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A MEMORANDUM FOR
THE NATIONAL COMMISSION ON LABOUR

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Replies received from Shri J.L. Dholkia, Reader
in Economics, Gujarat University, Ahmedabad.

- | <u>S.No.</u> | <u>Q.No.</u> | <u>Points for Elucidation</u> |
|--------------|------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. | Page 3. Para 2. Lines 14 & 15. | Is not the capacity of the industry to pay to be taken into consideration as otherwise it may lead to closure of some of the marginal units? |
| 2. | Page 4. Para 2. Lines 10. | Won't this lead to a vicious circle of the prices chasing the wages? |
| 3. | Page 6. Para 2. Lines 11-14. | Have you any suggestion to offer on this? Don't you think that the influx had gone too far and the objective should be to contain the rural labour in the rural areas itself by providing more labour intensive schemes in rural areas? |
| 4. | Page 8. <u>Wage Policy</u> 1st Sentence. | Would not this kill the incentive for investment if the due share is denied to the investors? |
| 5. | Page 12 & 13. Para 2. | Do you mean to suggest that already certain forces are emerging in the Trade Union Movement whereby the undesirable outsiders and politicians are being weeded out and soon a tradition will be set which will automatically channel the movement in the right direction? If so, does it not run contrary to the present experience? |
| 6. | Page 13. | Who should be the authority for conducting elections by secret ballot? (ii) What rights and privileges should be granted to minority unions? Should they be allowed to take up individual grievances? |
| 7. | Page 13 & 14. | If the adjudication system is confined only to cases arising out of unfair labour practices and victimisation, what will happen in case there is a failure to arrive at any consensus in other spheres on the basis of collective bargaining? (ii) Is it not a fact that the system of adjudication is essential in case of public utility services and essential services? |

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S.No. Q.No. Points for Elucidation

8. Page 17. You have stated that there must be a programme of permanent employment of those who wish to earn their livelihood from land. How are you going to achieve this when there is already so much pressure on land? Have you any suggestions in this regard?

Page 4. 5. of the prices during the war?

Page 6. 7. have you any suggestion to offer on this? Don't you think that the rural labour is not getting the full benefit of the rural labour in the rural areas? It is only by providing more labour intensive schemes in rural areas...

Page 8. 8. would not this kill the cooperative investment if the share is denied to the investors?

Page 12 & 13. 9. do you mean to suggest that already certain forces are working in the rural areas? Movement whereby the rural areas are being developed and soon a credit will be set which will automatically channel the investment in the rural areas? If so, does it not run contrary to the present experiment?

Page 15. 10. who should be the authority for making the decisions by secret ballot? (ii) What rights and privileges should be granted to minority members? Should they be allowed to take up individual grievances?

Page 15 & 16. 11. if the agricultural system is confined only to cases arising out of rural labour practices and activities, what will happen if there is a failure to arrive at any consensus in other spheres on the basis of collective bargaining?

Page 16. 12. is it not a fact that the system of co-operation is essential in case of public utility services and essential services?

INTRODUCTION

Economic development of a country depends on the rate of growth of output per worker. The happiness and well-being of any society depends on the achievement of the maximum output per capita. In the process of realising the maximum output per head, the agricultural and industrial labour has to play a productive, creative, vital and socially purposive role. This role can be played by the labour very effectively only if the basic economic problems of the working class are rationally tackled by the policy-making elites in India.

The basic economic problems of the Indian working class are three-fold. Firstly, there is the problem of poverty of the labour employed in agriculture, industry, trade and other economic activities. Despite upward revisions in the wages, salaries and dearness allowances of the organised labour, the real wages have almost remained constant and the share accruing to this class in the national income of the country has oscillated within a narrow range of 3 to 4.5 per cent of the national output. All the recent disturbances on the industrial relations front originate from this basic fact of the poverty of the Indian worker. Economic conditions of the rural landless labour have been worse than those of the industrial labour. Thus, the major problem of the Indian working class is that of poverty. Rational solution of this problem will extinguish many burning labour problems of the day.

Secondly, unemployment and under-employment is a serious problem. Unemployment reduces the income of the workpeople to zero and the working class has to wage a bitter struggle for a mere survival in this world. The right to live depends on the opportunity to get work, and in a way, on the right to work. Unemployment is the cause of many recent labour troubles the country has seen.

Thirdly, unequal distribution of the income between the working class and the class of the rich who do not work but own the property and wealth has aggravated the economic discontent in our country. The reports of the Mahalanobis Committee and the Monopoly Commission have brought out very clearly the facts of unequal distribution of wealth and the concentration of economic power. The unequal distribution of wealth has widened the gulf between the working class and the class of the owners, rentiers profiteers, ill-gotten licence holders, land speculators, rapacious money lenders and commodity hoarders. There is, therefore, an understandable demand on the part of the working class for the transfer of income and wealth of the rich and the nouveau riche.

If these three, basic economic problems of poverty, unemployment and inequality are rationally tackled, most of the recent outbursts of violent activities like wrongful confinement-gheraoes, bandh - complete closure of all economic activities and sporadic strikes would vanish. Of course, the workers will be workers and grievances and industrial conflicts will remain but they would not be on so vast a scale as to threaten with destruction the very fabric of social, political, legal, industrial and administrative machinery set up for the orderly governance of the country.

In order to tackle the three-fold problems mentioned above, it is necessary to step up the rate of economic growth, for, obviously, economic growth is the ultimate solvent of these basic problems. Economic growth will bring with it both the burdens and benefits and the process will have to be so planned that burdens are borne by those who are able to bear them and that the benefits accrue to those whose contribution to growth is productive.

Wages, Dearness allowance and bonus payments:-

The Indian worker is poor because his total income which comprises wages, dearness allowance and bonus is too inadequate to enable him to meet living expenses on a subsistence standard. Rising prices have eroded the real worth of the total income of the industrial labour. It is, therefore, imperative to assure a decent income to the labouring masses.

In this context, the concepts of the minimum wage, need-based minimum wage, fair wage and living wage do provide some guidelines but what is required is the payment of the reasonable wage which would enable the working class household to live in a reasonable degree of comfort and which would protect the real content of the income against inflation. Thus, the reasonable wage would cover essential consumption expenses of the household and there would also be some margin for expenditure on education, health and small saving. In addition to this, the reasonable wage will provide a hedge against inflation by means of linking a part of the wage with the consumer price index. In the matter of the standard of essential consumption, the reasonable wage will have to provide for a standard comparable to a standard (at the present level of prices) enjoyed by, say a white-collarred employee drawing about Rs. 300/- per month. When we fix workers' income, we talk of "minimum" and when we think about doing something to the income of the upper class, we fix the ceiling or "maximum" income. It is necessary to note that the Indian working class will never be satisfied with "minimum income". It is, therefore, important to assure to the working class a tolerably good income or a reasonable wage. The term "reasonable wage" is a relative one and what is reasonable at one stage of economic development may not be reasonable at a higher stage of economic development. Also, the notion of "reasonableness" changes under

the impact of the emulation by the working class of the living standards of those who are somewhat above them in the rungs of the income ladder. What is suggested here is a new standard based on the criteria of essential consumption, necessary education, provision for maintenance of health and a margin for small savings. The concept of "minimum" will never satisfy a certain hope-level of the working class in India. We should strive to meet the aspirations of the working class by paying them a reasonable wage.

The basic wage will have, therefore, to be revised upwards. If we cannot assure a reasonable degree of price stability, about 70 to 80 per cent of the existing dearness allowance will have to be merged with the basic wage. The rational wage structure should imply that upward revisions of the income are effected by raising basic wages and not by raising the cost of living allowances. Having merged a major proportion of the dearness allowance with the basic wage, care will have to be taken to stabilize prices so that the payment of the reasonable wage remains well within the country's productive capacity to pay. If we fail to stabilize prices, the reasonable wage structure should see to it that the wage-earners do not suffer on account of this and that the index-linked wages will have to be paid.

It has been mentioned that the reasonable wage should provide for some margin for small saving. In this connection, the payment of bonus as an important component of the income of the working class would contribute, to some extent, to the saving done by the worker. It was found in the study on the utilisation of the bonus by the textile labour in Ahmedabad that the working class households getting two month's wages and dearness allowances as bonus were able to save well and those

who get one month's income as bonus could save a small amount. If a minimum bonus of one month's income (basic wage plus dearness allowance) is paid, it might add to the small savings done by the working class households. Trade Union leaders will have to find out an agreed mode of the payment of the bonus, say for example, in the form small saving certificate or a share of the company. However obvious, it is necessary to emphasize that the small savings of the workers' will contribute a great deal to the income-creating process of growth. In Japan, small savings of the industrial labour have been instrumental in stepping up the rate of national saving. Savings are essential to the productive capital formation upon which economic growth ultimately depends. Small saving by the working class means that their total income is some what above the essential consumption and social needs and these savings when they fructify into growth come back to them in the form of higher wages via income creating process of a high rate of economic growth. It is not intended to suggest here that the whole of the bonus must be paid in the form of a share of company or small saving certificate, but a part of it could be paid in these forms provided trade unions take upon themselves the responsibility of investment of the bonus amounts in productive forms of savings. Trade Unions will have to make constructive efforts in this direction by properly educating the workforce. The payment of reasonable wage to the working class presupposes a reasonable approach and outlook on the part of the trade union leadership.

How does the current availability of unskilled labour affect the level of the wages ?

The current availability of unskilled labour results into a situation of the excess labour supply in the labour market and, therefore, it exercises a down-ward pressure on the level of wages. But the level of wages in our country is not governed

solely by the market forces of supply and demand for labour. The policy of the state, welfare oriented approach of some of the Wage Boards, progressive outlook of some of the managements and the increasing bargaining capacity of the working class have far more determining influence on the level of wages in India than that of the forces of excess labour supply. The current availability of unskilled labour force underscores the need of skill-formation for the process of economic development. The currently available supply of unskilled labour should not be used as an excuse for not raising the wages to a reasonable level.

Relationship between wages in agriculture and other unorganised sectors and wages in industry:-

Wages in agriculture and other unorganised sectors are lower than those in the organised industry. The Minimum Wages Act of 1948 is a good protective measure but its implementation in many States leave much to be desired. In agriculture it is largely a problem of providing gainful employment rather than that of wages. Rationalisation of the structure of the agricultural economy of India is necessary in order to improve productivity and wages of agricultural labour. Owing to lack of work in the rural areas, workers migrate to cities and towns and weaken the bargaining power of the organised labour. It is desirable to increase the absorptive capacity of non-agricultural industrial and tertiary sectors so as to provide gainful employment to those who migrate to urban areas in search of jobs.

Should wages in agriculture and other unorganised sectors be allowed to influence wages in industry?:-

As stated earlier, wages in India are not determined by unalloyed market forces and, therefore, wages in agriculture and other unorganised sectors should not be allowed to influence

the wages in industry. The productivity and cost of living in rural areas are much lower than productivity and cost of living in urban areas and therefore, the wages in industrial urban areas should not be depressed simply on the plea that wages are lower in agriculture and other unorganised sectors.

Dearness Allowance:-

The real wages should be protected by a separate component of the cost of living allowance in the total wages so as to absorb the changes in the level of prices.

Dearness allowance paid at the flat rate but not linked to the Consumer Price Index Number is not a correct method of protecting the real wages of the workers. Therefore, the dearness allowance computed according to changes in the Consumer Price Index should be paid to the workers. Admittedly, this will introduce a built-in inflationary tendency in the economy but the only way to get rid of the system of payment of the dearness allowance is to put a stop to deficit financing, extravagant civil expenditure and inflation in general. If the national trade unions agree, the revision of the dearness allowance should be made half-yearly.

Wage Differentials:-

On account of the fact that few industrial units carry on job-analysis, merit-rating and scientific job description, most of the differentials in Indian industries do not reflect the considerations mentioned in the Report of the Fair Wages Committee. Moreover, custom and traditions play a very important part in perpetuating irrational wage differentials. For example, in our country civil servants get higher salaries than technically proficient professionals and teachers of various categories. This is a hangover of the past colonial tradition.

Method of Wage Fixation:-

All methods of wage-fixation should be allowed to be continued in a plural society dominated by the multiplicity of trade unions. For un-organised industries and "sweated" industries, the method of statutory fixation of wages appears to be commendable. Until the collective bargaining develops effectively as a method of wage settlement and fixation, a greater reliance will have to be placed on the fixation of wages by the Wage Boards where a lot of collective bargaining takes place under the guidance of the independent chairmen. The method of adjudication should be gradually replaced by that of collective bargaining.

A permanent Wage Commission must be set up to co-ordinate the activities of different Wage Boards. This Commission should make an annual review of the wage structure for the major industries in India and it should be engaged in a continuous exercise of evolving a rational and just wage structure. The Wage Boards must be used as instruments to foster collective bargaining and hence the recommendations of the wage boards should not have any legal sanction.

Wage Policy:-

Only the criteria of fairness to labour and fair deal to consumer should be given due consideration in the matter of evolving a wage policy for the country. Capitalists and entrepreneurs are quite able to take care of themselves and their urge to accumulate and found an industrial empire is so powerful that they do not require an inducement of low wages to save and invest. Moreover, wages, excepting a few

industries like Shop-building, Cotton Textiles and Jute Textiles, constitute a very small proportion of the total costs.

It may be argued that the capitalists and entrepreneurs are entitled to a fair deal and rightly so. If the entrepreneurs in the private sector behave in an anti-social manner, can they still claim the right to the fair treatment? Let me quote from Keynes, "It is not true that, individuals possess a prescriptive 'natural liberty' in their economic activities. There is no 'compact' conferring perpetual rights on those who Have or on those who Acquire. The world is not so governed from above that private and social interest always coincide. It is not so managed here below in practice they coincide. It is not a correct deduction from the Principles of Economics that enlightened self-interest always operates in the public interest. Nor it is true that self-interest generally is enlightened."¹

Objectives of Incomes Policy in India:-

In the context of planned development, it is necessary to take an integrated view of wages, prices and other incomes in India. The objective of the incomes policy in India must be to raise the minimum or the lowest incomes to a level more consistent with the current concept of an adequate, reasonable income. This objective will gain acceptance by the trade unions. This egalitarian objective is sure to enlist the co-operation of the trade unions in working out the incomes policy in India. A reasonable price policy aiming at stabilization of the prices of essential consumer goods is a pre-

1. Keynes, Essays in Persuasion, p. 312-13.

requisite to a meaningful, egalitarian incomes policy. In this way, there should be an integrated wages and prices policy.

Is a Wage Freeze necessary ? :-

A policy of wage freeze is advocated on the ground that only by this means can the trade unions of the white-collar and industrial workers be prevented from exerting inflationary pressures on the prices and costs. In India a policy of wage-freeze will be infructuous because of the phenomenon of the prevailing demand inflation. Wages benefits and salaries constituted 4.1 per cent of the national income during the year 1963 (Annual Survey of Industries Provisional Results). Other non-wage incomes and expenditure out of such incomes might be exercising a greater demand-pull effect on the price level than the wages and salaries. The problem in India is one of preventing the generation of excess money demand by methods other than the control of wages, profits and other salaries. Any policy designed to control inflation in India must see to it that the total expenditure on public and private consumption and investment does not exceed available real savings and other resources. Inflation in India is not caused by rise in wages and salaries. It is caused by reckless policy of deficit financing and comparative neglect of agriculture which has resulted into stagnant agricultural output. If inflation is not caused by wages how can it be cured by a policy of wage-freeze ? Therefore, economic logic indicates that the wage freeze is unnecessary.

Mode of Wage Payment:-

The payment of wages in kind is not favoured because it would lead to arbitrary payment in the absence of generally

supply of wage good is likely to be scarce and therefore, there would not be any advantage in extending this system of payment. Wherever such a system exists, it should be scrapped.

Minimum Wages Act 1948 :-

The machinery for implementation of the Minimum Wages Act must be strengthened considerably in order to prevent sweating on a wide scale. At present, Government Labour Officers, who are otherwise over-burdened, function as Minimum Wage Inspectors in some states. They are not able to cope with the work and therefore, it is suggested that separate cadre of Minimum Wages Inspectors must be created in each state and that there should be continuous watch and vigil over the industries covered by the Minimum Wages Act. The proposed Wage Commission suggested earlier should also study the norms and criteria of fixing the minimum wages in different states and it should co-ordinate the activities of the different state governments.

Trade Union Movement :-

A strong, democratic and self-reliant trade union movement is necessary for safe-guarding the interests of the workers and for contributing to the industrial scale. Since our country has not crossed the hump in development, trade unions will continue to play the traditional role of maintaining and improving the economic conditions of the workers. Trade unions should not be the adjuncts of the Government and should play their part as democratic responsible institutions canalising the grievances and aspirations of the working class in a plural society. Trade unions are useful in institutionalising the protest of the working class against social and economic evils.

Finances of the Trade Unions :-

Trade Unions should improve their financial position by

1. raising the membership fee, say, 1 or 2 per cent of the income per month of the member may not be a very high fee.
2. raising the entrance fee.
3. raising the lump sum subscription at the time of the distribution of the bonus.
4. selling books, pamphlets.
5. organising co-operative consumers' stores and co-operative credit societies and crediting a part of the profits to the trade union funds.

Leadership and Multiplicity :-

Unity among the trade unions is highly desirable but it is impracticable. A common programme of action to improve wages and working conditions must be worked out by the National Federations and the trade union movement should aim at unity in action while waging a common battle against the employer in the public or the private sector.

All outsiders in the trade union movement are not bad. There are the advisers, sympathisers and leaders who work with a missionary zeal for the amelioration of the economic conditions of the working class. There are also the political leaders who use their good offices for the benefit of the workers. Only those who exploit the working class for their selfish motives should have no place in trade unions. The workers have sound common sense and such "exploiter-adventurer" type of outsiders lose the support of the workers. No legislation is necessary for limiting the number of outsiders because despite legislation, outsiders will continue to dominate the

trade union scene till the rank and file are educated and develop truly member-oriented unions. Only then the leader-dominated unions will vanish away.

Trade Unions should honour the inter-union code of conduct.

Trade Union Recognition and Recognised Bargaining Agents :-

A trade union with a majority of worker-members must be recognised by the employer. For determining the representative character of the trade union for purposes of grant of recognition, there should be the election by the secret ballot. If the representative union is to represent all the workers in the unit and not merely union members, there is no reason why the entire labour force should not take part in the election. Van Dusen Kennedy, an expert on Indian Labour relations problems, has observed that elections to the U. S. Congress and the Indian Parliament are not decided by counting and scrutinising the membership of all rival political parties. The system of deciding labour representation through membership check is very unsatisfactory. If election through secret ballot is good for choosing the rulers of the country from different political parties, it must be good for a much limited purpose, namely representing workers in collective bargaining and in various other labour management situations.

Industrial Relations :-

Collective bargaining should be the corner-stone of the industrial relations policy in India. The compulsory adjudication system comes in the way of development of collective bargaining. The machinery of compulsory adjudication should be limited to disputes regarding unfair labour practices to be defined by law.

As for grievances, only those grievances in which victimization, resulting from unfair labour practice will become eligible for adjudication. In future, the machinery for the compulsory adjudication should be scrapped and the collective bargaining must become king-pin of the industrial relations systems in India.

There must be effective grievance procedure with provision for voluntary arbitration for the settlement of unsettled grievances.

In order to promote collective bargaining, it is necessary to have a certified bargaining agent. This has to be done by the method of election by secret ballot. Collective bargaining should be encouraged both in the public and private sectors of the economy. It should be remembered that the strike is the institutionalised form of conflict which is built into the very structure of collective bargaining. It is seldom realised in India that the strike serves the useful function of making explicit the ground which separates labour and management. Strikes serve the social function of bringing out the disputes in the open arena where these conflicts between labour and management become sensitive to public opinion. Strikes serve as catalytic agents as the very clash of interest in the open may have a stabilising effect on the relationship between labour and management. But strikes must be peaceful and orderly and workers and trade unions should eschew violence in order to make the technique of collective bargaining a success.

Joint Consultation and Workers' Participation in Management :-

Workers' participation in management begins with the giving of information to the joint management councils, the end

being the final decision making by the councils. Joint consultation and provision of welfare would be two major areas of activities in the early stage of the workers' participation in management. Gradually, the participation would be evolving from being informative, consultative, associative, administrative and decisive. The scheme of workers' participation has not had much success and it is, therefore, necessary that the scheme must succeed. Once outstanding economic issues are settled by collective bargaining, the proper atmosphere would be created for the success of this scheme. The worker-members must be induced to take keen interest in the administration of welfare and safety measures and gradually they would also appreciate the connection between productivity and welfare. In the first stage, the joint management council will be a council for looking after the welfare amenities of the working class. In the culminating stage, it would take up the problem of maximizing productivity per worker. The following conditions must be fulfilled before the joint consultative machinery is set up.

1. There must be a sincere desire on the part of the management to try out a scheme of industrial democracy at the plant level and factory level.
2. The unions must take active interest in the working of joint management councils.
3. In the scheme of workers' education, there must be due emphasis on the teaching of the art and science of management.
4. Industrial relations between the parties must be amicable.
5. Collective bargaining and a good grievance system must precede the introduction of the joint management at the factory level.

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Many a time conciliators are found to be inexperienced and lack qualities of a good conciliator. A good conciliator must have a sound training in human relations technique, he must be impartial, he must have ability to grasp the divergent view points and he must be honest, neutral and impartial. Above all, success of a conciliator depends upon his tact and insight into human nature. Conciliation, in the hands of competent conciliators, can be a very effective method of reaching agreement between labour and management. The availability of compulsory adjudication discourages the use of conciliation as a method of dispute settlement. If compulsory adjudication is done away with, conciliation may have a fair chance of success. Although collective bargaining will have to be the corner-stone of labour dispute settlement in India, conciliation can only be tried out in a spirit of give and take so essential to the success of collective bargaining. It is suggested that greater care must be taken in the selection and training of conciliators.

Rural and Unorganised Labour :-

Since land provides a secure and dependable employment to the rural people, there must be a programme of permanent employment of those who wish to earn their livelihood from land. Surplus rural population must be employed in the agro-based industries and cottage and small-scale industries. It is suggested that the pattern of rural employment must be rationalised with a view to provide permanent employment to the rural labour force. Such ad hoc programmes like rural works are not going to provide a lasting remedy to the rural labour.

As for the landless labour, there must be a programme of employment in rural social overhead capital such as roads, rural housing, irrigation etc.. Those who want land must be encouraged to buy land and be allowed to form co-operatives of optimum individual farms. The ownership rights can be retained while pooling the land for co-operative and productive use.

Rapid economic development will forge new linkages between organised industries and unorganised industries. Benefits such a development are bound to percolate to the unorganised sectors. The co-operative approach should be tried for the uplift of the labour employed in the unorganised sector. Where sweating is found in the unorganised sector, the scope of Minimum Wages Act of 1948 must be extended and applied as at present done in the several states.

Concluding Remarks :-

A rational approach to three, basic, economic problems of poverty, unemployment and unequal distribution of incomes and wealth would certainly go a long way towards establishing industrial harmony in India.

An attempt will have to be made to evolve a reasonable wage structure, based on the principle of adequate income to the working class.

Collective bargaining will have to be the principal instrument of settling industrial disputes in India.

The programme of workers' participation will have to be tried out in a spirit of goodwill and co-operation on the part of both management and labour.

The pattern of rural employment will have to be rationalised by an integrated programme of providing secure and dependable employment to the rural labour force in agriculture as well as in non-agricultural sectors.

A high priority will have to be accorded to the programme of stepping up the rate of economic growth because, ultimately, economic growth is the solvent of all labour disputes and problems.

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