriage, death, dependancy, termination of employment, employment injury and, in some countries, certain other contingencies. The term subsidies includes net payments by the employer (excluding capital expenditure but including depreciation) for facilities providing workers or their families with medical and health care, canteens, restaurants, and other food services, building funds, company housing, other housing, credit unions and other financial aid services, creches, vacation homes, other family services, educational, cultural and recreational services and in some countries certain other facilities. The other elements, which have been included in all comparable elements of labour cost taken in the study, are basic wage for time worked and premium payments for overtime, late shift and holiday work. The last column in the Table shows the unweighted average of percentage for all the manufacturing industries covered here.

TABLE 1

COUNTRY	INDUSTRY										Average (Manufacturing Industries only)
	Cotton Textiles	Leather Footwear	Radio Electronics	Machine Tools	Ship Building	Steel Industry	Coal mining	Railways (State)			
Yugoslavia	48.2	48.9	..	49.7	48.1	37.2	47.5	48.1	46		
Italy	..	42.5	43.0	40.6	42.0	39.7	49.0	..	42		
Austria	..	27.8	33.0	33.4	27.4	34.8	38.2	60.3	31		
Greece	27.5	..	..	26.5	26.0	30		
France	..	26.4	28.3	28.1	29.4	33.4	41.4	49.0	29		
Turkey	23.1	29.5	..	39.7	..	29		
Germany (Fed. Rep.)	..	23.0	28.7	26.5	23.8	31.2	39.8	..	2		
Belgium	..	20.5	21.2	22.1	24.6	23.7	27.4	49.6	22		
United Kingdom	..	12.6	..	10.3	8.9	9.5	16.4	11.2	11		

These figures clearly bring out the significance of the wage supplements. In Yugoslavia, in most of the covered industries they were equal in total to approximately half and in Italy they generally exceeded 40 per cent of the total comparable elements of labour cost. Ratios in the vicinity of 30 per cent predominated in Austria, France, Greece and Turkey. Most of the industries in Federal Republic of Germany had a percentage between 20-30. The same is true of Belgium, though the range was at a somewhat lower level. Wage supplements accounted for the smallest proportion in U.K., where, except for coal mining (16.4 per cent) the ratio ranged from 8.9 to 12.6 per cent.

2. Table 2 below shows the percentage composition of the cost items in the comparable labour cost in the manufacturing industries covered, the percentage shown here being the unweighted average of industry percentage.

By and large, obligatory social security contributions were the most important single non-wage element of labour cost. Among participating countries, the only exceptions to this generalisation were Turkey, where social security had not yet advanced far and wage supplements assumed other forms, and the U.K., where the extensive system of social security is financed largely out of taxation. It will be seen that obligatory contributions alone average about 20 per cent of the sum of comparable labour cost items in France, 25 per cent in Italy and 26 per cent in Yugoslavia.

Items 7—9 form, what may be considered as the elements of expenditure on protection given to the workers against the various contingencies in life, which lead to a loss of earning power or create unforeseen liabilities. In India, items 1 and 2 go to constitute the wage bill. Item 10, thus, shows in terms of wage bill the percentage cost of granting social security to the workers.

3. In order to provide a comparison in absolute rather than percentage terms, data are presented in Table 3 below, in Swiss Francs, converted from original rates (expressed in national currencies) at clearing or agreed rates for payments in Switzerland. While conversion of this kind is more appropriate for a comparison of costs than for comparison of incomes, it must be recognised that exchange rate conversions provide at best only rough comparability.

In this Table, average hourly earnings represent the sum of basic wages for hours worked, premium pay, bonuses and gratuities, and pay for hours not worked, divided by the total man-hours remunerated. The cost per hour worked is the sum of basic wages, premium pay, and the other elements of labour cost divided by the number of hours actually worked.

Wage supplements tended to be highest in cases where average hourly earnings were lowest, and *vice versa*. Thus, the country with the lowest average earnings (as expressed in Swiss francs), Yugoslavia, reported the highest percentage payments for wage supplements, and the country with the highest earnings, the United Kingdom, reported the lowest percentage. This inverse relationship was not fully consistent, however. France is a high-wage country, which also reported high non-wage labour costs, while Greece is a relatively low-wage country with medium non-wage costs. In

TABLE II

Elements of Labour Cost	Austria	Belgium	France	Germany (Fed. Rep.)	Greece	Italy	Turkey	United Kingdom	Yugoslavia
1. Basic Wage	66.7	77.9	67.8	72.4	69.2	57.0	60.1	89.3	50.6
2. Premium pay for overtime, late shift & holiday work	2.2	N.A.	2.8	1.6	1.4	1.0	11.0	N.A.	3.0
3. Bonuses & Gratuities	2.7	0.6	1.2	2.2	8.1	5.7	4.2	0.4	5.6
4. Payments in kind	0.7	0.1	1.1	0.3	0.2	1.3	5.8	0.1	0.5
5. Hours paid for but not worked	9.3	6.4	6.4	6.4	4.0	6.5	8.5	5.7	15.9
6. Obligatory social security contributions	13.9	14.2	20.1	9.8	15.2	25.4	5.7	2.7	25.6
7. Non-obligatory social security contributions	0.5	0.1	4.5	4.5	0.4	0.1	..	0.8	..
8. District benefits	2.3	0.4	0.4	1.2	1.1	2.0	4.3	0.2	..
9. Subsidies	1.7	0.3	1.6	1.6	0.4	1.0	0.4	0.8	8.8
TOTAL:	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
10. Ratio of items 7—9 to items 1-2	24.2	18.9	29.6	20.9	23.7	47.4	14.1	4.1	47.8

TABLE III
WAGES AND OTHER COMPARABLE ELEMENTS OF LABOUR COST, 1955
Expressed in Swiss Francs

COUNTRY	Cotton Textiles	Leather Footwear	Radio Electronics	Machine Tools	Ship Buildings	Steel Industry	Coal Mining	Railway
AUSTRIA:								
Average hourly earnings	1.05	1.21	1.23	1.45	1.44	1.60	1.51	1.8
Basic wage per hour	1.00	1.18	1.13	1.37	1.42	1.36	1.3	1.5
Cost per hour worked	1.50	1.65	1.70	2.12	1.99	2.29	2.32	3.73
BELGIUM:								
Average hourly earnings	1.74	1.66	2.34	2.42	2.63	3.01	2.73	2.83
Basic wage per hour	2.20	2.08	2.95	3.07	3.47	3.88	3.76	5.62
Cost per hour worked								
FRANCE:								
Average hourly earnings	1.78	1.79	2.43	2.64	2.26	2.37	2.70	2.55
Basic wage per hour	1.73	1.76	2.25	2.47	2.09	2.33	2.70	2.45
Cost per hour worked	2.51	2.42	3.32	3.62	3.17	3.50	4.61	5.02
GERMANY (F.R.):								
Average hourly earnings	1.47	1.47	1.70	1.83	1.93	2.58	2.35	..
Basic wage per hour	1.41	1.44	1.62	1.74	1.83	2.45	2.25	..
Cost per hour worked	1.86	1.88	2.32	2.43	2.49	3.56	3.82	..
GREECE:								
Average hourly earnings	0.83	..	..	0.92	..	..	1.05	1.34
Basic wage per hour	0.74	..	..	0.81	..	..	0.84	1.15
Cost per hour worked	1.09	..	..	1.15	..	..	1.30	1.71
ITALY:								
Average hourly earnings	1.13	1.03	1.47	1.49	1.57	1.98	1.42	..
Basic wage per hour	1.03	0.94	1.32	1.35	1.39	1.85	1.31	..
Cost per hour worked	1.83	1.64	2.36	2.31	2.50	3.06	2.61	..
TURKEY:								
Average hourly earnings	1.23	..	..	1.70	1.97	..	1.48	..
Basic wage per hour	1.17	..	..	1.23	1.56	..	1.37	..
Cost per hour worked	1.79	..	..	2.18	2.67	..	2.31	..
UNITED KINGDOM:								
Average hourly earnings	2.00	2.11	..	2.78	2.99	2.97	3.56	2.75
Basic wage per hour	2.27	2.37	..	3.08	3.27	3.29	4.26	3.10
Cost per hour worked								
YUGOSLAVIA:								
Average hourly earnings	0.70	0.79	..	0.85	0.94	0.83	0.92	0.89
Basic wage per hour	0.63	0.67	..	0.75	0.78	0.73	0.73	0.72
Cost per hour worked	1.23	1.34	..	1.57	1.64	1.29	1.63	1.54

addition, it should be noted that the major social programmes in the United Kingdom are not financed by employer's contribution and therefore fall outside the scope of the statistics reported.

On the whole, however, average differences in labour costs per hour from country to country were less marked than average differences in hourly earnings. In the cotton textile industry, for example, the average deviation from the mean of hourly earnings was 29 per cent, but the average deviation from the mean of labour costs was only 20 per cent. In the machine tool industry the percentage dropped from 31 to 24.

Finally, the ranking of the different countries with respect to labour cost per hour differs appreciably from the ranking in terms of average hourly earnings alone. The following rankings are based on simple average of manufacturing industries covered:

Ranked on Basis of Hourly Earnings

Ranked on Basis of Labour Cost Per hour

1. United Kingdom	5. Turkey	1. France	5. Italy
2. Belgium	6. Italy	2. Belgium	6. Turkey
3. France	7. Austria	3. United Kingdom	7. Austria
4. Fed. Rep. of Germany	8. Greece	4. Fed. Rep. of Germany	8. Yugoslavia
	9. Yugoslavia		9. Greece

4. The article gives for the various countries detailed figures of wages and related elements of labour cost in 1955 for each of the industries covered. Among the industries covered wage supplements were generally greatest in State railways and coal mines. The ratios in the six manufacturing industries showed considerable consistency within each country. This fact suggests the appropriateness of an average of the ratios for manufacturing industries as a simplified means of judging inter-country differences. While differences among manufacturing industries covered were not marked, wage supplements were generally lowest in cotton textile and leather footwear industries. The data for cotton textile, which is of major interest in India, are reproduced in Table 4 below:

TABLE IV
WAGES AND RELATED ELEMENTS OF LABOUR COST, 1955
(Cotton textile industry; wage earners)

Elements	Austria	Belgium	France	German (F.R.)	Greece	Italy	Turkey	U.K.	Yugoslavia
1. Sum of wages and selected costs (items 2-10)	100.0	100.0	100.0	100.0	1000.0	100.0	100.0	100.0	100.0
2. Basic wage for time worked	66.9		68.9	75.4	68.2	56.3	65.0		5.09
3. Premium pay for overtime, late shift & holiday work	2.6	79.1	1.3	1.5	0.5	0.3	0.7	87.4	1.0
4. Bonuses & Gratuities	0.8	0.1	0.8	2.2	8.5	5.8	3.1	0.6	5.8
5. Payments in kind	1.0	0.1	0.1	..	0.3	0.6	7.5	0.3	0.8
6. Hours paid for but not worked	9.4	6.3	4.5	6.5	5.0	7.1	10.4	5.9	6.1
7. Obligatory social security contributions	15.3	13.8	21.0	9.5	14.7	27.1	7.1	3.3	26.7
8. Non-obligatory social security contributions	0.4	..	0.9	2.8	0.8	..	0.0	0.6	0.0
9. Direct benefits	2.1	0.1	0.1	0.5	1.4	1.9	5.1	0.4	..
10. Subsidies	1.6	0.6	2.4	1.7	0.7	1.0	1.1	1.6	8.8
11. Sum of items 3-10	33.1	N.A.	31.1	24.6	31.8	43.7	35.0	N.A.	49.1
12. Other payments related to labour cost	0.6	0.1	4.3	0.5	0.8	..	0.4	0.5	0.3
Hourly wages in units of National currency :	Shillings	Francs	Francs	Marks	Drachmas	Liras	Pounds	Shillings	Dinars
13. Average hourly earnings	6.23	19.88	142.62	1.41	5.69	161.28	0.79	3.26	47.94
14. Basic wage per hour	5.97	N.A.	138.61	1.35	5.06	147.12	0.75	N.A.	42.86
15. Basic wage plus selected elements of labour cost (items 2-10) per hour worked	8.92	25.10	201.12	1.79	7.42	261.46	1.15	3.71	84.24

L/M1L&E-500—(Sec. I)—23-12-60—GIPF.



A REVIEW
OF THE
WORKING OF THE CODE OF
DISCIPLINE
AND
IMPLEMENTATION MACHINERY
TILL THE END OF 1960

MINISTRY OF LABOUR AND EMPLOYMENT
(EVALUATION AND IMPLEMENTATION DIVISION)
GOVERNMENT OF INDIA
NEW DELHI

A REVIEW OF THE WORKING OF THE CODE OF
DISCIPLINE AND IMPLEMENTATION MACHINERY

The Standing Labour Committee at its 19th session held on April 28, 1961 at New Delhi reviewed the working of the Code of Discipline and Implementation Machinery in the Central and State spheres. Two notes were prepared for the purpose. The Central sphere note covered the period from the inception of the Code - June 1, 1958 - till the end of February 1961, while the State sphere note related to 1960 only as previous information was not available from all States. For the purpose of this brochure, the State sphere note has been revised in the light of further information received from the remaining State Governments/Administrations, and the Central sphere note has been modified to cover the period from June 1958 till the end of 1960. These notes are appended (Appendices I and II).

2. The assessment, as will be observed from the appended notes, brings out the fact that the Code both in the Central and State spheres has taken root and the principles embodied therein are gradually seeping down the rank and file. The Code is exercising a restraining influence on the parties in their relations towards each other; the initial doubts have been dispelled and the inertia is gradually turning into enthusiasm. The educative influence of the Code is having its impact. The faith of the parties in the voluntary approach is increasing and a desire to settle the disputes under the aegis of the Code, instead of fighting them out in the law courts, is growing. The Code is being increasingly invoked both by employers and workers which shows that an awareness about their obligations under the Code has been created. The resistance to accept and make amends for transgressions of labour enactments and awards, when pointed out, and to avoid repetition of breaches of the Code has been wearing down. It is noteworthy that those who were hesitant and sceptical about the Code in the beginning have now realised its usefulness and do not hesitate to seek its assistance.

3. The significant and steady decline in the number of man-days lost since the enforcement of the Code bears ample testimony for its success in reducing industrial strife. The following figures of man-days lost as a result of work stoppages speak for themselves:-

<u>First half of</u>	<u>Number of man- days lost (in lakhs)</u>	<u>Second half of</u>	<u>Number of man- days lost (in lakhs)</u>
1958	47	1958*	31
1959	31	1959	25
1960	29	1960	19

* Code of Discipline came into operation from June 1, 1958.

A REVIEW OF THE WORKING OF THE CODE
OF DISCIPLINE IN THE CENTRAL SPHERE
AND OF CENTRAL E. & I. MACHINERY.

┌ From June 1, 1958 to December, 1960 ┐

Extent of application of the Code

In the Central sphere the Code of Discipline is applicable to all industrial undertakings - both in public and private sectors - in respect of which the Central Government is the appropriate Government under the I. D. Act, except banks, insurance companies, ports and the Railways. The Life Insurance Corporation and Port Trusts are expected to convey their acceptance shortly. Banks and General Insurance Council are still considering the matter. The Railways do not feel the necessity of adopting the Code as in their opinion its main objectives are secured through their long established procedures and conventions.

Central E. & I. Machinery

2. The Central E&I Division, in the Ministry of Labour, under the charge of a Joint Secretary, continued to deal with the cases of non-implementation of labour enactments, awards, Code of Discipline, etc. To make on-the-spot enquiries and to deal more promptly with cases of breach of the Code in mines in the Eastern Region, a R.L.C.(Implementation) was appointed at Dhanbad in October 1959. His appointment has been more than justified; it has created confidence in parties, cases are being investigated more quickly and minor breaches are being dealt with on the spot. He has been able to bring about settlements in some complicated cases.

3. The Central Implementation & Evaluation Committee, which consists of equal representatives of employers and workers with Union Labour Minister as Chairman, held four meetings till the end of 1960. Besides taking policy decisions on the Code and non-implementation problems, the Committee has considered individual cases of infringement of the Code and fixed responsibilities on the parties; notable of these cases are the strikes in Premier Automobiles Ltd., Bombay and the Calcutta Tramways Co., Calcutta.

Assessment of the working of the Code

I. General appreciation

4. In the Central sphere, as in the State sphere, the Code has met with an appreciable measure of success. It has created an awareness amongst the parties of their rights and responsibilities towards each other in industrial relations.

It is exercising a restraining influence both on employers and workers; the erring parties have been put on the defensive and made careful in committing a second breach. The Code is being increasingly invoked which shows that the faith of the parties in the voluntary approach is developing. The usefulness of the Code in creating harmonious industrial relations is being gradually realised. To quote an example: one of the largest coal mining concerns which was previously luke-warm towards the Code, adopted a grievance procedure at the instance of the E&I Division and effected improvements in its personnel administration.

Not long thereafter it reported in its Annual Report:

"With the introduction of the two-tier system and the grievance procedure, there has been a distinct improvement in the relations between the management and the labour."

II. Statistical assessment

5. From June 1, 1958, when the Code was enforced till the end of December 1960, the Central E&I Division received 2,675 complaints. Of these, 1,521 (or 57%) related to State sphere undertakings which were dealt with, wherever necessary, through the concerned State Implementation Machinery and 1,154 related to the Central sphere. 249 (or 22%) complaints in the Central sphere were either only endorsements or did not otherwise require action under the Code. Of the remaining 905 cases, investigations were completed in 81%, and where the allegations were substantiated on enquiry (58% of the cases were substantiated) breaches were either set right or were successfully brought home to erring parties. The fact that in such a large number of cases voluntary approach has succeeded, speaks much for the Code.

6. The organisation-wise and breach-wise details of cases in which breaches were substantiated on enquiry are given below:-

4. Responsibility of employers:

Nature of breach	<u>Employers affiliated to</u>			Independent employers.	Total
	<u>EPI</u>	<u>AIOIE</u>	<u>AIMO</u>		
1	2	3	4	5	6
1. Unfair labour practices, e.g., victimisation, harassment, etc.	7	12	-	12	31
2. Non-implementation of awards, agreements, enactments, etc.	40	29	-	81	150

	1	2	3	4	5	6
3. Non-recognition of unions.	-	1	-	-	1	2
4. Unilateral action including retrenchment.	-	4	-	-	-	4
5. Lock-out without notice.	-	2	-	-	1	3
6. Non-establishment of grievance procedure.	1	5	-	-	2	8
Total:		48	53	-	97	198

B. Responsibility of workers/unions

Nature of breach	Unions affiliated to				Independent unions	Total
	INTUC	AITUC	HMS	UTUC		
1	2	3	4	5	6	7
1. Strike without notice.	42	30	18	3	27	120
2. Unfair labour practices, i.e., negligence of duty, insubordination, etc.	7	10	2	-	4	23
3. Coercion, intimidation, etc.	7	10	1	1	2	21
4. Rowdyism in demonstration.	13	8	-	-	3	24
5. Recourse to violence.	15	9	4	-	4	32
6. Unilateral action, non-cooperation in settlement of disputes, etc.	3	1	1	1	-	6
Total:	87	68	26	5	40	226

7. Industry-wise and other details of the Central sphere cases are given in Annexures I and II.

III. Impact of Code on Industrial Relations

8. The healthy influence created by the Code on industrial relations is amply demonstrated by the following figures of man-days lost as a result of work-stoppages in Central sphere undertakings:-

<u>Year</u>	<u>Man-days lost (in lakhs)</u>
1958	15.57
1959	8.52
<u>1960</u>	<u>5.36 (Provisional)</u>

In coal mines, where industrial unrest in the past was more pronounced, the improvement is very marked. As against 3.28 lakhs man-days lost in 1959, only 1.27 lakhs man-days were lost in these mines in 1960.

9. These figures speak for themselves. The achievement of the Code during such a short time is more than what could be expected.

10. The above statistics are no doubt valuable as indicative of the progress made by the Code; but they do not convey its full impact on industrial relations. The voluntary approach is being appreciated, introspection is developing, amends are being made by setting right omissions and promises extended to be careful in future. These achievements can be best explained by a few illustrative cases:-

(i) Implementation by persuasion

11. In 150 cases, the E&I Division succeeded in getting awards, agreements and labour enactments implemented by persuasion. A few cases may be mentioned:-

(1) A colliery had dismissed 84 women wagon loaders against the order of L.A.T. It changed hands and the new management refused to accept responsibility for the retrenched workers. Prosecution was not much helpful. The Division intervened; negotiations were held on the spot with the new employer and a settlement was brought about.

(2) In another colliery some workers had not been paid bonus for 3 years. Lay-off compensation and overtime had also not been paid for some time. Labour relations were very strained as some workers had been suspended and disciplinary action was proceeding. Reference under the Code was made and the Division was able to bring about an amicable settlement.

(3) A management in the public sector did not implement an agreement reached in 1958. Industrial relations reached a breaking point. The matter was entrusted to E&I Division which brought about a settlement under the Code.

(4) In a colliery, all the nine instalments of arrears of wages under the Coal Award had not been paid. The management had been evading responsibility. The matter was taken up under the Code and it was successfully persuaded to honour its obligations; arrears of all the instalments were paid.

(ii) Successful persuasion in cases where prosecution had started.

12. In 7 cases where prosecution proceedings had been started against managements for statutory contraventions, the Division took up the matter, when brought to its notice, and through the good offices of the Central Organisations got the omissions rectified; prosecution cases were withdrawn. In one of these cases, legal action had been going on for two years; the management had not paid arrears of bonus, wages for paid festival holidays, etc., under the Coal Award. The Division pointed out the responsibility of the management under the Code and successfully persuaded it to implement the Award.

(iii) Infringements set right and promises extended to be careful in future.

13. In 274 cases breaches of the Code were successfully brought home to erring parties. In several of these cases the parties were good enough not only to accept their responsibility but also promised to be careful in future. Thus, for instance:-

(1) Some members of a union assaulted the manager of a colliery. At the instance of the Division, the union condemned the assault and strongly warned its members against such action. It also refused financial aid to workers responsible for the assault.

(2) In another colliery, industrial relations had been strained for a very long time; a clash occurred between two groups of workers and the management was blamed. The Central I&E Committee which considered the matter was successful in bringing home the responsibility of the management for maintaining good labour-management relations. The management also promised to ensure happy industrial relations in future.

(3) In another colliery, a dispute between the management and the union led to a scuffle in which some employees of the management were assaulted. When the breach was brought to the notice of the concerned Central Workers' Organisation it accepted the responsibility and advised its affiliate to desist from such action in future.

(4) In a case of strike without notice the Central Organisation advised, at the instance of the Division, its affiliate not to resort in future to strikes without notice

and without recourse to existing machinery for redress of grievances.

(5) The members of a union in gold mines in Mysore resorted to strikes on a number of occasions. The matter was taken up with the Organisation and besides warning its members it promised to be careful in future.

(6) Management was coercing workers to accept bonus at a lower rate; it asked the workers to sign a memorandum of settlement that the bonus received was "fair and just". When the Division pointed out that this action was against the spirit of the Code, the memorandum of settlement was withdrawn.

(iv) Recognition secured under the Code.

14. Of the 35 complaints regarding non-recognition of unions received by the Division till the end of 1960 the claims were not found valid on enquiry in 20 (or 57%) cases. Of the remaining 15 cases, recognition was secured by the Division in 2 and in 4 cases verification of membership was going on. The remaining 9 cases were under investigation. Besides the two cases in the Central sphere the Division also secured recognition to unions in 7 cases in the State sphere.

(v) Grievance Procedure established.

15. The Division has been continuously bringing to the notice of Central Employers' Organisations the need for asking their members to set up a grievance procedure in their units. The three mining associations were good enough to draw up, at the instance of the Division, a model grievance procedure for their member collieries. The Division received 12 complaints of non-establishment of grievance procedure; in 8 of these it succeeded in persuading the employers to set up a grievance procedure; 2 were not substantiated on enquiry, one was mutually settled and one was under investigation. N.C.D.C., on the advice of the Division, has also set up grievance procedure in all its collieries. In one of these cases, the management was legitimately reluctant because the union had a bad record; some of its members had assaulted an officer of the management. Yet, on the advice of the Division the management set up a bi-partite Grievance Committee.

(vi) Explosive situations averted.

16. One of the functions of the Division is to take prompt action in cases where strikes or lock-outs are threatened. The success achieved in this respect is very heartening. In all the 23 cases reported to the Division, where strikes including hunger strikes were threatened, it succeeded in averting them by taking timely preventive action under the Code.

A few typical cases are cited below:-

(1) A union in Madhya Pradesh threatened to go on strike if the management did not accept its demands by a certain date. The Division intervened and persuaded the union to withdraw the strike notice and to take recourse to conciliation.

(2) ~~Another union threatened to go on strike if the management did not pay certain dues to the workers by a specified date. At the intervention of the Division the payment was made and the strike was averted.~~

(3) A union served a strike notice on the management of gold mines in Mysore over certain demands. It was successfully persuaded to withdraw the strike notice and the dispute was taken up in conciliation.

(4) In another case a union was persuaded to withdraw its threat of strike over certain action of a colliery management in Bihar. A settlement was later brought about between the parties.

(vii) Out-of-court settlements brought about.

17. To reduce tension caused by litigation, the Division has been striving to bring about out-of-court settlements in cases pending in High Courts and the Supreme Court. By the end of 1960, attempts were made by the Division for such settlements in 40 cases. Success was achieved in 21 cases (53%), while in 11 (29%) cases, attempts did not succeed as the parties preferred to have the final decision of the Court for substantial principles of law were involved. The remaining 8 cases were under negotiation.

(viii) Screening Machinery established by Central Organisations.

18. As a result of the persuasive efforts of the Division, all Central Employers' and Workers' Organisations have set up their Screening Committees to vet cases before appeals are filed by their members against the decisions of Industrial Tribunals, Labour Courts, etc. Though the progress made so far by these Committees leaves much to be desired, a headway has been made and a step has been taken in the right direction. The Screening Committees set up by Employers' Organisations examined 30 cases in 1959 and were successful in dissuading managements ~~from~~ going in appeal in 6 cases. In 1960, the Screening Committees of E.F.I. screened 23 cases and allowed managements to go in appeal in 21 cases. The Screening Committee of A.I.O.I.E. examined 5 cases and dissuaded the management in one case from going in appeal. The Screening Committee of A.I.M.O. did not screen any case during 1960. Of the Workers' Organisations, except U.T.U.C. others have not sent any information for 1959; the Screening Committee of U.T.U.C. examined 14 cases and dissuaded the unions in 13 from appealing

/going

to higher courts. As for 1960 only H.M.S. and U.T.U.C. have sent information; the Screening Committee of H.M.S. examined 5 cases and allowed its members to file appeals in all of them, and that of U.T.U.C. examined 20 cases and succeeded in dissuading 19 of its members from filing appeals. I.N.T.U.C. and A.I.T.U.C. have not sent any information.

IV. Public Sector and the Code.

19. The Code does not make any distinction between public and private sectors. The special problems of the public sector were, however, considered at a Public Sector Conference held in January 1959 when it was decided that the Code would apply to all companies and corporations in the public sector except banks, Life Insurance Corporation and Defence Undertakings.* The Code is being applied as effectively in public sector undertakings, which have come within its orbit, as in the private sector. An idea about the number of complaints under the Code relating to public and private sector undertakings in the Central sphere so far received by the Division, and action taken thereon, can be had from the following Table:

(From June 1, 1958 to December 31, 1960)

	Number of complaints requiring action by the Division	Number where investigations were completed. Not sub-stantia-ly enquired on	Mutu-ally set-tled.	Breaches brought home to guilty parties or implemented/ settled.	Number under investi-gation.
	1	2	3	4	5
<u>Against Employers</u>					
Public Sector	116 (100)	52 (45)	11 (9)	24 (21)	29 (25)
Private Sector	517 (100)	189 (36)	27 (5)	174 (34)	127 (25)
Total:	633	241	38	198	156

N.B. Figures in brackets indicate percentages to total.

* At a meeting held in February 1961, the Code was also extended to all Government departmental undertakings covered under the I. D. Act.

	1	2	3	4	5
<u>Against Workers</u>					
Public sector	83 (100)	1 (1)	4 (-)	71 (86)	7 (8)
Private Sector	189 (100)	16 (9)	8 (5)	155 (80)	10 (6)
Total:	272	17	12	226	17

N.B. Figures in brackets indicate percentages to total.

20. The above figures have to be read with caution. For obvious limitations about the coverage and size of the two sectors, it is not possible to draw any conclusion from these figures.

V. Evaluation

21. Two major strikes - in the Premier Automobiles Ltd., Bombay and in the Calcutta Tramways Ltd., Calcutta - have been evaluated from the point of view of the Code of Discipline by the Joint Secretary, in-charge of the Division. The reports on both have been adopted by the Central Implementation and Evaluation Committee; the report on the strike in Premier Automobiles Ltd. has been published and well received. A survey of some non-official Gorakhpuri labour camps in collieries was also conducted and the irregularities brought out by it were got set right. A comprehensive programme of evaluation studies has been drawn up for the Third Plan.

VI. Difficulties experienced

22. The Code has not been free from criticism. But, apart from the fact that there are bound to be critics of any new and unconventional approach, the criticisms about the Code have unfortunately been either mis-informed or hasty. The organisations which complain that the Code is not working effectively generally measure its success with reference to what they are not able to get out of it, no matter how unreasonable or unjustified their demands may be. The benefits secured to them under the Code are ignored or the view point of the other party is not appreciated. Some organisations feel that the Code is a one way street through which only their rights should flow and passage to their obligations under it should be barred. This attitude is unhelpful and, though the number of critics has declined, there is need for a positive approach to the Code by the employers' and workers' organisations.

23. There is a general tendency on the part of Central Organisations to defend the action of their members, or, which is worse, to simply pass on the comments of their affiliates on the charges against them without considering the matter dispassionately. This tendency needs to be discouraged for Central Organisations have to play a pivotal role in the implementation of Code. They should not feel hesitant in applying sanctions against erring members. So far not much has been done in this direction. Only one Central Workers' Organisation - I.N.T.U.C. - has taken the bold step of dis-affiliating three of its member-unions for infringements of the Code. The Employers' Organisations particularly lag behind in this respect. The experimental stage of the Code is over and it is desirable that a strict compliance of the Code should now be ensured. The Central Organisations should so organise and strengthen themselves that their writ runs through effectively.

24. The question of bringing independent employers and unions within the pale of the Code needs consideration. While the Central E&I Division has succeeded in persuading 51 independent workers' organisations and 31 independent employers/organisations to accept the Code, the number of independent units which are still outside the orbit of the Code is much large. The additional sanction of denying Government assistance to units which do not accept the Code despite persuasion would go a long way in improving the position, if it is accepted by the Standing Labour Committee.

25. There is also a tendency amongst the parties to approach the Implementation Machinery without first utilising appropriate avenues of settlement of disputes. Proper authorities are not addressed to in the first instance by the parties with the result that delay occurs in the disposal of cases. Individual complaints, for instance, must invariably be first gone through the grievance procedure, if it exists in a unit; otherwise they should be referred to the Conciliation Officer. The Implementation Machinery should normally be brought into the picture only after efforts to settle disputes at appropriate levels have failed. Similarly, State sphere cases must invariably be referred to State Implementation Machinery.

26. Of the complaints where investigations were completed 35% were not substantiated on enquiry. In many cases, wild, vague and exaggerated allegations are made. Investigation of these cases results in avoidable waste of time and energy at all levels. The Central Organisations must, therefore, ensure that their constituents report only genuine grievances; if any member is found to be in the habit of sending baseless allegations, suitable action should be taken against it under the Code.

FOR THE PERIOD JUNE 58 - DECEMBER 60.

Classification of Central sphere cases of violation of Code of Discipline reported to the Division and action taken thereon

Complaints made by	No. of cases (requiring action reported to the Division.	No. not substantiated on enquiry.	No. where mutual agreement was arrived at.	No. of cases where breaches were brought to the notice of the parties with request to adhere to the Code in future and where the responsibility for violation on enquiry rests on.								No. of cases under investigation.
				EFI	AIOIE	OTHERS	INTUC	AITUC	HMS	UTUC	OTHERS	
1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.	13.
I Workers' Unions												
i INTUC	229	67	14	23	7	47	-	-	-	-	-	71
ii AITUC	142	86	7	5	5	19	-	-	-	-	-	20
iii HMS	63	17	5	1	3	7	-	-	-	-	-	30
iv UTUC	10	6	-	-	-	-	-	-	-	-	-	4
v Other Unions	90	45	8	6	2	10	-	-	-	-	-	19
II. Employers' Organisations.												
i EFI	47	3	2	-	-	-	15	7	42	-	9	5
ii AIOIE	26	2	-	-	-	-	6	14	2	-	1	1
iii Other Employers	39	4	-	-	-	-	17	8	-	-	3	7
III. C.L.C.Orgns. etc.	259	28	14	13	36	14	45	39	22	5	27	16
Total:	905	258	50	48	53	97	87	68	26	5	40	173

RELAN

Annexure II.

Industry-wise classification of Central sphere cases of the Code of Discipline reported to the Division during June, 1958 - December, 1960.

<u>S. No.</u>	<u>Name of Industry</u>	<u>Number of cases</u>	<u>% to total</u>
1.	Mines and Quarries	754	84%
2.	Banks	39	4%
3.	Ports and Docks	72	8%
4.	Railways	12	1.2%
5.	Insurance	8	0.8%
6.	Others (including mints, Air-lines Corpn., Government Press, etc.)	20	2%
T o t a l :		905	100%

A review of the working of the Code of Discipline and of the Implementation Machinery in the States/Union Territories during 1960.*

General Appreciation:

The State Governments/Administrations have generally reported that the Code of Discipline has evoked a sense of responsibility among employers and employees who have begun to think in terms of peaceful settlement of their differences rather than of resorting to illegal and unconstitutional methods. In West Bengal there has been an increase in the number of bi-partite agreements in respect of cases pending before Tribunals. Reports from some States also show that the Code has not aroused the same interest all round. In Punjab, for example, there has been a tendency among the parties to point out, and sometimes exaggerate, the violations committed by other parties and to either observe silence or not to admit the violations committed by them. What seems to be lacking is that the Central Organisations of employers and workers in some cases, instead of persuading their members to admit their fault attempt to defend them. In certain cases these organisations are found to have little hold on their members. The Government of Punjab feel that the working of the Code can be made effective only when the Organisations change their policy and extend greater co-operation to the Implementation Machinery. In Orissa, the Code is reported to have not yet fully permeated to the rank and file of the workers; the State Government are making an intensive effort to publicise the Code. In West Bengal though the Code has had a healthy impact on industrial relations it is reported to have not yet effectively permeated to the plant level.

IMPLEMENTATION MACHINERY

Implementation Units

2. Implementation Units are functioning in all States/Administrations. In six of them (viz. Andhra Pradesh, Kerala, Madras, Madhya Pradesh, Mysore and Punjab) Implementation Officers have been appointed exclusively for the implementation of Code; in Rajasthan where there was a whole-time Implementation Officer, the work has recently been entrusted to an Assistant Labour Commissioner, as a measure of economy. In the remaining 12 States, the Director of Industries, Labour Commissioner or some other Government Official looks after the Implementation work in addition to his other duties.

* Based on reports received from all States/Administrations.

IMPLEMENTATION COMMITTEES

3. Tripartite Implementation Committees (in Uttar Pradesh it is Evaluation Board) have been set up in all States/Administrations except Jammu & Kashmir where the labour problems are few. In 9 States (viz. Andhra Pradesh, Bihar, Gujarat, Kerala, Maharashtra, Madhya Pradesh, Punjab, Rajasthan and Uttar Pradesh) the Implementation Committees/Board are presided over by the State Labour Ministers or the Deputy Labour Ministers; in one (Himachal Pradesh) by Lt. Governor, in two (Orissa and Tripura) by Labour Secretaries, in three (viz., Madras, Mysore and West Bengal) by State Labour Commissioners and in three (Assam, Delhi and Manipur) by an M.L.A., Chairman, Advisory Board and Principal Engineering Officer respectively.

4. All the State/Administration Implementation Committees are fully representative. The representatives of employers and workers on these committees have been appointed in consultation with local organisations in 12 States/Administrations (Andhra Pradesh, Bihar, Delhi, Kerala, Madras, Madhya Pradesh, Manipur, Orissa, Rajasthan, Tripura, Uttar Pradesh, and West Bengal); in 2 States (Gujarat and Maharashtra) they have been nominated by the Central Organisations. Information about other States is not yet available.

LOCAL COMMITTEES

5. Local Committees have been set up in 3 States - Andhra Pradesh, Assam and Rajasthan. Punjab is going to do so soon; other States will do so as and when found necessary by them.

PREVENTIVE ACTION

6. During the year under review the State/Administration Implementation Machineries took steps to prevent strikes, lock-outs and other major troubles. In Assam 4 strikes were averted. In Bihar whenever there is any apprehension of strike or lock-out in any factory the Implementation Machinery analyses the causes of industrial disputes and takes steps to remove the genuine grievances of any party which might lead to industrial strife. As a result of efforts made by the Implementation Machinery 7 strikes and 3 lock-outs in Bihar were averted. In Delhi, the prompt action by the Implementation Unit averted a strike by D.T.U. employees. In Gujarat 5 strikes were averted. The Evaluation & Implementation Division in Madhya Pradesh keeps a close liaison with the Industrial Relations Machinery. Whenever a case likely to result in work stoppage came to its notice, timely advice was given to parties concerned to refrain from precipitate action. 85 strikes in Madras, one in Maharashtra, 4 in Mysore and 3 in Orissa were called off due to the efforts of the Implementation Machinery in these States. In Punjab, the field staff has been instructed to take adequate steps for the prevention and settlement of disputes instead of intervening at the time of their actual occurrence. In Uttar Pradesh 22 strikes were called off owing to the efforts of the

State Implementation Machinery. As a result of the timely intervention by the West Bengal Implementation Machinery - 2 strikes in jute and cotton mills and one general strike by the municipal employees, were averted.

Non-recognition of unions

7. 62 complaints of non-recognition of unions by employers were received by the Implementation Machinery in Andhra Pradesh, Assam, Bihar, Delhi, Gujarat, Madhya Pradesh, Maharashtra, Mysore, Orissa, Rajasthan and West Bengal. Of these, 15 complaints were not substantiated on enquiry, in 3 recognition was granted to unions and the remaining were under investigation. Besides, recognition was granted to 6 unions in Punjab (the total number of cases received in this respect by the Punjab Government has not been intimated).

Out-of-court settlement

8. Efforts for out-of-court settlement were made by the Implementation Machineries in Bihar, Kerala, Madras, Punjab, Rajasthan and Uttar Pradesh in 3, 2, 29, 2, 2, and 3 cases respectively; out of these one case in Bihar, 6 in Madras, one in Punjab, 2 in Rajasthan and 3 in Uttar Pradesh were settled out-of-court. The Government of Gujarat are approaching the High Court and the Supreme Court for a list of pending cases so that necessary steps for out-of-court settlement could be taken by the Implementation Machinery. The Government of Mysore feel that there is some difficulty in the settlement of disputes in the case of employers not affiliated to any Central Organisations. They took up 7 cases during the year; all these were under negotiation. The Government of Punjab feel that there has been very little achievement in respect of out-of-court settlement because usually the parties who go in for appeal are reluctant to enter into any discussion on this point. The Government of West Bengal have reported that though the necessity for out-of-court settlement was impressed on the parties in the meetings of the State Implementation Committee, none of the employers'/workers' organisations came forward for such settlements.

Voluntary arbitration

9. The State Governments/Administrations issued instructions to their field staff to persuade the parties to accept voluntary arbitration to settle their disputes in the event of failure of conciliation. To encourage voluntary arbitration, the Governments of Madras and West Bengal have drawn up panels of arbitrators in consultation with the parties concerned. In Andhra Pradesh, Bihar, Delhi, Kerala, Madras, Orissa and Uttar Pradesh parties were requested in 1895 cases to accept voluntary arbitration: they did so in 22 cases. Voluntary arbitration was accepted by the parties in one case in Gujarat, 7 in Punjab, 55 in Uttar Pradesh and 3 in West Bengal. According to reports sent by state Governments/Administrations voluntary arbitration

was refused mostly by the employers, although there were few instances where the workers also refused to accept voluntary arbitration to settle their disputes.

Adoption of the Code by Independent Organisations of workers and employers

10. Steps were taken by all State/Administration Implementation Units, to extend the Code to independent employers' and workers' organisations. In Andhra Pradesh the State Labour Minister convened a meeting of the representatives of employers' and workers' organisations and appealed to them to abide by the provisions of the Code. A letter for acceptance of the Code was also sent to all independent employers and unions. The Implementation Unit in Assam convened a meeting of all independent employers' and workers' organisations where the implications of the Code were explained. One workers' union accepted the Code. As a result of persuasion by the Implementation Machinery in Bihar, 18 independent employers and 37 independent workers' unions accepted the Code.

11. The Implementation Unit in Delhi addressed about 350 independent employers and unions to accept the Code. In Himachal Pradesh there are no organisations of employers but most of the independent employers accepted the Code. Workers' unions functioning in the Territory also conveyed their acceptance of the Code. In Kerala special seminars were held at District Headquarters, to which employers' and workers' organisations were invited and the salient features of the Code explained to them. 3 independent employers and 5 workers' unions in Kerala and 41 independent employers and 169 workers' unions in Madras accorded their acceptance of the Code. In Madhya Pradesh new trade unions were persuaded to accept the Code before registration - 15 independent employers and 17 workers' unions accepted the Code during the year under review. In Maharashtra 4 independent employers and 45 unions accepted the Code. In Mysore the response from independent employers and unions to accept the Code has been very poor. The Government of Orissa have stated that as the sanctions proposed under the Code are meant only for affiliated unions, no action has been taken against the independent trade unions. Unless sanctions are prescribed against them, it may not be possible to ensure the fullest implementation of the Code. They have suggested that breaches should be given wide publicity among all employers and daily newspapers. Employers of new concerns should be asked to accept the Code while granting licence under the Factories Act or at the time of renewal of licence where they have already been granted.

12. In Punjab though independent employers and unions were addressed to accept the Code, the response in this respect was not encouraging particularly from the employers. There was a tendency among them to put in their own conditions to ratify the Code. In Rajasthan establishments having 100 or more

workers in the private sector and all establishments in the public sector were asked by the State Implementation Officer to accept the Code, to take steps for conferring recognition on the unions and to lay down grievance procedure on the lines of the Model Grievance Procedure. As a result, 7 independent employers and 3 independent workers' unions have already accepted the Code. In Uttar Pradesh 5 meetings were held at certain important centres to persuade the independent employers/unions to accept the Code. During the year under review, 8 independent employers and 47 unions accepted the Code. In West Bengal though some independent units have accepted the Code, a few unions made it conditional on their first being granted recognition by the management.

13. A brief account of the working of the Code of Discipline during 1960 in individual States/Administrations is given below:

ANDHRA PRADESH

(1) Two Implementation Committees - one for private sector and the other for public sector - are functioning in Andhra Pradesh. Both these committees held two meetings each during 1960. The Private Sector Committee at its first meeting decided that the Implementation Officer should convene meetings of independent employers and unions at various industrial areas in the State to get their acceptance of the Code. At its second meeting it decided that the Central Organisations of workers and employers should be persuaded to form screening committees in their respective units in the State to prevent unnecessary and trivial appeals to the High Court and the Supreme Court. The Public Sector Committee at its meetings decided to follow the verification procedure for recognition of unions laid down by the Central E&I Division. It also decided that all unions which fulfil the criteria for recognition should be granted recognition.

(2) During the year under review 22 cases of breach of the Code were reported; in 5, breaches were brought home to guilty parties and the rest were under investigation. Of the 5 breaches A.I.M.O. was responsible for 2, E.F.I. for one and I.N.T.U.C. for the remaining 2. Both the cases on workers' side were of violence; in the case of employers 2 were of unfair labour practice and 1 of lock-out. Of the 17 cases under investigation, 2 (both of strikes) were reported against workers and 15 against employers. 5 of these 15 cases were of non-recognition, 7 of non-implementation and 3 of unfair labour practices, etc.

(3) On the report of the Implementation Officer, the State Government appointed a Court of Enquiry under the I. D. Act to enquire into the causes of industrial unrest in the Sirpur Paper Mills area and to suggest remedial measures.

(4) The State Government are of the view that climate favourable to the implementation of the Code has been created in the State and there is greater recognition of its beneficial effects on industrial relations. This is reflected in the decline in the number man-days lost from 3,34,794 in 1959 to 1,92,966 in 1960.

ASSAM

(1) ~~The Implementation Committee met thrice during the year and decided that it should meet at least four times a year.~~

(2) During the year under review the State Implementation Unit dealt with 56 cases of violation of the Code. Breaches on the part of workers included 23 cases of unilateral action, 16 of strike, 3 of non-peaceful demonstration, and 2 of violence. Breaches on the part of employers included 4 cases of non-implementation of awards and agreements, 3 of non-recognition of unions, 1 of increase in work-load, 1 each of unilateral action and unfair labour practice and 2 of other breaches.

(3) breaches of the Code were brought home to guilty parties in 41 cases, 13 were settled mutually and the remaining 2 cases were either not substantiated on enquiry or required no action.

(4) The Code has had a salutary effect on the industrial relations in the State. Comparative figures for 1959 and 1960 show that there was an increase in the number of mandays lost owing to work-stoppages from 29,918 in 1959 to 64,075 in 1960. This increase can be attributed to the setting up of new industries in the State.

BIHAR

(1) The Implementation Committee met thrice during the year under review. It decided to lay down some principles for the guidance of the screening committee in the matter of allowing its members to go in for litigation.

(2) 35 cases of violation of the Code were dealt with by the State Implementation Machinery during the year 1960. Of these, 7 were settled or breaches brought home to guilty parties, 8 were either not substantiated on enquiry or required no action and the rest were under investigation. Workers/ unions were responsible for violation of the Code in 15 cases and employers in the rest.

(3) The State Government have reported that the implementation of the Code has led to steady improvement in industrial relations in the State. There has been a marked decline in the number of man-days lost due to work stoppages since June 1958, from 9,77,110 in 1958 it came down to 1,87,453 in 1960. This

decline is directly attributable to the successful implementation of the Code. The Code has been gradually bringing a sense of industrial discipline and respect for law in the minds of both employers and workers. The State Government however, feel that to make the Code a success some 'really effective' sanctions both against employers and the trade unions appear necessary.

DELHI

(1) During the year under review the Implementation Committee held 6 meetings and discussed individual cases of breach of the Code.

(2) 12 cases of violation of the Code were reported in 1960; the number of cases pending at the beginning of the year being 3, the total number of cases dealt with during the year was 15. Of these, 8 were settled and 7 were under investigation. Workers/unions were responsible for violation of the Code in 5 cases; of these 3 related to strikes and 2 to holding of gate meetings, etc. In the remaining 10 cases the employers were at fault; one each involved an increase in the work-load and non-implementation of award; 3 of unfair labour practice; 2 of non-recognition of unions and 3 of other breaches.

(3) The Delhi Administration feel that the Code is gradually having a salutary effect on industrial relations and it has exercised a restraining influence on both employers and workers. The unions are now afraid, to a certain extent, to resort to lightning strikes and the employers to adopt unfair means. The number of man-days lost during 1960 was 11,031 as against 27,966 during 1959.

GUJARAT

(1) The Evaluation & Implementation Committee which was set up recently was scheduled to hold its first meeting on April 20, 1961.

(2) 18 cases of violation of the Code were dealt with by the State Implementation Unit during the year under review. Of these, one case was not substantiated on enquiry, one was settled mutually and the remaining 16 were under investigation.

(3) Though the State came into existence on May 1, 1961 the Implementation of Code, according to the State Government, seems to have brought about better industrial relations. Since the Code came into operation there has been decline in the man-days lost due to work stoppages.

HIMACHAL PRADESH

(1) The Evaluation & Implementation Committee in this Administration has been recently constituted and has not yet held any meeting.

(2) No important case of violation of the Code was reported to the Implementation Unit. However, in a few cases of non-recognition of unions the employers concerned were requested to grant recognition to them.

JAMMU & KASHMIR

The State Implementation Committee when set up will take up the implementation of the Code in Jammu & Kashmir.

KERALA

(1) The Evaluation & Implementation Committee held nine meetings during the year under review and discussed individual cases of violation of the Code.

(2) During the year the State Implementation Unit dealt with 124 complaints of violation of the Code and 274 of non-implementation of labour laws. Of these 398 cases, 56 were either not substantiated on enquiry or required no action, 293 were settled or breaches brought home to guilty parties and the rest were under investigation.

(3) Most of the violations under the Code by employers related to non-implementation of awards, agreements, and increase in work-load and those by workers related to unfair labour practices, unilateral action, etc.,. Out of 78 cases where responsibility was fixed after enquiry, the affiliates of A.I.O.I.E. were found responsible for 15 violations; E.F.I. for 13; A.I.M.O. for 6; independent employers for 18; I.N.T.U.C. for 11; A.I.T.U.C. for 9, U.T.U.C. for 3 and unattached unions for 3.

(4) According to the State Government the Code has exercised a great restraining influence on the workers. There is a considerable decline in the number of man-days lost since the Code came into operation - from 10,73,753 in 1958 to 2,93,262 in 1959 and to 1,20,313 in 1960.

MADHYA PRADESH

(1) During 1960 the State Implementation Committee met once and laid down the procedure for dealing with complaints under the Code. It also appealed to employers' and workers' representatives to ensure effective compliance of the Code.

(2) Of the 100 cases reported during the year, 53 were against workers/unions and 47 against employers. Breaches on the part of workers included 45 cases of strikes, 3 of violence, one of coercion and 4 of the other breaches. Breaches by employers included 35 cases of unfair labour practices, 3 each of increase in work-load, retrenchment and non-recognition of unions, 2 of non-implementation of awards,

settlements, etc., and one of lock-out. In 31 cases where breaches were brought home to guilty parties, I.N.T.U.C. and A.I.T.U.C. were responsible in 3 cases each, H.M.S. in one and independent unions in 21 cases. Of the remaining 3 cases in which responsibility was on employers, A.I.O.I.E. violated the Code once and independent employers twice.

(3) The State Government are of the view that the Code has aroused a great sense of responsibility amongst the parties that have ratified it. This is clear from the fact that of the 31 cases where responsibility was fixed, in only 8 cases the Central Organisations of workers and employers were involved. The number of man-days lost during 1960 came down to 52,580 (provisional) as against 2,00,302 in 1959.

MADRAS

(1) The Implementation Committee met twice during the year. In addition, a special meeting of the Committee was also convened in June 1960 with a view to examining the possibilities of settling the dispute brewing over the recommendations of the Wage Board for Cotton Textile Industry. Among other matters, it discussed the ratification of the Code of Discipline by all employers and unions, model grievance procedure, ratification of the Code of Conduct and its effective enforcement.

(2) During the year under review the Implementation Unit dealt with 82 complaints of violation of the Code and 1604 of non-implementation of labour enactments. Of these, 126 were not substantiated on enquiry, 1426 were settled or breaches brought home to guilty parties and the rest were under investigation. 96% of violations of Code by workers related to strikes. Of the violations by employers 49% related to non-implementation of awards, agreements, etc., 33% to unfair labour practices and the rest to lock-outs, increase in workload, etc.,. Out of 25 settled cases under the Code, responsibility was fixed in 21 - A.I.O.I.E. or its affiliates were responsible in 3 cases; independent employers in 8; H.M.S. in 4; I.N.T.U.C. and A.I.T.U.C. in 2 each, and unattached unions in 2.

(3) The experience of the State Government is that, generally, the employers and employees conform to the Code of Discipline. As a result of its effective implementation there has been a considerable decline in the number of man-days lost, from 10,53,267 in 1959 to 5,14,934 in 1960.

MAHARASHTRA

(1) The Implementation Committee held two meetings during the year and laid down the procedure for dealing with complaints under the Code. More important of these were: complaints from individual workers would not be considered, where statutory

provisions regarding recognition of unions existed they would prevail over the Code, small disputes involving less than 50 employees need not be entertained under the Code, etc.,.

(2) 96 complaints were dealt with by the State Implementation Machinery during 1960. Of these 53 did not require action, 10 were not substantiated on enquiry, 16 were either settled or breaches brought home to guilty parties and 17 were under investigation. Responsibility was fixed in 11 cases; in 8 it was on workers' organisations (5 on A.I.T.U.C., one each on I.N.T.U.C. and H.M.S. and one on an independent union) and in 3 on independent employers. Breaches by workers in these cases comprised strikes and non-peaceful demonstration and by employers they were unilateral action and non-implementation of awards, agreements, etc.,.

(3) Of the 5,888 complaints of non-implementation of labour enactments received by the State Machinery during 1960, 1,060 were not substantiated on enquiry, 3,952 were settled and 876 were under investigation.

MANIPUR

The Implementation Committee held ~~2 meetings during~~ the year 1960.

MYSORE

(1) The Implementation Committee met twice during the year under review. While the first meeting considered the procedure to be followed by the Committee the second meeting decided to impress upon the employers concerned to implement the recommendations of Wage Board for Textiles and Cement.

(2) 139 cases of violation of the Code were dealt with by the State Implementation Machinery during the year 1960. Of these 2 did not require action, 3 were not substantiated on enquiry, 87 were either settled or breaches brought home to guilty parties and the rest were under investigation.

(3) The State Government have reported that though there is no spectacular change in the industrial relations the Code has considerably helped in easing tension between the parties. The impact is being felt increasingly and it can be said without hesitation that the Code has contributed greatly in promoting mutual relations between employers and employees and in maintaining industrial peace.

ORISSA

(1) The Implementation Committee held three meetings during the year under review. The Committee discussed the non-implementation of labour enactments by the management of

Hindustan Steel Ltd. and decided that the members representing the employees in the Committee would help the Government in furnishing a draft questionnaire so that Government would take up the matter with the appropriate authorities. Action taken on the enquiry report concerning non-implementation of awards, agreements and labour laws by the Orissa Cement Ltd. was also reviewed. The Committee further decided that investigation of complaints of non-implementation of awards, etc. should be completed within a period of 30 days.

(2) During the year under review, the implementation unit dealt with 343 complaints of breaches of the Code and 800 of non-implementation of labour laws. Of these cases, 539 were not substantiated on enquiry or required no action, 572 were settled or breaches brought home to guilty parties and the rest were under investigation.

(3) 53 of the violations of Code by employers related to unfair labour practices and unilateral action and the rest to increase in work-load, non-recognition of unions, etc. 45% of violations by workers related to acts of violence, 15% to unfair labour practices and 13% to coercion, intimidation and the rest to strike, etc.,. Responsibility for breaches of the Code was fixed in 113 cases - in 63 it was on independent employers, in 34 on H.M.S., in 14 on I.N.T.U.C. and in 2 on unattached unions.

(4) The State Government feel that the Code has not yet fully permeated to the rank and file of a large section of workers. The workers in general have a vague idea about it and its obligations. An all out effort is being made by the State Government to bring home to independent organisations of workers and employers the salient principles underlying the Code and persuade them to accept it. Complete figures of man-days lost in 1960 are not yet available.

PUNJAB

(1) The State Implementation Committee met eight times during the year. In one of the meetings it was felt that as the Code had no statutory sanctions behind it, its breaches could best be avoided by straight-forward confession by the parties concerned. The Committee decided that the minutes of its meetings would be kept secret and any disclosure thereof would be treated as a breach of the Code of the Committee: they would however, be communicated to parties concerned.

(2) As statistics in respect of complaints received regarding Code and labour laws are not being maintained by the Implementation Unit no information has been received from it.

(3) According to the State Government the achievement in the working of the Code could not be appreciable either because of reluctance on the part of Central Organisations to persuade their units to admit their fault or due to their feeble hold on them. They however, feel that the parties have come to realise that the Code is a novel and useful piece of self-imposed set of rules and discipline. Experience has also shown that the managements and unions have resisted the temptation of indulging in disputes and have tried to invoke the provisions of the Code. There is, however, need for faithful observance of the Code and greater control by the organisations over their members. For various reasons the number of man-days lost increased from 11,479 during 1959 to 54,819 in 1960.

RAJASTHAN

(1) During the year under review the State Implementation Committee held two meetings.

(2) 8 cases of violation of the Code and non-implementation of labour enactments were dealt with by the State Implementation Unit during the year 1960. Of these 3 cases were either not substantiated on enquiry or required no action while the remaining 5 were under investigation.

(3) The State Government feel that the industrial relations in Rajasthan have improved mainly due to the effective conciliation machinery and partly due to implementation of the Code. The employers and the unions have begun to explore lawful means for settlement of disputes before resorting to unilateral action and strikes. There was a marked decline in the number of man-days lost due to work stoppages in 1960; it came down from 1,03,427 in 1959 to 9,271 in 1960.

TRIPURA

(1) The Administration's Evaluation Committee did not hold any meeting during the year under review.

(2) Of the 16 cases of violation of the Code and non-implementation of labour laws, reported during 1960, 14 were settled or breaches brought home to guilty parties and the rest were under investigation. Implementation of the Code is said to have led to an improvement in industrial relations.

UTTAR PRADESH

(1) The State Implementation & Evaluation Board held two meetings during the year under review. More important of the Board's decisions included avoidance of delay in conciliation and reference of disputes to adjudication, holding of enquiries into illegal strikes/lock-outs, setting up of a small secretariat

to do the work of the Board, appeal to employers to recognise trade unions under the Code, etc.,.

(2) In all 70 cases under the Code were dealt with by the State Implementation Machinery. Of these 19 did not require action, 8 were not substantiated on enquiry, 37 were either settled or breaches brought home to guilty parties and 6 were under investigation. Responsibility was fixed in 24 cases; in 12 it rested on independent employers, in 6 on I.N.T.U.C., in 3 on H.M.S., in 2 on A.I.T.U.C. and in one on an independent union.

(3) Breaches by workers included strikes without notice, violence, unilateral action, etc., and those by employers included lock-out, unfair labour practices, etc.,.

(4) The State Machinery dealt with 2,307 cases of non-implementation of labour enactments; of these 351 were not substantiated on enquiry, 1,696 were settled and 260 were under investigation.

(5) The Code has had some sobering effect on better organised employers and unions which have tried to abide by the spirit of the Code so as to make it an essential feature in employer-employee relationship. The Code has also generally placed certain restraints and checks on the attitude of employees. The total number of man-days lost due to work-stoppages decreased from 1,52,900 to 73,983 in 1960.

in 1959

WEST BENGAL

(1) The State Evaluation Committee met seven times during the year under review. At one of its meetings, it decided that enquiries into breaches of the Code where the matter was sub-judice or under investigation by law and order authorities should not be taken up until such cases were disposed of by the authorities concerned. It also decided that as an enquiry under the Code during the pendency of conciliation proceedings would not be conducive to conciliation, such enquiries should await completion of the conciliation proceedings.

(2) During the year 1960, 265 cases of violation of Code and 343 of non-implementation of labour laws were dealt with by the Implementation Unit. Of these 608 cases, 64 were either not substantiated on enquiry or did not require action, 369 were either settled or breaches brought home to the guilty parties and the rest were under investigation.

(3) 74% of the complaints under the Code related to non-implementation of awards, agreements and settlements and the rest to unfair labour practices, non-recognition of unions, etc.,. Responsibility for breaches was fixed in 146 cases; out of these the affiliates of E.F.I. were responsible for 55; independent employers for 56; I.N.T.U.C. for 16; A.I.T.U.C. for

7, H.M.S. for 6, U.T.U.C. for 3 and unattached unions for 3.

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(4) ~~The State Government is of the view~~ the Code has made an impact on industrial relations in West Bengal. It is borne out by the fact that formal complaints regarding breaches of Code made to the Implementation Cell during the year under review has declined. There has been a decline also in the number of work-stoppages as compared to the year 1959. It has also been noticed that the parties are now more inclined to adjust their differences through mutual negotiation and bi-partite settlements. But there is still much to be done. The spirit of the Code had not yet effectively permeated to the parties at the plant (lowest) level. This is also reflected by an increase in the number of man-days lost during 1960 to 22,45,965 from 16,42,735 during 1959*.

14. Two statements showing the details of action taken on cases of violation of the Code and non-implementation of labour enactments in all States/Administrations are enclosed (Annexures A and B).

* The figures of man-days lost used in this note are those compiled by the Labour Bureau, Simla.

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Details of action taken on cases of violation of Code of Discipline by State/Administration Implementation Machinery during 1960 (excluding cases of non-implementation of labour enactments).

Table I

Overall position of all cases of violation of the Code of Discipline

Sl. No.	States/ Administrations	Number of cases pen- ding at the begin- ning of 1960.	Number of cases received during 1960	Total	Number requir- ing no action, being endor- sement, etc...	Number where investigations were completed	Number under investiga- tion.	Number settled mutually	Breaches brought home to guilty parties.	Number under investiga- tion.
1	2	3	4	5	6	7	8	9	10	
1.	Andhra Pradesh	-	22	22	-	-	-	5	17	
2.	Assam	23	33	56	1	1	13	41	-	
3.	Bihar	7	28	35	3	5	4	3	20	
4.	Delhi	3	12	15	-	-	7	1	7	
5.	Gujarat	5	13	18	-	1	1	-	16	
6.	Himachal Pradesh	-	-	-	-	-	-	-	-	
7.	Jammu & Kashmir	-	-	-	-	-	-	-	-	
8.	Kerala	2	122	124	20	-	7	78	19	
9.	Madras	10	72	82	27	29	4	21	1	
10.	Madhya Pradesh	3	100	103	4	26	11	31	31	
11.	Maharashtra	2	94	96	53	10	5	11	17	
12.	Manipur	-	-	-	-	-	-	-	-	
13.	Mysore	3	136	139	2	3	85	2	47	
14.	Orissa	93	250	343	90	94	45	113	1	
15.	Punjab	Statistics	were	not	being	maintained.				
16.	Rajasthan	5	1	6	-	2	-	-	4	
17.	Tripura	-	3	3	-	-	-	3	6	
18.	Uttar Pradesh	1	69	70	19	8	13	24	5	
19.	West Bengal	50	215	265	29	32	25	146	33	
Total:		207	1,170	1,377	248	211	220	479	219.	

Organisation-wise responsibility for violation of the Code in respect of cases substantiated on enquiry

Sl. No.	State / Administration	Number of cases where responsibility for violation of the Code lay with								
		Employers' Organisations :E.F.I.	Organisations :A.I.O.I.E.	Independent :A.I.M.O.	Workers' Organisations :INTUC	Independent :AITUC	Workers' Organisations :HMS	Independent :UTUC	Independent : unions	
1	2	3	4	5	6	7	8	9	10	11
1.	Andhra Pradesh	1	-	2	-	2	-	-	-	-
2.	Assam	NA	NA	NA	NA	NA	NA	NA	NA	NA
3.	Bihar	NA	NA	NA	NA	NA	NA	NA	NA	NA
4.	Delhi	-	-	-	-	-	1	-	-	-
5.	Gujarat	NA	NA	NA	NA	NA	NA	NA	NA	NA
6.	Himachal Pradesh	-	-	-	-	-	-	-	-	-
7.	Jammu & Kashmir	-	-	-	-	-	-	-	-	-
8.	Kerala	13	15	6	18	11	9	3	3	-
9.	Madras	-	3	-	8	2	2	4	-	2
10.	Madhya Pradesh	-	1	-	2	3	3	1	-	21
11.	Maharashtra	-	-	-	3	1	5	1	-	1
12.	Manipur	-	-	-	-	-	-	-	-	-
13.	Mysore	-	-	-	-	-	2	-	-	-
14.	Orissa	-	-	-	63	14	-	34	-	2
15.	Punjab	Statistics were		not		being		maintained		
16.	Rajasthan	-	-	-	-	-	-	-	-	-
17.	Tripura	-	-	-	-	3	-	-	-	-
18.	Uttar Pradesh	-	-	-	12	6	2	3	-	1
19.	West Bengal	55	-	-	56	16	7	6	3	3
Total:		69	19	8	162	58	31	52	6	30

N.A. Not available.

Details of action taken on complaints of non-implementation of labour enactments.

State / Administration	:Number of :complaints:pending at:the :beginning :of 1960.	:Number of :complaints:received :during :1960.	:Total :	:Number not :satisfi- :ed on :enquiry.	sub-	:Number of :cases :settled.	:Number of :cases :under :investigation.
1	2	3	4	5	6	7	
1. Andhra Pradesh	-	-	-	-	-	-	-
2. Assam	-	-	-	-	-	-	-
3. Bihar	-	-	-	-	-	-	-
4. Delhi	-	-	-	-	-	-	-
5. Gujarat	-	-	-	-	-	-	-
6. Himachal Pradesh	-	-	-	-	-	-	-
7. Jammu & Kashmir	-	-	-	-	-	-	-
8. Kerala	56	218	274	36		208	30
9. Madras	160	1444	1604	70		1401	133
10. Madhya Pradesh	-	-	-	-	-	-	-
11. Maharashtra	787	5101	5888	1060		3952	876
12. Manipur	NA	NA	NA	NA		NA	NA
13. Mysore	@NA	NA	NA	NA		NA	NA
14. Orissa	336	464	800	355		414	31
15. Punjab	Statistics		were	not	being	maintained.	
16. Rajasthan	-	2	2	1		-	1
17. Tripura	1	12	13	-		11	2
18. Uttar Pradesh	38	2269	2307	351		1696	260
19. West Bengal	28	315	343	3		198	142*
T o t a l:	1406	9825	11231	1876		7880	1475

* Includes 29 cases for which break-up has not been furnished by the State Government.

@ The State Government has informed that "the cases of violation of labour enactments reported to them were of only general nature and as they were not so serious offences, the concerned Divisional Officers were requested to advise the concerned Inspectors to educate the public in a proper way and resort to legal action wherever necessary".

NA: Not available.

INDIAN LABOUR CONFERENCE

(19th Session - Bangalore - 9th & 10th October '61)

A G E N D A

1. Productivity and Welfare;
 2. Report of the Study Group on Social Security;
 3. Reduction of Hours of work in Hazardous Occupations;
 4. Representation of technicians, supervisory staff etc. by a representative Union;
 5. Rights of a recognised union under the Code of Discipline vis-a-vis an un-recognised Union;
 6. Revival of the Labour Appellate Tribunal;
 7. Abolition of contract labour where feasible, and ensuring satisfactory conditions for contract labour where abolition of contract labour is not feasible;
 8. Compulsory deductions of part of salaries of industrial and non-industrial employees in the public as well as private sectors for investment in Government Securities under a non-contributory Provident Fund Scheme;
 9. Working of the Implementation Machinery;
 10. Report of the 6th Session of the Committee on Conventions;
 11. Convening of meetings of Industrial Committees;
 12. Amendments to the Industrial Disputes Act, 1947; and
 13. Clarification of clause 2(iii) of the Model Principles for reference of disputes to adjudication.
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INDIAN LABOUR CONFERENCE
(19th Session - Bangalore - 9th & 10th Oct.'61)

Item No.1:- Productivity and Welfare

M E M O R A N D U M

In laying stress on productivity improvement the Third Five Year Plan states:

"Neither the exercise of their organised strength in industrial conflicts, nor laws and the intervention of the State can help the workers much in realising their aspirations. Their gains can arise only out of the strength and dynamism of the economy, the only enduring basis of which is a rising level of productivity. No increase in profits which does not come out of improvements in productivity but has its origin in current scarcity and the stresses of development, can be regarded as a sign of prosperity. Productivity has many facets and it suffers because of the onesided and rigid approach which is frequently adopted in dealing with it both by the employers and the workers".

To the industrial workers higher productivity has a special significance. It means in the long run an increase in avenues of employment and the realisation of their aspirations for higher wages and better working and living conditions. A real and sustained increase in the level of wages can result only from a rising level of productivity. Increased productivity is of vital importance to a developing economy in view of the competitive character of the international markets. This is equally true of domestic market also. Thus, productivity will be the corner stone of our economy of future.

2. But productivity is a general term and is the outcome of the various factors of production like men, machines and materials and their different combinations, but the first pre-requisite for increased productivity is the maintenance of industrial discipline on all sides and this requires the right kind of attitudes in the human elements involved in the production processes. A significant step to achieve this objective was taken with the adoption of the Code of Discipline in Industry in June, 1958. The value of the Code is gradually being appreciated. The fact that more and more employers and employees invoke the provisions of the Code shows the importance that is being attached to it. Even those who were hesitant in the beginning have now realised its usefulness. An indication of the impact of the Code on industrial relations can be had from the following figures of man-days lost since the adoption of the Code:

<u>First half of</u>	<u>No. of mandays lost (in lakhs)</u>	<u>Second half of</u>	<u>No. of mandays lost (in lakhs)</u>
1958	47	1958	31
1959	31	1959	25
1960	29	1960	19
1961	14 (upto end of May'61)		

3. At one stage the Ministry of Labour and Employment were thinking in terms of drawing up a code similar to the Code of Discipline - Code of Efficiency and Welfare - to govern the obligations of respective sides in

sponsoring the ideas on productivity. It was then felt by some employers' and workers' organisations that we should watch the performance of the earlier codes before we introduced a new one. In view of the satisfactory working of the other codes for which there is increasing evidence, the Ministry feel that the time is now appropriate to consider the Code of Efficiency and Welfare for developing the right kind of attitudes among employers, employees and Governments, with a view to improving productivity. An important factor that has a bearing on productivity is the health and personal efficiency of the worker. The environment in which he works is of great importance. Satisfaction of his needs both material and others, to the extent possible, is essential if he is to give of his best. Therefore, any consideration of code for increasing productivity has to cover the welfare aspect also.

4. On the earlier occasion when the Ministry sponsored the proposal, it was also felt that the information available in the country on matters relating to efficiency should be collected and analysed by a tripartite committee under the chairmanship of Shri V. K. R. Menon, Director, I.L.O., India Branch. The Committee has more or less completed its task and is expected to submit its report shortly. This analysis shows in a preliminary way that there is a general view that the principles underlying the code then drafted have been well conceived.

5. Last October, a Seminar on Co-operation for Higher productivity was held by the National Productivity Council. Some broad agreements between employers, workers and Government have already been reached in regard to certain measures to be adopted by each for increasing productivity. A copy of that agreement is at Appendix I.

6. The Conference may like to have a preliminary discussion on the various aspects of the question of efficiency, and offer its comments on how the code should be drafted. It is suggested that as in the case of the Code of Discipline, the drafting of the Code also should be remitted to a tripartite committee.

NATIONAL PRODUCTIVITY COUNCIL

Seminar on
Cooperation for Higher Productivity

RESULTS OF THE SEMINAR

There was complete agreement among the distinguished representatives of Government, Employers and Workers, who participated in the Seminar, that there must be concerted effort on the part of everybody to contribute to the goal of attaining higher productivity and that conditions should be brought about wherein cooperation of all the elements for achieving this goal was ensured. On the subject of COOPERATION FOR HIGHER PRODUCTIVITY the Seminar, after detailed deliberations, formulated some concrete points of agreement on which the Government, Employers and Workers should concentrate attention and stimulate action. These are embodied in the following declaration which emerged from the Seminar:

For ensuring cooperation of all the interests involved in the productivity drive, the Seminar reaffirmed the principles embodied in the charter of National Productivity Council. In particular it was recognised that evolution of broad principles and patterns of sharing the gains of productivity was necessary for generating a climate and attitudes for cooperation of all the parties for increasing productivity. For attaining the goal of higher productivity it was agreed that the following measures should be adopted by the Government, Employers, Workers and the National Productivity Council:

- I Government should re-orient and streamline, with a vigorous productivity bias, the organisational set up and procedures of its organs dealing with matters of industrial development.
- II. Government should take positive measures to ensure that the public sector enterprises develop into models of productivity administration for demonstrating the productivity techniques and the benefits flowing from their introduction.
- III Government should consider ways and means of incorporating essential fundamentals of productivity subjects in the curricula of technical studies.
- IV Government and employers should make a positive declaration that no worker will be thrown out of employment merely on account of the introduction of productivity processes and that any worker rendered redundant in a section or a plant will be absorbed within the enterprise or the industry without loss of earning or status.
- V Government, Employers and Workers should bring about conditions for the maximum utilisation of the installed capacity of the industrial units and particularly to enable the running, wherever possible, of three shifts in the industries.
- VI Employers must recognise the workers as entitled to the fullest consideration in their own right and not merely for the sake of production results. They should continuously strive to improve the working conditions, / and welfare measures; for bringing about conditions which enable the workers to give of their best.

environments

- VII Employers must make positive efforts to generate an atmosphere of mutual trust and cooperation, and take initiative and positive action to dispel doubts and fears where they lurk among workers in regard to productivity. The workers must be assured that the drive of productivity does not involve undue intensification of their effort nor greater speed-up. They must also be assured that they will receive their due share of the gains appropriately assessed resulting from increase of productivity.
- VIII Employers in consultation with the workers should establish an effective machinery for communication and joint consultation, so that the workers are correctly informed with regard to the management's objectives and policies, their doubts and questions are properly answered, their constructive suggestions are duly entertained and acted upon, and they are taken into confidence regarding schemes involving changes for improvement.
- IX Employers should organise training programmes for all levels in the enterprises: top management, senior and junior executives, technicians, supervisors and the workers. An intensive programme of induction and instruction should be introduced for development of proper attitudes of workers, technicians and management towards productivity.
- X Employers should consider ways and means of introducing incentive schemes in the enterprises. They should also consider scope and feasibility of introducing suggestions scheme for encouraging the workers to put forth suggestions for effective improvements.
- XI Workers must make a positive effort in the generation of a proper atmosphere of mutual trust and cooperation wherein the employers are persuaded to shed whatever doubts they entertain in regard to the full participation of workers in the productivity drive.
- XII Workers should actively associate themselves with the efforts to set up joint consultative machinery in the enterprises and should in cooperation with the management, ensure successful functioning of the machinery.
- XIII Workers should provide an appropriate machinery within their organisations for motivating their ranks towards productivity and to keep them correctly informed with regard to productivity developments. An appropriate atmosphere should be generated by them in and through their organisations for whole-hearted participation of the workers in the productivity drive.
- XIV Workers with the help of Government and Employers, where necessary, should aim at building up specialists and research workers in their organisations for studying and implementing productivity techniques, for objectively evaluating productivity proposals emanating from the managements, and for actively participating in the processing of productivity techniques and procedures while safeguarding the rights of workers.
- XV Workers should ensure maximum participation in the programme of Worker's Education and should seek expansion of such facilities.

XVI The National Productivity Council should continue developing the programmes of dissemination of information and knowledge about productivity techniques, organising training programmes for all levels in the enterprises, and stimulating technical exchange in the industries. Specific measures should be taken to bring about the introduction of productivity techniques and practical application of above requirements in selected enterprises. The Council should help the Employers and Workers in assessing the gains of productivity.

INDIAN LABOUR CONFERENCE
(19TH SESSION - SEPTEMBER 1961)

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Item 2:- Report of the Study Group on Social Security.

M E M O R A N D U M

In pursuance of one of the recommendations on labour policy in the Second Five Year Plan to examine the possibility of combining the different social security provisions at present in force into an overall social security scheme, a Study Group on Social Security was set up in August, 1957. The Group submitted its report (copy attached) in December, 1958. Copies of the report were forwarded for comments to employers' and workers' organisations, State Governments, Union Territories and the Central Ministries. Comments have been received from almost all of them. Main recommendations of the Study Group together with brief comments thereon are given in the attached statement. The report of the Study Group was also considered at a meeting of the Employees' State Insurance Corporation held in August 1960. Members of the Corporation were in general agreement with the views of the Group.

2. Draft proposals of the Labour Ministry for the Third Plan were discussed at the meeting of the Standing Labour Committee held in April, 1960. The consensus of opinion was that the Integrated Social Security Scheme recommended by the Study Group should be implemented during the Third Five Year Plan, subject to such modifications as might become necessary as a result of consultations with the employers' and workers' organisations. In its 90th Report on the Ministry of Labour and Employment, the Estimates Committee of the Parliament has also stated that integration of social security schemes as recommended by the Study Group will lead to two-fold advantages of laying the foundation of a comprehensive social security scheme and reducing the over-head costs of the individual schemes, and has suggested its inclusion in the Third Plan.

3. The main recommendations of the Study Group are:-

- i) Establishment of a single agency which should as a first step assume administrative responsibility for Employees' State Insurance Act, Employees' Provident Fund Act, Coal Mines Provident Fund and Bonus Schemes Act and Assam Tea Plantations Provident Fund Scheme Act;
- ii) Enhancement of cash benefits and improvement of the standard of medical care under the Employees' State Insurance Scheme, including provision of hospital facilities for families of workers.
- iii) Conversion of the existing provident funds into a pension-cum-gratuity scheme and
- iv) Increase of employer's contribution under the Employees' State Insurance Act to the maximum, i.e. 4-2/3% of the wage bill and enhancement of employers' and workers' contributions under the Provident Fund Schemes from 6 1/2% to 8-1/3%.

4. The attached statement shows that all the interests concerned, except the Government of Assam, have agreed in principle to the proposed integration of the Employees' State Insurance and the Provident Fund Schemes. The reasons for which the Study Group has recommended the integration of Employees' State Insurance and Provident Fund Schemes, including the Assam Tea Plantations Provident Fund Scheme, and the exclusion of Coal and Mica Mines Welfare Funds Schemes.

and other benefits like retrenchment and lay-off compensation etc. from the Integrated Scheme, are fully explained in Chapter III of the Group's Report. According to the Study Group, the integration of two or more schemes can be justified only if this fulfils one or other of the two main tests, viz., substantial economy in the expenditure or added convenience to the parties. The Group's recommendations are based on the application of these tests. It has not recommended any specific reduction in administrative costs consequent on the integration of Employees' State Insurance and Provident Fund Schemes. According to the Group, the economy effected by integration may be off-set by the conversion of provident funds into a pension scheme which involves the handling of more than twenty times the number of additional transactions than at present and the need for opening additional Local Offices etc. for disbursement of pensions. The Group has, however, observed that consequent on integration of Employees' State Insurance and Provident Fund Schemes, employers and workers will deal with a single administrative agency and inspectorate and supervisory staff under the Schemes will be unified. According to the Group, these and other consequential measures will aim at simplification and added convenience to both the parties - employers and workers.

5. The Government of Assam consider that the integration of the Assam Tea Plantations Provident Fund Scheme with the Integrated Scheme will lead to an increase in the administrative cost and the integration will not result in any convenience to the parties. It has, therefore, suggested that the proposal to merge the Assam Scheme with the other Schemes may be dropped, and that the Assam Scheme be modified to include such additional benefits as may be given on the lines suggested by the Study Group if and when the Employees' Provident Funds Act and Scheme are amended. The Study Group has not suggested any specific reduction in administrative cost consequent on adoption of the proposed Integrated Scheme. The Group has held that the Assam Government will agree to the proposal in view of the definite long term advantages under the Integrated Scheme, viz. benefits of pension-cur-gratuity etc. The Assam Government is, however, willing to modify the Assam Tea Plantations Provident Fund Scheme on the lines recommended by the Group if and when the Employees' Provident Funds Act and Scheme are amended, but the exclusion of the Assam Scheme from the Integrated Scheme recommended by the Study Group will not be conducive to the formulation of an overall social security scheme which is the ultimate aim. It will also be difficult for the State Government to operate a pension scheme for retired workers who may be living outside Assam. It will therefore, be preferable if the Assam scheme is merged with the other Schemes as recommended by the Group.

6. If a single agency is set up to administer the Employees' State Insurance and Provident Fund Schemes, it is also desirable that the coverage under the enactments should be identical as far as practicable, and the Group has recommended that this may be done in stages by a prescribed target date, and that to facilitate this, action should be taken to delete the provision in the Employees' Provident Funds Act under which newly established factories are exempted from its provisions for the first three years. This period is now five years in case of units employing 20 or more but less than 50 persons. The employers' Organisations and the Governments of Madras and Uttar Pradesh are not in favour of deletion of this provision in the Employees' Provident Funds Act, as in their opinion new units should not be burdened with the levy of the provident fund contributions in initial stages. A suggestion has also been received in this connection that a corresponding provision may be made in the Employees' State Insurance Act. This will be a retrograde step and cannot be justified.

According to the Study Group, the provision in question in the Employees' Provident Funds Act is bound to raise administrative difficulties in the working of the Integrated Scheme, and its deletion is also necessary because the amount of pension, if the pension scheme is accepted, will depend on the total length of service and on payment of contributions. In the circumstances, the deletion of the provision for exemption of factories in the initial stage in the Employees' Provident Funds Act has to be considered.

7. According to the Study Group, it is necessary to augment the resources and to raise the rates of contributions under E.S.I. and Provident Fund Schemes for giving enhanced benefits under the Employees' State Insurance Scheme and pensions of a reasonable amount. The questions of enhancement of the rates of contributions under E.S.I. and Provident Fund Schemes have been under consideration separately for some time and the present position is as follows:-

a) Enhancement of the rates of employers' contribution under the E.S.I. Scheme:-

Since the Study Group submitted its Report, the following improvements have been made in the benefits available under the E.S.I. Scheme:-

- i) Insured persons suffering from T.B., Leprosy, mental and malignant diseases are now paid extended sickness benefits for a period of 309 days after they have exhausted their normal period of entitlement of sickness benefit, i.e. 56 days in a continuous period of 365 days.
- ii) Under a Resolution of the Corporation, maternity benefit is now paid at twice the sickness benefit rate (which is normally equal to the full average wage) subject to a minimum of annas -/12/- per day.
- iii) Medical care on a restricted scale is being extended to families of insured persons and over 5 lakh family units have been covered so far. Except for hospital care, families are now entitled to the same standard of medical care as admissible to insured persons.

To meet the increased expenditure due to extension of medical care to the families, it was proposed to raise the rates of employers' special contribution from 1.4% to 3% in the implemented areas and from 1% to 1.3% in the non-implemented areas. At its meeting held in August, 1958, the Corporation decided that the accumulated reserves of the Corporation should not be touched, and that the rates of employers' special contribution be raised if at any time it was found that the additional expenditure involved in extension of medical care to families cannot be met from the current revenues. The additional expenditure has been met from current revenues during 1958-59, 1959-60 and 1960-61. In view of the progressive extension of medical care to families, however, the position is reviewed from time to time. At its meeting held on 9.3.61, the Corporation appointed a Sub-committee to consider the matter in detail, including the question of replacement of the employers' special contribution by the employers' contribution as laid down in Schedule I to the E.S.I. Act, 1948. The Sub-Committee met on 24.4.61 when it was agreed that no decision be taken at present, and that the Sub-Committee should meet again in 6 months' time to review the matter in the light of progress made in implementation of the Scheme in Ahmedabad and the districts of Hughly and 24 Parganas and extension of medical care to families in Bombay.

b) Enhancement of the rates of contributions under the

As doubts were expressed whether all the industries and employments covered under the Employees' Provident Funds Act will be in a position to bear the additional burden consequent on the enhancement of the rates of contributions from $6\frac{1}{4}\%$ to $8\frac{1}{3}\%$, the Government of India have set up a Technical Committee to ascertain whether there are industries or employments which cannot bear the additional burden. The Committee has been asked, to undertake investigations, in the first instance, in respect of six selected industries. The Committee's report is awaited.

8. Para. 7 above shows that it will take more time before the rates of contributions under E.S.I. and Provident Fund Schemes are raised. It may not be feasible to implement the Study Group's recommendations regarding the provision of hospital care for families and of pensions for workers, pending enhancement of the rates of contributions under the two Schemes. It will also be seen from the attached statement that the employers are opposed to the enhancement of the rates of contributions under the Schemes, and some of the State Governments have suggested that a Sub-Committee may be set up to ascertain which of the industries are in a position to pay the increased contributions before the rates are raised. The Ministry of Commerce & Industry have also urged careful consideration of the full implications of increasing the rates of contributions on the cost of production before any decisions are taken. The question of enhancement of the rates of employers' contribution under the E.S.I. Scheme has already been referred by the E.S.I. Corporation to a Sub-Committee and as a Technical Committee is also investigating into the question of increase in contributions under the E.P.F. Scheme, it does not seem necessary to set up another sub-committee for the purpose. However, it seems desirable to await the findings of the Committees already set up.

9. As regards merits of the proposals to provide hospital care for families and pensions for workers made by the Study Group, the former may be implemented as early as possible depending on the increase in the rates of contributions under the E.S.I. Scheme and completion of necessary arrangements therefor, and the proposal has already been recommended for inclusion in the Third Five Year Plan. There is, however, difference of opinion regarding the desirability and feasibility of converting provident funds into a pension-cum-gratuity scheme. The Study Group has stated that a provident fund has certain disadvantages which can be remedied by adoption of a pension scheme, and that lump sums, if they are to serve during old age, should be wisely invested but not many workers have the experience to do so. The Study Group has further pointed out that where the recipient of the provident fund is a worker's widow, there is every risk of her being exploited by male relatives, and that if a worker dies young, the amount payable to his dependants will be so small as to constitute any real relief. The Scheme of old age, invalidity and survivorship pension-cum-gratuity recommended by the Group involves payment of a small gratuity sufficient to meet immediate needs and using the rest of resources towards giving the maximum pensionary benefits. The employers are opposed to the scheme mainly because it involves payment of higher contributions in making payments owing to the migratory character of a large section of industrial labour. The workers' organisations are also not keen to adopt the proposed pension-cum-gratuity scheme. The A.I.T.U.C. has suggested that it should be taken up after hospitals have been constructed under the E.S.I. Scheme and the families covered thereunder. The I.N.T.U.C. has desired that opportunity should be given to the workers to choose what type of benefit they would prefer as their requirements vary after retirement. The proposal has, however, been generally agreed to by State Governments, but it has been suggested that in view of the

financial liability, it may be implemented in industries which can bear the burden. A suggestion has also been received that the pension scheme should, in the first instance, be introduced as an experimental measure under the existing framework of the Employees Provident Fund Organisation, specially when the Scheme is to be financed from this source and the question of its extension be considered in the light of the experience gained.

10. The proposed pension scheme does not provide for option being allowed to workers to come under it or to continue to remain members of provident funds. It has been represented that such option may be allowed to workers for the following reasons:-

- i) It cannot be argued that the pension scheme is in all cases more beneficial. As in the Railways, the workers may be given the option to come under the pension scheme or to continue as members of provident funds.
- ii) A number of workers in coal mines may not fulfil the qualifying condition of minimum service to become eligible for pension.
- iii) Workers who have already put in service long enough to make them entitled to the full amount of employers' contribution to provident fund will be hard hit as under the pension scheme they will be required to work or wait till the age of 60 when only the payment of pension will start.
- iv) The pension scheme will not permit of the sanction of any loans.
- v) The pension scheme provides for the payment of pension when the worker attains the age of 60. The general level of physical fitness is low and some workers may not be able to work even upto the age of 50. Thus for ten years, these workers will not be gainfully employed nor receive any post retirement benefits if they have qualified for the pension scheme by working for more than 15 years.
- vi) Under the pension scheme, persons joining service after the age of 45 will get back their own contribution together with employers' contribution and interest at a fixed rate not exceeding 3%. This rate is lower than the present rate of 3-3/4%.
- vii) The actuarial calculations of the financial implications of the proposed pension-cum-gratuity scheme have been based on inadequate data and the scheme may not be self-sufficient.

12. The above paragraphs show that the recommendations of the Study Group regarding enhancement of the benefits under the E.S.I. Scheme and conversion of provident funds into a pension-cum-gratuity scheme are tied up with the proposals for enhancement of the rates of contributions under E.S.I. and Provident Fund Schemes, which are under consideration separately. It will take more time before decisions are taken on these proposals. The Indian Labour Conference may consider the matter and express its views, particularly in regard to the following:-

- i) Whether further consideration of the Study Group's Report may pend till the rates of contributions are raised under Employees' State Insurance and Provident Fund Schemes.
- ii) Whether Employees' State Insurance and Provident Fund Schemes be integrated as recommended by the Group pending implementation of its other recommendations and

the provision in the Employees Provident Funds Act regarding exemption of factories in the initial stages be deleted.

- iii) Whether the Provident Funds be converted into a pension-cum-gratuity scheme and option be allowed to workers to come thereunder ~~or to continue to remain members of~~ provident funds.
- iv) Whether the proposed pension scheme be introduced as an experimental measure in the first instance, and the question of its extension considered in the light of the experience gained.

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2. (a) The quantum of cash benefits at present granted under the E.S.I. Act should be augmented as follows:

i) Sickness benefits should be payable upto a maximum period of 13 weeks in any three benefit periods of 26 or 27 weeks each

ii) Extended sickness benefit, at full normal benefit rate may be granted in case of tuberculosis, or other prescribed long term diseases for a further period of 39 weeks but to only such persons as have completed at least two years of qualifying service.

iii) The maternity benefit rate should be raised so as to be equal to the full average wage of the insured woman and subject to a minimum of Re.1/- per day.

(a) The E.S.I. Scheme must first be extended to all industrial workers before such questions as its extension to families or increase of benefits are considered.

The sickness benefit period should not be extended. However, in cases of T.B. and other long term diseases, extended sickness benefit may be given for further 39 weeks at 50 per cent of the rate for the period extended from 26 to 39 weeks.

No cash benefit should be given for short illness i.e. there should be a minimum waiting period of 7 days. Maternity Benefit may also be paid at 50 per cent. of the average wage with a minimum of Re.1/- per day for persons with a minimum qualifying service of one year.

(a) The extended medical benefit in the case of T.B., cancer, mental disorders, leprosy and other long term diseases may be extended to another 42 weeks if the insured person has completed at least two years of qualified service.

In cases where insured persons suffering from T.B. cannot be hospitalised for want of beds, payment of additional cash benefit to compensate non-hospitalisation may be considered, for a limited period of about three months or until admission in the Sanatorium, whichever is earlier.

The period of qualifying service for payment of cash benefits may be 240 days within a continuous period of 12 calendar months. The aim should also be to give sickness benefits without any limitation on the duration of payment.

....contd.

- 7 -
S T A T E M E N T

Sl. No.	Recommendation of the Study Group on Social Security	Comments of the Employers' Organisations.	Comments of the Workers' Organisations.	Comments of the State Governments.	Comments of the Central Ministries.
1.	2.	3.	4.	5.	6.
<p>1. One single agency should be set up which should as a first step assume administrative responsibility for the E.S.I. Act, Employees' Provident Funds Act, Coal Mines Provident Fund and Bonus Schemes Act and Assam Tea Plantations Provident Fund Scheme Act. In cases of workers covered by both the E.S.I. Act and one of the Provident Funds Schemes, employers will pay in one single payment, the contributions due under both. Inspectorate and supervisory staff will be unified. These and other consequential measures will aim at simplification and added convenience to both parties. - employers and workers.</p>	<p>The integration is desirable in principle but it is felt that (a) administrative costs will not necessarily be reduced and (b) existing administrative difficulties may well be increased if a pension scheme is introduced.</p> <p>Apart from Provident Fund and E.S.I. Schemes there are other social security measures, such as retrenchment and lay-off compensation, gratuity, maternity benefits, accident compensation, holidays with pay etc. which can be brought within the scope of a comprehensive social security scheme. To begin with social security measures such as provident fund, E.S.I. Scheme, lay-off and retrenchment compensation and gratuity should be amalgamated with suitable modifications in existing Rules etc.</p>	<p>The integration is favoured. The AITUC have, however, desired that before integration is done, measures promised under the E.S.I. Scheme, viz. medical care for families and construction of hospitals etc. should be carried out in full. The integrated schemes should be progressive one and should not result in curtailment of the existing benefits.</p>	<p>The State Govts. have generally supported the integration in principle. The West Bengal Govt. have, however, suggested that the process of integration should be spread over a long period and that the E.S.I. and P.F. Schemes should be allowed to work side by side for some time more and the working results assessed before the integration is taken up. The Assam Govt. have stated that the integration of the Assam Scheme with the E.P.F. Scheme etc. will lead to an increase in the administrative cost and the integration will not result in any convenience to the parties. It has, therefore been suggested that the proposal to merge the Assam Scheme with the other schemes may be dropped and that the Assam Scheme be modified to include such additional benefits as may be given on the lines suggested if and when the E.P.F. Act and Scheme are amended.</p>	<p>The recommendation for the integration is a sound one. It would, however, be advisable to review the working of the integrated set up after a period of three years. Consideration may also be given to the inclusion of the Schemes at present excluded from the proposed integration viz. C.M.L.W. Fund and Mica Mines Labour Welfare Fund Schemes.</p>	

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(b) The standard of medical care and treatment should be greatly improved and hospital care should be extended to the families of insured persons.

For this purpose, the levy on employers should be increased to the maximum that the law already provides for.

b) Priority should be given to the extension of the E.S.I. Scheme to cover all industrial workers rather than to the extension of the medical benefits to the families. The levy of 3/4% on units in non-implemented areas should be discontinued. The employers' contribution should not be raised to the maximum limit of 4-2/3%. When the maximum was laid down by legislation, other social security measures; such as Dear Food Allowance, Provident Fund, Festival Holidays, Housing, Retrenchment and Lay-off compensation and Paid Holidays were not in force.

(b) Government should carry out in full the measures promised under the E.S.I. Scheme, namely, medical care for families, enhancement of employers' contribution and construction of hospitals.

(b) The families of insured persons should be made eligible to the same standard of benefits and treatment including hospitalisation as the insured persons themselves. However, before increasing the rate of contribution, it should be ascertained whether a particular industry is in a position to bear the extra burden.

(b) The Ministry of C&I have urged that the existing level of wages, prices and profits should be taken into account before any measures of social security are adopted which would significantly increase the cost of production.

3. The enactments relating to Provident Funds have proved a real boon to workers covered thereby, in the form of provision for old age. But payment in lump sum has obvious disadvantages compared with a regular pension scheme. The time is ripe for converting the Provident Funds into a statutory Pension Scheme. A Scheme of Old Age, Invalidity and

The organisations are opposed to the increase in contribution and are not in favour of the proposed pension scheme. The following defects have also been pointed out in the Pension Scheme :-

(i) Provision for a worker who dies prematurely after short service is extremely inadequate.

The A.I.T.U.C. have commented that as there is a serious apprehension that the pension scheme would provide an excuse not to fulfil the obligations under the E.S.I. Scheme, viz. family coverage and hospitals, etc. and their fulfilment would be side-tracked, the proposed pension scheme should not be taken up at this stage.

The proposal has been generally agreed to in principle. It has, however, been suggested that in view of the financial liability involved, it may be implemented in industries which can bear the burden. The Govt. of Assam have opposed the merger of their scheme with the other schemes as in their opinion it will lead

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survivorship Pension-gratuity is recommended for adoption. This will involve payment of a small gratuity sufficient to meet immediate needs and using the rest of the resources towards giving the maximum pensionary benefits. Though the Assam Tea Plantations Provident Fund Act is an Act of the State Legislature, it is hoped that it would be merged in the new Scheme. Otherwise, the workers in Plantations in Assam would be deprived of a valuable benefit.

(ii) As pensions payable from 60 onwards the scheme would be making a profit as our life expectancy figure is extremely low.

(iii) Owing to the migratory character of a large section of industrial labour there would be practical difficulty in paying pensions.

The INTUC have stated that the integrated scheme should not result in reduction of existing benefits and that as the requirements of workers after retirement will not be the same, opportunity should be given to them to choose what type of benefit they would prefer.

to an increase in the administrative cost and the integration will not result in any convenience to the parties.

Rates of contribution for the three classes of factories may be laid down as follows:-

(a) For factories, the employees of which would be eligible only to the benefits under the ESI Act, there will be no change. Their rates of contribution, when

The proposed increase in the rate of contribution under the E.S.I. and P.F. Schemes is opposed as it is beyond the capacity of industries to bear the additional burden. The proposed increase would lead to an unnecessary inflation of manufacturing costs. Moreover, the heavy liability of several industries towards the payment of bonus and gratuity has not

An increase from ~~7%~~ to 13% of the wage bill is quite a significant increase for the employers. Industries in Rajasthan and Madhya Pradesh like cotton textiles are facing financial crisis. Before any final decision is taken

The C&I Ministry have urged further careful consideration of the full effect of implementing these recommendations specially at a time when all industries are being faced with increase in the cost of production and

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raised to the maximum that the law provides for, work out to about 4-2/3% by employers and 2-1/3% by employees.

(b) For factories, the employees of which would be eligible only to benefits under the proposed Scheme of Old-Age Invalidity and Survivors' Pension-cum-Gratuity, their rates of contribution will be raised to 8-1/3 per cent by employers and 6-1/3 per cent by employees.

(c) For factories, the employees of which are covered for the full range of benefits under the E.S.I. Act plus the proposed scheme of Old-Age Invalidity, and Survivors' Pension-cum-Gratuity, the rates of contributions as under (a) and (b) above would work out to be about 13 per cent by employers and 10-2/3 per cent by employees.

In addition, the employers will be liable to pay an administrative charge not exceeding 0.5 percent of the total wage bill in cases under (b) and (c) above. No separate administrative charge will be leviable in cases under clause (a).

been taken into account by the Study Group. The proposed increase in contribution will adversely affect our economy. The earnings of industrial labour have been growing and it is necessary to strike a balance between improving conditions of those who are already employed and providing employment opportunities to the un-employed.

If the rates of contribution are increased, there is no justification for retaining the administrative charges payable at present under the Employees' Provident Funds Scheme. These charges should be withdrawn.

in the matter it should be ascertained whether a particular industry is in a position to bear the extra burden. A small sub-committee should be set up to collect information whether the industries covered by the E.S.I. and Employees' Provident Funds Acts are in a position to pay the increased contributions and the report of the sub-committee may eventually be considered in a Tripartite Conference.

the workers are demanding higher wages in certain industries. According to that Ministry the existing level of wages, prices and profits will have to be taken into account before any measures of social security are adopted which would significantly increase the cost of production.

Indian Labour Conference
(19th Session - October 9 and 10, 1961)

Item 4: Representation of technicians, supervisory staff, etc. by a representative union.

M E M O R A N D U M

The question whether a representative union should represent also the technicians, the supervisory staff etc., was placed before the 17th session of the Indian Labour Conference held at Madras in July 1959 but the discussion on this issue was postponed for further consideration in consultation with the interests concerned. The Central Employers' and Workers' Organisations, and State Governments have since been consulted; their views are now placed before the Conference for consideration.

2. All Central Employers' Organisations are of the view that the representative union should not represent technical and supervisory staff. The Employers' Federation of India has, however added that if a question arises whether a representative union represents any specific category of "workmen" (as defined in the Industrial Disputes Act) the union concerned should establish to the satisfaction of the employer that a substantial number of that class of workmen are members of the union.

3. Of the Workers' Organisations, All India Trade Union Congress and Indian National Trade Union Congress are of the view that the representative union should represent the technical and supervisory staff also. Hind Mazdoor Sabha, however, feels that there should not be any hard and fast rule about recognition of different craft unions. If the technicians and supervisory staff choose to remain with the workers in one union there should be no objection to recognising such union for both the categories of workmen. On the other hand, if the technicians and the supervisory staff prefer to have a separate union for themselves, their union may be given separate recognition. United Trades Union Congress is of the view that it should not be compulsory for the representative union to represent the technicians and the supervisory staff also.

4. All State Governments except Rajasthan and Orissa are of the opinion that the representative union should also represent technicians and supervisory staff. The Government of West Bengal has, however, suggested that in cases where technicians and supervisory staff are members of a representative union for the entire industry, they may be allowed to be represented by the union. Otherwise such staff should be treated separately.

The Government of Rajasthan is of the view that as the technical and supervisory staff form a class distinct from the labour class it is advisable to keep them separate from workers for the purpose of grant of recognition. If, however, the supervisors and the technical staff have no trade union of their own they can seek representation on a union which already exists in the establishment or in the industry. The Orissa Government feels that there should be separate unions representing technicians and supervisory staff and other operating staff for the sake of discipline in industry. On the other hand, the Government of Kerala feels that if the representative union does not represent technical and supervisory staff, the union may "find it difficult to guarantee industrial peace even if it enters into an agreement with the management, because technicians and supervisory staff members who may not fall in line with the representative union

may go counter to the agreement to which they are not parties. Such instances have actually occurred when workers on the one hand and the technicians and supervisory staff on the other pulled in opposite directions and ruptured the smooth working of the Industry". Similarly, referring to the working of the B.I.R. Act, which provides for the representation of operatives, clerks and supervisory personnel by a single representative union, the Government of Maharashtra has stated that there has been no complaint that any representative union had not paid adequate attention to the interests of any particular class of employees. The State Government has, therefore, suggested that the same scheme may be adopted at least on an experimental basis for about 3 years and the question reviewed thereafter in the light of the experience gained.

5. Most of the State Governments, however, want the representative union to represent only those technicians and supervisory staff who are covered by the term 'workman' as defined in Section 2(S) of the Industrial Disputes Act, 1947 i.e., those who are not employed in a managerial or administrative capacity and do not draw a salary exceeding Rs. 500 per month.

6. The Code of Discipline provides for recognition of two types of unions: (a) Representative union in an industry in a local area and (b) majority union in an establishment in respect of which a recognised representative union does not exist. In both these cases, the Code specifically lays down that only one union - the majority union - should be recognised. Multiplicity of recognised unions in an establishment or in an industry will not be conducive to harmonious industrial relations. It, therefore, seems desirable that only one union - the majority union - in an industry in a local area or in an establishment should be recognised under the Code. This union should have the right to represent the technicians and supervisory staff also, provided they are its members. This also appears to be the majority view of the State Governments and Central Workers' Organisations. The recognised union would obviously represent only those technicians and supervisors who are covered by the definition of the term "workman" under the Industrial Disputes Act 1947. A dispute raised by a supervisor who is not a "workman" will not be an industrial dispute and hence it will not be possible for a union to represent its case before the conciliation or adjudication authorities.

7. The suggestion contained in para 6 above is for consideration of the Conference.

INDIAN LABOUR CONFERENCE

(19th session - October, 1961)

ITEM 5 on the agenda : Rights of a recognised union under the Code of Discipline vis-a-vis an unrecognised union.

Under the Code of Discipline a union can claim to be recognised as a Representative union for an industry in a local area if it has a membership of at least 25% of the workers of that industry in that area. It can also claim recognition as the majority union in an establishment if it fulfils certain conditions. A Representative union for an industry has the right to represent workers in all the establishments in the industry but if a union of workers in a particular establishment has a membership of 50% or more of the workers of that establishment it would have the right to deal with matters of purely local interest as the handling of grievances pertaining to its own members. Thus, while the Code seeks to confer recognition on unions it does not define the rights of recognised unions vis-a-vis those which are not recognised. The Indian Labour Conference has, however, approved of the rights of a recognised union to collect membership fees every month on the premises of the undertaking and to nominate its members on the Grievance Committee set up under the Model Grievance Procedure. There is no other tripartite decision on the rights of recognised unions under the Code.

2. It has been contended that in the absence of defined rights of a recognised union the very purpose of recognition is defeated. In some cases it has happened that an unrecognised union raised disputes on the issues which had been settled earlier with the recognised union by the management; the Conciliation Machinery had to intervene and later the issues were referred to adjudication. This frustrates the very purpose of recognition and nullifies the position of a recognised union. If recognition under the Code is to be purposeful, it is necessary that the rights of a recognised union should be laid down. Such rights (Annexure I) are already prescribed under the BIR Act, M.P.I.R. Act and the Industrial Disputes (Rajasthan Amendment) Act, which provide for statutory recognition of unions. In pursuance of the recommendations of the Second Pay Commission, the Government of India have also recently extended certain facilities to unions recognised by their undertakings. These are detailed in Annexure II.

3. The first and foremost right which a recognised union should enjoy exclusively is to raise issues and enter into collective agreements with employers on questions concerning the terms of employment and conditions of service of the workers in general in an establishment or in an industry in a local area in the case of a Representative Union. This right undoubtedly conflicts with the right under the I.D. Act whereby a registered union - recognised or unrecognised - can raise an industrial dispute even on matters covered by an agreement entered into mutually by a recognised union with the management. Till the collective agreements under the industrial relations law are made binding on third parties - a question which is under examination separately - this conflict can perhaps be avoided if all Central Organisations agree on a voluntary basis that an agreement between a recognised union and management on general questions will not be disturbed or challenged by an unrecognised union affiliated to them. Such an arrangement already exists in Bihar; the State Government's Resolution of March 11, 1959 (Annexure III), which has the concurrence of both employers and unions, provides that an employer should deal with all questions of general

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of general interest of the work on the B.L. he shall not enter into any agreement with the recognised union about specific grievances of individual character of the workmen who are members of un-recognised unions. The Second Five Year Plan also recommended that "the Representative Union should have the sole right of taking up with the management matters or disputes in connection with wages, allowances and other terms and conditions of service or matters which are appropriate for mutual discussions." It may be clarified that this right of a recognised union will not debar an un-recognised union from taking up grievances of its individual members with the employer and from raising questions relating to the violation of the Code of Discipline, award and agreements with the concerned Implementation Machinery. The Bihar Government's Resolution, for instance, lays down that cases of individual workmen having no general application to others can be brought up before an employer by a registered union of which the workmen are members even if the union is not recognised. It makes obligatory for the employer to negotiate with such a union but in no case can he enter into an agreement with it on matters of general interest.

4. Besides the above right it is suggested that a recognised union may also be granted some other exclusive rights and privileges to facilitate the growth of a democratic industrial relations structure that the Code is seeking to build. These rights, most of which exist in the statutory laws of certain States or have already been approved by the Indian Labour Conference, are enumerated below:-

- (1) to collect membership fees/subscriptions payable by members to the union within the premises of the undertaking.

[This has been approved by the Indian Labour Conference in May, 1958 at its 15th session.]

- (2) to put up or cause to put up a notice board on the premises of the undertaking in which its members are employed and affix or cause to be affixed notices thereon.

[This is provided under the BIR Act - Section 25]

- (3) For the purpose of prevention or settlement of an industrial dispute.

- (a) to hold discussions or meetings on the premises of the undertaking with the employees concerned who are members of the union with prior consent of the employer.

[This is provided partly under the BIR Act - Section 25]

- (b) to meet and discuss with an employer, or any person appointed by him for the purpose, the grievances of its members employed in the undertaking.

[This is provided under the BIR Act - Section 25.]

- (c) to inspect, if necessary, in an undertaking any place where any member of the union is employed.

[This is provided under the BIR Act - Section 25]

- (4) to have the privilege of being given a premises - on any condition - by an employer for the union's office.
- (5) to nominate its representatives on the Grievance Committee constituted under the Grievance Procedure in an establishment.

[This right is already granted under the Model Grievance Procedure approved by the Indian Labour Conference.]

- (6) to nominate its representatives on Joint Management Councils.

[The Second Seminar on Labour-Management Cooperation held in March, 1960 has already recommended that where there is a Representative Union registered under a statute, that union should have the exclusive right to nominate the employees' representatives on the Council. It was suggested that this right may also be granted to a union recognised under the Code.]

- (7) to nominate its representatives on non-statutory bi-partite committees, e.g., production committees, welfare committees, canteen committees, house allotment committees, etc., set up by a management.

5. A registered union which is not recognised under the Code may have the following rights:

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- 1. to take up with the management grievances of its individual members, having no bearing on general principles applicable to other workmen; the management should negotiate with the union on such grievances but in no case should they enter into an agreement with/on the matters of general interest. If a mutually agreed grievance procedure exists in an establishment, grievances of individual workmen must invariably be routed through that procedure. A point which needs consideration in this connection is whether an official of un-recognised union is entitled to accompany a member of his union for discussions when the latter files on appeal with the management against the decision of the departmental head. Clause 4 of the Model Grievance Procedure provides that a worker shall have the right to take a union official along with him for this purpose. It is not clear whether this union official should be of the recognised union or of any other union of which the worker is a member. Clause 14 of the Model Grievance Procedure, however, lays down that in the case of an appeal relating to grievances arising out of the discharge/dismissal of a workman, the workman may, if he so desires, be accompanied by either an official of the recognised union or a fellow worker, as the case may be. It is felt that while an un-recognised union may take up the grievances of its individual members with the management, the right to accompany a worker when he discusses his appeal, against the order of the departmental head,

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with the management, under the Grievance Procedure, may be given only to either an official of a recognised union or a fellow worker; if this right is granted to an un-recognised union also, without regard to its membership, it is likely to encourage multiplicity of unions and may not be conducive to harmonious labour-management relations.

2. to raise questions relating to violation of the Code of Discipline or of labour laws, awards, agreements and settlements with the concerned Implementation Machinery.

6. The suggestions made in paras No. 3, 4 and 5 are for approval of the Conference.

Right/Obligations of approved/Representative Unions in the various State Enactments

Rajasthan (Amendment) Act, 1958.

Madhya Pradesh Industrial Relations Act, 1960

Bombay Industrial Relations Act 1946

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(1) Arbitration. Any employer and a representative union or in the absence of any such union any other union which is representative of employees may agree to submit any present or future industrial dispute or class of such disputes to the arbitration of any person whether such arbitrator is named in such agreement or not (Section 10B)

(1) Legal aid to approved unions at Govt. expenses:

An approved union is entitled to apply to the industrial court for the grant of legal aid at the expense of the State Government. (Section 23).

(2) Representation of employees: The representative union has the first preference to act and appear in any proceeding under the Act on behalf of the employees in an industry (Section 27). No individual shall be permitted to appear in any proceeding in which a representative union has appeared (Section 28). The Labour Officer shall not appear in any proceeding not investigate the grievances of employees when there is a representative union (Section 30).

(3) Joint Committees: These committees are to be constituted only with the consent of the representative union (Section 36)

(4) Arbitration: Any employer and a representative union or where there is no representative of employees may agree to submit any present, or future industrial dispute or any class or classes of such disputes to the arbitration of a Labour Court/Industrial Court/Board/any person. (Section 49)

In addition, a representative union may refer any industrial dispute for arbitration to the Conciliation Board, Industrial Court or Labour Court (Section 52).

(1) Rights of officers of approved unions: Under certain conditions laid down by the State Govt. members/officers of an approved union have a right and shall be permitted by the employer concerned -

(a) to collect sums payable by members to the union on the premises where wages are paid to them;

(b) to put up or cause to be put up a notice board on the premises of the undertakings in which its members are employed and affix or cause to be affixed notices thereon.

(c) for the purpose of the prevention or settlement of an industrial dispute -

(i) to hold discussions on the premises of the undertaking with the employees concerned who are members of the union;

(ii) to meet and discuss with an employer or any person appointed by him for the purpose the grievances of its members employed in this undertaking;

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- (5) An award of an arbitrator, labour court, etc. shall be binding in the case of a representative union on all persons represented by it (Section 60)
- (6) Protection of employees: No employer shall dismiss, discharge or reduce any employee or punish him merely because he is an officer or member of a representative union or a union which has applied for being recognised as a representative union (Section 83).
- (7) Extension of agreement: In cases in which a representative union is a party to an agreement or settlement the State Government may after giving the parties affected an opportunity of being heard, direct that such agreement, etc. shall be binding on such other employers and employees in such industry in that local area as may be specified (Section 97).
- (8) If any agreement is arrived at between an employer and a representative union in any dispute pending before an arbitrator, labour court, etc. such authority shall give an order, decision or award in such proceeding in terms of the agreement unless it was in contravention of the Act or the consent of either of the parties to it was caused by mistake, misrepresentation, etc.,

(iii) to inspect, if necessary, in any undertaking any place where any member of the union is employed (Section 25).

(2) Legal aid: An approved union entitled to appear before a labour court or industrial court may apply to the court for grant of legal aid at the expense of the State Government (Section 26).

(3) Representation of employees

(i) A representative union has the first preference to appear or act in any proceeding under the Act as the representative of employees in an industry in any local area. Next in order of importance is a Qualified or primary union (Section 30).

(ii) No individual shall be permitted to appear in any proceedings by a Conciliator, Board, Arbitrator, Wage Board, Labour Court and Industrial Court wherein a representative union has appeared as the representative of employees. (Section 32)

(iii) A Labour Officer shall not - (a) appear in any proceeding in which the employees who are parties thereto are represented by a representative union. (b) where there is an approved union for an industry in a local area, except at the request of the union investigate the grievances of employees and represent to employers such grievances. (Section 34).

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(4) Joint Committees: There is no provision similar to the N.F.I.A. Act but no joint committee can be constituted in respect of an undertaking where there is no representative union unless not less than 15% of the employees are members of a registered union (Section 48).

(5) Arbitration: Any employer and a representative union or any other registered union may submit a dispute for arbitration. (Section 66).

(6) A representative union is entitled to make a special application to the labour court to hold an inquiry as to whether a strike, lock-out etc. is illegal (Section 79).

(7) Protection to employees: No employer shall dismiss discharge or reduce any employee or punish him in any other manner merely because he is an officer or member of a registered union or a union which has applied for being registered under the Act (Section 101).

(8) Agreement etc. or non binding: In cases in which a representative union is a party to a registered agreement, or a settlement, submission or award the State Govt. may, after giving the parties affected an opportunity of being heard, direct that such agreement, etc, shall be binding upon such other employers or employees in such industry in that local area as may be specified. (Section 114).

(9) If any agreement is arrived at between an employer and a representative union who are parties to an industrial dispute pending before an Arbitrator etc., the order, decision or award in such proceedings shall be made in terms of such agreement unless it was in contravention of the Act or the consent of either of the parties was caused by mistake, misrepresentation, etc., (Section 115A).

No.18/21/60-LRI.
GOVERNMENT OF INDIA
MINISTRY OF LABOUR & EMPLOYMENT

Dated New Delhi, the 9th May, 1961.

Office Memorandum

Subject:- Pay Commission's recommendation that reasonable facilities should be provided for trade union activities.

The undersigned is directed to say that the Government of India have had under consideration the recommendation by the Pay Commission in para 18 of Chapter XLIX of their Report that reasonable facilities should be provided by Government for trade union activities of their employees. After careful consideration Government of India have decided that the following facilities may be provided for recognised trade unions to carry on their activities:

(a) Holding of meetings by the recognised trade unions in office premises.

It has been decided that recognised associations/trade unions should normally be permitted to hold meetings on open land outside the security zone of office/factory premises. Where, however, the Head of the Department/Office/Factory is satisfied that the holding of such a meeting within the Office/Factory premises can be allowed without detriment to the security of the office/Factory and without obstruction of the Office/Factory work, and that suitable accommodation within the premises is available, he could permit the meeting to be held within the premises.

(b) Display of notices by the recognised trade unions/associations in the office premises.

The facility for display of notices of a non-controversial nature in office premises had been granted to recognised associations/trade unions by some of the Ministries and Departments, in some cases subject to prior approval of notices other than those of specified types. It has been decided that in other Departments/Establishments where such facilities have not been granted hitherto, the Associations/unions may be allowed to display notices relating to the following matters:-

- i) The date, time, place and purpose of a meeting.
- ii) Statements of accounts of income and expenditure of the Unions/Associations.
- iii) Announcements regarding holding of elections excluding canvassing therefor and results thereof.
- iv) Reminders to the membership of the Associations/Unions in a general way about the dues outstanding against them.
- v) Announcements relating to matters of general interest to the members of Association/Union provided:
 - (a) they are not in the nature of criticism;
 - (b) they are not subversive of discipline;
 - (c) they do not contain objectionable or offensive language; and

- (d) they do not contain attacks on individuals directly or indirectly.

Associations/Unions who display notices in contravention of the aforesaid provisions will be liable to be debarred from availing of this privilege without prejudice to any other action that may be taken under the rules.

- (c) Grant of special casual leave to association/union office-bearers for attending executive meetings, conferences, etc.

In accordance with the Ministry of Home Affairs Office Memorandum No. 24/33/59-Ests(a), dated January 4, 1960, special casual leave to office bearers of recognised service associations upto a maximum period of ten days in a calendar year for participation in the activities of the associations can be allowed in such Government Departments/Offices where no special casual leave is at present permissible. It is also provided in that Office Memorandum that in such of the Government Departments/Offices where the practice of allowing special casual leave for the above purposes is already in vogue, the existing practice regarding the quantum and occasions for granting such leave may continue. It has been decided that this facility, as embodied in the Home Ministry's Office Memorandum, may be extended to the Office bearers of recognised trade unions also.

- (d) Release of Government employees to work as full-time union functionaries on foreign service terms.

It has been decided that Government employees in respect of whom recognised trade unions make a request for their services for employment as full-time union functionaries may be released on foreign service terms. The final decision as to whether a particular Government employee can be released on foreign service terms for this purpose, and for how long the deputation may continue, should, however, rest with the authority competent to depute a Government servant on foreign service vide S.Nos. 29 and 30 in Appendix 4 to the Posts & Telegraphs Compilat^{ion} of F.R. & S Rules, Vol. II. It should also be provided that an employee who is placed on deputation may revert to regular Government service, whenever he so desires. The terms of deputation on foreign service to be allowed in such cases should conform to those laid down in the Standing Guard File on 'Transfer of Central Government servants to Foreign Service', issued by the O & M Division of the Cabinet Secretariat. The full cost of deputation, including leave salary and pension contributions, should be borne by the association/union concerned and the terms of foreign service should be settled in advance before an employee is relieved from Government service to take up employment under the foreign employer.

2. In the context of the Commission's recommendations, the question of granting free railway passes to union functionaries for the purpose of attending trade union meetings has also been considered. It is felt that service associations and trade unions should be fully self-supporting. It is therefore not considered necessary that Government should meet the travel costs of Government employees attending trade union meetings in their capacity as union functionaries.

3. It is requested that the above decisions may kindly be communicated to all officers under the control of the Ministry

of Commerce and Industry etc. for compliance and circulation to all associations/unions operating under them.

Sd/-

(A. L. Handa)
Under Secretary.

To

All Ministries/Departments/P&T Board/Union Public Service Commission/President's Secretariat/Prime Minister's Secretariat/Cabinet Secretariat.

Copy forwarded to the:-

1. Comptroller and Auditor General of India, (2 copies).
2. Chief Labour Commissioner (C), New Delhi, (50 copies).
3. Director Labour Bureau Simla (2 copies)
4. All Sections (except C.R. Cash & Library) of the Ministry of Labour & Employment.

Sd/-

(A. L. Handa)
Under Secretary.

RESOLUTION

Patna, the 20th Bhāsun, 1883
11th March, 1951

Read: Item 6 of the proceedings of the meeting held on the 13th and 14th April, 1951, of the Bihar Central (Standing) Labour Advisory Board regarding the growth of rival trade unions in the factory and the procedure for the registration, recognition and determination of their representative character.

Read also, the proceedings of the meeting of the Board held on the 22nd September, 1951 on the same subject.

Read also the Government resolution No. II/T2-10209/511-510 dated 23rd January, 1952.

Read also the decisions arrived at in the Indian Labour Conference held at Nainital in May, 1958 laying down the criteria for recognition of trade unions.

Read also the decisions arrived at in the seventeenth meeting of the Bihar Central (Standing) Labour Advisory Board held on the 14th and 15th February, 1959 on the Code of Discipline in Industry.

Resolution:- The following principles should be followed in dealing with the question of rival trade unions and their recognition.

(1) Where there is only one registered union in an industry or establishment, that union must be recognised by the employer.

(2) Where there are several unions in industry or establishment the one with the largest membership must be recognised.

(3) Status-quo should be maintained in the case of the unions which are at present registered and recognised unless their registration is cancelled by the Registrar of Trade Unions, in which case the recognition should be withdrawn.

(4) A rival union can claim recognition only after it has functioned for at least one year at the particular establishment from the date of its registration under the Indian Trade Unions Act, 1926.

(5) The employer should deal with all questions of general interest to the workmen with the recognised union only provided that the employers shall not enter into any agreement with the recognised union about specific grievances of individual character of workmen who are not members of such registered unions as are not recognised.

Provided that this will not debar an unrecognised union from raising any question relating to the violation of the Code of Discipline or violation of this resolution or any award, agreement with the Tripartite Standing Committee on Evaluation and Implementation.

(6) Cases of individual workmen, having no general application to others can be brought up before an employer by a registered union of which the workman is a member even though that union is not recognised and the employer shall negotiate with such registered trade union, in no case however will the employer enter into an agreement on the matter of general interest with a union which is not recognised.

(7) When there is a dispute about the representative character of unions for the purpose of recognition, the Labour Commissioner will try to determine as expeditiously as possible the representative character after taking into consideration the membership and such other evidence as may be produced before him. Voting by secret ballot will be taken only in extreme cases, and as a last resort. Voting, if necessary will be restricted only to members of the registered unions and the rival union should secure at least 75% of the votes of all member workmen before it can dislodge the existing recognised union.

The following categories of workers should be excluded from exercising the ballot even though they may be enrolled as members of the union namely (1) All the casual and temporary employees of less than 12 months continuous service.

(1) Any employee employed in place of a discharged one while the dispute regarding his discharge, if any, is pending settlement or disposal according to the provisions of law.

Provided that, once the Labour Commissioner is satisfied that the voting by secret ballot should be taken to determine the representative character of the rival unions, he may proceed in the manner indicated in this paragraph to take the vote notwithstanding any disagreement or non-participation of any of the parties to the dispute.

(8) Recognition granted to a union as a result of voting in accordance with the procedure laid down in para 7 of this resolution should not be disturbed for two years.

B.. Government trust that the employers and the employees will lend co-operation in solving the dispute regarding rival trade unions in the manner indicated above.

C. The Government resolution No. II/T2-10209/511-510 dated 23rd January, 1959 is hereby repealed.

O R D E R. Ordered that a copy of the resolution be forwarded to all the registered trade unions and all the registered factories in the State as well as to the offices subordinate to the Commissioner of Labour, Bihar, and to the members of the Bihar Central (Standing) Labour Advisory Board.

Also ordered that the resolution be published in the Bihar Gazette for the information of the general public.

M E M O R A N D U M

Item 6: Revival of the Labour Appellate Tribunal

The revival of the Labour Appellate Tribunal was first considered by the 17th Session of the Indian Labour Conference held at Madras in July, 1959. It was decided that the various views expressed at the Conference would be further examined and the whole matter again placed before the Standing Labour Committee. Accordingly, the matter was examined and placed before the 18th Session of the Standing Labour Committee which met at New Delhi in January, 1960. The consensus of opinion was that the proposals needed further consideration before taking a final decision in the matter. It was decided that the State Governments should have an assessment of the relevant factual material available with them and that the matter should be reconsidered by the Standing Labour Committee. The related question of the status of the Tribunal Judges was also to be reconsidered by the Standing Labour Committee.

2. The State Governments were addressed in April, 1960, for making an assessment of the relevant factual materials, e.g. quick disposal of cases, reducing references to High Courts and the Supreme Court, maintaining uniformity, continuity etc. by the Labour Appellate Tribunal. They were also requested to furnish their comments on the proposal for revival of the Labour Appellate Tribunal. A summary of the replies from the State Governments is enclosed at Appendix I. It will be observed that the consensus of opinion among the State Governments is against the revival of the Labour Appellate Tribunal.

3. The question of the revival of the Labour Appellate Tribunal was considered in the context of the recommendations of the Law Commission, who had remarked that:

"The file of the Supreme Court is being clogged with appeals on labour matters and relief should be given to that Court by enabling parties to file appeals in these matters either to the High Court or to a special tribunal constituted for the purpose".

So far as the pending cases are concerned there has since been considerable improvement. A separate Bench has been dealing with labour cases as and when they are ready for hearing. During 1960, 125 appeals were filed, and 222 had been brought forward from the previous year. Of these 347 appeals, 249 were disposed of during that year. Of the pending cases (98) at the end of 1960, 58 were below one year, 13 between 1 and 2 years, 27 between 2 and 3 years old. They are likely to be disposed off and soon as they are ready for hearing.

4. In view of the present situation of cases pending in the Supreme Court and also of the divergence of opinion expressed by the State Governments, the Conference may consider whether the proposal for the revival of the Labour Appellate Tribunal need be pursued any further.

5. As regards the status of the Tribunal Judges, the question so far as it relates to the Industrial Tribunals, has already been considered at the 16th Session of the Indian Labour Conference and it was agreed that the Act should be amended to enable the appointment of serving or retired District Judges as Presiding Officers. It is

Presiding Officers. It is proposed to include this in the next batch of amendments to be made to the Industrial Disputes Act. Some of the State Governments have already carried out the amendment in so far as the Act relates to their States e.g. Bihar, Punjab, West Bengal. If the Conference decides in favour of the revival of the Labour Appellate Tribunal, they would no doubt, also indicate their views about the status of the Judges to be appointed to that Tribunal.

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APPENDIX - I

Summary of the replies received from the State Governments.

Andhra Pradesh. - The Labour Appellate Tribunal was generally successful in quick disposal of cases, in reducing to some extent, reference to High Court and Supreme Court. In achieving other objectives e.g. maintaining uniformity etc., it has succeeded, to some extent but not to the same extent as the Supreme Court.

Assam. - Only a very few appeals were preferred before the Appellate Tribunal and the Supreme Court. The time taken in their disposal would not be less than one year in any case.

Bihar. - The State Government, after an assessment of the data, find that the Labour Appellate Tribunal took long time in disposal of cases referred to it. The revival will not serve the purpose for which it is intended and on the contrary that would mean more litigation and more delay in the implementation of awards as there was always a tendency both among the employers and the workmen to file appeals on practically all points of the awards, before the Appellate Tribunal. There is no guarantee that parties will not go up before the High Court or the Supreme Court to get the orders of the Labour Appellate Tribunal set aside. The present rise in appeals to the High Court/Supreme Court will be more apparent than real. The proposal may be dropped. It will be against the spirit of the Code which seeks to reduce litigation.

Gujarat. - In the absence of complete information about the time taken by the Labour Appellate Tribunal and the High Court in the disposal of cases and the number of appeals filed before the High Court and the Supreme Court it is not possible to furnish its assessment on whether the Labour Appellate Tribunal was successful in achieving the objective for which it was constituted.

Kerala. - It is very doubtful whether the revival of the Labour Appellate Tribunal would solve the problem of speedy disposal of cases. The constitution of the Labour Appellate Tribunal would not solve the problem so long as the Supreme Court has got power to grant special leave to appeal. At present, the Industrial Tribunals and the Labour Courts are final judges of facts except when they are interfered with by the High Court and the Supreme Court. If the Appellate Tribunal is constituted, there will be further right to appeal in questions of facts as well, and that might entail delay.

Madhya Pradesh. - The Labour Appellate Tribunal has taken less than one year's time in the disposal of 31 cases out of a total of 42, and more than two years only in two cases. In the matter of quick disposal of cases the Labour Appellate Tribunal has been a very useful institution. Only 4 cases were referred to the High Court during the tenure of the Labour Appellate Tribunal and only one was referred to the Supreme Court. On abolition of the Labour Appellate Tribunal, the figures are 35 and 2 respectively. In respect of achievements of other objectives it is felt that the Labour Appellate Tribunal cannot be credited for this. There have been many cases in which different benches of the Labour Appellate Tribunal have given conflicting decisions. Even the decision of the Appellate Tribunal is not final and it is only the last or the highest court which can be successful in maintaining uniformity and continuity of experience. In order to reduce references to High Courts and Supreme Court and to achieve uniformity and continuity of experience at the same

time ensuring quick disposal, mere revival of Labour Appellate Tribunal will not help much, unless it is made one of the benches of the Supreme Court and a approach to High Court in Labour matters by way of revision, appeal etc. is prohibited even by amending the constitution, if necessary, to achieve the objective:

Madras. - About 491 cases were disposed of by the Labour Appellate Tribunal in the State. It is not possible to assess the average time taken by the Labour Appellate Tribunal as compared to the High Court/Supreme Court for disposal of cases. Generally speaking, the Labour Appellate Tribunal only served as one additional stage in the process of litigation and there has been no indication that it helped to reduce the number of appeals to High Courts and Supreme Court to any appreciable extent. There appears to be no case for its revival unless it is made the final court of appeal.

Mysore. - The State Government are in favour of revival of the Labour Appellate Tribunal in the interest of quick disposal and as the Labour Appellate Tribunal in the past had served a very useful purpose in evolving correct and uniform principles bearing on industrial disputes.

Orissa - The number of industrial awards in this State had been very small before 1956. The number has increased since but the number of cases going to High Court/Supreme Court is small.

Punjab. - There has been no increase of cases before the High Court after abolition of the Labour Appellate Tribunal. The number of disputes referred for adjudication from 1955 to 1959 show an increase. From observation it can be said that number of cases from this State before the Supreme Court is very small and can be ignored for the purposes of the present study. It reveals that there is absolutely no case for the revival of the Appellate Tribunal as it would add another link to the chain of appeals. The award of the Appellate Tribunal could be challenged in the High Court/Supreme Court under the general powers conferred by the constitution. This will merely serve to prolong the agony of workers.

Rajasthan. - It is important to bear in mind the fact that the earlier decisions of the Labour Appellate Tribunal had commanded universal respect and approval. It was only during the later days of the Labour Appellate Tribunal's life that discontent against its working and against its general approach began to find expression and ultimately led to its abolition. With this avenue for appeal closed, the parties have had either to approach the High Courts where possible, for such relief as they can afford with their limited jurisdiction, or have been directly approaching the Supreme Court by way of appeal, by special leave against the decisions of the Industrial Tribunals; with the result that the latter Court has been flooded with such appeals. Even if the law is amended to enable the High Court to hear appeals from award of Tribunals, the hardship caused by the inordinate and inevitable delays in the disposal of cases will remain a serious problem. Even the constitution of special Benches in the High Court for hearing labour cases is not likely to solve these difficulties. These arise in the very nature of things. In view of the above, the revival of the Labour Appellate Tribunal would be a better solution than vesting the High Courts with powers to hear appeals from the awards of Tribunals. A suitable number of benches and provisions for

- 4 -

circuit benches has to be made. Proper selection of persons of calibre and experience and proper safeguards have to be made.

Uttar Pradesh. - There is not much difference in the rate of disposal of cases by the Labour Appellate Tribunal and by the High Court (in deciding writs).

The Labour Appellate Tribunal was no doubt successful in bringing about, and maintaining, uniformity in the law relating to industrial disputes; but, at times, the various benches of the Labour Appellate Tribunal also expressed divergent views on the same matter.

Most of the cases referred to adjudication in this State relate to matters of wages or bonus. The setting up of Wage Boards by the Government of India for major industries and the proposed setting up of a Bonus Commission will, it is hoped, go a long way in reducing the number of labour disputes. As regards the increase in the number of writs, it is felt that even if the Labour Appellate Tribunal is revived, the writs to the High Courts and the Supreme Court would not be ruled out. In fact, its revival may mean further harassment to the workmen, for the employers will drag them to this forum also before exhausting other avenues. So long as the high powered Labour Courts and the Industrial Tribunals exist, there is no case, in the opinion of the State Government, for revival of the Labour Appellate Tribunal.

West Bengal. - The Labour Appellate Tribunal was successful in quick disposal of tribunal cases. It was also successful in reducing references to High Courts and the Supreme Court; in maintaining uniformity, continuity of experience etc. Roughly speaking, the average time taken by the Labour Appellate Tribunal in disposal of cases was from one year to one and half year while the High Courts and the Supreme Court took a little more than that of the Labour Appellate Tribunal i.e. 2 years to two years and a half.

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Item 7: Abolition of contract labour where feasible, and ensuring satisfactory conditions for contract labour where abolition of contract labour is not feasible.

MEMORANDUM

In the Chapter on Labour Policy and Programmes of the Second Five Year Plan, emphasis was laid on the regulation of the working conditions of contract labour for ensuring for them continuous employment. Before doing so, the suggestion made in that Plan was that studies should be undertaken to assess the extent and nature of the problems involved in different industries. The Director, Labour Bureau undertook special studies in the following five select industries/employments where problems of contract labour was most acute:-

- (1) Iron ore Mines;
- (2) Ports;
- (3) Petroleum refineries and oil fields;
- (4) Railways;
- (5) Building and Construction industry.

2. Where contract labour is employed:

The contract labour is generally employed for work of a casual or temporary character or to cope with a sudden rush of work for short periods. In most of the industrial establishments loading and unloading of raw materials and finished materials are handled by contract labour. In Building and construction work also, in both the public and private sectors, contract labour is largely employed. Certain processes in some industries which call for special skill, are relegated to contractors and to independent sub-contractors by the latter. Sometimes the actual work is done in the factory premises where the principal employer is in a position to supervise. But when the work is taken out and done in small establishments, wages are low and conditions of work are unhygienic or unsatisfactory. The supervision and management in such cases is of a superficial type, with the result that contractors are able to adopt ways and means to evade the giving of protection to workers. This leads to unfair labour practices. Recruitment of labour through contractors results in the dilution of responsibility of the employers for the condition of employment, hours of work and wages of a considerable section of labour force.

3. The salient facts revealed in the Inquiry undertaken by the Director, Labour Bureau, are brought out briefly under the following heads:-

(a) Wages and Earnings in Iron Ore Mines

Labour is engaged mostly on piece rates. Only a few categories were engaged on time rate basis. For contract labour, wages were fixed by the contractors and generally managements exercised no control except in two Units. There were different Units for calculating the wages, for example, tonnage, tubs, cubic feet, boxes or lorry trips, etc. Wage rates in the other employments surveyed, are given in the statement below:-

Name of the
employment

Wage rate for contract labour

(1)
PORTS

(2)

Contractors fix the wage rates and Port authorities have no control; no machinery exists to check prompt and just payment of wages to workers employed by contractors. In Bombay, chippers and painters get from Rs.2.12 to to Rs.2.62 plus D.A. of Rs.1.87 per day. In Calcutta, the consolidated wages for these categories vary from Rs.2.12 to Rs.2.87 and in Madras, from Rs.3.00 to Rs.4.00 per day. Regarding Mazdoors, in Bombay their wages vary from Rs.1.16 to Rs.5.00 per day plus D.A. as per the Textile Award, while in Calcutta and Madras, the consolidated wage ranges between Rs.1.87 to Rs.3.50 per day. The monthly wages vary between Rs.30.00 to Rs.30.00 at Bombay and Calcutta, while in Madras, the mazdoors get about Rs.49.00 per month in addition to a piece rate varying between Rs Re.0.37 and Re.0.62 per ton of load carried.

**PETROLEUM
REFINERIES
AND OIL
FIELDS**

Most of the contractors employ workers on a time rate basis. Regarding Artisans, those recruited directly, get between Rs.2.63 to Rs.4.68; while those recruited through contractors, get only between Rs.2.63 and Rs.3.63. Regarding mazdoors, those employed through contractors between Rs.1.37 to Rs.3.37; while those recruited directly get between Rs.1.44 to Rs.3.00 per day.

RAILWAYS

The daily wages (consolidated wages of coolies) vary from Rs.1.37 to Rs.2.00 and those of the monthly rated coolies vary from Rs.40.00 to Rs.60.00 per month. The rates for loading and unloading of general goods range between Rs.3.00 to Rs.8.00 per wagon, while the rates for transshipment range between Rs.6.00 to Rs.10.00 per 1,000 maunds. The average daily earnings of workers vary from Rs.1.37 to Rs.3.00 per day. In work relating to construction of railway lines, bridges etc., contractors employ workers both on time and on piece rates. The male mazdoors get between Rs.1.12 to Rs.2.25 and those of female mazdoors, between Rs.0.75 to Rs.2.00 per day. The carpenters, and masons get from Rs.2.50 to Rs.6.00 per day. In piece-rated wages, the lowest rate was Rs.12.50 per thousand cubic feet and the highest rate for rock cutting was Rs.230/- per thousand cubic feet. For stone breaking the piece rate varies from Rs.12.00 to Rs.20.00 per 100 cft.

**BUILDING
& CONS-
TRUCTION
INDUSTRY**

The rates have been notified for stone breaking or stone crushing operations by the various State Govts. under the Minimum Wages Act. The rates are different in different States. Masons, carpenters, blacksmiths get between Rs.1.75 to Rs.9.00 per day and the daily wages of an adult male mazdoor range between Re.0.88 to Rs.3.50 per day. In U.P., adult female mazdoors get between Re.0.62 to Rs.2.50 per day. The wages for children vary from Re.0.50 to Rs.2.25 per day.

(b) Hours of work and rest intervals etc.

In Iron ore Mines, under the Mines Act, hours of work have been fixed at 9 hours per day and 48 hours per week for workers employed above the ground and 8 hours per day and 48 hours per week for workers working under-ground. Maximum spread-over is fixed at 12 hours in the case of surface workers and 8 hours for those working underground. Managements of all the 9 mines surveyed in Andhra Pradesh, did not exercise any control over the hours of work of contract labour; while the Managements of mines in Bihar, Mysore and Orissa ensure that the contract labour do not exceed beyond the limits prescribed under the Mines Act. In ports, the normal working hours for a single shift workers are between

6 and 8½ hours. But majority of them observe 8 hours shift. Majority of contract labour work overtime only occasionally. In Petroleum refineries and oil fields, the provisions of the Factories Act are applicable (i.e.) 8 hours per day and 48 hours per week and the maximum spreadover is 10½ hours per day. Of the 4 refineries covered by the survey, only two exercise control over the working hours of contract labour by prescribing the same hours of work as for direct workers. For contract labour working outside the premises of refineries, no restriction is there to prevent them from working for more than a certain period. In Railways hours of work for time-rated workers were more or less fixed; but these were not fixed for any piece rated workers. Regarding labour engaged on the construction of railway lines, though Railways authorities do not exercise any control over the working hours of contract labour, these were regulated as the work was generally executed in the presence of railway staff, whose hours of work were generally fixed. In road construction or building operations the hours of work are regulated under the Minimum Wages Act, namely, 9 hours for adults and 4½ hours for children, and weekly hours of work do not exceed 48 hours, and spreadover is also not to exceed 12 hours per day. Due to inadequacy of inspection staff, enforcement of the provisions of the Minimum Wages Act is not so satisfactory.

(c) Other amenities provided to contract labour

Apart from the fact that the rates and earnings of workers employed by the contractors were generally lower than those of the workers employed directly, their working conditions are also comparatively worse. Medical, educational and recreational facilities, housing and other welfare amenities provided by the contractors for the workers were almost negligible. The workers also are unorganised and have no strong Unions to obtain some facilities from their employers. Though the various Labour Laws are applicable to contract labour and labour welfare and Fair Wage clauses exist in many contract deeds, they generally go by default in a number of cases and there is, therefore, the imperative need for effective implementation of these laws and other provisions, as also their gradual extension to more and more categories of workers. This also points out the undesirability of discouraging contract labour system and its replacement by direct system of recruitment. Where this is not possible the only solution to improve the working conditions of such labour is to regulate them.

4. Suggestions for consideration.

(i) The Conference may advise whether contract labour system should be abolished in respect of regular activities and if so, whether such abolition should be effected statutorily or by persuasion and creation of public opinion against the system, or by encouraging workers' co-operatives to replace contractors. The fields in which contract labour may be abolished may be specified.

(ii) Where it is not possible to eliminate contract labour system altogether, whether the following measures may be taken to protect the labour employed through contractors;

(a) It may be made compulsory to introduce suitable labour welfare and fair wage clauses in such public/private contracts as do not contain the same at present.

- (b) Labour laws applicable to contract labour may be enforced more stringently and the implementation machinery may be strengthened.
- (c) Penal provisions in respect of violations by contractors may be introduced in the Acts where they do not exist at present, and where such provisions exist, the same may be made more deterrent.
- (d) Responsibility for complying with particular provisions of labour laws may be placed on the principal employer as in the case of direct labour. For instance, where contract labour works on the premises of the principal employer or within a short distance of such premises, the responsibility for providing drinking water, canteens, rest sheds, urinals and lavatories, etc., to contract labour could reasonably be placed on the principal employer.
- (e) In employments such as casual loading and unloading, short term building and construction works, the worker should be given the full protection of the Minimum Wages Act.
- (f) State Governments may be advised to include in the schedule of the Minimum Wages Act from time to time employments in which contract labour is employed either exclusively or predominantly.
- (g) Contract labour employed in ancillary works which are of a continuous nature, e.g. digging, picking and sorting of ores, gardening, cleansing and running of canteens, should be covered by all the acts which apply to regular labour in respect of wages and welfare. The responsibility for discharging the employers' liabilities in regard to such labour will rest primarily on the contractor, but secondarily also on the principal employer who should be entitled to recover the expenses of the obligation from the contractor.
- (h) Contractors who employ at a time hundred workers or more should be required to take a licence from the Government and one of the conditions for granting the licence may be the provision by the contractors of housing and sanitary and medical arrangements of a prescribed standard.
- (i) Contractors will be treated on a par with principal employers in regard to the liability to contribute to statutory labour welfare funds.
- (j) A brief manual bringing together the contractor's obligations and liabilities to his labour under the various labour laws and the protective clauses of contract should be compiled and published.

The views of the Conference are sought on these suggestions.

Indian Labour Conference

(19th Session - Bangalore - October, 1961)

Item 8: Compulsory deductions of a part of the salaries of industrial and non-industrial employees in public as well as private sectors for investment in Government securities under a non-contributory provident fund scheme.

MEMORANDUM

The Government of India have had under consideration for some time past the question whether legislation should be undertaken to enable compulsory deduction of a part of the salaries of employees, both industrial and non-industrial in the public as well as the private sector for investment in Government securities under a non-contributory provident fund scheme. The legal position obtaining in this regard is that neither the Payment of Wages Act, 1936, nor the Indian Contract Act 1872 as amended from time to time, enable the Government to make compulsory deduction from wages etc. of employees for investment in Government securities. It is felt that it would be desirable to promote necessary legislation for obtaining the powers to enforce compulsory deductions from the salaries of all paid employees, including those in the private sector with a view to ensuring adequate savings in the economy in national interest. While there is no intention of enforcing the compulsory deductions in the immediate future, the idea is that Government should have the necessary power to enforce such deductions if and when it may become expedient to do so.

2. The details of the proposed scheme have still to be worked out but it is broadly intended that employees covered by the Employees' Provident Fund Scheme, temporary employees who have not completed six months' service, employees working in establishments employing less than 20 persons and employees drawing salary of less than about Rs.75/- per month would be excluded from its application. The actual rates of deduction would be notified from time to time within certain ceilings which might vary from about 10% in the case of employees drawing less than Rs.300/- per month to about 20% in the case of those drawing above Rs.1,000/- per month. These deductions would be inclusive of the payment now made by way of contributions to the provident funds or as life insurance premia. It might also be convenient if the deductions could be dealt with on the basis of the extension of the scheme of Employees' Provident Fund or the introduction of a non-contributory fund scheme.

3. It would be necessary to aim at uniformity in the matter of the applicability of the proposed scheme of compulsory deductions from salaries of all paid employees through-out India, whether serving under the Central Government or the State Governments or in municipal, local or private employment. This can be brought about only by a single comprehensive legislation at the Centre. Action has separately been initiated to consult the State Governments in this regard. The representatives of Employers and Labour would have to be consulted before bringing the employees in the private sector within the scope of the scheme. The matter is accordingly placed before the Indian Labour Conference for concurrence before further action is taken.

INDIAN LABOUR CONFERENCE

(19th Session - October, 1961)

Item No. 9:- working of the Implementation
on the agenda Machinery.

MEMORANDUM

The Standing Labour Committee at its 19th session held in April 1961 reviewed the working of the Code of Discipline and Implementation Machinery in the Central and State spheres. A booklet containing the review till the end of 1960 is enclosed. In the memorandum on the subject placed before the Committee certain suggestions were made for its approval so as to remove the difficulties experienced in the working of the Code. As on some of these suggestions the Committee did not give any specific decision, these are mentioned below for the consideration of the Indian Labour Conference:

- (1) One of the Central Employers' Organisations had represented that the State Implementation Committee should not assume the functions of conciliation machinery or promote out-of-court settlement of disputes pending before courts. In its view the function of an Implementation Committee is not to compel or induce the parties to arrive at a settlement but to concern itself only with an enquiry into the reasons why a breach of the Code had taken place and to fix responsibility for it.

The restrictions to the functions of Implementation Committees, suggested above, are not desirable. It is one of the primary functions of these committees to bring about industrial peace by ensuring compliance of the provisions of the Code. If, for this purpose, a committee brings round the contending parties and effects a settlement, its efforts need appreciation. Similarly, as required by the Code, the committee can, indeed should, bring about out-of-court settlements to reduce tension. While the functions of a conciliation machinery are statutory, the Implementation Machinery functions as an unofficial agency and supplements the work of the former and does not hinder it. The State Governments/Administrations will no doubt ensure that there is no overlapping between the functions of their Implementation and Conciliation Machinery. The suggestion of the Central Employers' Organisation need not, therefore, be accepted.

- (2) To ensure prompt and proper attention to complaints under the Code it is essential that they should be dealt with at appropriate levels. For instance, individual grievances should first go through the Grievance Procedure and then to the conciliation machinery. Similarly, requests for recognition should first be made to the managements. Complaints relating to State sphere should invariably be made to the concerned State Implementation Machinery. Baseless, vague and exaggerated complaints must be avoided. The Central Organisations should issue necessary instructions to their members in this respect.

- (3) The Central Organisations of employers and workers should make suitable arrangements for prompt attention

to the correspondence of the Implementation Machinery and should obtain quick replies from their member-units. They should also give their own assessment of the position while forwarding replies of their members to the Implementation Machinery and should not feel hesitant in applying sanctions against erring members for transgressions of the Code. The present tendency of some Central Organisations generally to explain away the conduct of their members or defend their action when breaches of Code are pointed out to them needs to be given up.

2. Another important matter on which a decision of the Conference has become necessary relates to the definition of the words 'industry' and 'local area' occurring in clause 3 of the Criteria for recognition of unions. The Indian Labour Conference considered this question at its 17th session and recommended that these words should be defined by the Government concerned and the provisions contained in the Industries (Development and Regulations) Act, 1951 and other enactments might be examined for the purpose.

3. The State Governments/Administrations and Chief Labour Commissioner were requested to offer their comments in the matter. Most of the States are of the view that the definition of the word 'industry' given in the Industrial Disputes Act, 1947 or the B.I.E. Act, 1946 or the Madhya Pradesh Industrial Relations Act 1960 (reproduced in Appendix I) should be adopted for the purpose of recognition of a union on an industry-wise basis. Of the rest, the Governments of Andhra Pradesh and Orissa and Delhi Administration have suggested that the industries specified in the 1st schedule to the Industries (Development & Regulations) Act, 1951 (Appendix II) may be adopted for the purpose. The Government of West Bengal feels that as the definition given in the I.D. Act is very wide the industrial classification adopted by it for the purpose of submission of statement of trade unions (Appendix III) may be adopted for the purpose of recognition. The Government of Punjab is of the opinion that 'industry' should be defined by it from time to time. The Government of Madras considers that the classification of industries made by Labour Bureau, Simla (Appendix IV) may be adopted and if any difficulty arises in its actual application, it may be modified in consultation with the Implementation & Evaluation Committee. The Chief Labour Commissioner (Central) has suggested the list (Appendix V) used by his organisation for verification of membership of Central Organisations of workers.

4. It is felt that in order to remove doubts and controversies in future it is necessary to define the term 'industry' and draw up a list of specific industries for giving recognition to unions on an industry-wise basis. The list of industries given in the 1st Schedule to the Industries (Development and Regulations) Act, 1951 contains a list of manufacturing industries only and is not very exhaustive. So is the case with the list suggested by the Government of West Bengal. It might be preferable to adopt the classification used by the Director, Labour Bureau as it is very exhaustive and is based on the standard classification of industries adopted by the United Nations. As regards the definition of 'industry', the one given in the Industrial Disputes Act, 1947 may be adopted and a reference to the specific list of industries may be made in the definition itself. The following definition is therefore, suggested for the consideration of the Conference:

"Industry" means any business, trade, undertaking, manufacture or calling of employers and includes any calling, service, employment, handicraft or industrial occupation or avocation of workmen as listed in the enclosure. **)

5. With regard to the definition of the words 'local area', the views of the State Governments/Administrations are divergent. While Andhra Pradesh, Himachal Pradesh, Punjab and Tripura feel that a revenue or administrative district or a sub-division should be taken as a local area, the Government of Orissa feels that the local area may be confined to a Gram Panchayat, Municipality, Notified Area, Council or a Corporation. The Government of Madras and Delhi Administration, however, want that the whole State/Territory should be taken as a local area as any smaller area will mean that for the same industry there would be more than one recognised union within a State. The Government of Kerala has pointed out that an industry may be located in different parts of a State and though it may be possible to recognise a representative union in each area that union may not be able to settle an industry-wise issue affecting other areas in the State. Thus the expectation of a representative union speaking authoritatively for an industry as a whole will not be fulfilled. Nevertheless, the State Government feels that for the operation of the criteria for recognition of unions, 'local area' may be declared by it in the case of major industries. While it may not be possible to have local areas strictly according to geographical limits of taluka or districts each major industry should recognise particular 'areas' as 'local areas'. A similar opinion has been expressed by the Government of West Bengal which has also stated that instead of accepting any fixed principle, it will be better to decide each case on merits as it will hardly be possible to confine the location of any particular industry to a specific area. The Government of Bihar wants the 'local area' to be defined on an 'industry-cum-region' wise basis. The Governments of Maharashtra and Madhya Pradesh have referred to their Industrial Relations Laws which lay down that a 'local area' is an area notified as such by Government. The Governments of Assam, Mysore and Uttar Pradesh have suggested that the local area should be such as may be defined by the State Government or by the State Implementation and Evaluation Committee in respect of an industry.

6. On the basis of the views expressed by the State Governments and Administrations it is felt that it may not be desirable to lay down any rigid definition of the term 'local area'. The matter may be left for the discussion of the appropriate Government which may define 'local areas' in respect of various industries in their sphere as and when need arises.

7. The following suggestions are for the approval of the Conference:

- (1) Implementation Committees should be free to bring round the contending parties in any dispute and effect a settlement to maintain industrial peace. With a view to reducing litigation, as required by the Code, they may also bring about out-of-court settlement of industrial disputes pending in High Courts/Supreme Court.
- (2) To ensure prompt and proper attention to complaints under the Code they should be dealt with at appropriate levels. Individual grievances should first go through the Grievance Procedure and then to the Conciliation machinery. Similarly, requests for recognition should first be made to the managements. Complaints relating to State sphere should be made to the concerned State Implementation Machinery. The Central Organisations should issue necessary instructions to their members in this respect and also ensure that baseless, vague and exaggerated complaints must be avoided.

- (3) The Central Organisations of employers and workers should make suitable arrangements for promptly attending to the correspondence of the Implementation Machinery and should obtain quick replies from their members. They should also give their own assessment of the position while forwarding replies of their members to the Implementation Machinery. They should not feel hesitant in applying sanctions against erring members for transgressions of the Code. The present tendency of the Central Organisations to generally explain away the conduct of their members or defend their action when breaches of Code are pointed out to them needs to be given up.
- (4) For the purpose of defining the word 'industry' in clause 3 of the criteria for recognition of unions the classification of Industries used by the Labour Bureau (Appendix IV) may be adopted and industry may be defined as 'any business trade, undertaking, manufacture or calling of employers including any calling, service, employment, handicraft or industrial occupation or avocation of workmen as listed in the enclosure (Appendix IV)
- (5) For purpose of Clause 3 of the criteria for recognition of unions the words 'local area' may be defined by the appropriate Government.

APPENDIX I

Definition of the term 'industry' as given in I.D.
Act 1947, B.I.R. and M.P.I.R., Act.

...

I.D. Act. 1947 [Sec. 2(j)]

"industry" means any business, trade, undertaking, manufacture or calling of employers and includes any calling, service, employment, handicraft, or industrial occupation or avocation of workmen.

BIR Act 1946 (Section 3(19)).

"industry" means -

(a) any business, trade, manufacture or undertaking or calling of employers;

(b) any calling, service, employment, hand craft, or industrial occupation or avocation of employees; and includes -

(i) agriculture and agricultural operations;

(ii) any branch of an industry or group of industries which the State Government may by notification in the Official Gazette declare to be an industry for the purposes of this Act.

M.P. Industrial Relations Act 1960 [Section 2(19)].

"industry" means -

(a) any business, trade, manufacture, undertaking or calling of employers;

(b) any calling, service, employment, handicraft, or industrial occupation or avocation of employees; and includes -

(i) agriculture and agricultural operations;

(ii) any branch of an industry or group of industries which the State Government may by notification, declare to be an industry for the purposes of this Act.

List of Industries as given in the First Schedule to the Industries (Development and Regulations) Act, 1951.

...

[As substituted by the amendment Act of 1956]

Any industry engaged in the manufacture or production of any of the articles mentioned under each of the following headings or sub-headings, namely:-

I. Metallurgical Industries:

A. Ferrous: (1) Iron and Steel (Metal); (2) Ferro-alloys and special steels; (3) Iron and Steel castings and forgings; (4) Iron and Steel structurals; (5) Iron and Steel pipes; (6) Other products of iron and steel.

B. Non-ferrous: (1) Non-ferrous metals and alloys; (2) Semi-manufactures and manufactures.

2. Fuels:

(1) Coal, lignite, coke and their derivatives; (2) Mineral oil (crude oil), motor and aviation spirit, diesel oil, kerosene oil, fuel oil, diverse hydrocarbon oils and their blends including synthetic fuels, lubricating oils and the like; (3) Fuel gases - (coal gas, natural gas and the like).

3. Boilers and steam generating plants:
Boilers and steam generating plants.

4. Prime movers (other than electrical generators):

(1) Steam engines and turbines; (2) Internal combustion engines.

5. Electrical equipment:

(1) Equipment for generation, transmission and distribution of electricity including transformers; (2) Electrical motors; (3) Electrical fans; (4) Electrical lamps; (5) Electrical furnaces; (6) Electrical cables and wires; (7) X-ray equipment; (8) Electric equipment; (9) Household appliances such as electric irons, heaters and the like; (10) Storage batteries; (11) Dry cells.

6. Telecommunications:

(1) Telephones; (2) Telegraph equipment; (3) Wireless communication apparatus; (4) Radio receivers, including amplifying and public address equipment; (5) Television sets; (6) Teleprinters.

7. Transportation.

(1) Aircraft; (2) Ships and other vessels drawn by power; (3) Railway locomotives; (4) Railway rolling stock; (5) Automobiles (motor cars, buses, trucks, motor cycles, scooters and the like); (6) Bicycles; (7) Others, such as fork lift trucks and the like.

8. Industrial Machinery:

A. Major items of specialised equipment used in specific industries: - (1) Textile machinery (such as spinning frames, carding machines, powerlooms and the like) including textile accessories; (2) Jute Machinery; (3) Rayon machinery; (4) Sugar machinery; (5) Tea machinery; (6) Mining machinery; (7) Metallurgical machinery; (8) Cement machinery; (9) Chemical machinery; (10) Pharmaceuticals machinery; (11) Paper machinery.

B. General items of machinery used in several industries, such as the equipment required for various 'unit processes': (1) Size reduction equipment - crushers, ball mills and the like; (2) Conveying equipment - bucket elevators, skip hoists, cranes, derricks and the like; (3) Mixers and reactors - kneading mills, turbo mixers and the like; (4) Filtration equipment - filter presses, rotary filters and the like; (5) Centrifugal machines; (6) Evaporators (3) Distillation equipment; (7) Crystallisers; (8) Drivers; (9) Power driven pumps - recirculating, centrifugal and the like; (10) Air and gas compressors and vacuum pipes (excluding electrical furnaces); (11) Refrigeration plants for industrial use.

C. Other items of Industrial Machinery; 1) Ball, roller and tapered bearings. (2) Speed reduction Gait; (3) Grinding wheels and abrasives

Size separation unit - screens, classifiers and the like;

9. Machine tools

Machine tools.

10. Agricultural machinery:

(1) Tractors, harvestors and the like; (2) Agricultural implements.

11. Earth-moving machinery:

Bulldozers, dumpers, scrapers, loaders, shovels, drag lines, bucket wheel excavators, road rollers and the like.

12. Miscellaneous mechanical and engineering industries:

(1) Elastic mounted goods; (2) Hand tools, small tools and the like; (3) Razor blade

13. Commercial, office and household equipments:

(1) Typewriters; (2) Calculating machines; (3) Air conditioners and refrigerators; (4) Vacuum cleaners; (5) Sewing and knitting machines; (6) Hurricane lanterns.

14. Medical and surgical appliances:

Surgical instruments-sterilisers, incubators and the like.

15. Industrial Instruments:

(1) Water meters, steam meters, electricity meters and the like; (2) Indicating, recording and regulating devices for pressure, temperature, rate of flow, weights, levels and the like; (3) Weighing machines.

16. Scientific instruments:

Scientific instruments.

17. Mathematical, surveying and drawing instruments:

Mathematical, surveying and drawing instruments.

18. Chemicals:

(1) Fertilisers; (2) Inorganic heavy chemicals; (3) Organic heavy chemicals; (4) Fine chemicals including photographic chemicals; (5) Synthetic resins and plastics; (6) Paints, varnishes and enamels; (7) Synthetic rubbers; (8) Man-made fibres including regenerated cellulose-rayon, nylon and the like; (9) Coke oven by-products; (10) Coal tar distillation products like naphthalene, anthracene and the like; (11) Explosives including gun powder and safety fuses; (12) Insecticides, fungicides, weedicides and the like; (13) Textile auxiliaries; (14) Miscellaneous chemicals;

19. Photographic raw film and paper:

(1) Cinema film; (2) Photographic amateur film; (3) Photographic printing paper.

20. Dye-stuffs.

Dye-stuffs.

21. Drugs and pharmaceuticals:

Drugs and pharmaceuticals.

22. Textiles (including those dyed, printed or otherwise processed).

(1) made wholly or in part of cotton, including cotton yarn hosiery and rope; (2) made wholly or in part of jute, including jute, twine and rope; (3) made wholly or in part of wool, including wool tops, woollen yarn, hosiery, carpets, and druggets; (4) made wholly or in part of silk including silk yarn and hosiery; (5) made wholly or in part of synthetic, artificial (man-made) fibres, including yarn and hosiery of such fibres.

23. Paper and pulp including paper products:

(1) Paper-writing, printing and wrapping; (2) Newsprint; (3) Paper board and straw board; (4) Paper for packaging (corrugated paper, kraft paper, paper bags, paper containers and the like); (5) Pulp-wood pulp, mechanical, technical, including dissolving pulp.

24. Sugar.

Sugar.

25. Fermentation industries:

(1) Alcohol-Industrial and power; (2) Other products of fermentation industries.

26. Food processing industries:

(1) Canned fruits and fruit products; (2) Milk foods; (3) Malted foods; (4) Flour; (5) other processed foods.

27. Vegetable oils and vanaspati.

(1) Vegetable oils, including solvent extracted oils; (2) Vanaspati.

(11)

-: 4 :-

28. Soaps, cosmetics and toilet preparations:

- (1) Soaps; (2) Glycerine; (3) Cosmetics; (4) Perfumery;
(5) Toilet preparations.

29. Rubber Goods:

- (1) Tyres and tubes; (2) surgical and medicinal products including prophylactics; (3) Footwear; (4) Other rubber goods.

30. Leather, leather goods and pickers:

Leather, leather goods and pickers.

31. Glue and Gelatin:

Glue and Gelatin.

32. Glass:

- (1) Hollow ware; (2) sheet and plate glass; (3) Optical glass; (4) Glass wool; (5) Laboratory ware; (6) Miscellaneous ware.

33. Ceramics:

- (1) Fire bricks; (2) Refractories; (3) Furnace lining bricks-acidic, basic and neutral; (4) China ware and pottery; (5) Sanitary ware.

34. Cement and Gypsum Products:

- (1) Portland cement; (2) Asbestos cement; (3) Insulating boards; (4) Gypsum boards, wall boards and the like.

35. Timber products:

- (1) Plywood; (2) Hardboard, including fibre-board, chip-board and the like; (3) Matches; (4) Miscellaneous (furniture components, bobbins, shuttles and the like).

36. Defence Industries:

Arms and ammunition.

37. Miscellaneous industries:

Cigarettes.

Explanation 1.- The articles specified under each of the headings Nos. 3, 4, 5, 6, 7, 8, 10, 11 and 13 shall include their component parts and accessories.

Explanation 2.- The articles specified under each of the headings Nos. 18, 20 and 21 shall include the intermediates required for their manufacture.

APPENDIX III

Revised industrial classification for
Trade Unions.

Part 'A'

AGRICULTURE AND ALLIED ACTIVITIES.

- 0.1 Plantations.
- 0.2 Gins and presses.
- 0.3 Others.

1. MINING AND QUARRYING

- 1.1 Coal
- 1.2. Others.

2-3 MANUFACTURING

- 2.0-2.2 Food, Beverage and Tobacco.
- 2.3 Textiles.
- 2.4 Clothing, Footwear and made-up textile goods.
- 2.5-2.6 Wood and Cork (including furniture and fixture)
- 2.7 Paper and paper products.
- 2.8 Printing, Publishing and allied industries.
- 2.9 Leather and leather products (except footwear)
- 3.0 Rubber and Rubber Products.
and Chemical
- 3.1 Chemical Products.
- 3.2-3.3 Non-metallic Mineral Products including products of petroleum and coal.
- 3.4 Basic Metal industries.
- 3.5 Manufacture of Machinery except Metal Products.
- 3.6 Manufacture of Machinery except Electrical Machinery.
- 3.7 Manufacture of Electrical Machinery, apparatus, appliance and supplies.
- 3.8 Transport Equipment.
- 3.9 Miscellaneous.

4. CONSTRUCTION.

5. ELECTRICITY, GAS, WATER AND SANITARY SERVICES.

6. COMMERCE

- 6.1 Wholesale and retail trade.
- 6.2 Banking and Insurance.
- 6.3 Others.

(Appx III)

- 7. TRANSPORT, STORAGE AND COMMUNICATIONS.
 - 7.1 Docks and Ports.
 - 7.2 Railways.
 - 7.3 Tramways.
 - 7.4 Motor Transport.
 - 7.5 Seamen.
 - 7.6 Posts and Telegraphs.
 - 7.7 Others.
- 8. SERVICES
- 9. MISCELLANEOUS

Part 'B'

Selected industries in Manufacturing.

- 1) 2.071 Sugar
- 2) 2.092 Hydrogenated Oil
- 3) 2.201 Bidi
- 4) 2.203 Cigarette.
- 5) 2.311 Cotton Textile
- 6) 2.312 Jute Textile
- 7) 2.313 Silk Textile
- 8) 2.314 Woollen Textile
- 9) 2.391 Coir
- 10) 2.712 Paper
- 11) 3.112 Heavy Chemicals
- 12) 3.193 Matches
- 13) 3.34 Cement
- 14) 3.393 Mica Factories
- 15) 3.41 Iron & Steel.

LIST OF INDUSTRIES USED BY LABOUR BUREAU, SIMLA.

Division 0. Agriculture, Forestry, Fishing, etc.

010. Agriculture and Live Stock Production.

(a) Plantations

1. Tea
2. Coffee
3. Rubber
4. Others

(b) Gins and Presses

1. Cotton Ginning and Baling
2. Jute Presses
3. Wool Baling and Pressing
4. Others.

02. Forestry and Logging.

030. Hunting, Trapping and Game propagation.

040. Fishing.

Division 1. Mining and Quarrying.

110. Coal Mining.

121. Iron Ore Mining.

122. Other Mining.

- (a) Manganese
- (b) Gold
- (c) Others.

130. Crude Petroleum and Natural Gas.

140. Stone Quarrying, Clay and Sand Pits.

190. Non-metallic Mining and Quarrying not elsewhere classified.

- (a) Mica
- (b) Others

Division 2-3 Manufacturing

20. Food (except Beverages)

205. Grain Mill Products.

- (a) Flour Mills
- (b) Rice Mills
- (c) Dal Mills.

206. Bakery Products

207. Sugar factories and Refineries

(a) Sugar Mills

(b) Gur

209. Miscellaneous Food Preparations.

(a) Edible Oils (other than Hydrogenated Oils)

(b) Hydrogenated Oil Industry

(c) Others

201-204, 208. Others

21. Beverages.

211 & 213. Distilleries and Breweries (including Power Alcohol Manufacturing).

212 & 214. Others.

22. Tobacco

220. Tobacco Manufacturers;

(a) Bidi Industry

(b) Cigarette

(c) Others

23. Textiles.

231. Spinning, Weaving and Finishing of Textiles.

(a) Cotton Mills

(b) Jute Mills

(c) Silk Mills

(d) Woollen Mills

(e) Others.

239. Manufacture of Textiles not elsewhere classified.

(a) Coir Factories.

(b) Others.

232-233. Others

24. Footwear, Other Wearing Apparel & Made-up Textile Goods.

241. Footwear (except Rubber Footwear)

242-244. Others.

25. Wood and Cork (except Furniture).

250. (a) Saw Mills.

(22/11/11)

- 250(b) Plywood
- 250(c) Others.
- 26. Furniture and Fixtures.
- 27. Paper and Paper Products.
- 271. (a) Paper.
- 271. (b) Other products.
- 272. Manufacture of Articles of Pulp, Paper and Paper board.
- 28. Printing, Publishing and Allied Industries.
- 29. Leather and Leather Products (Except Footwear).
- 291. Tanneries and Leather Finishing.
- 292. Manufacture of Leather Products (except Footwear and other Wearing Apparel).
- 30. Rubber and Rubber Products.
 - (a) Footwear
 - (b) Tyres.
 - (c) Others.
- 31. Chemical and Chemical Products.
 - 311. Basic Industrial Chemicals.
 - (a) Heavy Chemicals
 - (b) Fertilizers
 - (c) Others
 - 312. Vegetable and Animal Oils and Fats
 - (a) Vegetable Oils and Fats (Except Edible)
 - (b) Animal Oils and Fats (Except Edible)
 - 319. Miscellaneous
 - (a) Medicinal and Pharmaceutical Products.
 - (b) Soaps
 - (c) Paints, Varnishes and Lacquers, etc.
 - (d) Matches
 - (e) Lac (Including Shollao)
 - (f) Others
- 32. Products of Petroleum and Coal
 - 321. Petroleum Refineries
 - 322. Coke Ovens
 - 329. Other Products

33. Non-metallic Mineral Products (Except Products of Petroleum and Coal)

331. Structural Clay Products

332. Glass and Glass Products (Except Optical Lenses)

333. Pottery, China and Earthen-ware.

334. Cement.

~~339. Non-metallic Mineral Products not elsewhere classified~~

~~(a) Mica Industries~~

~~(b) Others~~

34. Basic Metal Industries.

341. Ferrous

(a) Iron and Steel

(b) Rolling into Basic Forms

(c) Other Processes.

342. Non-ferrous

35. Manufacture of Metal Products (Except Machinery and Transport Equipment).

36. Machinery (Except Electrical Machinery)

37. Electrical Machinery, Apparatus, Appliances and Supplies

~~(a) Electrical Machinery~~

(b) Telegraph and Telephone Workshops

(c) Electric Fans, Radiators and Other Accessories

(d) Storage Batteries

(e) Others

38. Transport Equipment

381. Ship Building

382. Manufacture and Repair of Rail-road equipment

(a) Railway Workshops

(b) Tramway Workshops

383. Motor Vehicles

385. Bicycles

386. Aircraft

(a) Aeroplanes, Aircraft Parts and Assenblage

(b) Others.

384 & 389 Others

39. Miscellaneous

Div-4. Construction

- (a) Construction, Repair and Demolition of Buildings
- (b) Highways, Roads, Bridges, etc.
- (c) Railroads, Railway Roadshods, Bridges, etc.
- (d) Hydro-electric Projects
- (e) Others

Div-5. Electricity, Gas, Water and Sanitary Services

51. Electricity, Gas and Steam

521. Water Supply

522. Sanitary Services.

Div. 6. Commerce

611-612. Whole-sale and Retail Trade

620. Banks and Other Financial Institutions

630. Insurance

(a) Life

(b) Others

640. Others

Div-7. Transport and Communication (Other than Workshops)

711. Railways

712. Tramways

713. Motor Transport

714. Road Transport Not elsewhere classified (e.g. Rickshaws, etc.)

715. Ocean Transport (Seamen)

716. Water Transport (Except Ocean Transport)

(a) Docks and Ports

(b) Others

717. Air Transport

730. Communication

(a) Posts and Telegraphs

(b) Others.

Div-8. Services

810. Government Services.

- 820. Community and Business Services
- 821. Educational Services.
- 822. Medical and Other Public Health Services.
- 830. Recreation Services.
- 831. Motion Picture Production, Distribution and Projection.
- 832. Theatres and Related Services.
- 833. Other Recreation Services.
- 84. Personal Services.
 - 841. Domestic Services
 - 842.)
 - 843.) Restaurants, Cafes, Hotels, etc.
 - 844-849 Other Personal Services
- 9. Activities Not Adequately Described.

APPENDIX V.

Classification of Industries for the purpose of verification of membership.

1. TEXTILES. (Separate figures for each)
 - (a) Cotton
 - (b) Silk (Separately for artificial silk and yarn, if possible)
 - (c) Jute
 - (d) Wool
2. IRON & STEEL (Separate figures for each)
 - (a) Metal extracting and refining
 - (b) Metal conversion, metal rolling, tube making and wire drawing.
 - (c) Metal founding.
3. METAL TRADES. (Separate figures for ferrous and non-ferrous metals.)
 - (a) Metal extracting and refining.
 - (b) Metal Conversion, metal rolling tube & wire drawing.
 - (c) Metal founding.
 - (d) Metal containers & steel trunks, Cutlery, Locks etc. bolts, nuts, nails, springs, chairs, metal galvanising, tinning, plating, lacquering, type founding, welding, safes, and vaults etc.
4. ENGINEERING. (Separate figures for each viz. a, b, c, etc.,)
 - (i) Mechanical
 - (a) Manufacture of machinery Hydraulic ventilating and Pneumatic engineering, prime movers and boilers and agricultural implements.
 - (b) Machine tools and accessories
 - (c) Combustion engines & Power Driven Pumps
 - (d) Building of ship, aircrafts, wagon and coaches, motor vehicles, trams, EME Workshops, railway workshops, repair and service workshops,
 - (e) Automobiles, Automobile Ancillary Tram and Transport Vehicle Industries.
 - (f) Gun and shell factories.
 - (g) Bicycle.
 - (ii) Electrical (Separate figures for each viz. a, b, c,.)
 - (a) Heavy -electric motors, machinery and equipment for generation transmission and

(Appv)

distribution of electric energy
(excluding house meters and panel
instruments).

(b) Light-Electric lamps, fans, batteries, dry cells
and storage, radio receivers and house service
meters and panel instruments, telephones, telegraphs
apparatus and wireless apparatus.

(iii) Electricity, Gas, Steam & Power.

Generation, supply and distribution.

5. TRANSPORT. (Separate figures for each)

(i) Railways (excluding workshops)

Railway staff, porters, licensed
coolies, Heralds.

(ii) Inland Water.

Steamer (River) service, steamer
ghats, boatsman.

(iii) Roadways.

Bus and motor, taxi and lorry service
trains, rickshaw-pullers and carts
and animal driven vehicles.

(iv) Airways.

Flying crew, Aerodrome staff.

6. PLANTATIONS (Separate figures should be given)

(a) Tea

(b) Coffee

(c) Rubber

(d) Other including cinchona, cardamom,
cashew and pepper

7. MINING (Separate figures for each)

(a) Coal

(b) Non-coal.

8. QUARRYING (Separate figures for each)

(a) Coal

(b) Non-coal (Including others)

9. AGRICULTURE.

(a) Cultivation and tillage of the soil,
dairy farming, production of agricultural
or horticultural commodities, sugar cane,
raising of livestock, bees or poultry farm,
sericulture, forestry and wool shearing.

15. TOBACCO

- (a) Bidi
- (b) Cigar,
- (c) Cigarette.
- (d) Snuff
- (e) Jerda.

16. TANNERIES AND LEATHER GOODS MANUFACTORIES.

Tanneries, leather finishing manufacture of footwear, leather boxes, cases, belts.

17. PAPER AND PAPER PRODUCTS.

Manufacturing of paper, paper board, glass board, pulp.

18. PRINTING AND PUBLISHING.

Printing press, book-binding lithographic, letter press, printing of currency notes.

19. LOCAL SERVICES.

Municipal services including health, water and sanitation.

20. GLASS AND POTTERIES.

Clay, Chinaware, brick kilns, tile manufacturing,

21. PETROLEUM

Refineries, manufacture of petroleum by-products, kerosene.

22. SALARIED EMPLOYEES AND PROFESSIONAL WORKERS (Separate figures for each)

- (a) I&T Workers
- (b) Insurance employees
- (c) Working journalists.
- (d) Commercial employees.
- (e) Educational services.
- (f) Shop employees.
- (g) Miscellaneous.

23. PERSONNEL SERVICES.

Hotels, Restaurants, Cafes, Laundry, Dry-cleaning, saloons, hospitals and dispensaries,

24. BANK EMPLOYEES.

25. PORT & DOCKS & MARITIME (Separate figures for each)

(i) PORTS

Port trusts, Harbours and minor Ports.

(ii) DOCKS.

(a) Stevedoring.

(b) Work in Ports & Docks not otherwise specified.

(iii) Maritime (Seamen)

(a) Ocean lines

(b) Coastal shipping.

26. MISCELLANEOUS.

(Others not included above).

INDIAN LABOUR CONFERENCE
(19th Session - Bangalore - October '61)

Item No. 11 :- Convening of meetings of Industrial Committees.

MEMORANDUM

On a suggestion made by the Indian Labour Conference at its 6th Session held in 1944 Industrial Committees were set up on the ILO model for some of the principal industries. Their main function was to discuss problems peculiar to individual industries and make suitable recommendations. A few more Committees were constituted later, some of them in pursuance of a recommendation contained in the Second Five Year Plan. The following Industrial Committees exist at present :-

- | | | |
|-------|--|--------|
| i) | Industrial Committee on Plantations | (1947) |
| ii) | Industrial Committee on Coal Mining | (1948) |
| iii) | Industrial Committee on Cement | (1948) |
| iv) | Industrial Committee on Tanneries and
Leather Goods Manufactories | (1948) |
| v) | Industrial Committee on Cotton Textiles | (1948) |
| vi) | Industrial Committee on Jute | (1948) |
| vii) | Industrial Committee on Building and
Construction Industry | (1956) |
| viii) | Industrial Committee on Mines other
than Coal Mines | (1958) |
| ix) | Industrial Committee on Iron & Steel | (1958) |
| x) | Industrial Committee on Chemical Industry | (1958) |

2. While setting up the Industrial Committees no rigid principles were laid down regarding the frequency of their meetings, which were to be convened as and when considered necessary. The Committees on Plantations and Coal Mining have had the largest number of meetings, the former having met 9 times and the latter 8 times. The Committee on Cement has met thrice, and the Committees on Jute and Mines other than Coal Mines twice each. The Committees on Cotton Textiles and Tanneries met only once in 1948. The Building Committee also had only one session in 1955. The Committees on Iron and Steel and Chemical Industries have not yet met.

3. It is proposed that those Committees which have proved effective and useful e.g. those on Plantations, Coal Mining and Jute, should continue to function regularly, others may be convened as and when necessary.

4. The views of the Conference are invited on this proposal.

Indian Labour Conference

Bangalore - Oct 1961

Item No. 12: Amendments to the Industrial

Memorandum

(Prepared by the I.N.T.U.C.)

(1) AMENDMENT OF SEC. 2(oo) OF THE I.D. Act

A large number of workers specially in coalmining industry are thrown out of employment due to enforcement of Regulation 28 of Coal Mines Regulation, 1957 or as a result of being declared medically unfit to work. None of these are due to any fault of the worker concerned. Many of such workers have served the industry for the best part of their life and are being thrown out of employment at a time when they are old and unable to find employment elsewhere. No compensation is paid to such workmen. It is only desirable that such workers are given at least the benefit of retrenchment compensation.

But the definition of 'Retrenchment', as it is, does not cover such cases and has to be amended to include them. It is therefore suggested that:-

- (1) The words 'and includes termination due to enforcement of any new provision of law, rule or regulation' be inserted in the definition after the words 'disciplinary action', and before 'but does not include.....'.
- (2) That the clause (c) of the definition be deleted.

or

The following EXPLANATION be added to clause (c) of the definition:-

EXPLANATION: The words 'continued ill health' do not include incapacity or infirmity due to age.

It is submitted that the deletion of clause (c) of the definition would be more desirable inasmuch as cases of workers who have been declared medically unfit would also be covered. Many of these workers have become medically unfit due to the strenuous and hazardous nature of the work they have to do. When a person is declared surplus, he is entitled to compensation, but persons who lose their jobs for serving the industry concerned over a period are thrown out of employment without any compensation. Such persons deserve compensation at least equivalent to - if not more than - retrenchment compensation.

The amended definition would read as under:-

RETRENCHMENT means the termination by the employer of the service of a workman for any reason whatsoever otherwise than as a punishment inflicted by way of disciplinary action, and includes termination due to enforcement of a new law, rule or regulation, but does not include:

- (a) voluntary retirement of the workmen; or
- (b) retirement of the workman on reaching the age of superannuation if the contract of employment between the employer and the workman concerned contains a stipulation in that behalf; or

- (c) termination of the service of a workman on the ground of continued ill health

EXPLANATION: The words 'continued ill health' do not include incapacity or infirmity due to age.

In case, the amendment, as aforesaid, is found unsuitable for the purpose, a suitable remedy may be desired to achieve the aforesaid objectives.

(ii) AMENDMENT OF SECTION 25 FFF OF THE I.D. ACT

Proviso to Sec. 25 FFF of the Industrial Disputes Act provides for compensation not exceeding three months average pay of a workman in cases of closure of undertaking on account of unavoidable circumstances beyond the control of the employers. While such a provision is unnecessary to cover those cases where closure is the result of unforeseen and unavoidable circumstances, it is unjustified in cases where employers have definite knowledge of it and yet had started the undertaking.

Such is the case of a mine whose reserves are limited and are bound to exhaust some day. An employer knows it well at the time of starting the mining operations. Similar is the case where the lease has expired. Employer knew that he was opening an undertaking for the period of the lease only. Such cases should not come within the purview of this proviso and workers should at least be entitled to full retrenchment compensation.

In such cases, workers suffer for no fault of their own. They serve the industry for the best years of their life and are denied the full retrenchment benefit in their old age. It is therefore necessary that such cases be exempted from the operation of the aforesaid proviso.

It is therefore suggested that the Explanation attached to the Section 25 FFF be suitably amended to include aforesaid cases. It should be read as under:-

EXPLANATION: An undertaking which is closed down by reason merely of financial difficulties (including financial losses) or accumulation of undisposed of stocks, or expiry of lease or exhaustion of reserves shall not be deemed to have been closed down on account of unavoidable circumstances beyond the control of employers within the meaning of the proviso to this sub-section.

(iii) SECTION 33 OF THE INDUSTRIAL DISPUTES ACT.

It has been our experience that this section always operates to the prejudice of the workman. The scope of enquiry under this section is limited to prima-facie case only and workmen are required to raise an industrial dispute to challenge the judgment of the employer on merits. This involves two proceedings causing considerable delay in getting any relief. Besides the approval of the Tribunal of the employers' action prejudices the workmen's case and adds strength to the employer's case. The Government had been reluctant to make a reference of the dispute in which the action of the employers was once approved by a Tribunal u/s 33 of the Act. This attitude has virtually nullified the doctrine of 'raise an industrial

dispute after approval of action' as laid down by the Supreme Court in Laxmi Devi Sugar Mills case. Thus the disadvantages faced by the workers are:-

- (1) Resort to two proceedings in order to decide the cases on merits. First u/s 33 of the Act for a prima-facie case and second by way of a regular industrial dispute to get the case adjudicated on merits,
- (2) delay.
- (3) high cost of litigation, and
- (4) prejudice caused to the merits of the workman's case.

It is pertinent to note that employees are not required to face this u/s 33A of the Act where the claim is judged on merits and as a regular industrial disputes. In that case all these disadvantages do not exist.

It is therefore suggested that the scope of enquiry u/s 33 be enlarged confirming jurisdiction to adjudge the case on its merits with powers to grant relief to the parties.

....

Indian Labour Conference

Bangalore - October, 1961

Item No. 13: Clarification of Clause 2(iii) of the Model Principles for Reference of Disputes to Adjudication.

Memorandum

(Prepared by the I.N.T.U.C.)

It has been our experience that clause 2(iii) of the Model principles for reference of collective disputes as agreed in the Indian Labour Conference (Madras), 1959 are being interpreted by the Government much to the prejudice of the workers. In a recent case the Government of India has limited the period of liability of the management to make payment for pushing of empty tubs by the workmen to a date after 8th June 1959. (Ref. No. 35 of 1960 to the C.I.T., Bombay in between the North Chirimiri colliery and its Workmen). Explanation given for such action is that the demand was raised late and hence no retrospective effect could be given to it. This, in our opinion, is not the task of the Govt. Only the tribunal could have made a judicial observation on such a vital matter.

The conference never wanted to give this power to the Government while accepting the Model Principles. Aim of adopting the Principles was to reduce the volume of adjudication to the minimum and strengthen the process of negotiation, conciliation and agreement. With a view to achieve these objectives, the Government was vested with the power to screen cases and refuse to make a reference of the dispute to adjudication if it was found unreasonable and impracticable. The Government, in the exercise of this power, may refuse to refer any particular dispute to adjudication, but it can not sit over judgment on any of one or the other party. This is what the Government has done in the aforesaid case.

Such action on the part of the Government, besides taking away the rightful jurisdiction of the Tribunal, encourages non-implementation or faulty implementation of laws, rules, regulations, awards and agreements. Once the employers come to realise that they will not be called upon to pay any due to the workers unless a dispute is raised by them on that behalf and that they would be paying only from the date the dispute is raised, they would have no interest in implementing laws, rules, regulations, awards or agreements. Such an interpretation, therefore puts a premium on malpractices of the employers and encourages them to deny the workers their rightful dues.

It is, therefore, suggested that the clause 2(iii) of the Model Principles for Adjudication of Collective Disputes as accepted in the Indian Labour Conference, Madras 1959 be clarified in the light of aforesaid observations.

THIRD FIVE YEAR PLAN

CHAPTER X

EMPLOYMENT AND MANPOWER

I

ANALYSIS OF THE PROBLEM

EMPLOYMENT has been a major objective of planning in India; it was so in the first two Plans and has assumed a special urgency in the Third. Full utilisation of the available manpower resources can be achieved after a considerable period of development. However, expansion of employment opportunities commensurate with the increase in the labour force over the Plan period is conceived as one of the principal aims of the Third Plan. In view of the numbers involved, provision of adequate employment opportunities is among the most difficult tasks to be accomplished during the next five years.

2. In the rural areas, both unemployment and under-employment exist side by side; the distinction between them is by no means sharp. In the villages, unemployment ordinarily takes the form of under-employment. In many parts of the country, during the busy agricultural seasons, shortages of labour are frequently reported, but over the greater part of the year, a large proportion of agricultural labour and others engaged in allied activities are without continuous employment. The consequent drift of workers from villages to towns only serves to shift the focus of attention from rural areas to the urban. Though recent surveys show a somewhat higher rate of unemployment in the towns, this itself is a reflection of the lack of adequate work opportunities in rural areas. Urban and rural unemployment in fact constitute an indivisible problem.

In the urban areas, employment is linked with fluctuations in the state of business, transport and industry. Any change in conditions is reflected in an increase or decrease in employment figures. While this is generally true, towns-large and small-share with villages a measure of distress caused by under-employment.

3. The existing data are inadequate for building up a sufficiently detailed picture of the state of employment for the country as a whole and in its regional, urban and rural aspects. But statistics apart, there is a general belief, which is strengthened by the limited number of employment opportunities reported to the employment exchanges and the pressure of employment seekers on them, that in terms of unemployment the economy suffered significant deterioration in the last five years. The high rate of growth of population, as reflected by the limited 1961 Census data, now available, would indicate that the problem is one of increasing complexity. This has been broadly confirmed by the findings of the Second Agricultural Labour Enquiry, the National Sample Survey and the studies undertaken by the Programme Evaluation Organisation. This, however, is not a complete statement. Development programmes have provided additional employment opportunities to a significant extent; but these are not being created fast enough to absorb the numbers who enter the labour force each year. If any further deterioration in the employment situation is to be avoided, the goal of planning must be to absorb in gainful employment in each five-year period at least the equivalent of new entrants to the labour force.

4. It is not easy to measure unemployment in an under-developed country. There is a tendency, specially among the self-employed, to share work between members of the family or the group. Where the available work opportunities are spread too thinly even to provide tolerable means of livelihood, a part of the population migrates in search of paid employment. It is in relation to this section of the population that the term "unemployed" can be used with some exactness. For the rest, one can only speak of under-employment for varying periods. An important factor in planning for larger employment within the present occupational structure is that, for lack of employment opportunities, a considerable proportion of self-employed persons have to function below capacity and do much less work than in fact they are willing to. Statistics about under-employment depend very much on how the term is defined. At the present stage of development, it is difficult to determine the volume of under-employment with reference to 'norms' of hours per day to be worked by individuals or other similar criteria. It is more meaningful to judge the amount of under-employment by the extent of additional work an individual may be willing to take up. This is the concept which has been adopted in the more recent rounds of the National Sample Survey.
5. The limited data at present available may be considered in relation to the following aspects of the employment problem; (a) numbers unemployed at the end of the Second Plan, (b) addition to the labour force during the Third Plan, and (c) assessment of additional employment likely to be secured through the implementation of the Plan as formulated. It is also necessary to take into account such measures as would help to step up the employment effect of development schemes with a significant labour component, such as construction and small industries. Even if the full employment potential of the Plan is achieved, it will be necessary to think of special employment programmes to cover the residual employment gap.
6. In the course of the Second Plan the additional employment opportunities created amounted to about 8 million, of which about 6.5 million were outside agriculture. The backlog of unemployment at the end of the Second Plan is reckoned at 9 million. This estimate is admittedly rough. It takes account of the estimate of unemployment as at the beginning of the Second Plan (5.3 million), the larger increase in labour force during the Second Plan period than had been visualised earlier (1.7 million), and the estimated shortfall in the employment target originally proposed for the Second Plan (about 2 million). In addition, under-employment in the sense of those who have some work but are willing to take up additional work cannot be precisely estimated, but is believed to be of the order of 15-18 million.
7. Increase in the labour force during a given period is calculated with reference to the proportion of men and women in the age group 15-59 years who are estimated as being gainfully employed or seeking employment. In the Draft Outline of the Third Plan, the increase in labour force had been worked out at 15 million, and it was pointed out that, if deterioration in the employment situation was to be avoided, additional employment opportunities of this order would have to be found during the Third Plan. Information for the 1961 Census regarding the age composition of the population and changes in the extent of participation in the labour force by men and women is not yet available and, at this stage, certain general assumption on these aspects have to be made on the basis of the latest reports of the

National Sample Survey. On such estimates as are at present possible, it appears that during the Third Plan the addition to the labour force may be of the order of 17 million, about a third of the increase being in the urban areas. When fuller data become available, it will be necessary to work out the increase in the labour force in relation to different States, so that each State may endeavour to realise the employment potential of programmes and projects under the Plan and consider the extent to which these could be supplemented by other measures. In a growing economy, mobility of labour, specially among skilled workers, is of great importance and should be encouraged and facilitated. However, in relation to the numbers involved, the effects of such mobility as can be achieved in the next few years will be necessarily limited and will not affect the total size of the task to be undertaken in each State or region.

8. The employment objectives of the Third Plan need to be viewed in the perspective of a longer period. Increase in the labour force over the next 15 years may be of the order of 70 million. This consists roughly of about 17 million in the Third Plan, about 23 million in the Fourth and about 30 million in the Fifth Plan. The experience of the first two Plans has shown that a larger proportion of the employment opportunities generated during the period have gone to the non-agricultural sector. On the assumption that this trend will continue in future and also that about two-thirds of the increase in the labour force over the next 15 years is absorbed outside agriculture, it should be possible to reduce the proportion of the working force dependent on agriculture to around 60 per cent by 1976.

II

Additional Employment In The Third Plan

9. There are inherent difficulties in estimating the employment potential of the vast range of projects and programmes which form part of a plan of development stretching over a period of five years. In each sector of the Plan two major assumptions have to be made. The first is that through appropriate economic and other policies, production and employment will not be allowed to fall below the existing levels. Secondly, the various development programmes for which the Plan provides will be undertaken with the necessary efficiency and economy and continuity of output would be assured. In some fields, as in agriculture and trade, it is specially difficult to estimate the likely additional employment. Increase in agricultural production, to which the Plan devotes a fair share of resources, will lead primarily to reduction in under-employment, although there will also be a measure of net increase in employment opportunities. In less developed countries, the numbers engaged in trade are large, in relation to the work they are required to handle, so that the effect of expansion in the trading sector is more to reduce under-employment than to provide additional work opportunities to new entrants.

10. In industry, increase in investment and capacity does not lead to a proportionate growth of employment because new processes, specially in large-scale manufacture, have generally to be based on high productivity techniques. The choice of techniques becomes, thus, a matter of crucial importance for employment policy. In certain branches of industry, it is essential to adopt the scale and methods of production which will yield the largest economies. This has to be balanced by a deliberate effort in other fields to employ techniques which will be more

labour-intensive and will save on capital resources, specially foreign exchange. Labour intensive methods have even wider application in the field of construction in which, given the necessary organisation and advance planning, it is possible to use manpower to a greater extent than has been common in recent years. What techniques should be adopted have to be determined not only according to the types of activities to be carried out, but also by the economic and social characteristics of the regions in which they are undertaken. In areas in which there is considerable pressure of population, special care must be taken to follow methods which, consistent with the overall objectives, make the maximum use of the available manpower resources.

11. In estimating the employment effects of the Plan, it is usual to distinguish two phases of employment - the construction phase and the continuing phase. Employment on construction, though temporary, postulates a certain order of investment even for maintaining it at a given level. Increase in construction employment can, therefore, be estimated with reference to the increase in investment over the previous Plan period. Since investment in construction is divided broadly between the labour component on the one hand, and machines, materials and services on the other, for working out the additional employment, the former has to be calculated with some precision.

12. In estimating continuing employment in fields such as agriculture, irrigation, industry, transport, social services, trade, etc., a variety of criteria have to be followed. For instance, development of agriculture, afforestation and irrigation facilities may in part reduce under-employment and in part provide full-time employment to new entrants. It is by no means easy to ascertain the relative share of the benefits to the under-employed and to new entrants. Programmes of development like soil conservation, afforestation, land reclamation, flood control, settlement of land and the utilisation of irrigation facilities will provide means for employing new entrants to the labour force in addition to giving greater employment to those who are already at work. For this purpose certain norms have been adopted on the basis of experience accumulated over the last ten years.

13. In estimating additional employment in industries, depending upon their character, employment may have to be related either to the investment or to increase in levels of production after allowing for rise in productivity in some cases; in others, reliance has to be placed on project reports and on information supplied to the Licensing Committee. In road transport, the criterion may be furnished by different indicators of increase in the volume of passenger and goods traffic. In the field of social services a variety of tests have to be adopted, depending upon the level at which the Plan intends to provide these services to the community. For instance, in health services, the requirements of different types of personnel were assessed in relation to the population served. In education, the pupil-teacher ratio was used as the criterion.

14. Apart from the direct employment flowing from different development programmes, account has also to be taken of indirect employment in such fields as trade, commerce and transport. In the Second Plan, indirect

employment was reckoned at 52 per cent of the additional additional employment which could be attributed to development programmes under the Plan, both in the public and the private sectors. On the basis of recent studies it would be reasonable to assume for the Third Plan, indirect employment benefits at 56 per cent of the additional employment attributable to development programmes in the Plan. Finally, certain checks have to be applied to estimates of additional employment worked out for different sectors. Gradually, fuller data for such overall appraisal are becoming available. These include the results of special surveys and investigations, project studies, employment market information gathered by the National Employment Service, and analysis of information provided in applications submitted for industrial licenses. Estimation of employment in relation to a plan of development involves a number of assumptions, which have to be continuously tested. In the nature of things, therefore, there can be no finality in estimates of employment which might be worked out in relation to a plan of development. Experience of the last ten years shows that there is need for continuous examination and improvement of methods and for assessment of the actual performance in relation to initial estimates of employment and investment. To facilitate this, a detailed statement of the assumptions made in calculating the additional employment potential of the Third Plan is given in Appendix C.

15. Following the methods of estimation explained above, it is reckoned that the Third Plan may provide additional non-agricultural employment of the order of 10.5 million and additional employment in agriculture of about 3.5 million. The additional non-agricultural employment is distributed broadly as follows:

Additional non-agricultural employment		
sector		(in lakhs) additional employment in the Third Plan
1	construction*	23.00
2	irrigation and power	1.00
3	railways	1.40
4	other transport and communications	8.80
5	industries and minerals	7.50
6	small industries	9.00
7	forestry, fisheries and allied services	7.20
8	education	5.90
9	health	1.40
10	other social services	0.80
11	government service	1.50
	total (1 to 11)	67.50
12	'others' including trade and commerce at 56 per cent of total (1 to 11).	37.80
	grand total	105.30

*Since construction accounts for a large portion of the measurable employment, its break-up under different developmental sectors may be useful:

agriculture and community development	6.10
irrigation and power	4.90
industries and minerals, including cottage and small industries	4.60
transport and communications, including railways	3.40
social services	3.50
miscellaneous	0.50
total	23.00

16. Besides additional employment outside agriculture and in agriculture described above, there will also be significant relief to under-employment, but it is difficult to indicate its extent in quantitative terms. In agriculture, only about a fourth of new employment potentialities have been taken account of for estimating additional employment and the remaining are expected to provide relief to under-employed persons. In village and small-scale industries, only full-time jobs have been accounted for in the table above. While the economy seeks to absorb as many workers as possible into non-agricultural occupations, during the Third Plan it is expected that there will be a net addition to the total number of workers engaged in agriculture. A large part of the increase in the labour force will take place in families, who are at present dependent on agriculture. If employment opportunities do not develop sufficiently in the non-agricultural sectors, under-employment in agriculture will be further intensified, leading to lowering of living standards in a section of the community upon whom the growth in population has already borne harshly. It should also be stated that in the nature of things, estimates of additional employment arising from the Plan are subject to a considerable degree of uncertainty. If some of the assumptions made are not borne out by later experience, or if the various programmes and projects are not implemented in a sufficiently effective and continuous manner, the additional employment estimated above may not be fully realised.

17. If, in consequence of Plan programmes, employment opportunities are available for about 14 million persons, leaving aside the backlog of unemployment, even for providing work for the new entrants to the labour force, there is need to find additional employment opportunities for 3 million persons. This is considered to be an essential objective in the Third Plan.

At this stage it must be emphasised that although the validity of quantitative estimates is affected by the inadequacy and complexity of employment data, experience in the First and Second Plans show that employment targets could not be achieved in full because of shortfalls in performance in various sectors of the Plan. Every attempt has, therefore, to be made to avoid the recurrence of such a situation.

It is proposed that the problem should be approached along three main directions. Firstly, within the framework of the Plan, efforts should be made to ensure that the employment effects are spread out more widely and evenly than in the past. Secondly, a fairly large programme of rural industrialisation should be undertaken with special emphasis on programmes of rural electrification, development of rural industrial estates, promotion of village industries, and effective re-deployment of manpower. Even though, in the first instance, the introduction of new production techniques may result in a decrease in employment, it is expected that there will be significant long-term benefits in revitalising the rural economy. Thirdly, in addition to other measures for increasing employment through small industries, it is proposed to organise a rural works programme, which will provide work for an average of say, 100 days in the year for about 2.5 million persons and, if possible, more. These programmes, and specially the proposal for rural works, will assist the general mass of the population and will also provide increased opportunities for the educated unemployed. The latter have, however, certain special problems of their own, which are briefly discussed in a later section of this chapter.

III

Employment And Plan Implementation

18. From studies which have been undertaken, there is reason to believe that there are several ways in which it might be possible to secure larger gains in employment from the development programmes which are undertaken than has been the experience in recent years. It is common to analyse the problem of unemployment in terms of the country as a whole or in relation to large territories such as States. Sufficient attention has not been given to the possibilities of making a larger impact on the employment problem at the district and the block levels. Every district has development programmes relating to agriculture, irrigation, power, village and small industries, communications and social services. These programmes are intended to raise the level of economic activity of the district and to increase production generally. Besides the direct employment they provide, many of the programmes are intended to stimulate individual farmers, artisans and small entrepreneurs and cooperatives to extend their activities and, in the process, provide additional employment. If full advantage is taken of these programmes and they are carefully adapted to the local needs, it should be possible to realise greater employment benefits at the district and local level. The unemployment problem in each State should, therefore, be broken down by districts, and at each level - village, block or district - as much of it as possible should be tackled. Such an analysis of local employment problems would enable the authorities to focus attention on and to raise resources for dealing with specific employment aspects, e.g. unemployed artisans and agricultural labourers, educated unemployed, etc. Since the problems in different areas are necessarily different, the employment approach at the area level will have to be worked out with a certain measure of flexibility to suit local conditions and resources.

19. The severity of employment problems makes it necessary to re-examine the scope that exists in individual construction projects for the increasing utilisation of manual labour. In the usual course, machinery is utilised in construction in cases where mechanisation would lead to considerable economies in terms of reducing costs and in shortening the construction period. It is necessary to emphasise on all project authorities that where mechanisation does not lead to significant economies preference must be given to labour - intensive methods of construction. These considerations should be kept firmly in mind at the time of preparing project reports and, wherever machinery is chosen in preference to men, convincing reasons should be given for such a choice. In fact, it is recommended that a standing committee of senior officers should be appointed to examine all such decisions from the employment angle.

20. In areas with heavy pressure of population, where even a large programme of development, such as must be undertaken still leaves a residue of unemployed, substantial numbers of persons should be imparted suitable skills and given opportunities of work in areas where these skills are not locally available in sufficient measures. It is proposed to undertake a few pilot schemes on these lines with a view to evolving the necessary techniques and organisation.

21. Although much has been done in recent years to promote village and small industries, a larger employment potential in this field still remains to be secured. In village and small industries, it is not enough to relate employment benefits

to the new developments which are proposed to be undertaken. Much the greater part of the increase in employment has to be secured by realising the full potential of the existing small enterprises. For small-scale units of the modern variety, frequently the limiting factor is not the demand for the products as their ability to produce the quantities needed. This is specially true of industries requiring raw materials such as iron and steel, non-ferrous metals, yarn, chemicals including dyes, and others. In some cases, the lack of processing and other facilities may be a handicap. Almost everywhere, artisans and small entrepreneurs are not able to secure the credit facilities needed and do not have dependable facilities for the marketing of goods. Special efforts should, therefore, be made to enable small units (whether run by cooperatives of artisans or by individual entrepreneurs) to attain their maximum production potential.

22. Rural industrialisation and rural electrification are, in fact, connected programmes and are of the greatest importance for the expansion of stable employment opportunities in rural areas. It is necessary to develop centres or nuclei of industrial development in each area and link these with one another through improved transport and other facilities. These centres might be in small towns or in centrally situated villages which are able to attract skills and enterprise and to which power and other facilities could be more readily provided. The Third Plan provides for a large programme of rural electrification. For rural electrification to make the necessary contribution to the growth of production and employment, there is need in each district for forward planning, both in the supply of power and for its utilisation. It is essential that the programme for agricultural and industrial development should be co-ordinated with the supply of power. Greater concentration of activity at selected points would bring about improvements in the load factor.

IV

UTILISATION OF RURAL MANPOWER

23. The proposal to undertake a comprehensive programme of rural works during the Third Plan, to which a reference has been made earlier, is significant not merely for creating the additional employment opportunities which are required, but even more as an important means for harnessing the large manpower resources available in rural areas for the rapid economic development of the country. During the Third Plan, agricultural production has to increase twice as fast as it did over the past decade. This calls for intensive and concentrated effort involving the participation of millions of families in programmes of agricultural development. For many years the greatest scope for utilising manpower resources in rural areas will lie in programmes of agricultural development, road development projects, village housing and provision of rural amenities. A lasting solution of the problem of under-employment will require not only the universal adoption of scientific agriculture but also the diversification and strengthening of the rural economic structure. Programmes for developing village and small industries, linking up the economy of villages with the growing urban centres, setting up processing industries on a co-operative basis, and carrying new industries into rural areas form part of the Third Plan and have to be further intensified. These programmes will be aided by the spread of rural electrification. While the rural economy is being thus built up, there is need for comprehensive works programmes in all rural areas, and more especially in those in which there is heavy pressure of population on land and considerable unemployment and under-employment.

24. Works programme envisaged for rural areas comprises five categories of works:

- I. Works projects included in the plans of States and local bodies which involve the use of unskilled and semi-skilled labour;

- II. Works undertaken by the community or by the beneficiaries in accordance with the obligations laid down by law;
- III. Development works towards which local people contribute labour while some measure of assistance is given by Government.
- IV. Schemes to enable village communities to build up remunerative assets; and
- V. Supplementary works programmes to be organised in areas in which there is high incidence of unemployment.

Schemes under categories II, III and IV mentioned above are intended to be undertaken as a vital feature in the normal plans of development in rural areas. They are intended to ensure fuller utilisation of the manpower, and will also provide some, though necessarily limited, wage-employment. Wage-employment on a large scale has to be found in the main through works falling within categories I and V. Works in these two categories are in fact identical in nature, the main consideration being that category V will include supplementary schemes over and above those in category I. Thus, for the additional programme of rural works envisaged in the Third Plan, two main groups of schemes involving considerable use of unskilled and semi-skilled labour will have to be undertaken namely (a) local works at the block and village level and (b) larger works requiring technical supervision and planning by departments.

25. For local works as well as for the larger schemes it is essential that there should be clearly worked out programmes in each development block. The block plan will include all the works to be undertaken by different agencies through the block organisation such as programmes included in the schematic budget under the community development scheme, and those falling within the general plans of the States under agriculture, animal husbandry and cooperation, programmes for large and medium irrigation projects, road development etc. In turn, the block plan must be split into village plans and, in this form it should be made widely known in the area. For projects like irrigation, soil conservation, road development etc. to provide the maximum employment to the people in each area, it is necessary that they should be carried out in close cooperation with the local block organisation. Since unemployment and under-employment are specially acute during the slack agricultural seasons, to the extent possible, works programmes should be planned for execution during these periods. In all cases of works to be undertaken in villages, wages should be paid at the village rates.

26. Following broadly the lines mentioned above, a scheme of pilot projects for works programmes for utilising rural manpower has been recently introduced, and 34 pilot projects have been so far taken in hand. The scheme of pilot projects provides for certain supplementary works programmes to be undertaken in addition to agriculture, irrigation, road development and other programmes included in the State plans and the community development programmes. As a rough measure, a provision of Rs. 2 lakhs was suggested for each project for the period ending March, 1962. The pilot projects which have been begun include schemes for irrigation, afforestation, soil conservation, drainage, land reclamation and improvement of communications. The object of this series of pilot projects is to furnish experience in organising works programmes which will make some impact on the problem of unemployment and under employment.

27. On the basis of the initial experience gained in the pilot projects, it is hoped to extend the programme on a mass scale to other areas, specially to those with heavy pressure of population and chronic under-employment. Tentatively, it is envisaged that employment through the works programmes should be found for about 100,000 persons in the first year, about 400,000 to 500,000 persons in the second year, about a million in the third year, rising to about 2.5 million in the last year of the Plan. Limited financial provision for the early phases of the programme has been made in the Third Plan.

It is reckoned that the programme as a whole might entail a total outlay of the order of Rs. 150 crores over the Plan period. As the programme develops, it might be possible to consider ways of paying wages in part in the form of food-grains. It is proposed that the necessary construction organisations and the labour cooperatives needed, should be built up, specially at the block level. These organisations can carry stocks of tools, obtain contracts, secure the necessary technical and administrative assistance, organise cadres of trained and skilled workers, and work in close cooperation with district authorities, panchayat samitis and others. Voluntary organisations should also be able to provide local leadership and undertake educational and cultural work. To carry out the rural works programmes on the scale suggested above, adequate organisations are to be built up mainly in the States and also, to the extent necessary at the Centre.

V

EDUCATED UNEMPLOYED

28. The rapid pace of industrialisation during the last ten years has been accompanied by significant changes in the occupational structure of industrial employment. Industry now recruits persons who would formerly have been absorbed in 'white-collar' employment. Newer industries like iron and steel, chemicals, petroleum refining, general and electrical engineering, rubber tyres, aluminium, etc., are being developed relatively faster than older industries such as cotton textiles, jute and tea. The older industries, in turn, with an eye on meeting competition in the international market, have introduced schemes of rationalisation. Expansion programmes in industries, such as iron and steel, chemicals, etc., involve the application of the latest and most efficient production techniques and consequently, require a more technically qualified group of operatives. Increasing mechanisation in coal mining also requires personnel of a higher calibre than the older type of recruits in that industry. These developments may be expected to lead to larger employment opportunities for the educated. In judging the future prospects for the educated, this changing nature of the industrial scene has to be constantly kept in mind, and also the fact that attitudes to manual work are also undergoing marked change. The educational system will have to be geared to meet the rapidly changing pattern of personnel requirements. Manpower studies have been undertaken in a number of selected fields and arrangements have been made to suitably expand the existing facilities for technical education and to open new institutions, where necessary. It is expected that adequate facilities for practical in-plant training will be available in the wake of the apprenticeship legislation, now under consideration. Programmes of vocational guidance have been developed during the last 5 years, as part of the National Employment Service.

29. With the expansion of education at the secondary level, greater attention should be given to the absorption of educated persons into gainful employment. The problem of the educated unemployed may be considered in two parts - the backlog and the new entrants. The precise magnitude of the backlog is difficult to ascertain, but on the assumption that a constant proportion of the educated unemployed would have registered at employment exchanges, their total number might be estimated at nearly a million. The number of new entrants who have studied upto the school leaving standard or above, is estimated at about 3 million. Expansion in agriculture, industry and transport will provide a large and increasing demand for persons with skill and vocational or technical training. Reorganisation of the system of education and provision of facilities for technical and vocational education are, therefore, of paramount importance. In recent years, there has been a change in the attitude towards manual work on the part of educated persons, and

programmes for orienting them to the requirements of the developing economy can be taken up on a larger scale than was hitherto feasible. A beginning in this direction was made during the Second Plan through the setting up of a number of orientation and training centres, and it is proposed to undertake a more broad-based programme during the Third Plan.

30. A significant proportion of educated persons registered as un-employed have had education ranging from the middle courses in schools to the first or second year at college. Young men belonging to this group cannot find adequate openings in urban areas unless they obtain technical training of some kind or other, and at best they can be absorbed to a limited extent and in relatively low paid occupations. In the immediate future, it is in rural areas and through rural programmes that large employment opportunities for the educated unemployed are likely to become available. The rural works programme will itself make a large demand for persons with education, and it is proposed that as a preparatory step numbers of educated persons should be selected and put through short periods of training for specific jobs of work. The scope for regular and continuous employment within the rural economy will greatly increase with the development of co-operatives for credit, marketing and farming, growth of processing industries, development of scientific agriculture and the establishment of democratic institutions at the district, block and village level. It should also be possible to assist fairly large numbers of young persons with education to set up small industries at rural centres at which power can be made available. As far as possible, these industries should be organised on a co-operative basis, so that the necessary financial and technical guidance can be provided and the marketing of products organised. As the rural economy develops and the co-operative sector in it becomes larger, there will be increasing opportunity for employment at levels of income which are comparable in real terms with those available in the towns. Development along these lines has the additional advantage that rural areas will retain the services and the leadership of their own educated youth to a far greater extent than is now possible.

31. A brief reference may be made here to the need for re-deployment of skilled personnel from projects which have been completed or are nearing completion to those on which construction is to commence. It has been observed that irrigation and power projects as well as industrial projects have been obliged at times to retrench experienced labour when the construction programmes were not sufficiently detailed to take over labour from one project to another. During the Second Plan, the necessary machinery for this purpose has been created and has functioned satisfactorily. If work on similar projects is better phased and advance planning is undertaken, the size of the problem to be dealt with would be more manageable.

LABOUR POLICY

LABOUR policy in India has been evolving in response to the specific needs of the situation in relation to industry and the working class and has to suit the requirements of a planned economy. A body of principles and practices has grown up as a product of joint consultation in which representatives of Government, the working class and employers have been participating at various levels. The legislation and other measures adopted by Government in this field represent the consensus of opinion of the parties vitally concerned and thus acquire the strength and character of a national policy, operating on a voluntary basis. Joint committees have been set up to assist in the formulation of policies as well as their implementation. At the apex of this tripartite machinery is the Indian Labour Conference.

Recent Developments

2. The structure of industrial relations has been designed for the purpose of securing peace in industry and a fair deal for the workers. When the efforts of the parties fail to secure an amicable settlement of industrial disputes, the Government has assumed powers of intervention. Provision has been made for conciliation of disputes and for enabling the State to refer unresolved differences to tribunals set up for the purpose. Stoppages of work after such a reference and any contravention of awards and agreements have been made illegal. This system has helped to check the growth of industrial unrest and has brought for the working class a measure of advance and a sense of security which could not otherwise have been achieved. At the same time, the spirit of litigation grew and delays attendant on legal processes gave rise to widespread dissatisfaction. In the course of the Second Five Year Plan a new approach was, therefore, introduced to counteract the unhealthy trends and give a more positive orientation to industrial relations, based on moral rather than legal sanctions. The stress now is on prevention of unrest by timely action at the appropriate stages and giving adequate attention to root causes. This involves a basic change in the attitudes and outlook of the parties and the new set of readjustments in their mutual relations.

3. A Code of Discipline in Industry, which applies both to the public and to the private sector, has been accepted voluntarily by all the Central organisations of employers and workers and has been in operation since the middle of 1958. The Code lays down specific obligations for the management and the workers with the object of promoting constructive cooperation between their representatives at all levels, avoiding stoppages as well as litigation, securing settlement of disputes and grievances by mutual negotiations, conciliation and voluntary arbitration, facilitating the free growth of trade unions and eliminating all forms of coercion and violence in industrial relations.

4. The Code provides that a regular grievance procedure be laid down in all undertakings and complaints should receive prompt attention. The legal means of redress and the normal channels should be fully availed of and there should be no direct, arbitrary or unilateral action on either side. Under the Code, management and workers have agreed to avoid litigation, lock-outs, sit-down and stay-in strikes. There will be no recourse to intimidation, victimisation or 'go-slow'. The unions have also agreed not to engage in any form of physical duress and to discourage unfair practices such as negligence of duty, careless operation, damage to property, interference with or disturbance to normal work and insubordination. The employers have to allow full freedom to workers in the formation

of trade unions and to abide by the criteria adopted for determining which union has a better claim to recognition. A union guilty of a breach of the Code of Discipline loses its right to such recognition. Both sides are pledged to the scrupulous and prompt implementation of awards, agreements, settlements and decisions. Organisations of employers as well as workers have bound themselves to express disapproval and take appropriate action against officers, office-bearers and workers who violate the letter or spirit of the Code.

5. It is obvious that a new concept with such far-reaching aims, in a difficult field, requires a considerable period of earnest endeavour before it gets firmly established in practice. The results so far achieved are, however, encouraging both in terms of the reduction of man-days lost owing to stoppages and in bringing about a general improvement in the climate of industrial relations. The number of man-days lost declined steadily and significantly from 47 lakh during January-June 1958, the six months prior to the introduction of the Code, to 19 lakh during July-December, 1960. The Code has also been successful in creating an awareness amongst the employers and workers of their obligations towards each other; the desire to settle disputes mutually without recourse to the wasteful methods of trial of strength and litigation is steadily growing.

6. The deplorable consequences of inter-union rivalry both for industry and for the workers are well-known. They have been mitigated to some extent by the Code of Conduct which was drawn up and accepted by the representative of workers' organisations three years ago. The Code provides that every employee shall have the freedom and right to join a union of his choice. Ignorance and backwardness of workers shall not be exploited by any organisation. Casteism, communalism and provincialism shall be eschewed by all unions, and there shall be no violence, coercion, intimidation or personal vilification in inter-union dealings. It is enjoined that there shall be unreserved acceptance of and respect for democratic functioning of trade unions and all Central organisations shall combat the formation and continuance of company unions.

7. The failure to implement awards and agreements has been a common complaint on both sides and if this were to continue, the Codes would be bereft of all meaning and purpose. A machinery for implementation and evaluation has, therefore, been set up at the Centre and in the States to ensure observance by the parties of the obligations arising from the Codes and from laws and agreements.

8. Two lines of advance during the period of the Second Plan deserve special mention because of their great significance as elements of labour policy and for the reason of the great promise they hold for the future. In the first place to give the worker a sense of belonging and to stimulate their interest in higher productivity, a form of workers' participation in management was evolved during the Second Plan. A small beginning was made in this direction on an experimental basis and Joint Management Councils have been set up so far in 23 units. The Council has the right to obtain information regarding the working of the undertaking and has direct administrative responsibility for matters concerning workers' welfare, training and allied matters. Its main function is to bring about mutual consultation between employers and workers over many important issues which affect industrial relations. In a seminar held in March, 1960,

representatives of employers, workers, State Governments and others concerned reviewed their experience of the working of the Joint Councils and the solutions they had evolved for specific problems. Keeping in view the short duration of the experiment, its results have been found to be satisfactory and heartening. Secondly, after completion of the preparatory stage, the programme of workers' education has made a good start and is being widely appreciated. The scheme comprises the training of teacher-administrators and worker-teachers. The latter, on returning to their establishments on the completion of their training, start unit-level classes for the rank and file of the workers. According to an independent appraisal of the working of this scheme, these courses have helped to raise the self-confidence of the workers, increased their ability to take advantage of protective labour laws, reduced their dependence upon outsiders and inculcated in them an urge for material and economic welfare. A beginning was made in sponsoring investigations on labour problems through independent research institutions with Government support.

Approach And Outlook

9. The coming years should witness the fuller impact of the ideas which have been tried and found useful during the Second Plan period. The Third Five Year Plan has to make its own contribution towards the evolution of labour policy and the realisation of its basic aims. It has always to be kept in view that the measures that are adopted must serve adequately the immediate and long-term ends of planned economic development. Economic progress has to be rapid enough to attain a level of full employment, and secure a rising standard of living for the people. The fruits of progress should be shared in an equitable manner and the economic and social organisation which is being created must be in keeping with the concept of a socialist society. In the implementation of these objectives the working class has an important role and a great responsibility, and these will grow with the rising tempo of industrialisation. The large expansion of the public sector which is occurring and is being envisaged will make a qualitative difference in the tasks set for the labour movement and will facilitate the transformation of the social structure on the lines of the socialist pattern in view. The implications of this approach are manifold. Economic activity has not to be conceived of solely in terms of output and return; the principal test of this would be the good of all those who are engaged in it, the quality and growth of the individual human being and the service and happiness of the entire community. The surpluses that are generated are a social product, to which neither the employer nor the working class can lay an exclusive claim; their distribution has to be according to the worth of the contribution of each, subject to the requirements of further development and the interests of all the sections of society, in particular, the satisfaction of the basic needs of all its members. While jobs and functions may vary, all are workers of different grades. Those of the lowest rank and their children should be fortified in the faith that they are free to equip themselves to be able to rise to the highest positions and that the worker and management are joined in partnership to strive for common ends. Thus, a new type of community is being created in which individuals and groups are moved more by a sense of mutual obligations than the spirit of acquisitiveness or the making of private gains at the expense of the general well-being.

10. The development of industrial relations in the Third Five Year Plan rests on the foundations created by the working of the Code of Discipline which has stood the strain of the test during the last three years. A full awareness of the obligations under the Code of Discipline has to extend to all the constituents of the Central organisations of employers and workers, and it has to become more and more a living force in the day-to-day conduct of industrial relations. The sanctions on which the Code is based have to be reinforced, relying on the consent of the parties, for this purpose.
11. Ways will be found for increasing the application of the principle of voluntary arbitration in resolving differences between workers and employers. Steps will be taken to remove certain hindrances in the way of a fuller recourse to voluntary arbitration. The same protection should be extended to proceedings in this case, as is now applicable to compulsory adjudication. Government should take the initiative in drawing up panels of arbitrators on a regional and industry-wise basis. Employers should show much greater readiness to submit disputes to arbitration than they have done hitherto. This has to be the normal practice, in preference to a recourse to adjudication, as an important obligation accepted by the parties under the Code.
12. The law provides for the establishment of Works Committees at the plant level in order to develop harmonious relations between employers and workers. According to a recent assessment, the system has proved its capacity to render substantial help in composing differences between the parties though, owing to lack of earnest effort, the Committees are not functioning effectively in some units. The decision to demarcate the functions of Works Committees, as distinct from those of trade unions, will remove an obstacle in the way of the successful functioning of the Committees. It is, thus, essential that Works Committees are strengthened and made an active agency for the democratic administration of labour matters.
13. Joint Management Councils. - A major programme for the period of the Third Five Year Plan will be the progressive extension of the scheme of Joint Management Councils to new industries and units so that, in the course of a few years, it may become a normal feature of the industrial system. As it develops, workers' participation may become a highly significant step in the adaptation of the private sector to fit into the framework of a socialist order. It can serve to bridge the gulf between labour and management, create better mutual understanding and facilitate the adoption, on both sides, of an objective approach towards the problems of industry and the workers. The success or failure of an undertaking is not the concern of management alone. For the peaceful evolution of the economic system on a democratic basis, it is essential that workers' participation in management should be accepted as a fundamental principle and an urgent need. In course of time, management cadres should arise out of the working class itself. This will greatly help to promote social mobility which is an important ingredient of a socialist system.
14. Joint Management Councils should be set up in all establishments in the public as well as the private sector in which conditions favourable to the success of the scheme exist. A primary test of eligibility is the presence of goodwill on both the sides. Wherever a representative union exists, a Council should come into being as a matter of course. An intensive programme of workers' education will be undertaken in all the establishments where such Councils are set up.
15. Workers' education - The programme of workers' education which Government has undertaken through a semi-autonomous Board is being

run with the cooperation of all the employers' and workers' organisations. A large-scale expansion of this scheme is visualised for the period of the Third Plan. It is intended to diversify the programme and secure fuller association of workers' representatives and their organisations. The complementary question of management training in labour matters is also receiving consideration.

16. The spread of literacy among the workers is an indispensable precondition for the success of the various programmes that are being undertaken. The benefit of literacy should be made available to as large a number of workers as possible in the next few years, particularly to those below the age of forty.

17. Trade Unions. - There is need for a considerable re-adaptation in the outlook, functions and practices of trade unions to suit the conditions which have arisen and are emerging. They have to be accepted as an essential part of the apparatus of industrial and economic administration of the country and should be prepared for the discharge of the responsibilities which attach to this position. Trade union leadership has to grow progressively out of the ranks of the workers, and this process will be greatly accelerated as the programme of workers' education gathers momentum. At present, the trade unions are in most cases labouring under the handicap of insufficient resources and are not in a position to obtain all the help and guidance that they need.

18. The basis for recognition of unions, adopted as a part of the Code of Discipline, will pave the way for the growth of a strong and healthy trade unionism in the country. A union can claim recognition, if it has a continuing membership of at least 15 per cent of the workers in the establishment over a period of six months and will be entitled to be recognised as a representative union for an industry or a local area, if it has membership of at least 25 per cent of workers. Where there are several unions in an industry or establishment, the union with the largest membership will be recognised. Once a union has been recognised, there should be no change in its position for a period of two years, if it has been adhering to the provisions of the Code of Discipline.

19. The personnel of the industrial relations machinery calls for greater attention in respect of selection as well as training. It is necessary to ensure that the quality and equipment of conciliators and tribunals are adequate for the complex tasks which now confront them. It is proposed to institute a suitable training programme for this purpose.

Wages And Social Security

20. The Government has assumed responsibility for securing a minimum wage for certain sections of workers, in industry and agriculture, who are economically weak and stand in need of protection. Towards this end the Minimum Wages Act provides for the fixation and revision of wage rates in these occupations. These measures have not proved effective in many cases. For better implementation of the law, the machinery for inspection has to be strengthened. Wage determination in major industries is left to the process of collective bargaining, conciliation, arbitration and adjudication. The Second Plan recommended the setting up of Wage Boards as the most suitable method of settling wage disputes where large areas of industry are concerned. This has so far been applied to the cotton and jute textiles, cement, sugar and plantation industries; and will be extended to other industries according to circumstances. It has been decided to appoint a Board soon for the iron and steel industry. The

representatives of employers and workers have agreed that unanimous recommendations of a wage board should be implemented fully. An encouraging trend has been noticed in the coal mining industry where employers and workers have agreed to set up a bi-partite committee to examine the entire question of wage revision in the industry; alternative wage-fixing machinery will be considered only if the bi-partite committee fails to arrive at a settlement.

21. Some broad principles of wage determination have been laid down in the Report of the Fair Wages Committee. On the basis of agreement between the parties, the Indian Labour Conference had indicated the content of the need-based minimum wage for guidance in the settlement of wage disputes. This has been reviewed and it has been agreed that the nutritional requirements of a working class family may be re-examined in the light of the most authoritative scientific data on the subject. Apart from the minimum wage, care should be taken in fixing fair wages for different classes of workers, that adequate incentives are provided for the acquisition and development of skills and for improvements in output and quality. There are, however, wide disparities between the wages of the working class, on the one hand, and the salaries at the higher management levels, on the other.

22. Owing to the uncertainty attaching to it, the question of bonus has become a source of friction and dispute. It has been decided to appoint a Commission which will include representatives of both parties to study the problems connected with bonus claims and to evolve guiding principles and norms for the payment of bonus.

23. Social Security. - The Employees' State Insurance Scheme has not been implemented in more than a hundred centres covering about 17 lakh industrial workers. During the Third Plan period, the scheme will be extended to all centres where there is concentration of five hundred or more industrial workers, bringing the total coverage to about 30 lakh workers. Medical care and treatment including hospitalisation and midwifery services will be extended to the families of insured persons in all centres where the scheme is in operation. The preventive aspects will also receive greater attention. A great deal of leeway remains to be made up in the provision of separate hospital accommodation for the insured workers. The construction of new hospitals and dispensaries will be speeded up so as to add at least 6000 hospital beds during the period of the Third Plan.

24. The Employees' Provident Fund Scheme, which now covers 58 industries/establishments will be further extended. The employment limit for coverage under the scheme has already been lowered from 50 to 20. The Provident Fund Organisation has completed a survey of other industries and during the Third Plan the scheme will be extended to such industries among these as are able to bear the financial burden. The proposals to enhance the rate of contribution to the provident fund from $6\frac{1}{2}$ to $8\frac{1}{2}$ per cent has been already accepted by Government in principle, but in view of the varying capacity of different industries, a Technical Committee has been constituted to ascertain which industries are not capable of bearing the additional liability. It is also proposed to bring employees of commercial establishments within the purview of the scheme.

25. A Study Group on Social Security had recommended the integration of existing social security schemes and the conversion of the various Provident Fund schemes into a statutory scheme for old age, invalidity and survivorship pension-cum-gratuity. Urgent consideration has now to be given to the various aspects of the question of integration, so that the entire scheme takes shape as early as possible.

26. The social security approach has so far extended mainly to wage earners in organised industry. There are some groups whose condition calls for closer attention on the part of the community. In the past, on account of the traditional values associated with the small community and the joint family, a great deal of relief was available to those who were unable to provide for themselves. For a long period to come, in one form or another, the community, the group and the family must continue to be the main sources of assistance. Progressively, however, the State and local bodies, both urban and rural, will need to participate in schemes undertaken by way of social assistance and social security. Even at this stage, it would be desirable to make a modest beginning in respect of three groups of persons - the physically handicapped, old persons unable to work, and women and children - where they are altogether lacking in the means of livelihood and support. Assistance for them will have to come from voluntary and charitable organisations, municipal bodies, Panchayat Samitis and panchayats and voluntary organisations. With a view to enabling these organisations to develop their activities with the help of local communities, and giving them a little support, it might be useful to constitute a small relief and assistance fund. Details of the proposal should be considered further in cooperation with States and voluntary organisations.

Working Conditions, Safety And Welfare

27. Under various laws, a comprehensive code has been developed to ensure satisfactory working conditions, safety of person and the provision of a variety of facilities to promote the welfare of the workers. Steps, however, have to be taken to make the implementation of the statutory provisions more effective. The improvement of working conditions can result in greater productive efficiency on the part of the workers. Every effort should be made to keep abreast of the modern developments in these and various other aspects relating to the human factor in industry. Towards this end, the activities of the Central Labour Institute and the three Regional Labour Institutes should be developed to provide a comprehensive service to industry through training, education and research. The problem of safety should receive greater attention. A Standing Advisory Committee will be set up to promote measure for bringing down the incidence of accidents in factories. State Governments have to strengthen the inspectorates provided for the administration of factory laws. Both in factories and in mines, a great deal of scope remains for reducing hazards by education of the workers in safety-consciousness and the setting up of safety committees. Steps are being taken in pursuance of the recommendations of the Mines Safety Conference and its various committees, and intensive studies are in progress concerning various aspects of the problem of safety in all mines. A National Mine Safety Council is proposed to be set up regarding safety education and propaganda in the mining industry. In view of the rapid expansion of the output of mines and the increase in depths and mechanisation to which it leads, it has become imperative that there should be greater vigilance and stricter enforcement of rules and regulations. The building and construction industry is a similar field in which rapid programmes of expansion call for greater attention to safety standards. While the Central and State Public Works Departments are among the major employing authorities, a significant amount of building and construction work is in private hands. Working conditions at construction sites are very different from those in factories, primarily because of the purely "temporary" basis upon which most of the work is organised. The question of separate safety legislation for building and construction workers is under examination. Industrial hygiene surveys undertaken so far have disclosed that exposure to occupational disease has been increasing.

The surveys should cover the remaining industries and prompt remedial action should be taken in each case. Special welfare funds have been constituted for financing welfare measures for workers in the coal and mica mining industries. They are meeting very real needs. Similar funds are proposed to be created for workers in the manganese and iron ore mines.

28. Workers' Cooperatives. - Some progress has been made in the formation of miners' cooperative societies through the help of the Coal Mines Welfare Fund Organisation. A few workers' cooperative housing societies also exist in some industrial centres. On the whole, cooperation has not made much headway so far as the working class is concerned. It will derive immense benefit from the extension of cooperative activity in various forms. Campaigns should be undertaken for setting up co-operative credit societies and consumers stores. It is hoped that trade unions and voluntary organisations will evince greater interest and initiative in running such cooperatives.

cooper-
ative

29. Industrial Housing. - Although the Subsidised Industrial Housing Scheme has been in operation for some years, the situation in respect of the housing of industrial workers has not improved and, in several centres, it has even deteriorated. The present approach to the problem has been found to be wholly inadequate and new ways will have to be devised immediately so that the workers may be assured of minimum standards in respect of living conditions within a reasonable period in the interest of their health and efficiency. Towards the same end, facilities for recreation and sports will have to be greatly enlarged for all sections of the workers.

30. Other Problems. - With the help of studies which are now in progress regarding contract labour, it will be possible to select occupations in which contract labour will not be permitted and, where abolition is not feasible, to decide on the steps which can be taken to safeguard fully the interests of contract workers. While considerable improvement has occurred in the living and working conditions of employees in large and organised industries owing both to State activity and trade union action, a great deal of leeway remains to be made up in respect of the workers engaged in agriculture and unorganised industries. Their conditions should become a matter of special concern to the Government as well as to the organisations of labour.

Employment And Training Schemes

31. A large increase in the demand for craftsmen will have to be met during the Third Plan. By the end of the Second Plan period, there were 166 industrial training institutes with 42,000 training seats. It is intended to increase the number of these institutes to a total of 318 by the end of the Third Plan with an additional 58,000 seats, raising the training capacity to 1 lakh craftsmen and an estimated out-turn of 2 lakh craftsmen during the Plan period. Adequate in-plant training facilities will also be provided. Separate facilities have been organised for the training of educated youth in the techniques of management so that such of them as have the inclination and aptitude for undertaking business responsibilities on their own or through cooperatives, will be provided with wider employment opportunities.

32. The capacity of the three existing Central Training Institutes for Craft Instructors will be raised from 512 to 976 seats and three other Central Institutes will be set up during the Third Plan period. As against 2000 in the Second Plan, 7800 instructors will be trained during the Third Plan. Separate arrangements are being made to train women craft instructors.

33. During the Second Plan, little progress has been registered under the apprenticeship training scheme, which has so far been carried out on a voluntary basis. It has now been decided to place the scheme on a compulsory footing and a Bill on the subject is proposed to be introduced in Parliament. A target of 14,000 seats has been set for the apprenticeship training programme. The target for the programme of evening classes for industrial workers is to raise the present 3000 seats to 15,000 seats during the Third Plan.

34. One hundred employment exchanges will be opened during the Third Plan with the object of providing at least one exchange in each district. It is also intended to increase the number of rural employment exchanges and strengthen the organisation of the State Employment Directorates. An effective start has been made with the Employment Directorates. An effective start has been made with the Employment Market Information programme; the scheme now covers all public sector establishments and private sector units in 150 areas. The scheme will be extended to all areas covered by employment exchanges. Similar provision has been made for expanding the programme of Youth Employment Service, Youth Counselling and collection and analysis of occupational information undertaken by the exchanges.

35. Closures of establishments have occurred to a varying extent in certain industries during the last few years. Where unfavourable market conditions develop, marginal units are affected severely unless steps are taken in advance to safeguard their position. In several cases, the collapse follows a prolonged period of neglect and mismanagement. The workers, who are thrown out of employment, often fail to find avenues for absorption in other units in the same industry. It often happens that besides losing their jobs these workers are deprived of arrears of wages and even the collections in respect of Provident Fund or Employees' State Insurance cannot be recovered from the employers. As a result, the workers have to face acute distress.

36. It becomes evident that having regard to the human aspect, and for the purpose of preventing a sense of demoralisation among other workers, steps will have to be taken to afford a measure of relief and assistance to retrenched workers who are thus reduced to a state of helplessness. In a fully developed form such a scheme has to be on a contributory basis, with adequate support from the Government, and besides assistance and relief to the retrenched workers, its functions might include:

- (1) help to industrial units which are temporarily in financial difficulties but have otherwise a reputation for efficiency and good management;
- (2) taking over units for temporary management; and
- (3) financing, in suitable cases, co-operative ventures of workers threatened by closures.

A start has, however, to be made immediately, and it has now been decided to draw up a scheme of a limited scope to furnish such assistance as is practicable in the existing circumstances. This will be in the form of loans to tide over the immediate difficulties and facilities for retraining for alternative occupations and for transfer to other places where work may be available. A small financial provision has been made in the Plan for this purpose.

Productivity

37. Industry is being called upon to meet, as rapidly as possible, the claims on behalf of the workers for a living wage, better living and working conditions, the needed volume of employment opportunities and a fuller measure of social security. It must yield a reasonable return on capital and provide for capital formation on an adequate scale. Neither the exercise of their organised strength in industrial conflicts, nor laws and the intervention of the State

can help the workers much in realising their aspirations. Their gains can arise only out of the strength and dynamism of the economy, the only enduring basis of which is a rising level of productivity. No increase in profits which does not come out of improvements in productivity but has its origin in current scarcity and the stresses of development, can be regarded as a sign of prosperity. Productivity has many facets and it suffers because of the one-sided and rigid approach which is frequently adopted in dealing with it both by the employers and the workers. Rationalisation of effort in every direction is the true basis of productivity. The term has often been wrongly associated with increase in workloads and added strain on workers in order to swell the volume of private gains. Large gains in productivity and an appreciable reduction in unit costs can be secured in many cases without causing any detriment to the health of the workers and without incurring any large outlays. Greater responsibility in this respect rests on the management which should provide the most efficient equipment, correct conditions and methods of work, adequate training and suitable psychological and material incentives for the workers. For several purposes, it will be more helpful to take the working group as a unit of activity rather than the individual worker, and the scheme of incentives should be aimed at the group no less than at the individual. The industry, trade unions and the Government should together ensure that every worker whether employed already or freshly recruited receives adequate training to acquire the requisite skill and efficiency. By proper organisation, it should be possible to supply the essential needs of the workers at reasonable cost without unduly increasing the burden on industry. Management has to give the lead by bringing about the maximum rationalisation in its own sphere and eliminating all unjustifiable practices which at present act as disincentives in drawing the best out of the workers. The vicious circle of poverty and unemployment and low productivity can be broken only by a tremendous stress on the maximum possible contribution being made by all the participants in the processes of production. For the workers no real advance in their standard of living is possible without a steady increase in productivity, because any increase in wages generally, beyond certain narrow limits, would otherwise be nullified by a rise in prices. Workers have, therefore, to insist on and not resist the progress of rationalisation in their own interest and in the larger interest of the country.

38. The pace of development as well as the volume of employment rests to a considerable extent on the capacity to export in the face of increasing competition. This can be achieved primarily through higher productivity and a measure of sacrifice by the employer, the worker and the rest of the community.

39. Vital reforms cannot be secured without the cooperation and goodwill of the workers. They can be brought about by creating a proper understanding and the provision of the necessary safeguards in the interests of the workers. The greatest anxiety experienced by the workers is with regard to the stability of employment. The agreement regarding rationalisation at the national level guarantees to the workers security in their existing jobs. The scope for rationalisation can be considerably extended if effective arrangements are made for retraining and transfer to other jobs on the basis of the workers' consent. The workers can be expected to respond. A favourable environment for this should be created. This process will be helped greatly by the agreement reached at a seminar organised by the National Productivity Council, which provides an initial basis for cooperation for higher productivity. The formulation of the Code of Efficiency and Welfare will now be taken up for consideration by the Indian Labour Conference. Greater attention will also have to be given to the training of management at various levels in the important aspects of employer-

employees relations. Systematic studies will have to be undertaken for determining the individual wage differentials and the manner in which wages should be linked to productivity. In this connection, the work of the Training-Within-Industry Centre in introducing T.W.I. and other techniques for improving the managerial and supervisory skills and that of the Productivity Centre in training in the higher productivity techniques and in carrying out field investigations like job evaluation and work load studies have helped in stimulating the interest of both management and workers. Further development in this field can be considerable assistance in evolving rational wage policies.

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RESEARCH

40. Government undertakes special programmes of studies and surveys of aspects such as working and living conditions, family budgets, wage census, index of earnings, patterns of absenteeism, productivity, etc. There will be further extension of this activity during the period of the Third Five Year Plan.

41. The inadequacy of reliable data on labour matters available at present and the need for sustained and objective research on a systematic basis were discussed at a Conference on Labour Research held in September, 1960. It was agreed that, to begin with, a small Central Committee for coordinating labour research, comprising representatives of Government, employers' and workers' organisations, universities and institutions interested in the subject may be constituted. It should be the function of this body to make a survey of the existing agencies in the field and their physical resources, identify the gaps, explore possibilities of filling up the same, determine priorities, allocate research schemes to the various agencies in order to avoid overlapping, stimulate research work in the labour field and recommend means of utilising the results of such research. It is intended to provide for research in labour matters some new institutional facilities outside the set-up of the Government. It will have the association and assistance of organisations of workers and employers as well as others.

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