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**MEMORANDUM  
TO THE  
NATIONAL COMMISSION  
ON LABOUR**

**VOLUME II**



**BHARATIYA  
MAZDOOR  
SANGH**

No. 5/1/67-NCL(C)  
Government of India  
National Commission on Labour  
D-27, South Extension Part II

.....

New Delhi-3, dated the 26th April, 1968.

To

The Chairman and Members of  
the Commission.

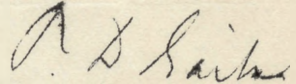


Sir,

I am directed to forward herewith a copy of Volume II of the Memorandum in reply to the Commission's Questionnaire received from the Bharatiya Mazdoor Sangh, Bombay.

Encl: 1.

Yours faithfully,

  
(P. P. Gaiha)  
Director

RC/26.4



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P R E F A C E

Further to our submission before the National Commission on Labour in Vol. I of our memorandum, we submit herewith the second Volume. It is expected that the third Volume, which will be released shortly will complete our answers to the various issues posed by the NCL.

This Volume completes our submission regarding 'Conditions of Work' by adding a chapter on Safety and Health, deals with all questions regarding wages except 'methods of wage fixation', gives a complete answer on 'Incentive Schemes and Productivity' except that it reserves our views on labour turnover and absenteeism for the third Volume and adds a further chapter on labour legislation.

In our third and final Volume we hope also to touch upon the salient features of the principles of socio-economic foundations which have been tacitly assumed in our various answers.

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(General Secretary)

*G. S. Gokhale*

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26th January, 1968.

BEFORE THE NATIONAL COMMISSION ON LABOUR

Under the Chairmanship of

The Hon'ble Shri P. B. Gajendragadkar

The Memorandum submitted by

THE BHARATIYA MAZDOOR SANGH

VOLUME II

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## CHAPTER IX

### SAFETY AND HEALTH

162. Provision of safety measures occupies an important place in the conduct of some industries, such as, Factories, Mining Docks, Petro-Chemicals, Fertilisers, Construction, Machine Building, etc. The existing rate of accidents is high in establishments within our knowledge. Though there are certain features common to all hazardous industries, it would be more practical to take up an example of any one such industry and to deal, in its context, with the various aspects of the safety and health problem.

163. As an illustration, we should like to deal with the safety problem in coal mines.

164. A note on safety in mines, prepared by the Chief Inspector of Mines, and issued by the National Council for Safety in Mines, Dhanbad, furnishes, among other things, a chart showing death rates in coal mines of some foreign countries, and accident rates for all mines (coal and non-coal) in India. Stating that the safety record of mines in India compares favourably with the best performances of the mining industry in any country of the world and that within the country itself there is a general downward trend over the past ten years despite disasters in 1954, 1955 and 1958, the Note cautions against complacency in this matter. On the strength of (i) a chart of comparison of strength of Inspectorates in India, U.K., U.S.A., coal mines, Germany, Belgium and France; and also of (ii) the additional facts that in all those countries a large number of qualified whole time Inspectors is employed by the trade unions and every large mine employs one or more whole time Safety Officers, the Note rejects the complaint of 'over-inspection' of Indian Mines. On the contrary, it stresses the need for appointing more electrical, mechanical, statistical and medical inspectors and sufficient number of specialist inspectors, in view of the changed conditions of this expanding industry. Strengthening of the medical inspectorate, electrical inspection, statistical investigation, and legal assistance division of the inspectorate is already under way.

165. While accepting the great utility of our inspectorate, we cannot but state that such an Inspectorate cannot be completely adequate. It would be too much to expect that the Inspectorate would be able to keep a constant check on all the working areas in all the mines. The large number of aspects that must be inspected minutely and constantly, and the ever changing conditions of mines, are the two factors responsible for the limitations on the Inspectorate's work. Observations of the U.K. (Second) Royal Commission on Mines (1909) and those of the U.K. Royal Commission on safety in coal mines (1936-38), bear out this fact.



166. Consequently, it has become imperative to study the various aspects of safety problems in coal mines, instead of just entrusting the whole thing to the Inspectorate. The magnitude of the problem can be assessed from the fact that since the beginning of this century upto 1962, total number of persons killed in mines was 16,474 - of which 1215, i.e. 7½% were killed in accidents involving 10 or more. Accident rates in coal mines all over the world are 3 (three) to 8 (eight) times more than those in factories.

167. Main problems common to all mines are:-

- (a) supply of fresh air to the workmen at all places below ground - keeping heat and humidity low;
- (b) Adequate lighting underground;
- (c) Dewatering;
- (d) Haulage of underground coal or other minerals, and its transport to the surface; and
- (e) Control and support of roof-strata.

168. Some typical causes of accidents of high fatality are:-

- (a) explosions;
- (b) inundations;
- (c) bumps and rock-bursts;
- (d) winding in deep shafts; and
- (e) fires.

#### Occupational Diseases in coal mines

169. The Hazards arise from -

- (i) production of fine siliceous dust in the process of drilling, cutting, blasting, loading as well as transport- causing pneumoconiosis of various types;
- (ii) insufficient lighting, causing miner's Nystagmus;
- (iii) insufficient ventilation, causing heat, exhaustion and fatigue; and
- (iv) poor sanitation- causing a variety of diseases- some peculiar to mining and others of a more common type.

170. The working area in a mine changes from hour to hour. The newly exposed ground presents new problems. The constantly changing picture of a mine is not amenable to close study. This differentiates mining from factories. It is a continuous struggle against Nature. For example, roof and sides have to be kept up against the force of gravity.

171. Mining is becoming still more intricate and complex because of (i) the increasing depths at which minerals are now being worked; and (ii) the greater use of machinery and the greater tempo of production.



172. In their zeal for effecting greater economy in the cost of production the managements do not pay due regard to the safety aspect. The ILO Report on safety in coal mines (1956) explains how regulations become ineffective in the absence of the right attitude on the part of the managements and the workers. The ILO Report says, "if the question why accidents continue to occur in spite of the unflogging efforts of the mines inspectorate is examined, it is again seen that it is the defects and failures of those working in the coal mining industry which raise insoluble problems for authoritarian intervention".

173. From this point of view, the Report of Enquiry into the Dhori Colliery Disaster, 1965, by Mr. S.K. Das, deserves special study. It records the two contradictory theories about the Dhori Colliery accidents, one put forth by the Department of Mines and the other by the Management. The theory of the Management as enunciated by Sri R.P. Sinha broke down completely, the statement of the Manager disbelieved. General observations and recommendations of Mr. Das in this case are instructive:

- (1) Even in non-gassy mines, all workers below-ground should be provided with electric cap lamps;
- (2) while there is no difficulty about "actively gassy" and "technically gassy", seams, "potentially gassy" seams raise some difficulty. The position should be made clear as to which authority will conduct the survey contemplated by circular No. 52 of 1962.
- (3) It should be considered in consultation with the Geological survey of India whether the limit of 30 meters laid down in the Regulation is a safe limit or not. Regulation 124 of the coal mines regulations, 1957, lays down that in a mine where safety lamps are not required to be used by or in pursuance of the Regulations, if any working has approached within 30 meters of a known dyke, default or other geological disturbance, the competent person appointed to make inspections shall, during the course of such inspections test for the presence of inflammable gas with an approved flame-safety lamp.
- (4) In future, all the mining sirdars, the shat-firing sirdars, and the overmen should be trained to detect the presence of CH<sub>4</sub> in the mine atmosphere. This endorsement for gas testing on the certificate of all the mining sirdars, the shat-firing sirdars, and the overmen should be revalidated periodically.
- (5) Wherever flame and/or electric safety lamps are used in any mine, gassy or non-gassy, the proper maintenance of these lamps in good and safe working condition should be the duty and responsibility of the management of mine.



- (6) Coal dust explosions are the greatest danger to the mining industry and such explosions are almost invariably initiated by fire damp explosions and these require -
- (a) the presence of an explosive fire-damp-air mixture;
  - (b) a source of ignition and
  - (c) a length of roadway or face unprotected against the propagation of an explosion.

If necessary, the staff of the Inspectorate should be strengthened with a view to pursue vigorously and relentlessly any violation of the necessary precautions against coal dust as laid down in Regulation 123 of the Coal Mines Regulations, 1957.

- (7) In view of the enormous psychological difference in the minds of the workers, the officers and the management between a gassy and a non-gassy mine, some common precautions should be introduced in all the mines, gassy and non-gassy, especially in the working faces. Every mine must be required to test for gas in each working face and also in all places within a distance of, say, 300 ft. from the working face, by means of a more accurate and a more sensitive instrument than a safety lamp or by analysis of samples of air. This can be done once a month or oftener and by an assistant manager or the manager, possessing either a Second Class Manager's Certificate or a First Class Manager's Certificate. This work may be divided between the manager and the assistant managers.
- (8) In gassy mines, under the present law, the whole mine has to be ventilated by a mechanical ventilator fixed on the surface. Even in non-gassy mines, steps should be taken to ensure better ventilation.

In case of a naturally ventilated mine, it is practically impossible to achieve the standard as recommended by the Technical Committee on Mines safety standard. As such, in the Regulation itself, the term 'adequate ventilation' should be explained in fuller detail incorporating the quantity of air etc., as specified in the committee's recommendations. Though non-gassy mines, which are very small or at their initial stage of development may be allowed to depend entirely on natural ventilation by special relaxation from the Inspector of Mines in writing, such relaxation should be renewed by the Inspectorate every year after inspection. In other non-gassy mines, the velocity of air current in the development working should be maintained at not less than 0.5 m per second. In case the natural ventilation does not meet the above requirement, auxiliary fans in the main return way or a fan on the surface with suitable capacity should be installed.



Normally, it should be obligatory to make ventilation connections as soon as the gallery is driven a pillar and a half length or 150 ft. from the last ventilation connection, whichever may be more.

- (9) Safety weeks should be put to the use for which they were originally intended.
- (10) No recommendation is made about suggestions, such as,
- (a) nationalisation of coal mines;
  - (b) nationalisation of sirdars and overmen;
  - (c) discharge, dismissal and suspension of managers and assistant managers with the consent in writing of the Chief Inspector of Mines;
  - (d) the creation of a pool of technical and competent persons, and
  - (e) the setting up of a Rescue Station within a radius of five miles from each mine.
- (11) The Department of Mines should consider how to eliminate the difficulty of identification of worker's after a big accident.

(Incidentally, it is interesting to note that it was suggested by the parties that the practice of erecting stone-dust barriers, as followed in some countries, should be introduced in gassy-mines in India, with a view to minimise the danger of coal dust explosions.

174. The ambiguity of Rule 22 of the Mines Rule, 1955, regarding recovery of expenses, was also discussed, and it was suggested by one of the parties that "expenses of the inquiry" should cover all costs.

175. The first conference on safety in Mines (1958-59) made a number of valuable recommendations on -

- (i) vocational training and safety education of mine workers.
- (ii) technical matters like dangers from gas, dust, inundation, etc. standards of ventilation, lighting and plan-accuracy, problems of roof-control, mechanisation and use of explosives;
- (iii) Management practices, and responsibility of production officials in respect of safety matters. The role of workmen in promoting safety and the need for discipline.
- (iv) Fitness of workers; personal protective equipment.
- (v) Administration of the Mining safety legislation and the role of the enforcement agency.
- (vi) Availability of safety equipment and material.
- (vii) compensation and rehabilitation.

The conference recommended a thorough medical examination of every mine worker at the beginning of his employment and at regular intervals thereafter.

176. Subsequently, various subjectwise committees, a standing safety advisory committee, and a National Council for Safety in mines with comprehensive objectives, have been set up.



The observations and recommendations of the committee on the Mine safety equipment are satisfactory, in view of our present limitations.

177. The country should become self-sufficient as regards its requirements of safety machinery and equipment of mining, the only exceptions being those items whose manufacture is highly specialised or whose demand is not sufficient for economic production within the country.

178. Easy availability of 'spares' of the right specifications, i.e., of approved design and standard, is of vital importance not only to increased production but also to the maintenance of existing production levels. True, as most of the machinery already in use in our mines is of foreign manufacture and most of the spares and parts are of proprietary design, these parts would have necessarily to be imported and indigenous manufacture of spares can only be undertaken under licence of the original makers and only in case of standardised equipment and in case of parts whose requirements are fairly high. Nevertheless, adequate capacity for manufacturing spare parts should be provided right from the beginning. The mining industry's requirements for import of safety equipment and of spare parts should be met in full and in time. The certifying authority (for recommending import applications) for Mine Safety Equipment should be the office of the Chief Inspector of Mines which may, in urgent and appropriate cases recommend import of even such material as is manufactured indigenously. Most of the requirements of spares should be permitted to be imported through Established Importers, so that spare parts are readily available on open sale. A standing Mine Safety Equipment Advisory Board should constantly review and advise on the availability of mine safety equipment.

179. The most important but unfortunately the most neglected aspect in the mining industry is the vocational training of workmen: The mining labour mostly consists of raw workers recruited from villages and employed below ground in productive capacities without having undergone any vocational training to acquaint themselves with the elements of their work or with safety principles. The new entrants are more prone to accidents than experienced workers.

180. The I.L.O. Committee on Coal Mines has stressed in its Report (1956) on Safety in Coal Mines that 'vocational training of mine workers is one of the most fundamental factors in the fight for accident prevention', and has added that 'whatever method of training is used, due account should be taken of safety requirements. A knowledge of the hazards inherent in mining work and of the right methods of preventing them is part of the art of mining'. Such training would also help in producing more skilled and enlightened workmen.

181. The urgency of vocational training is all the more increased because of the additional hazards introduced by deep mining and the greater use of machinery and explosives.



182. The training sub-committee has made suitable recommendations on selection of trainees; theoretical and gallery training; guided operational training; trainers; certification of trainees; payment of stipend during training, reduced training for surface or open cast work, special training for gassy mines, refresher course, training in track-laying, training in handling and using explosives, and training in gas-testing.

183. The scheme envisages training at the mine level, not only of new entrants but also other working mine-workers. To enable the inspectorate to do justice to this work, the scheme proposes introduction of a training wing on lines of the arrangements in the U.K. Department of Mines.

184. The committee has done well in formulating and publicising "General Advice" to different categories, to Miners and Loaders, Drillers, Tyndals, Timber-Men, Trammers, Coal Cutting Machine-Men, and others.

185. Regarding Mine Safety Education and Propaganda, we feel satisfied with the following observations and recommendations of the committee set up for the purpose-

- (1) Necessity of Safety Education and Propaganda etc.  
(Section II, Page 8)
- (2) Safety Education for Mine workers.  
(Section III, Para 4.1)
- (3) Safety Education for supervisory staff  
(Section III, Para 4.2)
- (4) Ensuring attendance at safety lectures.  
(Section III, Para 4.3)
- (5) Officials' safety Meetings  
(Section III, para 4.4)
- (6) Safety propaganda  
(Section IV, para 2.1)
- (7) Safety campaigns and safety weeks.  
(Section IV, Para 2.3)
- (8) Safety Awards for individual workers, supervisory  
Officials and managers/managements.  
(Section V, Para 3.1)
- (9) Safety poster competition  
(Section V, para 3.2)
- (10) Prizes for safety suggestions  
(Section V, para 3.3)
- (11) First Aid competitions  
(Section V, para 3.4)
- (12) Award of Bravery  
(Section V, para 3.5)
- (13) Safety slides, films and documentaries  
(Section IX, para 3)

Though many of these recommendations are already in the process of implementation, the matter deserves to be pursued more earnestly and vigorously, so that the measures, when adopted, should not degenerate into mere, lifeless ceremonials.



186. Problem of Fatigue among mine workers should be thoroughly studied.
187. The rates of compensation to workers involved in accidents should be further increased and, in all cases, lump sum payments be replaced by pension payments.
188. Rates of compensation for occupational diseases should be re-fixed in the light of the changed conditions.
189. The mining safety legislation must be kept under constant review. This is necessitated on account of adoption of new mining methods, introduction of new machinery, exploration of new minerals deposits and new research findings. Presently, there is need for further amendment of the Mines Act, the 1959 Rescue Rules and the Coal Mines Regulations (1957).  
(The Mines Act should facilitate inspection of mines by workers' representatives also).
190. There should be advance scrutiny of mine development plans - following the example of such practice in Germany, Pennsylvania, Netherlands, Canada and Belgium. For this purpose, a Mine Development Board be set up.
191. Measures should be adopted to control the construction of buildings on mining properties in the interest of both safety and conservation of minerals, and for evacuating existing buildings over unsafe areas. Other State Governments should set up, for this purpose, the Expert Committees on the model of the one set up by the Bihar State Government.
192. The number of coal Mines Rescue Stations be increased.
193. Places where there is larger concentration of workmen be located in advance, because more mechanisation means greater use of electricity and explosives, both potential hazards, and in places of larger concentration of workmen a greater number gets involved in the accident.
194. The Phenomena of subsidence under our strata conditions by thoroughly studied.
195. Roof and strata control, especially during the 'second working' is one of the most important problems. Present drawbacks with regard to this can be overcome by filling the voids with incombustible material like sand. Hydraulic sand stoving is the best solution for Indian conditions-though sand-stoving is not a panacea for every problem that arises in depillaring operations and adequate quantities of stoving materials are not available.
196. The experts should ascertain as to which method of roof support would suit Indian conditions.
197. It should be ascertained whether stone-dust-barriers can be profitably used against the possibility of coal dust explosion in actively gassy mines in our country.



198. Though in the very nature of things the Inspectorate cannot be expected to do full justice to all the aspects of the safety problem, the question of raising the strength of the Inspectorate be seriously considered.

199. A sense of competition in safety matters will be highly helpful. It has helped promotion of Safety consciousness in other countries. The Report "Safety in Coal Mines" of the Coal Mines Committee of International Labour Organisation at its sixth session (Istanbul, 1956) proposed "measures for Encouraging Miners' Initiative in safety matters". It mentions the 'safety bonus' which is in force in France and Germany. The report gives the details relating to the two formulae applied in Germany, of which the second one is simple and ensures expeditious payment. The report further describes an interesting experiment made by the "consolidation" and "Unser Fritz" mines at Gelsenkirchen (Ruhr), and arrives at a conclusion that "a well devised safety Bonus is an effective means of stimulating both - interest and cooperation, not only on the part of the supervisors but also of the mine workers". The Report enunciates the following principle on which any safety bonus should be based-

"The method of calculation should be simple and easy to understand; a system should be adopted which offers a real chance of receiving something, payment of the bonus should be made without delay so that, at the moment when it is paid, the workers are still aware of the period for which the bonus has been calculated, lastly, it may be added that the effectiveness of the bonus can be increased by paying it in such a way that it is clearly distinct from normal wages and by choosing a moment when it will be doubly appreciated, for example, the last week in the month."

200. The Report appreciates introduction of a "kind of competition" between the different mine sections. Competition encourages emulation. "In the Nord and Pas-do-calais coalfield a special safety prize has been instituted and the extension of this to other coalfield is under consideration. In the United States some of the coal mining companies organise safety competitions between the mines which belong to them and, after a specified period, the mine which has obtained the best results, is awarded a cash prize. Other mines, again, have organised competitions which give each miner who has fulfilled certain safety conditions during the year the chance of winning a prize at Christmas time. We may also recall the first aids competitions which arouse consideration interest among miners in the United States. The team which wins the regional prize, the State prize or the National prize receives a cash award, a trophy and other honours. Lastly, brief mention should be made of the work of the Holmes Association, whose effects on safety in coal mines in the U.S. are considerable. This institution stimulates the safety movement by the grant of suitable awards and honours to the mines which have reached an exceptionally high level of safety and to the miners who



have worked 20 years or more without an accident. In Poland, a special fund has been established, from which collective prizes are awarded every year to the mines which have obtained the best results in industrial safety and hygiene as well as individual prizes to the workers and supervisors who have worked without accident or who have made the greatest contribution to improving industrial safety and hygiene in the mine. This list of examples could easily be supplemented by examples from other countries."

201. While all other remedial measures referred to earlier are important, the essence of the whole matter lies in the rousing of safety consciousness among all concerned. This factor of supreme importance is applicable equally to cases of other hazardous industries. In case of every one of such industries, there should be a serious effort to devise the ways and means of rousing safety consciousness. Safety problems assume different character in different industries but the basic factor is the human being who works out the industry. If the human element in the industry is brought upto the required level of consciousness, the inanimate mechanism of the industry will automatically take care of itself. Man is the key problem - the centre of all safety problems.

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INTRODUCTORY:

202. The unemployment and under-employment in the country is the most influential environmental factor in India that has kept the wages of Indian labour at a low level as compared to those in other countries or even when compared to the minimum requirements for human living. It has affected both the skilled and unskilled labour. At higher levels it is causing a brain drain. At lower levels it has left to labour no bargaining power. The condition of agricultural labour, gumastas in small shops & establishments, unskilled labour in practically all undertakings but specially in the small-scale industries, labour in domestic services etc., is one of appalling poverty. The abundance of educated class in relation to the needs of economy has driven this category also into the same position as unskilled labour.

203. Amongst these the agricultural labour possesses hardly any bargaining power. The economy of the villages is subsistence-oriented one. A recent study made of this labour by Shri V.S. Vyas of Sardar Vallabhabhai Vidyapeeth, Gujrat, shows that the average daily earning for the casual male labourers who constitute the bulk of the agricultural labour force ranged from 87 p. in one village to Rs.1.45 p. in another. The wage differentials were mostly dependent on the incomes of the cultivators than on any other factor. The employment ranged from 140 to 259 days. The family income ranged between Rs.393 a year in the worst of the selected four villages to Rs.588/- in the best. In the worst of the villages 40 p.c. of the payment was made in kind, mostly inferior cereals, while in the best case 97 p.c. of the wages were paid in cash. As against this it is interesting to note that the average annual earnings per person engaged in India works out to Rs.509/- in 1962-63. The relevant figures in the case of different sectors give us the following results:-

Sector	Wages and salaries (Rs. in crores)	Total working force (in millions)	avg. earnings per person. (Rs.)
1	2	3	4
1. Agriculture and allied activities.	1241.2	123.28	101
2. Mining, manufacturing and factory establishments.	966.1	4.64	2082
3. Small Enterprises (including construction)	224.0	12.04	186



Sector	Wages and salaries (Rs. in crores)	Total working force (In millions)	Avg. earnings per person (Rs.)
1	2	3	4
4. Other commerce and Transport	363.7	10.80	337
5. Organised Banking and Insurance	137.5	0.15	9167
6. Professions and liberal arts.	531.0	9.30	571
7. Domestic services	220.0	4.41	500
8. Govt. Enterprises	289.0	1.91	1513
<u>Earnings for self-employed sector</u>			
9. Agriculture and allied activities	4410.0	49.31	894
10. Small enterprises (including construction)	789.4	4.01	1969
11. Other commerce and Transport	1088.4	2.70	4031
12. Profession and liberal arts	309.0	6.71	465

Source:- (1) Col.2 Narayan and Bina Roy "The Movement of Distributive Share in India" 1948-49 to 1957. Third Indian Conference on Research in National Income, Bombay 1961. The series- as extrapolated in NCAER publication. The figures above being for 1962-63.

(2) Col.3: National Income Statistics, Central Statistical Organisation 1961. Series 1955-56 to 1959-60. For 1962-63 figures as shown above a simple linear extrapolation was applied.

204. The sectoral position of wage earnings in India from the same source gives us the following figures for average yearly wage earnings for the years 1953-54 to 1957-58.

Sector	Earnings Rs. in crores	Col.(2) as % of National income
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Organised sector

1. Plantations	84	0.8
2. Mining	48	0.5
3. Factory Establishments	392	3.7
4. Communications	35	0.3



Sector	Earnings Rs. in crores	Col.(2) as % of National income
5. Organised Banking and Insurance	60	0.6
6. Railways	151	1.4
7. Government services	570	5.4
<u>Un-organised sectors.</u>		
8. Agriculture	800	7.6
9. Forestry	28	0.3
10. Fishery	5	0.1
11. Small Enterprises	183	1.7
12. Other commerce and Transport	245	2.3
13. Professions and liberal arts.	356	3.4
14. Domestic services	146	1.4

205. In this connection a recent study made by the Research Bureau of 'The Economic Times' also throws an important light. It makes the comparison between Britain and India which shows the influence of wage earners in both countries and the impact of collective bargaining in determining income levels.

A COMPARATIVE TABLE BETWEEN BRITAIN AND INDIA

	Britain	India
1. Wages and salary earner as per cent of total working population	93.3	51.1
2. Wages and salary as per cent of national income	73.5	30.5
3. Trade Union membership as % of working population	39.8	2.1
4. Workers covered by collective bargaining as % of total number of workers.	32.8	negligible
5. Income of self-employed as % of national income	9.0	44.9

206. The above tables suggest the following conclusions.

- (i) In a family that is dependent on agriculture and allied activities the number of persons who earn some kind of wage appears to be more. Perhaps the percentage of child and women employment may be highest in this sector - due to sheer necessities of subsistence and seasonal rush of work.



- (ii) Workmen in Organised Banking and Insurance get the highest wages. Those in Mining, Manufacturing and factory establishments run next to them but are substantially less than the former. The Government enterprises run a closed third. Workers in professions and liberal arts are again at a substantially low level than those in Government enterprises. They are again closely followed by domestic services. The condition of those engaged in other commerce and transport, small enterprises and agricultural and allied activities is the worst in all trades. Significantly these last three trades form in the same order a comparatively better field for self-employed persons.
- (iii) Except in the case of professions and liberal arts the average earning of persons in any employment is substantially less than the self-employed person in the same sector.
- (iv) The bulk of the country's population however lives on agriculture. Despite its very lowest per head earnings the total earnings of this sector constitute the highest percentage (7.6) of National Income. The Government services including the Railways constitute also a big portion. This gives to the wage awards in public services quite a central place in the economy. Next to these in importance, from the view point of total sectoral earnings, come the factory establishments, professions and liberal arts, other commerce and transport, small enterprises and the domestic services. All the rest of the sectors constitute each less than 1% of the total national income. This classification gives us a body of reference in determining the application of labour policy and law to different broad sectors and examine various theories of wage impact such as the price - wage - price spiral, or concepts such as National Wage Policy, Minimum wage etc.,
- (v) It can be seen from the last table that the wage and salary earners and their total earnings now form quite a sizeable part of Indian economy. Though it is much less than their corresponding position in more developed countries, yet it can no more be ignored as of less importance than the self employed sector. The workers are not however much unionised. A country in which trade union membership constitutes only 2% of the total working population and the influence of collective bargaining is almost nil can hardly be considered as ripe where institutional sanctions can be relied upon to deliver the goods. This aspect calls for care in taking any hasty steps for statutory recognition of bargaining agents or promotion of national bargains for industry.



207. Compared to the magnitude of the problem the pace of progress of the trade union movement has been very slow. According to one estimate while factory employment alone has grown by some 8 lakhs from 1960 to '64 the aggregate membership of registered trade unions submitting annual returns has been almost stagnant over the period. Curiously enough, we find different estimates about the precise strength of organised labour, varying between a little over 2 million to about 3.6 million members. Moreover we know that whatever movement is there, is largely embroiled in internecine quarrels and hand-to-mouth efforts. As a result, even in the organised sector we get less of collective bargaining and more of third party judgements on wage-matters.

208. After all is said and done, it has however to be admitted that the trade unions are taking some part in determination of wages. Specially in the organised sector of the economy the trade unions are gaining some say in the matter and there is already a hue and cry that the rate of Dearness Allowance achieved by organised labour is creating a wage-push inflation in the economy. That this cry against labour is unwarranted and is only an index of influence that capitalists wield over the propaganda organs needs no elaborate analysis. The strength of organised labour is already very small and even in sectors where it has influenced most we see that the real wages of workers have shown no improvement. The real impact of the Trade Union Movement on wage-behaviour may become clear if we can examine geographical wage-differentials and occupational wage-differentials in the same industry. A recent study on this subject captioned "Wage differentials in Indian Industry" published by National Council of Applied Economic Research shows that the wage-spread for many of the occupations as between the different plants is substantial. So also there has been a tendency towards a reduction of differentials as between the lowest and the highest paid job. It may be hoped that the impact of union pressures will be found in the index of these changes. But we must admit that we are not informed on this matter either through our own sources or outside ones to make any firm statement in this regard.

209. Thus it can be seen that the traditional mode of wage settlements and awards have exercised the greatest influence on wage determination in India. The collective bargaining is making a very timid appearance. The vast scale unemployment and under-employment, large availability of unskilled labour and wages in agricultural and unorganised industry have already influenced the labour market. In view of the subsistence nature of village-economy there is no need to make these factors influence any more the wage patterns in the country. On the contrary, if the country is required to be committed to great strides in modern industrialisation on western lines as envisaged in recent five year plans (a view which we do not share for different considerations) then a reverse effort will be necessary so that a drag of a backward economy need not be



felt in inconvenient proportions over the living standards of industrial workers. But these are sectoral and therefore partial considerations. What is of paramount importance in Indian economic condition is to give a broad push to living standards of all sections of Indian population. The real wage of every worker must show a continuous and rapid improvement. And though the growth of trade union movement and collective bargaining shall accelerate this process, yet it is not necessary to wait for the growth of these factors. By all means at our command we must raise the standards of living of our people in an equitable manner.

### MINIMUM WAGE

मंदो मध्यस्तथा शीघ्रः त्रिविधो भृत्य उच्यते ।  
 समा मध्या च श्रेष्ठा च भृतिस्तेषां क्रमात्समृता ॥१५॥  
 अवश्यपोष्यभरणा भृतिर्मध्या प्रकीर्तिता ॥८१॥  
 परिपोष्या भृतिः श्रेष्ठा समान्नाच्छादनार्थिका ।  
 भवेदेकस्य भरणं यथा सा हीनसंज्ञिका ॥९०॥  
 ये भृत्या हीनभृतिकाः शत्रवस्ते स्वयंकृताः ॥१३॥

- शुक्रनीति, अध्याय २.

210. The main difficulties about the working on the concept of minimum wage relate not so much to the definition of a minimum wage as to its actual quantification and fixation and still more about its implementation. A minimum wage or rate of minimum wage-scale can be fixed by statute as any monetary quantum and relate it to a particular base year. How far that statutory minimum corresponds to different concepts of need-based or like concepts of minimum wage is still largely a question of critical style. For these concepts are a little fluid. In the case of Express News Papers (Private) Ltd., and another vs. Union of India and others (14 F. J.R., A.I.R. 1958 S.C.578) the Hon'ble Supreme Court have discussed at length various concepts of Minimum, Fair and Living wage. They considered not only the provisions of our constitution and the recommendations of Committee on Fair wages but have also discussed the views expressed from time to time by I.L.O., by Hon'ble Judges of courts in Australia and United States, by Royal Commissions on labour, by various Labour Enquiry Committees and considered too the opinions of Governments, Employers Organisations and Central Labour



Organisations. After such an exhaustive enquiry they arrived at the conclusion that 'the content of the expressions "minimum wage", "fair wage", and "Living wage" is not fixed and static. It varies and is bound to vary from time to time. With the growth and development of national economy, living standards would improve and so would our notions about the respective categories of wages expand and be more progressive."

211. There is hardly anything that we can improve upon this learned judgement. Moreover for the field-worker this task of defining minimum wage has always been felt as an academic exercise. What is of most direct concern to him is the urgency to fix up minimum rates of payment and regulate their growth over time and secure implementation. We therefore propose to proceed forward with these more pragmatic sides of the question.

212. That there is a need for enactment and enforcement of minimum wages and to extend its sphere so as to include even the whole of non-industrial workers is a proposition beyond any dispute. Various State Governments have already enacted such legislations and there is a sufficiently long experience about their implementation. The stage has not been yet reached when the unification of rules and norms of minimum wages all over the country can be tried. Even within each State the area-wise classifications made by Government Notifications cannot be said to be final. A still greater difficulty has arisen in defining the various categories of workers. The lumping together of these categories in three or more broad classifications such as skilled, semi-skilled, un-skilled etc., is too broad and admits any number of interpretations. Moreover the works relating to different categories vary widely from establishment to establishment and region to another region. Almost inevitably, smaller and poorer the establishment or region, the worker is burdened with more numerous types of tasks and the purely manual or unskilled worker has no place in such establishments. And yet these same establishments cannot afford to foot the wage bill of a skilled or highly skilled labourer for their omnibus assistants. It is a good theory to say that the quantum of minimum wages be divided on the basis of actual need of workman and one who cannot afford to pay them should preferably close down his business and give way to those who can. But as we go from township to villages the difficulties in enforcing these mandates begin to be very real. In this sphere the whole economy is living on hand to mouth existence. The concept of the evolution of a National Minimum is fraught with these prospects. And yet for this very reason there is a need to devise a very wise policy on minimum wages. Here another danger in fixing the minimum wage also needs to be mentioned. It has been found in practice that once a minimum wage is prescribed for any occupation then the minimum itself tends to be the maximum wage and even the most flourishing establishment in the concern contents on paying the prescribed minimum to its staff. This defeats the very purpose of this social piece of legislation which is intended for the greatest



possible welfare of the masses.

213. A way out can be found out by putting in greater degree of technical efforts in drafting the provisions regarding the minimum wages in various trades, regions, occupations and establishments. At present the nature of establishment is widely ignored in preparing rules and schedules for minimum wages for different categories. It is felt that a classification of establishments on the basis of capital, turnover, profits or no. of persons employed etc., is imperative to make the minimum wage legislation really beneficial to the people. The various trades in each locality or region should be categorised on such basis for the application of minimum wage rules. Then a thorough technical probe of those trades will reveal us the economic and financial potentiality of each unit in area-cum firm classification. It will then remove such obvious exploitation as we see even in richest of markets in metropolitan cities like Bombay, where labour is hired at a low subsistence level while lakhs of rupees flow before him like running water. Certainly the human labour must be prized as much as the economy can afford to give him and abundance of labour should not become a cause to concentrate more and more wealth in few hands. The owners of large and profitable establishments must be made to pay for the human labour they employ, the price that can bring to these workers a dignified existence. Similarly a standardisation of duties and nomenclature is a necessary basis to make the enforcement of minimum wage rules meaningful and effective. The task is undoubtedly a vast and complex one. But that should not be a deterrent in undertaking the same. At present it is left to the poor shops and establishments Inspectors to define it and recently there is an evident tendency not to take any state initiative in these matters but only to entertain the claims and shift the burden of proof on the complainant.

214. In this respect it requires to be appreciated that the minimum wage legislation is primarily intended for the benefit of labour in the unorganised sector of the economy. In this sector the ratio of management to labour is quite often ridiculously low. There are innumerable cases where every family member of the entrepreneur or even his distant relative acts as a boss over the one or two labourers engaged in the enterprise bringing the management:labour ratio to 2:1 or even 3:1. Even when such a fantastic bossing is absent, the employees are too close to the employer to dare the registering of any complaint. It is a wide experience of shops and establishments Inspectorate that even when a much harassed servant of any establishment lodges a complaint in private to the inspector, he often pleads that he is not in a position to come out openly to place or substantiate the complaint. In these circumstances it is only a highly conscientious Inspector that can book the employer for the contravention of rules by cleverly using bogus customers or by laying down careful traps. But with the increasing tendency of State Governments to relegate this function,



wherever possible, to municipalities or other local bodies, such conscientiousness of inspectors is becoming an unrecognisable virtue. These bodies are too much enmeshed in local politics and the local shops and establishments inspector is under many pressures to take any bold, imaginative or effective step. In effect the law is becoming an ornament of a welfare state under which all basely motives get their free play and the exploitation of labour is done in an open and unashamed manner. The employer of a small establishment has too many chances to bring his employee into a disrepute and the demands of loyalty made on him are quite out of all proportion to the remuneration given. These employees are quite often drafted for home-work and their whole families are almost treated as a slave labour in the chains of even the small children of the employer. Their rescue from this state of serfdom can be done only by a compulsive and meticulously drafted legislation and its impartial and efficient administration. The shops and establishments inspector should not only be a public prosecutor who acts after the complaint on the basis of data and evidence furnished by the complainant; he must act as a vigil of society's conscience and initiate action on his own whenever he spots out the infringement of law. Then only the minimum wage will become a reality.

215. Having done this, then we can entertain the ideas of embarking upon a phased programme for implementing the need-based minimum as recommended by the Indian Labour Conference. In the definitions given by the Conference about the Minimum, Fair and Living wage, there is much that can be improved upon the present ideas on the subject. Specially the expenses on educational and medical care and old-age requirements need to be embodied as a part of need-based minimum and the number of consumption units in a family be made more realistic. The concept of living wage has to be treated as evolutive one as the aspirations of common man begin to embrace a wider sphere of utilities and services. But looking to the present context of the economic situation the urgency is more in taking action on existing definitions than on taking seemingly futile academic exercises on the subject by way of changing definitions.

216. In this respect the starting point of any workable programme has necessarily to be based on the actual survey of living and working conditions of workers in various regions and stratas of economic classification of the society. Recently such surveys of agricultural workers, industrial workers and middle classes have been taken in 1958-59 though their publication has been unduly delayed. Moreover they are being used principally for the construction of cost of living indices. This is certainly their one important use which can give us city-wise and area-wise indices of cost of living and help in quantifying or interpreting the national or state figures of minimum or other wages in their respective monetary components on the basis of indices for comparative costliness of different cities and regions and more so for different periods of time



for the same region and strata of population. A wider use of this survey is however called for in fixing the initial target for a minimum wage programme and governing or ensuring a rise in its real content over a period of time. These surveys can give us a base for individual and family income and expenditure pattern from which we can make a start for a minimum wage programme. This survey can give us the present state of indebtedness in a given strata of population and the causes of such indebtedness. The first target of any bare-level of minimum wages should be to take steps to see that the workers and their families can fulfill the existing needs of their living without incurring any debt or credit. This will make our people free from immediate anxiety and loosen the clutches of the moneyed section of the population. A simultaneous programme should be undertaken to see that the minimum economic potential of each establishment is tapped to ensure the flow of monetary benefits to reach the common workers without prejudicing the objective needs of the industry. These two steps will give us a practical base of operation and an enforcement machinery free from all politics - local or otherwise and will create in India the first revolution in an upward march of all people towards a egalitarian society. The further steps in this programme are a part of National wage plan and planning for the small-scale sector of the economy.

217. A National Minimum Wage is certainly a desirable concept and it should be an endeavour of all of us to make that concept a reality as soon as possible. But the circumstances of our country are such that however we may desire, it will not be possible for us to make an all-India rule on absolute standard of a minimum wage equally applicable from forest workers in regions like hill tracts of Assam to factory workers in Metropolitan area. The difficulty in applying this minimum does not consist so much in varying consumption requirements of different regions. That factor can be taken care of by regionwise cost of living indices. Perhaps a more correct method for this purpose will be to construct and maintain Minimum Wage Indices for different area which can give us running monetary equivalents of a given basket of goods of services. The late Shri G.D. Ambekar of INTUC was an ardent champion of this minimum wage Index and there was much sense in what he said on the subject. Neither is the feasibility of an Index-bound minimum wage an unpractical proposition. The Minimum Wages Acts and rules for workers in printing presses in Maharashtra State are based on this Index-bound minimum wage. The real difficulty in fixing up a National Minimum Wage or its equivalent is due to the diversity of economic potential of different industries and regions. The main idea of a Minimum Wage must be that it is a fair minimum and must be paid irrespective of the paying capacity of the employer. That is why a great care is necessary in fixing up the statutory minimum. This statutory minimum must again provide for all the fair necessities of human living. But what are these fair necessities and what should be done,



if suppose, in an industry like Agriculture or cottage Industry the repercussions of fixing such a fair minimum as statutory minimum lead to a large scale unemployment? The question can be more pragmatically tackled by fixing sectoral standards of a Minimum Wage and dividing them into two components as urban and rural. Before deciding this sectoral urban and sectoral rural minimum a definition of sector has to be fixed. In this context we wish to state that the present sectoral classification made by statistical institutions cannot be accepted for purposes of labour legislation. An original thinking is necessary. This is a subject matter for expert enquiry. It is however quite obvious that the sectoral classification can be based on nature of industry, level of technology employed and margins in trade observed. A further firm-wise classification on the basis of working capital, size of the firm, number of the employees etc., may also be tried for higher ranges of Minimum wage. A Bharatiya Mazdoor Sangh Union in Dehradun has successfully entered into an agreement with Tailoring establishments for a firm-wise wage standard according to the tailoring charges fixed by different establishments for a given suit. Such a differentiation gives accommodation even for the degree of skill and efficiency expected in establishments of different repute. It can be seen from the above enumeration that though we do not envisage the possibility of a National Minimum Wage which is the same for all occupations, industries and regions, yet we do not feel that the subject be left to States without a firm national guidance. This concept of sectoral standards for minimum wage falls some-what in line with the recent formula proposed by the International Labour Organisation for developing countries. This formula envisages that the standard of living of a representative peasant farmer should be taken as a base for fixing a minimum wage with the industrial wages being adjusted from that rock bottom level. The expert committee of I.L.O. however considers that by taking the standard of living of a peasant as a base and giving an adjusted level accordingly to the industrial worker it is expected that these two levels would not run apart. We do not agree with this latter view of I.L.O. nor it is an inevitable concomitant part of its proposition. We hold that the sectoral standards of minimum wages can and may be allowed to run apart. For otherwise they will bind each other to keep an all time low for all sectors. If the agricultural sector can afford at a particular time a higher minimum it need not wait for industrial sector to pick up till uniform upward revision for all sectors can be done by keeping the proportional differential constant. Neither do we feel that the minimum wage in industrial sector should be pitched at a low target simply because the representative peasant farmer is still at his bare subsistence level. The inequality of developmental process is itself a cause for advocating sectoral minimas.

218. In the context of Indian situation one exception to the application of a minimum wage enactment may however be



necessary on grounds other than economical. After all India is one such country where the economic motivation of life is not held in high esteem. The greatest good of this country has been promoted by those self-sacrificing band of people who have never cared for money or earthly necessities. For them there is nothing like a need for living - they are indeed the masters of all environmental factors. No act on Minimum Wages or for that matter any labour legislation should be allowed to hamper or kill or twist this pure and high idea of social service without a care for monetary reward or without even expecting anything from this earth. Such men are not dependent on anything ( निरावलंब ) and to make them appear as dependent and statutorily force them to accept a minimum wage will amount to deny to society that great fount of life-giving force which such true sons of God bring by their ever-blissful life. They are the stardard bearers of society and should therefore be respectfully exempted from any labour law - whether it confers benefit or imposes any restrictions. For them there are no standards of a majority rule. They are themselves an ideal to which others should voluntarily approach by giving their all in return for spiritual liberty. When such persons enjoin upon themselves a task whether as a teacher, professor, Newspaper Editor or social worker etc., they should not come under the purview of any labour legislation. A certain difficulty is likely to be encountered in fixing any outward process of recognition for such inner values. These persons may be working in the same category of workers as others for whom a minimum wage should be attracted. The only way out is to keep it open for persons to voluntarily declare from time to time, if need be, that they wish not to be governed by any standards applicable to ordinary labour. Such a voluntary declaration can be treated as a sufficient foundation to demarcate the limits of law. Consequently, in the same establishment as say, a social service Institution or work, some members may be governed by industrial legislation while some others working as their colleagues or co-workers etc, but who opt to remain out will not be treated as workmen for purposes of any industrial law such as those on Minimum wages, Hours of work and overtime, provident fund etc., Such a co-existence of persons with different motivations - economic and ultraeconomic should not only be held as feasible but even as a encouraging sign of human advance that ultimately leads to a stateless society.

#### DEARNESS ALLOWANCE

219. This is a subject on which a very heated controversy has taken place in recent days and the same continues unabated for the moment. The trend of prices in India has shown a steep upward movement and is causing considerable hardship to all sections of populations. In this respect the workers, who have a comparatively fixed income, are the worst sufferers. They are dependent for their living completely on the industrial institutions of the country. Their wages are not,



except in very rare cases, fixed to production or productivity, nor can they fix up like the self-employed sector, a price to their product or services in an open market. They are thus a helpless victim of sky-rocketing prices. As a natural reaction to these adversities of life, they have tried to raise their voice in protest and have asked for a compensation against the price-rise in the form of Dearness Allowance. This system of D.A. is a hang-over of war economy and is peculiar only to the India and Pakistan. The workers case regarding D.A., is obviously for cent per cent neutralisation on cost of living indices. Recently there has also been a controversy over the faulty compilation of cost of living indices and though a few of them have been corrected yet a major shift to base the figures on 1958-59 family budget enquiries is still awaited at Government hands. Indeed the delay and secrecies observed by Government on this vital part of statistical data are extremely annoying. By this time, we should have well-poised for piloting the 1968-69 family living surveys - but unfortunately we have not yet come out from the crippling consumer price index series of the second and third decades of the present century. The Government is indeed providing every cause of provocation to the workers on this most sensitive question of price-rise and its neutralisation. Even the recent enquiry on principles of fixation of D.A. to Central Government Employees has apparently postponed the major part of the issue to Third Pay Commission. Time and again workers are asked to remain content on ad hoc reliefs by way of increases in D.A. that hardly meet the situation even half-way are becoming a pattern.

220. It would have been a wonder if in these circumstances various theories would not have been propounded on relevancy or otherwise of full neutralisation. The text book concepts of price-wage - price spiral theories have been held as gospel truths without making any examination of their applicability to current economic situation. It is even held that real wages of workers must go down in the larger interests of economic development. When such claims on working population are made by authors who can in the same sweep plead for lower taxes, higher dividends and other incentives to the rich for inducing them to invest their surplus funds in investments and accelerate capital formations, one really wonders about the concept of human motivation that has moved these worthy theoreticians. Even the Government which asks its employees to practice austerity as a national virtue is found ready to squander crores of rupees for fruitless purpose just to please its own fancy or keep itself in office. The Nation cannot however afford to tinker any longer with this problem. Its immediate solution is an absolute pre-condition for taking any firm and encouraging step on the industrial front. The advent of a good monsoon in this year affords a special facility to decide once for all this difficult problem. For it may now be possible for the Government to deal with the more long term aspects of this question if by controlling food-prices in this year of boom, the Government can create an environment of relative price



stability.

221. The question of D.A. is an all pervading one and it is sheer escapism to leave its solution being found out at unit level bargaining. The main factors influencing the basic trends in this regard are quite capable of being handled by application of right principles and standards. The difficulty is not so much technical as political. The latest experiment made in this regard is by Great Britain and though that country has not been able to implement fully its originally well-drafted policy due to heavy reliance on international trade yet all the technical angles of the question have been given quite a comprehensive treatment. The example is not applicable only to a developed country, but is also applicable to developing countries. The solution suggested therein is based rather on more permanent principles of economic behaviour. The main theme of the subject is covered in a joint statement of intent on productivity, prices and incomes which was issued by the Government in agreement with representatives of two sides of British Industry. The parties to the statement of intent agreed that 'the only way to real economic growth with price stability lay in limiting average pay increases to the average increase in national productivity.' The statement set out the norms for annual pay increases and went on to detail the grounds on which exceptions would be warranted. This was followed by the establishment of a National Board for Prices and Incomes whose job was to investigate particular wage claims or price increases referred to them by the Government to see whether they were in the national interest. The practice of referring the cases to this national board was supplemented by introducing the system of giving early warnings for key wage and price increases. This brought in picture, in a very effective manner, the General Council of the Trades Union Congress. A degree of centralised authority within the British Trade Unions was naturally brought in by this step and ensured for workers a pay rise in real terms. The system of D.A. is not of workers liking anywhere in the world. In India the question would not have simply been raised had there been an environment of stable price level. What workers are really concerned is to improve their standard of living by increase in real wages. The ad hoc monetary increases which do not touch the basic problem are indeed illusory. The workers are most willing to co-operate with any system of industrial relation or wage policy that can ensure for them definite increase in real content of their wage.

222. The real trouble in the Indian situation is that the propaganda organs are too much in the hands of capitalists and Government and they have created quite a false image of Indian worker. It is presumed that Indian worker shows no concern for productivity and is only insisting on his demands and rights. This view is even at its best a substitution of a half-truth for the whole. The manning of Indian industry at its top echelon rather shows that Indian Industry or even public



enterprises are still considered as a family business either by birth or political association. The concern for productivity by Indian Employer would have given us a more competent management than the one in action at the moment. There has been too much of easy money, manipulation of gains by adulteration of products and gaining markets through cheap advertising, monopolistic selling or by provision of retail margins. The Indian product has yet to earn a name in quality or costs and this speaks hardly anything creditable for Indian entrepreneur. The fact is this that there is much of mere talk on productivity in Indian management circles. It is not known how far the capitalist financing and ultimately controlling the whole process knows about the subject. The same is the case of Ministers and Parliament members who wish to sit on judgement on performance appraisal. It is only a small circle of professional management, which is making a timid appearance on the scene, that is taking some interest in scientific management. The fight with price-wage-price spiral through the medium of productivity is left to this small class who cannot hold out any promise for workers. In effect the Indian worker is not yet faced with any real challenge to work out his part in the game. He is only given a dose of advice on sacrifice and austerity. With an appallingly low standard of living it is no wonder if he is not in a mood to pay heed to such empty advices that are given by rich to the poor. They are not backed by any proper sanctions.

223. On the contrary whatever labour statistics is made available in India shows that the Indian worker is not given his due share in productivity gains. For example the following table compiled on basis of figures supplied by Monthly statistics of production and Indian Labour Journal bare out this statement.

INDEX OF LABOUR PRODUCTIVITY IN REAL TERMS BASE 1951 = 100

Year	Index of average daily employment	Index of Industrial prod. manfg. only	Index of labour productivity in manfg in real terms.	Index of real earnings
1951	100.0	100.0	100.0	100.0
1952	99.0	103.0	104.0	109.2
1956	106.7	137.2	128.6	115.4
1960	117.3	175.3	149.4	113.8
1961	122.1	185.1	151.1	115.5
1962	128.0	201.1	157.1	116.3
1963	136.0	216.2	159.0	113.8
1964	142.6	233.5	163.7	102.7



(Sources: Indian Labour Journal, Indian Labour Statistics, 1966, Table 5.5 and Monthly Statistics of the production for selected Industries of India Oct. 1965).

224. A table showing Index Number of earnings of employees earning less than Rs.200 p.m. as given by Indian Labour Statistics 1966 also supports the same trend.

This table is as follows:

(Base 1951 = 100)

Year	Index Numbers of money earnings	All India Consumer price index No.	Index No. of real earnings
1952	107.1	98.1	109.2
1955	113.1	91.4	123.7
1960	134.4	118.1	113.8
1961	138.6	120.0	115.5
1962	144.0	123.8	116.3
1963	145.2	127.6	113.8
1964	148.7	144.8	102.7

225. It is quite possible that the increases in labour productivity shown above may be, at least partially, a result of increased investment. But then it cannot be forgotten that these increases in investment are still made in the name of rich people making them still richer and no attempt is made to commute the efforts of labour in shares. Even a country like Egypt has given to workers a greater status and share in management. The workers in India are really handicapped in more than one way. They have no share in influencing productivity. As the above figures show (and the trend after 1964 is likely to be still worse) they are not given their due in productivity. The wealth is growing in the name of few. The workers real wages are going down. And still they are whipped as a cause for bringing a cost-push inflation in the economy. This is indeed an intolerable situation for workers and must be met squarely. There is no evidence to believe that there is any wage-push inflation in the Indian economy. The sharpest attack on Indian labour in this regard has come from a foreigner viz. Prof. Sidney Weintraub of the University of Pennsylvania. In his report entitled "Growth without Inflation" the Professor has tried to explain the phenomenon of Indian inflation as a disequilibrium between money wages and labour productivity. But as Dr. P.S. Loknathan the Director General of National Council of Applied Economic Research points out in a preface to this report, even this approach has got many serious limitations. He explains how inflation is generally a hybrid phenomenon and it is difficult to single out any one factor



as the main culprit. The Union Labour Ministry has done well in refuting the claims that the implementations of the wage board awards has markedly increased the costs and prices of the products of the concerned industries. Such a study by Labour Ministry as is done in a note prepared on the occasion of standing Labour Committee Meeting in October, 1967, is the first of its kind and if similar studies are made in the future they will give us a real picture of Indian economic situation. In any case it is clear that the Indian worker is fastly losing his real wage in the context of rapidly rising prices and his demand for a full protection of real wage has behind it all the sanctions of moral and economic claim. The policy on D.A. should be based on this basic criteria of protecting the real wage.

226. Thus on no account there is any justification for reducing the real wage of any worker by giving anything less than a 100% neutralisation on appropriate cost of living index. The national goal of improving the living standards of people will be entirely defeated even if a 1% less than 100% neutralisation is accepted as a standard. For the whole endeavour has to be to increase the real wages and not to lessen it. The way to do it is by distributing the gains of productivity. The available statistics in India shows that the conditions justify an increase in real wages of Indian Labour. But this has not happened. What is worse is that no conscious link is established between real wages and productivity. The labour is being made a scapegoat for putting all blames on him without showing any concern for improving his admittedly poor standard of living. The priorities for Defence and Development that are often advocated before him are in fact no argument for reducing his real wage. The expenditure on Defence has to come from public exchequer by way of taxation. None has brought in the question of elimination direct taxation while pleading the argument for cent per cent neutralisation by way of Dearness Allowance. The indirect taxes are supposed to be met by economical management of industry or trade. They are treated as costs and silently eat the productivity gain before the labour can prefer its claim on the fruits of industry. They need not again be brought into picture for reducing neutralisation of D.A. Similarly the needs of development cannot also be a cause for reduction of real wages. The sound rule for all development finance is that it must come through the allocation of productivity gains of Industry. Thus again we come across the same phenomenon of cursory and political treatment being given to productivity as a propaganda tool of management without making of it any serious and workable proposition for labour uplift. Even if it is granted (though this is not necessary) that the developmental efforts must come through current sacrifices, yet there is no reason why this should be a sacrifice made by poor to attract capital on its own term for being invested in future industries. Capital and labour must both be subordinated to national demands and simple need of an equalitarian creed demands that one who is more capable of taking the burden should



not be spared more in the game. If the capital feels shy to come forward without any baiting then it must be forced to get itself employed to the national yoke. No private rights can be sacred before national interests. On the other hand all future plans for capital formation and investment can well go in the name of labour. If the nation decides on a particular rate of growth in industries by way of investment and if this rate needs a cut in worker's consumption, the same can be brought about by giving him shares in his own industry or by unit trust bonds. This will assure him of a share in deferred prosperity, if not the present one. All the needs of development finance can be met in this manner. Incidentally this way will lead to democratisation of Industries and smoothen the incidence of social costs in the developmental process. The needs of development or defence are not a hindrance for grant of real wages.

227. The fact of the Indian situation is that the present inflation is mostly a Government created phenomenon. By yielding to the pressures of political situation, the Government resorted to a large scale deficit financing. The money so created found its channel either to the pockets of Government contractors who made easy money by various manipulations and cornering of licences or went via states and co-operatives to big landlords and big agriculturists who are the main supporters of politicians. A large-scale incidence of bad debts in rural financing, misutilisation of loans and money both at the field-level and at ministerial hands encouraged corruption in beauratic circles and emboldened the black-marketeers and profiteers to loot the flowing money by clever trappings. That is why we find a very peculiar behaviour of Indian marketing conditions. In spite of a steep rise in prices there is no serious consumer's resistance in the picture. Whatever little has been organised is done mostly with the support of the trade unions. One sometimes feels that to some sections of people, specially the non-workers, price of any commodity is not of much consideration. These consumers are ready to purchase it at any price if only it is available. After all, we cannot forget that the total strength of organised workers in India is still very insignificant in relation to total population. And when we find that their Real Wages are declining and that too despite the fact of increase in labour productivity, then how can one venture to suggest that a price-wage-price spiral is operating in Indian economy? The behaviour of wages in India is certainly not a cause of the present ills of Indian economy. On the contrary that behaviour is an index of economic ills of the degree of rich becoming richer by making poor still poorer. The situation rather calls in for an early action to protect the interests of workers. This can be done by giving a full protection to Real Wages. And the Government which is the main price-booster must be charged with this central responsibility. Once this central admission is made, then the rest of the questions take only a procedural aspect.



228. Having thus seen the need to protect under any circumstances the real wage, the manner of doing it can be treated in a more flexible way. As we have said earlier, the system of D.A. in India is peculiar to this country and is a legacy of foreign rule. It is acting only as a sort of protection to employers who can ignore the D.A. for purposes of calculating retirement benefits or allowances related to pay etc., It is our view that a shift-over to a normalised pattern of emoluments where D.A., is merged in pay and the whole pay-packet is bound to index should be adopted at all levels. This can be done by either making a radical alteration in the present system or by using unit-wise opportunity of pay revision as an occasion to merge the then existing D.A. into pay and provision of an escalation clause for index movements.

229. The broad pattern of neutralisation of price rise should be uniform all over the country. This system should be on point by point and as far as possible, month by month, method of computing the escalation factor on account of rise in the relevant cost of living index. The neutralisation so given should be on actual pay and not on a slab basis as is done in Central Government services nor on a minimum pay as done in the Textile Industry. In both these cases a large majority of workers are given a less than declared neutralisation and the neutralisation given at the minimum range is used only as propaganda weapon against the workers. This is another instance of how a provocative propaganda is made by Government and Employers against the worker and illusory statistics is substituted to appear as a reality. The workers at all levels at least upto a monthly pay range of Rs.750 on current basis, must get a cent per cent neutralisation over each point-rise in the cost of living for every pie of their basic earnings. The base period for this calculation should be the same as the base period of relevant index. This index series should change after every ten years following a fresh decennial family budget enquiry. This enquiry should be conducted by an independent expert body working under the general supervision of standing tripartite machinery. The enquiries should be addressed for 3 different stratas of society viz, agricultural or rural labour, factory workers and middle class employees. The appropriate series of consumers price index series for each strata should be in the first instance, the series based on the survey of family budgets of the strata. Thus the agricultural cost of living index number should determine the relevant monetary quantum of a given real wage for agricultural labour and so on for workers and middle class employees. In the second instance, these indices should be for specific places, towns, regional areas, states and the whole country. The selection of appropriate index series in each case should be determined according to the nature of bargaining unit and its requirements. Thus an All India service may find it convenient to adopt an All India Consumer Price Index series while for a small local factory the local index may be taken as sufficient. Wherever a local index is



not obtainable either a state or a regional index may be applied according to the circumstances of each case. For example an index for say Poona or Barrielly may be taken as an index for the industrial belt round that place, while a state-Index may be more appropriate for an establishment like State Transport or Electricity Board which is catered all over the state. The coverage of the series should as far as possible match the spread over of area for which the workers have formed a union and are placing their demand or the coverage of the particular establishment in the industry. Thus a factory having one branch at Calcutta and another at Bombay need not for that reason adopt an All India Index, but can adopt the respective indices for respective workmen. In this connection it needs to be remembered that any average of indices, whether regional, statewise or all India are technically defective since they do not represent any reality. They are only a tool shaped on grounds of practical necessity and should be used only when one cannot do without them. Moreover the proximity of compilation authority is always a more satisfying proposition than a remote authority declaring an index whose validity cannot be easily ascertained in question of doubt. The recent revelations of faulty compilations of index figures have made the subject more sensitive and it is necessary that the confidence in index series must be restored by making it open for a close watch. Even when an All-India Index series is used demands are legitimately pressed for local allowances and it is impossible to do justice to these demands unless we get the indices for comparative costliness of different cities and regions. It appears from some publications that the Central Statistical Organisation is seized of the matter. It should be encouraged to come out early with these corrective or counterbalancing and supplementary set of indices to make the All-India Index Series technically acceptable for reasonable wage calculations.

230. Once the index series is thus fixed it should then be used as a running basis for every month. The state of our statistics is such that already there is a long delay in publication of monthly index numbers. In the context of continuous rise in prices these delays are causing a harm to workers. Any attempt to take quarterly or half yearly or yearly averages and that too by slabs of 5 or 10 points appears as a fraud made against workers. The monthly index figures are serving quite a good purpose and the recent trend in administrative circles to introduce or uphold periodic averages must not be allowed to have its sway. In a rare case, where monthly indices are an unworkable proposition the alternative can be a seasonal i.e. four-monthly average. For the three climatic seasons viz. Summer, Rain and Winter have each a type of impact on price-movement and the seasonal average has a meaning for accommodation being made on a relatively stable basis of price-movements. More particularly, if our suggestion of index-bound pay-packet is introduced then the seasonal average of index figures may get some justification. But this is the



limit beyond which no attempt should be made to work out any type of periodic average whether moving or fixed. The system of payment or part payment in kind brings no bar for provision of real wage. Its monetary equivalent can be computed by taking account of prices on which relevant index is maintained. The total monetary computation thus made can then be treated as the relevant money-wage like other cash payments. We have already said that the rate of neutralisation should be 100% for each rupee of basic pay and should be for each point rise on index i.e. there should be a double linkage - one for pay and other for index point as is done in the Banking Industry. This alone can ensure the protection for real wage. For such protection the capacity to pay of industry cannot become a relevant concept once the principle is applied all over the nation. At present it has become possible for certain firms or establishments to take cover of this factor of capacity because the application of D.A. principle is sought to be determined in unit-wise bargaining. Once it is made a national rule all factors shall begin to take their proper place. After all the price mechanism is operating wholly for the profit of the rich sections controlling the economy and its markets. Ensuring of a real wage throughout the whole economy will act rather as a balancing factor to the present anti-labour situation and a promoter for a stabilisation of the price level. For it will then cease to make a rise in prices beneficial to those influential sections of economy who are deliberately causing this price rise. Price-Stabilisation is not at all a difficult task for those who control the economic mechanism. The present distribution is either purposive or is a result of political drift. In any case the situation must be remedied by a sort of operation-booster and a law on real wages will be of substantial help to achieve this purpose. For some it may appear that this is making too much of a fetish of a cost of living index. We are well aware of all arguments that have led the technical circles to discard the name 'cost of living Index' and substitute it by 'consumer price index number' since no index on real cost of living is technically feasible. We are also aware of arguments introduced by extraordinary situation like war or drought or by more normal decisions of a policy induced price-rise. But all these considerations must be made to wait for some time till the accumulated onslaught on workers is first reversed by drastic measures for protection of a Real Wage. The incidental fluctuations of the economy that are supposed to reflect in monthly index series can then be given their sophisticated treatment by using cause-wise analysis of index fluctuations. In the meantime if a national calamity like war overtakes us then a war-tax can be imposed on all population, but even then credits must be first given to workers' accounts equivalent to real wage pay-packets and then deductions of war-tax made therefrom. An absolute protection of real wage is a minimum pre-condition which leaves no scope for compromise. The whole dynamics of an enlightened wage policy can take its swing on



this inevitable base.

### FRINGE BENEFITS

231. The question of fringe benefits has received a very cursory treatment in various discussions of wage theories or even in circles of labour economists. No strong conceptual base is given to the subject and the definitional variations and diversity in coverage makes it difficult to talk precisely on the issue. Even the otherwise comprehensive questionnaire of NCL touches the subject in a casual manner and solicits the definition of the subject. The degree of variance in defining the topic can be easily understood by even one example. While the NCL questionnaire at Q.No. 179 visualises medical care, sickness benefit, maternity benefit etc., as social security, paragraph 5.23 of Shri Gajendragadkar Commission's Report on D.A. takes medical care as fringe benefit. The latter report even goes a step further and adds family pension scheme also as a fringe benefit.

232. In our opinion this subject, however, needs a very serious and urgent attention in our country. The total funds that are at our disposal for allocation to labour are very limited. They must be put to a maximum use. In this respect of wise distribution of fringe benefits the monograph published by International Labour Office, Geneva, entitled 'The quality of labour and economic Development in certain countries' should come as a handy one. The authors of the monograph have examined statistical materials relating to four major groups of social factors that probably have an impact on labour quality. These are: (1) Education, (2) Health, (3) Housing and (4) Security. The authors have found out that of the labour quality indicators tested by them, the level of nutrition yielded the closest relationship with economic growth. The increase in higher educational enrolment showed some promise as an explanatory variable. It is the experience of BMS Unions that exemplary canteen facilities or proximity of housing have a very good effect in reducing absenteeism in metropolitan areas. In our country we have not yet developed the technique of measuring in precise quantitative terms the effect of expenditure done on social benefits on the quality of labour force. The monograph referred to above shows how the sophisticated statistical techniques can be pressed into service for uncovering the quantitative relationship between different sets of fringe benefits and their effects on the economic growth due to toning up of the quality of labour force enjoying these fringe benefits. Till such an exercise is taken in a competent manner the effect of fringe benefits on production costs cannot be determined. Their value as substitute for higher money earnings cannot also be determined from the angle of cost to the industry or as benefits accrued by labour till we are informed by such an exercise in statistical evaluation.

233. There is however one other view on fringe benefits which we wish to propound as a model for Indian conditions. But



before we elaborate on this topic it will be appropriate to mention a rather unorthodox view of fringe benefit which treats them as golden chains. According to this view the fringe benefits are given by employers in order to bind the employees by a sort of golden chain to their desires and designs. Thus a house allotted to an employee, which is never owned by him but only allotted to him during the tenure of his service and on conditions laid down by the employer is often an obligation which does not allow an employee to behave in a free manner. It makes him think twice before participating in a strike or demonstration against an employer or even ordinarily makes him do service at odd hours or on night duties. Such housing facilities give an opportunity to management to notice his personal or family weaknesses and it can play upon the same whenever it suits the management's design. A view expressed by this school of thought is that, we, the workers, do not want or ask for any fringe benefits. Give us whatever you can give by way of wages and we shall spend as we desire. You need not bother about the priorities in our expenditure pattern and appear as beneficiary. This line of thinking has certainly a great merit in its own way and provides a good repatriate as against employers who make a fuss over this issue.

234. The word fringe benefit has a connotation that a paternalistic management is conferring something on its own by way of kindness or grace. But this connotation now no more represents the reality of what is being accrued to the workers under that name. The so-called fringe benefits are now forming a part of charter of demands and the various Tribunals are giving awards on these items. In many cases they have become a matter of right not only through customary usage but even by virtue of legally valid agreements and awards. The managements have also sought to compute the monetary benefits of these awards for claiming corresponding accommodation or exemption while prescribing quantum of pay or D.A. or other allowances. These trends cannot and need not be reversed. The right view to treat these fringe benefits will be to consider them as community services and be made a part of a larger programme to establish industrial communities as a national socio-economic goal. Viewed in this context they should be unburdened from the entanglements they are to-day having with wage considerations. At no time during the discussion on wages monetary computations regarding fringe benefits be made with a view to influence the quantum of pay. For many types of benefits such as free housing, canteens, etc., it is already difficult to make these computations in a way that can satisfy all the parties concerned in the dispute. Moreover such a purely economic view about them makes them lose all their charm as social benefits. They can at the best be considered as a factor of living conditions in the context of wage disputes. But otherwise, they should receive a very serious consideration as both an obligatory and discretionary duties of Industry towards its workmen. They should be clearly



bi-furcated from concepts of social security which should be provided by society though in co-operation with Industry. A division between social security and community services may be made better as a sort of administrative division rather than a subject-wise one. Of course there are subjects like Provident Fund, Unemployment Insurance etc., which can be managed better by a social organ than being left to a industrial management. On the other hand a question like that of canteen, travel concessions etc., can be dealt with in a better manner by industries. There will always be some subjects like housing or medical care that may continue to be catered by both. Here one other essential distinction requires to be made of social services organised for the whole nation such as free primary or secondary education, municipal hospitals etc., They are meant for all the citizens. They are a subject apart. What is meant by social security is provisions made out of industrial and government funds for workers and their families as apart from common public services. Once an individual takes the life of a worker he should become entitled for these benefits. The management of the benefits should be done by the standing Tripartite body suggested by us in other parts of this submission. The reason why these services should not be left to the Industry is that they can be more securely obtained through a national management. A worker in a Textile Mill cannot be sure of getting an old age pension from his mill because that mill may run into financial difficulties or liquidation by that time. But this cannot be said of a national organ constituted specially for that purpose. But about this we shall speak more when we consider the aspects of social security. For the time being it is sufficient to state that the community services should mean all those services that are provided by industrial community for itself irrespective of whether they are initially sponsored by employer or have come as a result of demands made by employees or have come due to legislative or contractual compulsions. They should include all that which goes by the name of fringe benefit to-day.

235. All the persons working in any industry should be considered as constituting an industrial family. What should be the scope and content of common services or benefits that this industrial family makes available for itself should be largely left to its own choice. This need not exclude the law from making some compulsions in this regard. For example, we hold that at the present juncture certain legal compulsions are entirely necessary which a worker should get as a matter of right from the moment he is admitted as a workman. They are firstly, the housing facilities specially in the metropolitan areas and newly built townships or industrial colonies. Secondly, they should include certain facilities at work-place such as canteens, common conveniences such as latrines, or washing places, first-aid medical treatment in factories, mines etc., provisions for creches where women are being employed or such other basic necessities of civilised existence. But they need not be necessarily restricted to such legal minimas.



Their scope should be as wide as the particular industry, firm or establishment can make it and it should be a matter of pride for an industrial community to provide an exemplary community service for its employee. The Government will do it well if it encourages these community services by award of prizes for excellent provisions made in this regard in different regions or from different angles and such prizes are widely advertised so as to make them a source of business prestige and hall-mark of good employer - behaviour. These services should be considered from a human point of view for which the society or industry ultimately exists. They are a goal by themselves. Secondly it must be mentioned in this regard that while the consideration of wages or production bonuses etc., can be, under certain conditions linked to a consideration of out-put or quality of work, the concept of community services should be based on a wider footing. While an individual is a unit of work in the production process of the economy the family is the unit of consumption in a social structure. This concept of a family should not be restricted to workers wife and children only as some employers have mercilessly done it by driving away the parents of workers from rooms allotted to workmen. The definition of family for the purpose of community services is all those whom the worker considers as one for his family kitchen, so that even the guests coming for a temporary period can be allowed to avail of medical attention or sporting facilities provided by the industrial community. It will cater better for all concerned if the budgets and management of these community services is made the charge of workers themselves so that the necessary flexibility and balancing of considerations in this regard can be best achieved. That will also pave the way for labourisation of Industry and formation of autonomus working communities which are a part of an ideal social structure. The funds for these community services can come from employers and employees in a manner mutually agreed from time to time and supplemented by Government as a part of a general promotional programme on specific objects such as housing or child-care or even more generally for giving a boost to community living. These services then obviously will have no relation to production costs or wage differentials. They are only arrangements of consumption items made in a common way simply because that way they prove to be more economical and convenient and promote a greater brotherhood and sense of belonging to a common industry or work-place.

#### Wage-Differentials:

यथा यथा तु गुणवान् भृतकः तद् भृतिस्तथा ।

संयोज्या तु प्रयत्नेन नृपेणात्महिताय वै ॥२१॥

-शुक्रनीति, अध्याय २.



236. The field of wage differentials represents an area of economic activity which is closely related to promotion of national virtues as a part of nation-building programme. Even as a purely economic proposition the subject has an importance, for it is concerned with reward being given to the quality and quantity of human effort in such a way that it will accelerate the creative urge in a highest degree and achieve not only optimum results in a given situation but also hold highest promise and optimism for the future. As is well said in the above shloka of Shukra Niti, The King (or employer) must exercise great care and efforts to determine appropriate wage differences following a hierarchy of human qualities for thus alone he can ensure his own (or state's) welfare. It is clear that in a developing economy we must take great care in making a wise use of this focal factor of human relations so that we may move rapidly on our path.

237. Looking from this angle it has to be said that a very poor attention and treatment is given to this vital factor in Indian Industry and Services. The average worker has no guide-lines to know what are the human qualities that he should develop in order that he may legitimately earn more in a honest way. He and his children are to-day taking to schooling and secondary education with a hope that education is rewarded in jobs. This shows that Indian worker is sensitive to putting of standards by the society. That is also why the language agitations were related to service rules. But the value that we had attached to clerical jobs - for which the schools are still training our people - are a losing proposition. There are already complaints of excess staffing in clerical services and automation is being brought with a vengeance to hit hard these classes. It is said that coming days will require different skills than the traditional but no guide-lines are given through any enlightened national policy on wage differentials so as to channelise this urge and willingness shown by men and women to acquire economically useful virtues. The national neglect of the theory of and propaganda regarding desirable standards in wage differentials is a basic cause for lack of direction to life of modern youth and is causing a considerable harm to national life. It is quite necessary that the NCL should consider this aspect as of great national importance and give to it a treatment far superior than what the drafting of its questionnaire suggests on its face.

238. The committee on Fair Wages while dealing with the question of wage differentials has rightly quoted the I.L.O. Report on wages as follows:

"The attainment of the maximum economic and social welfare in any country requires that relative wages in different occupations and industries shall be such as will:

- (a) Cause labour to be allocated among the different occupations, industries and geographic areas in the economy in such a manner as to maximise the national product.



- (b) Enable full employment of the resources of the economy to be attained and,
- (c) Facilitate the most desirable rate of economic progress."

239. But after introducing the subject in such a grave manner the report has miserably failed in giving any guide-lines for fixing wage-differentials. The nine factors that it has suggested are indicative of only a cursory treatment given by the committee. For example, it gives as one of its factors "the mental and physical requirements" which is too vague a description that can be put to any use. In fact the committee has left the subject to be tackled by others like wage-boards or other wage-fixation authorities who are supposed to evolve their own standards. It is no wonder that these wage-boards just as one on port and dock labour have only mentioned the subject in its questionnaire and practically left it only at that stage. A few industrial awards as one in the BEST Undertaking in Bombay have attempted some exercises on job evaluation. But since no guidance has been made available to these bodies as regards comparative weightage to be given to different factors they have mostly followed foreign text books on the subject which have little relevance to Indian conditions. Moreover the value of any scientific system on wage differentials like job evaluation is to maintain it by a continuous follow-up study on a full-time basis in the light of changing content of job and support it by merit rating to make its results fruitful. But nothing of this nature appears to have been done with any seriousness. It is only in some engineering units like, for example, the GKW factory at Bhandup, Bombay, that the job evaluation is maintained at a reasonably standard level. But even at this place or it's like, where foreign management has a hand in shaping industrial relations, it is only foreign thinking that is grafted on Indian soil.

240. A scientific approach to question of wage differential by method of job evaluation should not be a difficult exercise for Indian Psychologists. The procedure in this respect has been well laid down in steps that proceed with job description, lay down job specifications, form job clusters, select key-jobs or bench-mark operations, decide upon factors and then rate jobs, group them for wage differentials and end by fixing monetary valuations after due considerations of other attendant factors. Even the non-quantitative methods of Ranking and Grade Description Method have a great preliminary use and they can prepare the ground while proceeding from historical relatives to quantitative methods like factor comparison and point-rating Method. What requires research in Indian conditions is application of weightages to different factors and tolerance standards regarding wage disparities. In our view the problem can be better approached by providing general national guide-lines for broad economic sectors of the working population or may be for the employed sector.



241. Different economically advanced countries of the world have experimented quite largely with job evaluation techniques to determine wage differentials in their respective countries. In Australia the Commonwealth court of conciliation and Arbitration Metal Trade Award is largely taken as a base in this regard for Engineering Industry. This award has considered skill and responsibility for working without supervision as the main factors for a job evaluation programme. This is in marked contrast with the stress laid on education or schooling in India - a clerical mentality writ large. In Belgium, the General Technical Commission set up by the Ministry of Labour and Social Security in 1945 has drawn up a list of 32 sectors that should go into a job classification scheme. They are grouped under five major heads viz. (1) Vocational training and knowledge including both theoretical and practical training, (2) Physical qualities, sensory, motor and muscular, (3) Intellectual and mental qualities, (4) Character and conduct and (5) Job conditions. The weightage given to these factors as maximum points are as follows:

**BELGIUM: FACTORS USED IN THE JOB CLASSIFICATION SCHEME  
DRAWN UP BY THE GENERAL TECHNICAL COMMISSION.**

FACTOR	MAXIMUM POINTS
<b>I- <u>Vocational Training and Knowledge:</u></b>	
A. Theoretical Training and Knowledge:	
1. School Training	500
2. Supplementary Training	500
B. Practical Training:	
3. Formal apprenticeship and other Training	388
4. Informal " " " "	500
<b>II- <u>Physical Qualities:</u></b>	
A. Sensory:	
5. Sight	100
6. Touch	100
7. Hearing	100
8. Smell	100
9. Taste	100
B. Motor:	
10. Speed of movements	150
11. Precision of movement	150
12. Coordination of movements	150
13. Speed of reaction	150
14. Agility	100



Factor	Maximum Points
C. Muscular:	
15. Muscular efforts	250
16. Position	100
III- Intellectual and mental qualities:	
17. Concentration	300
18. Judgement	200
19. Memory	200
20. Inventiveness	200
21. Aesthetic taste	200
IV- Character and Conduct:	
A. Character:	
22. Authority of command	150
23. Moral authority	150
24. Presence of mind	150
25. Orderliness and Cleanliness	150
26. Appearance	150
B. Conduct:	
27 Towards others	400
28. Towards the enterprise	400
29. Measurable consequences of conduct	400
V- Job Conditions:	
30. Influence of surroundings	300
31. Risks of accidents	300
32. Risks of illness	300

In France two separate job evaluation schemes were used for jobs on a predominantly manual and intellectual character respectively. A typical table of point scores for manual workers quoted below shows how the values are not necessarily in linear proportion to its degree ( as against an unnatural tendency in India to take for granted an arithmetical progression).

(Table on next page)



FRANCE: FACTORS AND POINTS UNDER THE JOB EVALUATION SCHEME  
FOR MANUAL WORKERS AT THE TELEMÉCANIQUE ELECTRIQUE  
PLANT NANTERRE

FACTOR	Point scores for each degree						
	1	2	3	4	5	6	7
1. Training	11	14	17	22	28	-	-
2. Practical experience	11	14	17	22	28	36	44
3. Adaptation	10	12	14	17	20	23	-
4. Complexity of the work	7	12	17	22	28	34	-
5. Physical effort	7	10	13	16	20	-	-
6. Mental or visual concentration	7	10	13	16	20	-	-
7. Responsibility for tools and finished products	5	6	8	10	12	-	-
8. Responsibility for materials and work in progress	5	6	8	10	12	-	-
9. Responsibility for the security of others	5	6	8	10	12	-	-
10. Responsibility for the work of others	5	7	10	15	20	-	-
11. Conditions of work	7	10	13	16	20	-	-
12. Risks in performing the task	5	6	8	10	12	-	-

Quite often detailed instructions are given for allocation of points to different degrees of a factor. The following table illustrates point-rating for degrees for the factor 'Responsibility for the safety of others'

FRANCE: POINTS FOR RESPONSIBILITY FOR THE SAFETY OF OTHERS  
UNDER THE JOB EVALUATION SCHEME FOR ALL EMPLOYEES  
AT THE TELEMÉCANIQUE ELECTRIQUE PLANT, NANTERRE.

NATURE OF THE RISK	Duration of exposure to the risk	
	less than 30% of the time	more than 30% of the time.
1	2	3
1. Accident to others improbable. Work done either in isolation or without machinery and with light equipment only.	-	5



1	2	3
2. Work involving a risk only of slight accidents to others; avoidance of this risk demands only a reasonable modicum of attention	6	7
3. Inattention during work on a machine or during the execution of an order could result in more serious accidents to others: foot or finger crushed, accident to the eyes.	7	8
4. Sustained attention necessary to avoid serious accidents during the performance of the job. However, others can avoid being hurt by paying attention.	9	10
5. The safety of others depends exclusively on care in carrying out the job and inattention in the slightest degree could have fatal consequences.	10	12

In the German Democratic Republic a uniform system of job evaluation is sought to be applied for all industries. This scheme gives greatest importance to the factor 'knowledge and Experience' but conceives as many as 10 degrees of this factor as against 4 or 5 degrees for other factors. A system of factorial design used in Federal Republic of Germany under the Euler-Stevens Method is based on 53 points out of which 19 are for job conditions, 9 for responsibility, 11 for skill and knowledge and 14 for various kinds of efforts. In Netherlands The National Standards Commission has set out a standardised method as follows:-

**NETHERLANDS: FACTORS, POINT VALUES AND WEIGHTS UNDER THE STANDARDISED METHOD.**

FACTOR	Normal number of points per factor	Maximum of points per factor	Weight	Normal total maximum points
1	2		3	4
Knowledge	8		5	40
Independence	7		6	42
Contact with others	7		2	14
Authority exercised	7		2	14
Articulateness	7		1	7
Dexterity	8		2	16
Adaptability with respect to materials and equipment	8		1	8

contd..



1	2	3	4
<u>Job Conditions:</u>			
Heavy lifting	8	1	8
Fatiguing positions	8	1	8
Burdensome attention	8	1	8
Environmental factors	-	3	-
Personal risk	8	1	8
Unusual gifts	-	1	-
Responsibility (risk of causing damage)	8	4	32

There are some peculiarities of this system. The factor 'Independence' defined as 'The nature and degree of detail of the instructions under which the job is carried out' and 'articulateness' defined as 'Ability to express more or less time for thought' are peculiar to this system. It is also unusual but quite significant that no specific point score is attached for environmental factors or unusual gifts. The other peculiar feature is that the whole system is weighted. The factor knowledge is divided into knowledge of isolated facts and of mutually dependent questions, the latter being further subdivided into simple, less simple, and involved relationship. The method is also said to be more flexible in the sense that maximum points are not rigidly fixed. The Sweden proceeded cautiously in evolving the national scheme. Before finalising the national scheme various industries were encouraged to have collective agreements. Thereafter a national committee consolidated the experience and published a standard booklet on the subject. Similarly in United Kingdom and United States of America various job evaluation schemes are designed and used in different industries and firms. It can be seen from this resume that international experience on this subject has developed many interesting angles but waits to get itself enlightened by any priorities of values or sense of definite direction. What is lacking in western thought and practice can be made good by Indian contribution.

242. The seasoned and well-tested branch of Indian Psychology has divided the activities of the ordinary world in three parts namely those relating to Body, Life and Mind. Consistent with these broad classifications we get firstly the jobs or functions most basic to human existence but requiring routine or less intelligent operations of human body. These jobs draw largely on the physical qualities of man as use of his five sensory organs, employment of physical labour or strength of hands, feet or muscles. They demand between them various degrees of requirements such as those where strain on eye or visual efforts is demanded for some trades while some others may be required to be carried out in varying degrees of environment as regards temperature, climatic variations, noise, smell, night-work or work below or above the ground or on sea. Then again some



require the worker to work in peculiar bodily positions, others are full with risks on life or hazards and possibility of accidents or exposure to certain types of illness or other health-hazards. Still others require speed, agility, accuracy, stamina or such other qualities of an athlete or body-builder or still others may be content on appearance, orderliness or cleanliness or habits and modesty of voice or dexterity of hands or decency and tenderness in handling of things or other qualities of a feminine disposition as in Nursing or for baby clinics. All these are the qualities of body and can be a product of physical culture. Some of them as in military service may require extra-ordinary hardiness and vigour and strength and power of bodily resistance, while others may be combined with elementary skill like one in driving of a car or operating a simple machine or equipment. A degree of hierarchy can be observed in the jobs requiring training of body and maintenance of physical faculties and give us an appropriate view on job differentials. The practice of work-study and ergonomics has made fine distinctions of degrees in this regard and we shall have occasion to refer the same while dwelling on productivity. Put together they form a job cluster that can be ranked as of primary or basic importance and gives us a floor level for occupational differentials in a national plan.

243. The next in the scale of ascension of human values are the Powers of Life. In terms of economic thinking they are recognised as the drive and push of an enterpriser, the fruitfulness and fullness of a productive and expansive mentality, creative and commanding administration or the skill and mastery of technical service, grasp of environmental factors and their direction, all types of adaptive attitude that work in practice and relations of life, capacity and sense of measure, taking of responsibility and their wise delegation, clean accountability, noble and courageous leading, energetic will and controlling power and all such powers that make a man of action or a legal, professional, commercial, industrial, economical, practical, scientific, mechanical, technical and utilitarian mind. The job factors that usually go in relation to the exercise of these powers are a taking of responsibility of various kinds such as one of taking decisions, collection and use of money setting and achievement of production targets by use of scientific research or through co-ordinated team work and building of morale in people, responsibility for equipments, material, product or safety of men and their work, display of initiative and various types of skill, quick adaptation and response to changing situations and surroundings, a tact in human relations and securing of attitudes, exercise of authority in ensuring compliance of work and things from others, and such other attributes of a supervisory, technical, administrative or managerial service. These qualities are built in man by a certain amount of experience and training and by independent handling of things. Otherwise they degenerate into a impotent bureaucracy which has lost all its will and capacity of taking any decision



and works at most on quotations of past authority. A certain articulateness, boldness, imagination, taking of risk and unmindfulness of undergoing self-imposed nervous tension, a sense of discipline and order, visualisation of objectives, forces, currents and cross-currents and goals and their materialisation through the vortex of these life-currents is required for these jobs. These are a group of human qualities that are distinctly different than the culture of body and physical faculties referred to above. These are according to our system of psychological thinking the powers of life, the energisings of Shakti. The men possessing and exercising these powers on job must be distinctly held as superior than the one belonging to the first group and they should receive higher salaries and honour than the first group. Their contribution for production and opulence is greatest. In fact the decisions they take and the way they work are central to raising of productivity standards. They are the practical leaders in national construction. If an arithmetical progression is to be observed in keeping of wage differentials in persons belonging to the first group of persons displaying qualities of physique and physical mind, this second group has to be honoured for increasing degree of its qualities by observing the geometric progression in award of pay rises. They not only merit by their work such financial rewards but in fact contribute much more to common pool than what they get as one climbs the scales of values of this vital power. It is at this group that the highest **financial** distinctions should be obtained, for the third group that we are suggesting is though more respectable than this second, yet the office of financial incentives takes its acme at these middle levels of Indian psychological classification of Man. A national policy of wage differentials that observes the ratio of 1:10 between the minimum and maximum of pay-scales should be achieved between these first two groups where the physical and vital mind of race manages for all practical purposes the routine of the march and walks on the straight road of progress.

244. As we rise in the scale of human values from Powers of Life to the Faculties of Mind an altogether different set of considerations present before us. For at this height the scales of values undergo a vast change. This is the proper field of mind where the thinker in man muses in search of truth and justice and beauty and goodness for its own sake and is content in turning this light he finds upon the activities of life and its surroundings. This turn of the human personality has little to do with the powers of life. As is well said in a Sanskrit verse this class does not look for money as a central object of worship but seeks contentment as the basic thing. It can very well say to the rich:-

(continued)



वयमिह परितुष्टाः वल्कलैः त्वम् दुकुलैः ।  
 सम इह परितोषो निर्विशेषो विशेषः ॥  
 स तु भवतु दरिद्रो यस्य तृष्णा विशाला ।  
 मनसि च परितुष्टे कोऽर्थवान् को दरिद्रः ॥

Even if one does not go that far, it should not be difficult to agree with the second Pay Commission when it says (Chpt.VIII para 19) that " Public Service ---- has its own rewards. There is the honour and the prestige .. and there are opportunities for full and continuous use of talents and for the exercise of influence in the shaping of public policies and programme... those who enter it are servants of the public not of individuals. In many Western countries, a good portion of the finest products of the universities continue to take to the academic life in spite of its low monetary rewards ... and we believe that for similar intangible reasons, the Civil service in India will not fail to attract young persons of the requisite calibre and qualifications." Such is the finer turn of the mind when it gets out of the grossness of physical desires to which the normal powers of life give service. We may find this turn in a teacher or a scientist, in a social worker or a judge, in specialists in every branch of human knowledge or in an artist of any fame, in a philosopher or intellectual or planner. A certain sense of service touches man at this level of ascension but still he is not yet free from material wants and desires. He is satisfied in the practice of his own virtues or development of faculties, but is in need of amenities that can make such development or practice free from material anxieties. Thus a teacher in love of his profession can give his best if he gets a living wage and is made free from care for his getting or from the needs of the welfare of his family and children. He may then find more joy in the richness of mind which he can cultivate in his students than in material wealth. So also a scientist has little care for comparisons of his pay with a business executive or a military general. He is content if he gets a quiet place for research, facilities for carrying out his own work, arrangements to publish his work and a recognition and honour from men whom he serves. These faculties are encouraged not so much by gross throwing away of monies by way of substantial wage differentials (though the values of money are not altogether absent at this stage) but more by sense of honour and prestige which they and others attach to their work or profession. The grandeur of these services rests on the love of honour that enables them to scale the heights of nobility in their work and stoops to nothing little, base vulgar or weak. It is for the sake of reputation and social recognition that they maintain untainted the ideal of pure and



great work, high or deep thinking exemplary character, values of truth and straight-forwardness, lofty openness of mind and a ever-inquiring intelligence, impersonalised confidence, exclusive concentration and an accomplished illumination. The intellect with this turn of mind is predominantly preoccupied with ideas and the study of ideas or of life and the information and development of the reflective intelligence. A poise in the temperament turned from first to patience, steady musing and calm, to reflection, to finding out of and experiment with laws of universal evolution a more indirect and subtle way of handling things and men is characteristic of this class. We can find the gradations of this class in a different categorisation of jobs as those of teachers and professors, research workers, scientists, artists, writers or poets, public servants (in the real sense of that term), architects and painters and even in certain kinds of doctors and administrators. All these form a job-cluster apart with specifications all their own. They require a minimum of education equal to their respective task, possess knowledge of their subject, have a versatility, discrimination, judgement, logical consistency, complex comprehension proper to their office and function. They are often required to remain alert to many details which are often ignored by others. They have to observe a fineness, skill and proportion which in little rude hands can spoil the whole work. They are the real craftsmen of human society, producer of new and enlarged instruments and powers and tastes, divert the whole gamut of human civilisation into altogether new channels. They can often foresee the creeping in of a wrong trend in practical execution quite at an early start and without their guidance the executive may use his power only to create a further mess or destruction by drift of his own action and blind headlong drive. They may be seen less outwardly busy and productive but their presence and action may give a ten-fold energy to the imaginative executive of works and fill him with confidence without which he can be as ineffective as a dullard. Their place in the society is very high. Their works often belong to the future than the present and the normal tests of productivity are inapplicable to their tasks. They are not mere auxiliary services for human culture or infrastructure of economic thought, but they are the one who give turn to human destiny and determine the quality and temper of the race. In this age of mass upliftment the importance of this sector is very great for the progress of the people and yet the nature of their services is such that they do not lend for any purely economical treatment as can be done for the first two groups. The right motivation for this category of workers is a sense of honour and prestige and we should find out ways and means to cultivate honour for these professions and celebrate their victories on a mass scale. The nation should cultivate a pride in these services and each one of them must get his due recognition. A view of wage differentials begins, albeit wearily to recede at the background in respect of these services and scales of honour begin to take their place. The whole of this job-cluster



should be regarded by society as one of higher ranking than the second cluster, though in respect of pay it may not compete with the other. The floor level of pay-scales in these categories should be sufficiently high to afford a good living but the differentials may not be so sensitive as in first two groups provided an authority and prestige is bestowed upon them with full respect.

245. In the scale of human motivation the supreme category of the personalities is of those who have a sense of mission in this world. These people carry a hoot for money or honour. In fact they are insulted if these material yardsticks are made applicable for the measurement of their work. We had already occasion to refer to them while dwelling on concept of minimum wage. They work rather inspite of hardships imposed by poverty or ill-fame and it is not yet fully given to men and society to recognise their worth as long as they are alive. They are not employed by any human agency or institution, though they may employ any one of them or work in any disguise. It is for them that human society must preserve values of individual freedom for then alone it will profit itself from these liberated souls. They are outside the concept of human employment and are the true Masters of Humanity. All other employers who employ persons are in fact doing a job of one kind or other as can be computable by the amount of capital, entrepreneurship, industry science or other faculty they employ and should come under the concept of wage differentials so that our wage policy can in effect become an income policy for the Nation. For if a policy on wages or wage differentials is kept distinct from the income differentials obtained in the country then the market forces soon begin to operate on human behaviour and distort the whole economy. The view on wage differentials which we have presented is in fact an analysis and utilisation of natural processes in action. This nature has three sides in the lower hemisphere of existence ( अपराध ), matter, life and mind and according to the predominant tendencies of these qualities of Prakriti should be the response that society should give them for getting a harmonius fulfillment of its objectives. This knowledge was quite well known to the Indian thinkers of the past who had built a socio-economic structure that could withstand centuries of assaults. What is now needed is its reinstatement in modern terms and suiting to modern conditions of time. It will be better if the NCL can recognise these permanent values of life as seen by generations of Indian seers and give to nation once again through a co-ordinated system of wage differentials and status differentials the true scales of human valuation and system of rewards and return so that the human effort in India may get its much needed direction.

#### WAGE POLICY

246. Of all the questions concerning the labour the question of wage policy is the most sensitive one. Moreover as has been rightly indicated in the questionnaire circulated by NCL the



subject can be realistically touched only on the background of an integrated view on economic policy that takes full account of needs of capital formation and consequent development of industry, studies combined effect of wage policy, entrepreneur-profits and treasury returns on consumer and examines objectives and scope of an integrated policy in regard to wages, incomes and prices in the light of the perspective for the growth of the economy. It should in the end give positive guide-lines for sectoral balance in wage-structure, if any, and indicate changes that will be necessary in the existing institutional arrangements for the implementations of such a policy. We may add for sake of clarity that what is intended in effect is not merely a policy for wages for existing workers at a given moment but also a national economic policy that can provide a full employment to the people by fuller utilisation of country's resources through suitable planning, organisation and technique and recast the wages-policy in its light after taking due account of political factors.

247. It will be better if we analyse the subject from the angle that emphasises the needs of providing full employment to our men. Millions of young people in our country are at present required to waste the formative years of their lives in idleness or uselessness or in low paid jobs that do not give them any scope for using their talent and skill. This state of affairs in the country has spread everywhere not only an acute hardship but a large-scale frustration helplessness and misery, extending even to destitution and starvation. The urgency of this problem is admittedly the greatest. It is a social challenge of our age. If the people have not yet sufficiently revolted against this state, the reason is that a deep and wise culture has taught them to believe their leaders and god and patiently suffer to such an extent that they even take death as a will of God and a means to awaken love, sympathy and good thoughts in the leaders of the race. The history will not forgive this generation and its leaders if we do not still awaken to this problem and take great and realistic steps for its quick solution.

248. The total population as revealed by 1961 census was 439 millions made up of 226 m. males and 213 m. females. Out of these it was reported that only 129 m. males and 59.5 m. females were registered as workers. Out of these categories registered as workers the following categories will demand a special attention from any student of unemployment or under-employment in India.

<u>Category</u>	<u>No. of workers in millions</u>	
	<u>Males</u>	<u>Females</u>
1. Cultivators	66.5	33
2. Agricultural labour	17	14
3. Household Industry	7	5
Total	<u>90.5</u>	<u>52</u>



It is well-known that these categories are subject to many response errors and are less than fully employed due to seasonal character of work and less scope for employment. Thus, it leaves us with a population of only 39.5 m. males and 7.5 m. females as workers in Industries such as Manufacturing, Construction, Trade and Commerce, Transport, storage and Communication, Mining quarrying, livestock, Forestry, Fishing, Hunting and Plantations, Orchards and allied activities and other services. If we take the liberty to describe the workers in these latter categories as industrial workers they give us a ratio to total population as low as 17 p.c. in case of males and 3.5 p.c. for females. This is the state of country's industrialisation. The nature of industrialisation becomes still more evident as we look to the classification of 45.5 million persons described as working in Non-household Industry, Trade, Business, Profession or service. (Table 1.32, Indian Labour Statistics) Out of these 45.5 million persons 15.8 m. males and 4.6 m. females are registered as either single workers or family workers. Thus it leaves roughly 25 million persons as engaged in industrial institutions. A division of these 25 m. into employers and employees is respectively 2 m and 23 m. giving an employer:employee ratio as 1: 11.5. It is significant that the census does not mention any category as employers in house-hold industry. It simply mentions that out of 12 m. persons in household industry one million are employees. The rest are described as others. With 33 crores of people living in villages as against less than 8 crores in urban areas, these figures are quite natural. But with a national per capita annual income of Rs.370 only as for 1963-64 at current prices, the magnitude of the whole problem of raising the standard of living through rapid industrialisation shows its startling proportions.

249. It will be interesting perhaps to compare these figures with other countries to know how the type of economic activity changes with industrialisation. The following figures taken from I.L.O. Report No.67 Table IV illustrate this point.

Country	Latest year for which figures are available	Percentage of total labour force engaged in		
		Agri-culture	Industry	Services
1	2	3	4	5
Australia	1954	13	41	46
Bulgaria	1956	65	19	16
Canada	1962	11	36	53
Czechoslovakia	1960	26	46	28
France	1962	21	39	40
Germany(F.R.)	1961	14	49	38
Gr. Britain	1961	4	49	47
Hungary	1960	40	35	25
Italy	1962	27	40	33
Japan	1961	45	24	31



1	2	3	4	5
Mexico	1960	55	19	26
Poland	1960	48	28	24
Sweden	1960	41	45	41
Egypt	1960	58	12	30
U.S.A.	1960	7	40	53
U.S.S.R.	1961	37	33	30

In each of the above countries the percentage and even the absolute number engaged in agriculture has fallen down in successive years. It is specially notable that the U.S.A. by employing only 4-5 million people in agriculture (7 p.c. of its labour force) can dream of wiping out the world food shortage. The figures also show how the fast growing economies can accommodate enormous structural changes. This does not however mean that we should aim at any dramatic change in sectoral distribution of India's labour force. There is much for us to do even in agriculture. Out of a total cropped area of 152 million hectares, we had sown only 19.5 m. hectares, more than once in a year in 1960-61. Add to it the culturable waste land of about 20 million hectares and the low average yield and we begin to see the nature of the problem and the ways to solve the same. There is still much more to say about forests and their products, minerals, livestock and fisheries. The country is not certainly wanting in natural resources. Then where lies the real problem? We have the resources and we have the men. We need only to concentrate on the missing links to get our answer.

250. It is a well-tested law of economic development that the productivity and value of natural resources is influenced by the state of technological application, the methods of organisation or production, the efficiency and policy of the Government and in a general way by the organisation of society. The inherent qualities and attributes of a resource are not sufficient to enable it to participate in production and to acquire value in the process. For this purpose it is necessary that co-operant or complementary resources (factors of production) should be available and that there should be a market for the resulting product. When the necessary and previously lacking co-operant factors of production like, application of capital, organising and technical skills, are supplied the natural resources are clothed with economic usefulness and value. The application of human energy, its quality and richness ushers the introduction of these co-operant factors.

251. Out of these co-operant factors the need of capital has been well recognised by Indian planners. But it cannot be said with same degree of confidence that the need of organisational and technical skill has been appreciated to the required or even the same extent. Had this latter appreciation been gone into the formation and execution of our plans, we would have got before us a meaningful man-power utilisation and training



programme instead of its total absence as today. It is not recognised that the human element is also a form of capital. In other words the application of capital as normally understood in economic parlance is employed on such lines and through such institutional channels that the average Indian has begun to look with mistrust to the zeal for capital formation that is being shown by planners and the Government. In formulating a wage and employment policy for the country it will no more be sufficient to harp on necessities or justifications of capital formation alone by quoting shadow or accounting prices of capital and labour; it will now be necessary to sell to the average man particular uses of capital that is gathered by curtailing his already low level of consumption or by restraining its further growth.

252. Again the best way of doing this is by directing the use of capital in such a way as will bring an increasing employment to men and show an early promise. This line of action has a justification even as a form of relief, but it must be said that the real success of employment policies will ultimately depend upon the extent to which they result in higher national incomes and output. The I.L.O. has spelled out the objectives of economic policy in the following terms:-

"More and more productive employment may -

- (a) increase the incomes of groups in want and thus ensure wider sharing of the benefits of economic growth,
- (b) ensure that human capacities are utilised as fully as as possible for economic growth,
- (c) ensure the participation of all in the economic life of a community and avoid the sense of frustration and failure to which unemployment or severe under-employment may lead."

253. The resolution concerning employment policy adopted by the International Labour Conference in 1961 called upon Government -

"to adopt as a major goal of social and economic policy the objective of full productive and freely chosen employment, this goal, which among other things, included higher standards of living being understood to mean:

- (i) that there should be work for all who are available for and seeking work;
- (ii) that the jobs available should be as productive as possible;
- (iii) that there should be freedom of choice of employment and the fullest possible opportunity for each worker to qualify for and to use his acquired skills and natural endowments in a job for which he is well suited, irrespective of race, sex, creed, age or personal origin."



254. In suggesting the above employment objectives the I.L.O. was well aware of combining and reconciling them with the pursuit of other social and economic objectives. The social objective most concerned is redistribution of consumption or rather diversion of consumption from the more prosperous sections to the poorer ones. The economic objective is the promotion of economic growth and development to which rate of investment is closely linked. It is clear that if the newly employed add more to their consumption than they add to production, the excess will have to be at an expense either of investment or of somebody else's consumption. The latter though laudable becomes difficult to achieve since taxes on high incomes and wealth which are used to achieve the end, quite often result in reducing the savings rather than consumption. The latest experience of India justifies this fear.

255. Taking full account of this need the I.L.O. report has suggested the following principles for employment policy:-

- a) Countries should have a policy for the utilisation of manpower, with clear aims and a programme of action for achieving them.
- b) the programme should include long-term aims and instruments for the development of human capacities, notably through education and training,
- c) it should also include aims and instruments of a general character to promote a continuously expanding economy,
- d) and it should further include aims and instruments of a more selective character for promoting a high degree of mobility and the effective adaptation of the labour force to changing needs;
- e) the aims and instruments of employment policy should be coordinated with those of other economic and social policies;
- f) persons whom the economic system at any given moment cannot employ should be given generous aid to meet their basic needs and to adapt them for future useful employment;
- g) all these policies should be formulated and implemented through appropriate democratic procedures since employers and workers will be particularly affected by them, they should be consulted by governments and their co-operation should be sought.

256. The BMS stands for the adoption of the above employment policy and employment oriented plan and for that matter is ready to give priority to formation of capital and direction of investment to objectives and plans that can serve the above purpose. It is however opposed to indiscriminate types of capital formation and other than employment - oriented investment patterns in industry, like the one for computers and automation and big projects and plants that may start giving yield after a long gestation period. In other words to



the question of NCL "How could the criteria of fairness to labour, development of industry, capital formation, return to entrepreneur etc, be taken into account in wage fixation?" Our answer is that there cannot be a blank answer in this regard unless one knows the use to and manner in which the capital is sought to be put. Even in immediate applications such as rationalisation or automation the capital so formed out of wage restraint throws workers out of their own job. On a national scale the fear is still large. In other words, if the economic operations are to be left to the free will of entrepreneur i.e. for the play of profit motive, then there is no reason why the already low-paid workers should think of appropriating anything to prosperous employer or even for capital formation which goes neither in their name nor for employment objectives, except of a marginal or incidental character. There will certainly be a case for restrain on wages if it can be shown that the resultant savings are used for the employment of less fortunate ones. But such a proposition cannot be taken for granted by adopting a formula for wage fixation that is not relevant to an employment-oriented plan. Nor it is sufficient to rely on Government or even on its employment plans unless the latter are shown to be productive. That is the reason why the worker's participation in the formulation of a National Economic Plan is a must before one can expect them to enjoin upon any pattern of wage fixation. It will be unwise to simply rely on Government that it will somehow absorb surplus labour into public sector. If such newly employed people only add more to their consumption than they produce - more than the increment of output that is attributable to their employment, then they create another serious complication in the economy. The presence of such surplus staff brings down the morale of the whole service and gives dignity to appearance and circulatory practices in administration. The public services burdened with such people of spoiled habits can set a tone of degeneration to the whole economy. There is scope to believe that something of this nature has happened at least in sections of our public services. It is better to have straight-way unemployment relief programme than to go ahead with such misplaced and degenerating employment. The I.L.O. has rightly suggested that the persons whom the economic system cannot employ should be given aid to meet their basic needs. Throughout the centuries it had been a practice in India to provide for Dharmshalas and Annachhatra to house and feed the unemployed. It is better that we revive this national practice and add to it an employment-cum-training scheme to place the unemployed in gainful occupation. In any case the society cannot and does not leave the people starving. It is then better to meet the problem squarely by having a man-power planning and organisation of economic services in such a manner that we take the best care of each man and put him to a productive employment or carry his burden with awareness that gives a constant thought through employment services that engage themselves in finding out fresh sources of work or



opportunities of employment. It is only when the plan takes such an employment - bias that the various investment decisions can seek the understanding and support of workers. The Indian worker will certainly not fail to extend a helping hand to the poor and unemployed in the country, but today when he is asked to exercise a wage restraint he has reasons to believe that the demand does service only to a rich capitalist or idle politician or a corrupt bureaucracy. The economic and employment objectives of an investment plan or policy are central to any decisions regarding a wage-policy. If the representatives of workers and employers are consulted and kept well informed in developing labour-intensive products and utilising labour-intensive techniques and their participation is sought in the formulation of employment policy through joint continuous study of economic trends and the employment situation then certainly a fruitful wage policy will emerge from the attempt. The neglect of this central factor in the Indian situation has created a lot of difficulties in the adoption of any plan on wages. This is one instance of the lack of organisational and technical skill in the operation of our planning machinery. If a capital is to be formed and investment made by curtailing my own consumption, I must at least know unto what purpose it is so employed. The Indian worker will certainly support such employment if it is to help for the weak and poor than him. But he will be right in insisting that he must ensure that he is not cheated under a holy name. On the other hand if the economy is going to be a capital intensive one, then the chances are that his sacrifices will enrich only the big ones and may even work for driving him out of his own job. He cannot then be blamed if in such a law of jungle under which the big fish eats the smaller one, he uses his organised strength to snatch the utmost he can without any regard to other factors such as capital formation or entrepreneur profits.

257. This discussion leads us to many other important aspects of economic policy. The perspective of economic growth structure and role of public sector, wage-policy and institutional framework of private sector and consideration of income policy become entirely relevant to the issue. Before we go to the larger issue of economic planning we may first state our position as regards the influence of decisions regarding capital formation on wage structure in private sector in the present circumstances. It is our belief in this regard that all decisions in these matters have a meaning to labour to the extent they shape the industrial pattern towards labourisation. Once the initial capital is put to start an industry and labour employed to bring out production the subsequent increases in working capital are as much a contribution of labour as of capital. Over a period of years it will be reasonable to assume that the proportionate share of labour tends to increase more than that of capital which turns into a sleeping partner. In a developing concern even if there are ostensible additions to capital from outside they can be said to have been attracted by



the action of labour. Of course, capital added to make a losing concern survive may present a different picture; but in that case each particular instance will have to be examined in an isolated fashion to determine responsibility of loss. In general, however, it can be said that all Reserves should be treated as having been built up with a labour's share in the same. It is necessary to determine such share before one can make a pronouncement on wage policy. We are aware that in a comparatively free capital market as in India, any drastic decisions in this regard can make the capital shy and thus retard the economic growth. But the same can be said with even more emphasis about a wage-policy formed in the absence of such decisions. We may be permitted to say by way of broad generalisation that the policy of giving labour a share in the ownership of capital should be such that a graded or phased programme of progressive labourisation gets itself piloted on the national scene. We have already made reference elsewhere to the proposition framed by National Productivity Council and supplemented by Director, Gokhale School of Economics and Politics, Poona for giving shares to workers out of productivity gains. We add here that such a scheme should start with simultaneous owning of Reserves by workers according to a prescribed plan, so that the workers can take intelligent and living interest in investment decisions of their own firm or industry and admit its influence in wage fixation. The prescribed plan should be modelled on a graded or phased approach to labourisation of industry. Such a plan will deprive the capital of exclusive ownership for ever but shall not harm the enterprising ability. Of course in the definition of workers in this connection we include all those who give a fulltime service to industry that is including the managerial cadre. If the wage-differentials in the concern are patterned on the lines suggested by us and the shares are awarded in proportion to such scientific evaluation of jobs, then certainly the industries will be managed many times more efficiently under the prescribed plan than in the present system where immature and inexperienced sons and grandsons of a one-time industrious and far-sighted entrepreneur, become a problem even to the professional management and government. The design of wealth-tax is somewhat modelled on similar principles. We advocate its application to industrial institutions. Such a scheme will promote the adoption of a wage policy on plant and industry level as the employment-oriented plan will promote the same on a national level.

258. Having thus outlined the cantors that should set the tone of music in a theme of wage-policy, we shall now turn to the contents of a wage plan. The first we meet on this road is a helpless consumer and a all powerful state. Of these two, we have already dealt with the aspect of consumer interest in a situation of rising prices while dealing with the question of D.A. We need not repeat the same here. But that is a negative part of the story. In a sense the consumer can always



have a claim over the productive process, for ultimately the whole apparatus must run for his service. The consumer is the common man. His angle is the true national angle. The state may represent a particular political view of the ruling party. But the same cannot be said about a consumer. However the consumer is also an earner. Therefore a true national accommodation of consumer interests ultimately turns into a debate on sectoral policy of incomes for the whole country and the operation of price-mechanism. A policy on incomes has both a sectoral and occupational application. About its occupational differentials we have already dealt under the head of wage differentials where it was indicated that from a certain point of view of income distribution the employer's share can also be determined on the lines of general principles enunciated for wage differentials. About the sectoral policy we shall presently deal in a proper sequence. What we wish to emphasise at this stage is that the consumer interest ceases to be an interest apart as soon as we shift the discussion from the level of a bargaining unit to the whole field of national activity. At that stage the Income's Policy takes its place.

259. At the unit level of bargaining the interest of consumer and the state assumes a certain reality. But in order that we may talk usefully about these concepts in the context of wage fixation, certain clarification will be needed before we can attempt any answer. Firstly we must know what it is that we are going to distribute between the so-called divergent interests viz., workers, capital, consumer and state. Is it the net profits or productivity gains or the bare income or still something else. This brings us to the question of the system of final accounts. It is now pretty well known that the way in which we write our final accounts to arrive at net profits are not satisfactory for many purposes. Even the payment of Bonus Act in arriving at allocable surplus has in effect recasted the final account in a different fashion than what the professional accountants certify and do. For the purpose of Labour Economics, it is necessary to cast the final accounts in a different fashion than the present. What we should do is that we should deduct from the total income of a concern the bare inevitable first charges of expenditure that are absolutely necessary to keep the concern going. This may approximate to the concept of gross profit (with certain corrections regarding purchases or stocks etc.) to which we should turn our attention as the foundational concept for further calculations. Secondly we shall have to decide for each Industry the different ratios that the total wage bill, running expenditure and planned developmental expenditure should have with this gross profit or such other appropriate financial variable (say sales receipts) for the industry taken as a whole. This is an aspect of national efficiency audit on which the pattern of taxation should also rest. It is after we clarify the firm's standing in these respects that we are really confronted with a decision on wage fixation. It will be seen at this stage that in scientific allocation



persued in this manner the conflict of consumer interest with worker's interest will be felt in firms having low efficiency- for it is the existence necessities of such firm that determine the market price of the product. If as a concession to the consumer, it is decided to lower the price of a product ( a price which should be uniform to the whole industry) then the firm with low efficiency will be first to get affected by such a decision. Since after a certain stage it will not be able to carry on its business at a given price. The decision to extend the benefit to a consumer will then depend upon the alternative utility of such a decision and the effects on employment etc., by the closure of the weakest or marginal unit. As a theoretical proposition this leads us to a theory of equi-marginal returns obtaining from the size and composition of different industries in terms of employment and income opportunities afforded by each Industry. At present this situation is not obtained for two reasons viz. (i) The Industry-wise wage policy has not yet been adopted in wage fixation and (ii) the taxation laws are not based so much on study of industrial potential as on paying capacity of a firm. To that extent the taxation laws penalise the efficient unit and prevent wage policy from establishing any meaningful equation with overall consumer interests. We may conclude this discussion by saying that a national concern for consumers interest can take its desired grip on wage fixation by laying down an industry-wise wage and price policy. But in order to make it fair to all interests concerned the policy on taxation must also be oriented suitably so that the workers in a more efficient unit may be able to reap the benefit of higher efficiency by sharing the productivity gains therein in a sizable proportion. The working of this latter concept has been shown by us in paragraphs 122 to 124 of our submission. Such a service to consumer interest will then mean an increase in productivity of employed personnel. This service will be rendered through the medium of a planned approach to different industries.

260. The planning of this approach to different industries brings us to the last difficult question of the whole process viz., the priorities of investments as between different industries and private and public sector. We have already simplified this discussion by saying that we prefer an employment-oriented plan. We may add to it that in these considerations of industry-wise priority the nature of the sector as public or private becomes irrelevant. Now one final question remains. That is of laying down a broad investment pattern which can not only promote the growth of national income, but also ensure its equitable distribution through the broad lines of national wage policy.

261. Before a decade perhaps one would have hesitated to embark on a employment-oriented plan for national economic growth on the lines suggested by us. The idea might have been considered as an expedient consideration of political economy.



Now however the science of econometrics has sufficiently developed on account of which an approach to the question through multi-sectoral intertemporal planning models and other mathematical processes can enlighten us in choosing among investment alternatives by taking cognisance of an optimum savings programme. The whole problem of planning should be decomposed into two consecutive questions : the determination of the over-all savings rate and the determination of the composition of investment. The Organisations of employers and workers should be taken into confidence in determining the choices in both cases. The various mathematical models can give us alternative paths to economic growth, all of which may be in some sense efficient. The selection of the path must however be done by careful consideration of what is acceptable to and desirable for society. Out of these two basic questions, the selection of an appropriate and acceptable savings rate is perhaps the more difficult choice for social workers. The theme is germane to the determination of wage policy. But as we have indicated earlier the employment function of investment pattern is quite central to the awakening of popular enthusiasm to determine the savings rate itself. Shri W. Arthur Lewis in his study made for the Fabian Society (now published as a booklet under the title "The Principles of Economic Planning") has summarised this aspect in concluding his work in the following words:

"Planning in backward countries imposes much bigger tasks on governments than does planning in advanced countries. The government has to do many things which can in advanced countries be left to entrepreneurs. It has to create industrial centres, to put through an agricultural revolution, to control the foreign exchanges most strictly and in addition to make a great leeway of public services and of ordinary economic legislation. And all this has to be done through a civil service that is usually much inferior to that of an advanced country."

After dwelling on these aspects the learned author of the essay poses the question, " What it is that can enable then a backward country to carry through in spite of so much error and incompetence? " He gives the answer in the following beautiful and important words:

"If the people are on their side nationalistic, conscious of their backwardness and anxious to progress they willingly bear great hardships and tolerate many mistakes and they throw themselves with enthusiasm into the job of regenerating their country. Popular enthusiasm is both the lubricating oil of planning and the petrol of economic development - a dynamic force that almost makes all things possible. Even the most backward country will progress rapidly if its government knows how to tap this dynamic force."



262. We are of the considered opinion that this great dynamic force can be generated into Indian economy by making our plans employment-oriented "to wipe out the tears from the eyes of the last unfortunate man in India" as Pandit Jawahar Lal Nehru said in his speech on 15th August, 1947 heralding the Freedom of India and then simultaneously calling workers to put their final hand on drafting the plan by taking the decision on the rate of savings that can alone pilot the great plan. We are conscious that the nationalistic spirit in our workers is so high that it will certainly give shocks after pleasant shocks in generating an atmosphere of mass participation in the thrilling march of making India a house of prosperity (सुवर्णभूमि). But this is not likely to happen for anything else than an employment-oriented plan or by neglecting the worker's participation in the planning process. The savings and investments that will be generated by such aims and instruments will be times more than what a purely Governmental action can do even in a totalitarian economy or what planners can hope for from capitalist or industrialists, business men and bankers by system of inducement planning or by exhortations.

263. It is not necessary here to spell out the framework of the plan that is inherent in the above suggestions. We shall like however to take the liberty to dovetail a few important aspects of our view. We have already stated that our country is rich in natural resources. The whole attempt of our planning should consist of turning these natural resources into economic resources by application of human skills and efforts as well as of capital and technology. On the side human efforts and skill, the qualities that we are required to develop are: an interest in material things, responsiveness to new ideas, willingness to learn, perception of economic opportunity, mobility and general ability to adapt to change, ability and willingness to take a long view, resourcefulness, industry and thrift. These are matters not only of education and training but are the flowers of an aspiration and promise in people to achieve material glory. This promise will be born in the people when they will see and get themselves satisfied that the available economic resources and capital of the nation are mobilised with an end to provide full employment to its people. On the side of capital we shall have necessarily to start with the present position and work out different models by keeping maximisation of employment as a fixed target. The various investment allocation schemes will have to be examined from the view-point of incremental employment-efforts which they can produce. It is well-known that the various sectors differ with regard to their labour intensity and within some sectors labour intensities of different processes are different. Our concurrent target in this exercise will be to find out the most productive of various employment-oriented plans, the employment function being the prominent one in the exercise and productive function being related to social and economic phase of planning. The



capital-output ratio of India's third Five Year Plan was already very low. Though this is a bad commentary on the execution of our plan, it provides an unexpected relief in the sense, that a single-project oriented plan as we are suggesting now is not likely to yield less than the practical results of an optimal programme on purely economic grounds under the given social and political conditions - which are in fact degenerating. The method suggested by us will have on the contrary an advantage in the sense that it will bring into planning process a conscious and important segment of Indian Population viz., the organised labour. Its powerful entry to determine the savings-rate and the snow-ball effect produced by its choice of employment-oriented investment pattern can change the social and political conditions from the present one of an unconscious bar to progress into a conscious and willing instrument of national progress. In other words it is our view that if the programme evaluation technique is applied to the models suggested by patterns of our projects, then over a several periods of time (as against a single period of time as is attempted in incomplete mathematical evaluations) the employment-oriented plan will bring the highest yield. The successive levels of income generation by this plan will give a non-linear system of saving rate and capital-output ratios and may bring not only the take-off stage earlier but shall give us a self-reliant economy of high promise by the method of least social costs. In any case a certain a-priori assumption on the structure of the plan has to be done and the one we suggest is the best to obtain the co-operation of workers. It is a well-known fact in econometric literature that certain industries act more frequently as transmitters of growth via the effect that they have on the productivity of labour. This element is taken as an instance of technological externality. Our model can form a good triangle with these technological externalities as one side and the evolution of output and productive capacity as a part of plan-structure as the third side. Of course since we have to start on a given stock of capital and investment the process of substitution or replacement of new system will operate only on the margin in some instances. The successive terminal iterations will articulate a consistent and ultimately a most productive model. An intertemporal plan on this basis will give specifications of savings. And in relation to the volume of these savings we shall then be able to equate a national wage policy on the basis of four elements viz., (1) the initial level of consumption, (2) the planning horizon, (3) the growth of consumption during the plan period and (4) the terminal conditions. It is at this second stage again that the participation of trade unions will become highly meaningful and purposive. It will then correlate the rate of savings with the growth of employment. The workers who are already in employment will thus decide how much they should give up to get employment to less fortunate ones and what burden they should carry without giving any such work to able-bodied men. Labourisation of Nation's Industry will assume its grand outline



and major responsibility and the struggle of workers will give place to a great journey of people where by a united effort the nation will be able to march on a conscious road and with a guide-map of economic plan.

264. To resume briefly the above discussion in terms of the questionnaire it can be said in general terms that the criterias like development of industry, returns to entrepreneurs, capital formation etc., cannot be fairly taken into consideration in fixation of wages unless we deal with the method or manner of capital deployment resulting therefrom. On the unit level this deployment should take the form of progressive labourisation of Industry by workers graded ownership of capital stock and expansions in working capital. On the national level the same can be achieved by worker's participation in designing employment-oriented plan. If these two things are done then we shall be able to generate in workers a lot of enthusiasm in adopting a suitable wage behaviour in unit level bargaining or in chalking out a national wage policy that will do maximum justice for development of industry, capital formation and entrepreneur-ship. The development of industry then will take the form of investment in employment-oriented processes and projects. While the capital formation will be accelerated by the addition of a dimension wherein savings are generated from common masses and workers - not by way of only small savings drive but through industrial decisions like wage fixation. We are categorical in emphasising that it is not practical to do it otherwise than by the methods suggested by us. To the extent it means a change in valuations of society we postulate that such change is necessary both from social and economic angles. From the social side it is necessary to bring mass relief and constructive participation of people on a vast scale of economic activity, from the economic side it will give us perhaps an optimum model of economic growth from the view-point of consumption needs, production targets, distribution effects and self-reliant exchange mechanism.

265. From the angle of consumer interest, the model suggested by us has a unique tendency (provided the tax structure is made industry-oriented instead of having a firm-industry complex) to remain sensitive to a pricing system in which marginal firms will give the barometric data for policy decisions. A reduction of price will then be a proposition which when not left to purely market conditions will be a decision of consumers about themselves and as against a few inefficient employers. The tussel is not between the workers and consumers as such. For with provisions of unemployment relief, the workers as a class come only marginally into picture for a decision on prices, but what is at stake is reduction of firms or number of employees on one hand (may be by amalgamation or transfer or by restriction) and the level of national i.e. consumer's income on the other. After the stage of full employment is reached such decisions will be welcome for they will afford not only a benefit to consumers by price-reduction but by



eliminating the inefficient and less paying unit they will raise the marginal value of labour and maximise the incomes by promoting productive employment or labour productivity. In a free market they will be weeded out by a natural process giving the consumer his theoretical throne of a king. An integrated policy on wages, incomes and prices will be a natural corollary of such an operation of planning model. One of the defects of current planning is that it leaves the resource mobilisation aspect in mainly executive hands and as a result the tax structure plays on incomes in a direct manner - not knowing what harm it brings to pricing and wage policy of the economy. We are aware that in throwing these considerations we are attempting to place a little unorthodox way of economic thinking. We are open to discuss its premises and conclusions. But it is better to note on the other hand that a policy like wage-freeze or wage-restraint is the one which many planners have in view even when they talk on incomes policy and price policy in the same breath. We must warn that any insincerity in this regard for a wage-income-price policy will have disastrous consequences. Instead the mechanism of price-determination advocated by us that works as a function of a plan of productive employment and concentrates on effects on a marginal firm is far more realistic and easy to operate for the Government. We are aware that the one result of an immediate shift in employment-oriented plan is going to be the ushering in of a vast complex of agro-industrial projects, small-scale industries and township planning financed and managed through co-operatives. This is the immediate picture we wish to draw for our economy. The first terminal period for our plan should end at full employment with mostly such a picture of economic institutions with a highly developed sector for Defence and attendant industries that help or are meant to be switched over to War economy in times of need. But then the second temporal period from a full employment base to achieve higher and higher standard of material riches will proceed by a technological revolution - the choice of technology being of a type and on a scale suited to our ideas of welfare. This process is specially suited to our country for another important reason also. Ours is an old and mature culture. It does not become our cultural greatness to elevate the economic development to the status of an ideological absolute, with total disregard of traditional values, and cultural forms. Even the so-called materially advanced countries of west have been able to achieve the economic development by a cruel process of either totalitarian inhumanism or colonial exploitation. And after doing all that what real standards of happiness have they achieved? It is a culturally vitiated and restless view that regards traditional values and cultural forms as obstacles to economic growth and comes out to destroy this treasure of human happiness and calm reliefs as so many hindrances to modernisation. A more patient eye of wisdom regards both traditional values and cultural forms on one hand and processes of economic development on the other as instruments of human welfare - when we cast the perspective



of economic growth in this still broader perspective of cycles of man's evolutive progress, the merit of our model will assume its full value. Even as an expediency it affords the technically efficient solution. But viewed in its larger compass it suggests right institutional patterns and arrangements for its implementations. The institutions to evolve, adopt and operate these plans are the cooperatives of workers and citizen, joint management and workers councils, industrial families constituting all those connected in a given industry and national level tri-partite bodies for planning of targets and implementation. Of all these institutions, the Institution of a Industrial Family is perhaps the most central one in the economic organisation of the society. We have already shown above how the wage policy, price policy, employment policy and tax policy can be rationally developed only on the basis of taking the Industry as a unit. On the labour front there is already a move for industrial unions. The development of Banking and other financial service institutions can also run on efficient lines when they are run by achieving industry-wise specialisation. We shall show in our chapter on productivity that the schemes of rationalisation and other productivity measures and association of applied scientific research can also be best done by establishing each Industry as one organised limb in the economic organism of the Nation. All this makes public and private sector as a one sector of peoples. The need for distinction to-day appears to arise because we are tending to equate nation with government and regard only the public sector as a major and reliable instrument of public policy. The B.M.S. regards Nation as a supreme authority before which it holds both Government and so-called private sector as equal. Both must do service to the nation in an equal manner and be yoked to a common discipline. The real methodology of economic and social thinking should be on a industry-wise basis, irrespective of form or type of ownership. Each Industry must be given an individual target and a National Discipline by the people through an appropriate organ. If parliamentary democracy is to be that organ then perhaps a House elected on basis of functional representation, 'A council of Industries', will be able to give such a mandate in a wiser manner than the group of politicians assembled through choices dictated by regional considerations. In the meantime we may suggest that a national council for planning representing all the economic interests such as workers, farmers, industrialists etc., be considered as an appropriate institution that can give us both the model of a plan and sectoral industry-wise balances regarding wage and income and price structure. The behaviour of wages and a policy regarding wages will then be decided from time to time by such an agency. For there can be no fixed or rigid policy in this regard that the NCL can give. It can give a broad mechanism that can determine and operate an appropriate policy suiting the needs of time and it can give broad guide-lines as an expert social body that can inform the development of a



right wage policy. What we have attempted to do in above paragraphs is just to outline such an approach as a nationalist labour movement can advocate and adopt after taking due account of economic theories and processes.

#### MODES OF WAGE PAYMENT AND GENERAL ISSUES

266. The rest of the questionnaire on subject of wages need be briefly touched. The larger mode of Wage payment today is in cash and with the development and importance of money economy it should be so. As far as possible it should be replaced by payment through cross-cheques, so as to help develop the banking habit and ensure safe custody and exactness. Wherever the practice to pay wages is in kind, it need not be disturbed. It is nearer to an idea of index-bound pay packet, since it ensures real wages. This is so in villages and even the administrative problems of any legislation to regulate the mode of payment in this regard are so vast that it is uneconomic to take up this subject. The question of time-scale versus piece-rate wage system or only a fixed wage is an old question. It is better to leave it for collective bargain. No uniformity in this matter has become urgent. We are not in favour of having a divided wage packet as composed of basic wage, D.A. and productivity payment. Such a division is harmful for workers since it inter-relates these concepts in such a manner that quite often worker is attacked on different grounds while trying to get a pay-rise. There should be a system of index-bound pay packet bracketing basic and D.A.- a one that gives monetary quantum of a given real wage. This real wage should increase in proportion to increase in labour-productivity and following the dictates of an appropriate wage-policy. In this exercise if a system of incentive payment is introduced then perhaps on psychological grounds a different component of incentive pay, to be given on a separate day than the pay-day will be found suitable in a given circumstances. We are not against this latter bifurcation wherever it is helpful for productivity. Regarding the subject of Minimum Wages we have already dwelt on the topic earlier in this chapter; while as regards bonus, we have enlarged on this subject in the chapter on labour legislation.

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## CHAPTER XI

### INCENTIVES AND PRODUCTIVITY

#### BASIC ISSUES

267. The level of living for any Society is a matter of higher productivity. An increase in productivity leads to an increase in economic welfare. No amount of economic jugglery can alter this fact in the long run. There is no short cut to economic growth except raising the productivity rate to the maximum. This factor alone may count, in the long run, in the victory of any economic or social system. Such is its importance. Any trade union or employer's organisation that does not stand whole-heartedly for increasing the rate of productivity is either an assemblage of arm-chair or slogan-shouting politicians or may even be in an out-right anti-national group. In any case, such group is an hindrance to economic growth and march of the nation and can claim no real backing of the conscience of the country and its population - whatever may be its numerical strength or position in a particular industry or by chances of recruitment, historical process or through exploitation of ignorance and political motivation. So far all nationalists should walk in company. The rest of the debate has to be purely technical.

268. About the progress of productivity movement in India, we have two major observations to make. Firstly, it is our serious contention that the managements in both public and private sector have not yet taken up the productivity movement seriously. There are very few firms where a well-equipped work-study unit is maintained and honoured in day-to-day practice. It is not uncommon to find managers who do not yet know the meaning of the word 'productivity' or 'work-study'. It is only a few persons from worlds of professional management who have come in touch with the activities of National Productivity Council that have some understanding of the subject. And yet for them too the N.P.C. meetings have only been an occasion to learn a few technical words which they can use for official business to appear taking a sophisticated view of things. Even a modest cell as of Organisation and Methods is making only a timid appearance on the scene and is used only to apply a scissor to staff proposals in public sector undertakings. The top executives and senior officers have not yet given their whole-hearted backing to ideas on productivity and the businessmen and financiers or capitalists and politicians who own or control the industrial activity have almost no grounding in the subject. The calibre of administration is almost universally poor in India. The same is the position of applied research and the values placed by administrators on even the little good research done in Indian laboratories. A clerical mentality is almost hunting us in various direction. In a paper presented before the symposium on collaboration between the countries of Africa and Asia for the Promotion and Utilisation of Science and Technology held in New Delhi from April 25



to May 2, 1967, Prof. P.C. Mahalanobis said that the whole stock of Scientists and Engineers in India with university level education is estimated as 215,000 (of whom 108,000 were scientists, 80,000 Engineers and 27,000 Agricultural Scientists in 1963). This, he said, is larger than the stock in most of the advanced countries with the exception of U.S.A., U.S.S.R., U.K. and Japan. If the diploma level personnel are included, the number would be nearly 600,000 which places India, on paper, in a very favourable position. The proportionate expenditure made on Research and Development in India is among the highest. Expressed as a percentage of Gross National Product, the expenditure on non-military or civil part of expenditure on R & D popularly known as research ratio is 0.33. The respective ratios in other countries are : Australia 0.16, Switzerland 0.21, Canada 0.26, Sweden 0.27, U.S.A. 0.31, Norway 0.37, Belgium 0.38 West Germany 0.39, Netherlands 0.45, Japan 0.47 and U.K. 0.53. The learned author of the paper has however admitted that in spite of such an order of expenditure on R & D in India its impact on economic growth is almost negligible. It has not contributed either to an improvement in quality of product or reduction in cost and prices. There is a race in research scientists to get their papers published - exhibiting a sort of publicity glamour and mentality of promotion-seeker, but there is no submission to an analysis of a cost/benefit type even for programmed applied research. Again the mentality of a clerk and politician is found spreading its influence even in so serious a matter as research. Can we say, that this is due to the fact that the tone of central Government operations is set by clerks and politicians! The atmosphere of New Delhi or its central secretariate and the level of parliamentary debates will certainly justify this conclusion. The concern for productivity must be built up from these levels at the top. A radical orientation in tone of central Government services and outlook of top-executives and administrators must be brought about if a scheme on national productivity is to be made a success. A public vigilance committee should hold a bold and fearless examination of contribution of Members of Parliament to subjects and issues that resulted or could result in raising of sizeable productivity standards and a propaganda of such examination results should widely inform the public opinion to guide its choice of those who can be entrusted to mould the destiny of the country. The whole climate of country must be changed from its political and negative valuation to economic and constructive valuation - charged with a scientific temper. Then alone we shall be able to reverse the present clerical and political trend of services. At present even the traditional business community of Gujarat is taking a clerical turn. Prof. J.L. Pholakia tells us through his employment survey conducted under the auspices of Gujarat University that 82.2 p.c. of Arts Graduates, 72.8 p.c. of Science Graduates and 71 p.c. of Commerce Graduates of Gujarat University are employed as clerks. The wastage of talent in non-productive pursuits is almost criminal. The case is for a revolution of the temper.



269. The second and the more serious defect of our thinking and practice in matter of productivity is that we attach too much emphasis for labour-productivity and forget all about productivity of land and capital. The productivity of labour is a function that may be useful in distribution of wealth. But under the Indian conditions, the productivity of land and capital is most urgent since it can influence the rate of growth of National Income at maximum speed. Of these two again the productivity of capital is very crucial, since capital is very scarce in India. We must do the utmost we can do of the savings accumulated in the country and the accumulated stock of resources the assets- which contribute to present and future flow of goods and services. This aspect is criminally neglected in India. We have not got even a reliable inventory of capital and their capital out-put ratios. Neither the measurement of the physical productivity of capital assets in facilitating the output of goods and services in coming years appears to have been seriously attempted by country's statisticians. It is well-known in statistical circles how the conceptional and practical difficulties surround the definition and measurement of national income. In these circumstances, we are aware that it is difficult to prove or dispute our proposition on basis of capital-income ratio on a national scale. We shall however illustrate our point by taking the instance of sugar factories, specially in North India, where the Government muddled with licensing of factories and went in for a heavy expenditure of capital and foreign exchange, inspite of the early warnings given by our unions, only to make the sugar disappear from the market and enhance its price by 4 to 5 times in a two-year period.

#### AN EXAMPLE

270. Shri Thakurdas Sahani, Director, Indian Sugar Industry Research Institute - a branch of Bharatiya Shram Anveshan Kendra of Bharatiya Mazdoor Sangh had placed a plan of land and capital productivity in Sugar Industry before the Cane Development Sub-Committee of Indian Central Sugarcane Committee in their meeting held in February 1965. After a detailed expert cross-examination of our Director, the Committee unanimously approved the proposed scheme and recommended its acceptance by Government to be started as a pilot project. But the Government did nothing in this regard and instead went on committing blunders and wasted capital to thwart the development of Industry. At the end of India's Third Five Year Plan, The Hon'ble Minister of Food and Agriculture, Government of India, declared the granting of loans and licences to increase the installed capacity of Sugar Industry for producing 8 lakh tons of sugar at a total capital cost of Rs.200 crores. Hundreds of crores of foreign exchange were also utilised to build new sugar factories and install machinery in the same. On this background it is useful to study carefully the trend of sugar production in the country.



It is as follows:

Year	Total Sugar Production (in lakhs of tons)
1965-66	35.5
1966-67	21.0
1967-68	15.0 (estimated)

271. Now the question arises as to what for the machinery was increased in 1966-1967? There was already a lot of idle capacity in the industry. The addition of capital assets - which was entirely undue - led to a heavy increase in overhead costs on account of capital equipment. It made it possible for the Industry to raise the bogey of uneconomic working and press for higher prices of sugar.

272. If instead of increasing the capital expenditure on machinery, the Government would have taken the recourse to intensified cultivation of cane we would have obtained a number of economies. By this approach we would have produced 10 times more sugar for one acre of area under cane bringing a ten-fold increase in the present land-productivity. This would have enabled us to increase the duration of season by almost 100% and increase the productivity of existing idle machinery by putting it into more use through time. It would have also given us a greater yield by better recovery from matured cane and richer by-products. All this would have given us greater supply of sugar and by-products from lesser land and same capital equipment and a reduction in sugar price both for home market and for foreign supply.

273. The major and most crucial input for Sugar Industry are: Irrigation by method of tube-wells and Fertilisers such as green manure. One tube-well is sufficient for one village. To feed the existing factories in India 10,000 tube-wells are sufficient. This will cost Rs.100 crores only. But it will give us 40 lakh tons of additional sugar as against 8 lakh tons of additional sugar proposed (and that too erroneously) by Food Minister at double the cost, i.e. Rs.200 crores. The unit cost under the scheme suggested by our research unit would have been less for the consumer, by raising the productivity of capital.

274. It would have also released additional land for food-crops by raising the productivity of land. At present in U.P. Bihar, Punjab, M.P., Rajasthan and West Bengal we get only 0.3 tons of sugar per acre. In Maharashtra and parts of South India the same acre gives us 3.0 tons., i.e. 10 times more than North India. This difference is clearly attributable to inputs and can be wiped out by financing tube-well irrigation and fertiliser schemes instead of redundant machinery in Northern India.



275. The decrease of sugar output from 1965-1966 to 1967-1968 level was clearly due to shortage of raw material. Heavy expenditure on unnecessary capital equipment multiplied the idle capacity and with a control on sugar prices the factories began to find it difficult to support farm prices for cane. In effect whatever cane was produced got itself diverted to gur and Khandasari instead of white sugar and further aggravated the problem of Industry. It was the wrong design of policy on pricing, licensing and capital that was to be blamed for the whole muddle. In the first plan period we had 143 sugar factories having a capacity of producing 32 lakh tons of sugar on a 7 month working schedule and 11 percent recovery of sugar out of a given cane. In 1961-62 the Government was constrained to impose a 10% cut on sugar production to curtail excess supply and forced an idle capacity on plant. In spite of this proved excess capacity of sugar factories the Government came forward to throw away 200 crores of Rupees ignoring the fact that the old machinery (whose capital purchase cost is only 10% of to-day's cost) was quite in tact and has yet to run a long life and can produce all the sugar wanted for home and foreign markets. Due to these decisions of Government the total area under cane has increased (due to fall in land productivity as a result of neglect of irrigation) the crushing and installed capacity has multiplied and the production of sugar has fallen down to half of the former compulsorily reduced quota. Now people are refusing to take a licence for establishing sugar factory. Such is the plight of capital - its admission of self-defeat. And yet the Government had not listened to the wise advice of labour. Why? Is it because labour is prohibited to advise on capital productivity?

276. In North India the climatic conditions are favourable to the crushing of cane from 1st November to 31st May. The recovery of sugar from cane is low in November - as much as 8% and goes on increasing from month to month till it reaches 12% in March. Now the supplies can be made to factories in March, April, and May only if proper irrigation is made available for cane farms. The recovery of sugar is a factor of maturity of cane which in turn is controlled by irrigation. With the help of irrigation, the recovery in April and May can even be made 13% but without it the same falls to 10 or even 9 per cent. Now the short supply of cane affects the industry still heavily when during the peak-recovery season of April-May the machinery is required to be kept idle. This is exactly what happened in North India. Thus the land/output ratio was considerably reduced in terms of final product due to neglect of irrigation and fertilisers, multiplying in its turn the fall in capital/output ratio of all sugar mills and forcing labour to remain idle in peak season. The neglect further disturbed the proper proportion of mid-term and late-maturing varieties of cane at the time of sowing operations and disturbed optimum schedules of crushing.



277. It has become now clear to Government (at least let us hope so) that its sugar policy has completely failed. The clerks and politicians in Central Secretariate are trying to cover this failure by relaxing controls on market. The Government has now allowed the factories to sell 40% of their production in open market. We have now two prices of sugar - controlled price Rs. 150/- per quintal and open market price Rs.500/- per quintal. What for ! For misuse of country's precious savings and foreign exchange? And yet they talk of labour productivity? Had the Government heeded the advice of Labour it would have got ample sugar at reduced prices. Instead of wasting foreign exchange we would have earned foreign exchange by capturing world market in sugar. The income of 2 lakh labourers in the industry would have tribled. Now a minimum wage of an unskilled labourer in Sugar is Rs.106/- per month (Rs.60/- pay + 40/- D.A.) Their period of employment in North India is from 2 to 4 months. Following our suggestions the same worker would have got a job for seven months and that too at Rs.200/- per month. All these figures have been proved and can again be proved. But the Government wanted to make a commerce in giving licences. They are unconcerned about productivity and raising of living standards and are even prohibiting genuine labour research institutes from doing service to consumers and workers. At least, this is the net result of their deeds in this case. By accepting our proposals the Government would have tribled its own income by way of excise duty, purchase tax, income-tax and super-tax. Only none would have got black-money in giving licences for factories and imports and in marketing of sugar. By increasing productivity and firm-wise income and cultivators income, the saving potential would have been sufficiently generated within the economy. But who is caring for such national interests?

278. Even the bye-products of the Industry are a function of inputs like irrigation and fertilisers rather than redundant extra-machinery. This is so because they depend on maturity of cane and period of operation. The Molasses - a raw material for power-alcohol which is mixed with petrol and used for motor cars and trucks and is also used in the manufacture of rubber goods - is a rich bye-product of sugar industry. The acceptance of labour proposal would have increased the supply of this Molasses. The Bagasse, which is a precious raw material for manufacture of paper would have been obtained only by the acceptance of our proposal. The bagasse is ordinarily used as a fuel for sugar industry. But when the factory runs for a long period, then during the summer (note again- during peak recovery season) the steam consumption in boiling process is reduced. With increased recovery following maturity of cane the fibre percentage of cane is also increased. Both these factors give us plenty of bagasse. But the Government's short-sighted policy has made this impossible.

279. Apart from above, there are also other bye-products of sugar industry or alternative uses of things around the sugar



factory. But our productivity-blind capitalists and Government are neglecting this aspect. For example, the press-mud is an organic manure. It can be used for cane and other crops in case of sulphitation factories. From carbonisation factories we get concentrated press-mud. Research has been made for its utilisation as organic manure as well as raw material for manufacture of wax etc. But the Government has not yet put these results into practice on a commercial scale. Similarly, the Government has wasted lakhs of rupees in finding out a remedy for treatment of affluent water which is harmful for health of cattle and human beings in villages. But it has simply forgotten the fact that this same affluent water can be used as a best medium for irrigation and maturing of cane (or even some other crops.) It contains pure condensed water mixed with little press-mud. If it is so used it will reduce the capital expenditure on irrigation and fertilisers, and thus reduce even the amount of Rs.100 crores suggested by our Research Unit.

280. According to our research unit scheme, we can produce 65 lakh tons of sugar at cheaper than controlled rates from 20 lakh acres of cane, while at present we are producing only 16 lakh tons of sugar from so vast an acreage as 50 lakh acres for cane production. During its period from growth to harvest the cane needs 16 irrigations. But in North India, the cane is actually getting only 2-3 irrigations. In some areas there is no irrigation at all and the crops are completely dependant on rain-fall. In Maharashtra, where the irrigations are better the average yield of 60-70 tons per acre of cane is achieved. In U.P., and Bihar, at times, when cane has received 10 irrigations during the period of growth the yield of cane at the rate of 80 tons per acre has been achieved on plots of progressive farmers as demonstrated by results of Provincial Cane Competition held by the Government.

281. Where can the labour make effective representations for such of its findings? In 1967, we have made these representations to Wage Board. But what that poor wage board can do in such matters? In Parliament, the issue if at all it is taken in few non-political hours of real business- it is yet seen from a party angle. As a result we are now getting a serious sugar shortage. In 1960-61, we had carried over 12 lakh tons of sugar as surplus. In 1963 our research unit made its representations to Government to stop its anti-productive line of giving licenses and loans for capital equipment. Had it been done we would have earned foreign exchange by capturing world sugar market, through competitive prices after satisfying home demand. But due to Government's wrong design of capital outlay the Indian consumer now cannot get even for himself enough of sugar after paying so high a price as Rs.500/- per quintal as against the 1961 to 1963 price of Rs.110/- per quintal. On the other hand sugar machinery manufacturing concerns are starving for want of order for machinery. Following patriotically the Government's advice to give indigenous machinery instead of



foreign one, these people started manufacturing the machinery for sugar. But the Government in haste in the meantime imported plenty of machinery by wasting crores of rupees and when the indigenous capacity is built it is now lying idle for want of orders. If all this is not criminal waste of country's savings and foreign exchange - of that in whose sacred name we are exhorted to follow wage-restraint - then what else is? What authority such leaders can have to lecture on labour-productivity?

### THE CONCLUSION

282. We have dwelt on the above topic of capital and land productivity at length because we find that these aspects are more vital to raising of national income and yet they are neglected and get only a cursory treatment. Our applied research has not yet been converted into a technical service. Prof. Mahalanobis has rightly said in his above quoted paper that during the period of the crisis of industrialisation, applied research must be purposeful, programmed and formulated on a project basis, for concentrated effort over specified periods of time, in accordance with national priorities for food, defence, export promotion, import substitution and economic growth generally. But here, in sugar Industry is an example of such research, carried out voluntarily by a labour organisation at its own expenses, done at a most timely period to avert large-scale misdirected commitment of scarce resource like capital and foreign exchange, approved unanimously by experts after severe cross-examination and yet ignored by the Government in its zeal to give licenses and waste foreign exchange worth several crores of rupees.

283. And this is not an isolated instance. Recently the Hindustan Anti-biotics Union of Poona and Food Corporation Employees Union Madras have taken out a drive to stop wastage in Public Sector Undertaking and promote concrete ideas on productivity. The B. M. S. Union in B.E.S.T Undertaking at Bombay had similarly persuaded the findings of an I.L.O. Expert committee report to improve the state of city's Bus Service. But everywhere it is found that the prestige of bureaucracy which gets stucked up in wrong moorings and interests of politicians who appear to know nothing besides vote-catching short-term expediencies become averse to ideas on productivity the moment they spring up from labour side or at the most give them political answers such as "matter is under consideration". There are, however, a few exceptions. The experience of B.M.S. Union in G.K.W. factory at Bhandup and Shukla Mansesta Industries at Thana (both in Bombay region) is quite encouraging in this regard. In these cases due to labour-management co-operation it has been found that in some processes our boys have beaten world records in quality control, reduction of wastage, increase in machine-life and minimum of break-downs, labour-productivity and tools specialisation. But such instances are rare and are maintained with great difficulty on both the sides. Then it can be imagined what fate the delicate techniques of



productivity can have when the managements (and this is phenomenal in public sector) goes in for abundance of waste and comes to labour to tighten their belt to shelter such wastage. What is wrong when one revolts against this situation? But alas, when one does and is driven to a court, he finds that judiciary has no technical wing on productivity. His arguments on this score fall flat. They even refuse to design an incentive system. Quite often they are treated as outside the scope of reference. For a nationalist and constructive trade unionism - which is already weak in the country, there is no outlet for doing anything good to the industry. Such are the basic issues to which the productivity movement must address itself before it can make any real impact as against its preliminary type of exhortative propaganda as at present. We shall have to find out answers to these things while chalking out the lines of communication between a constructive union and the management and making proposals to improve productivity.

#### PROCEDURAL MATTERS : INCENTIVE SCHEMES

284. One of the most obvious technique of productivity is a system of payment by results. The system appears to be attractive at first place. But it takes a lot of spade work to make it give its full results. There are instances in which the neglect of such spade work has landed outwardly laudable systems into a failure. Before any system of payment by results is attempted to be introduced by undertaking work-study, two preliminary things are absolutely essential. The first is to obtain the co-operation of workers who are sought to be covered by such scheme and the second is Methods study. In the first place, with the active co-operation of workers, by agreeing to pass on the results of productivity gains to workers, a systematic productivity analysis should be carried out of the whole factory. Quite often such a study will show that due to poor planning, inadequate maintenance, shortage of tools, materials, orders or personnel the machines may be remaining idle for part of their time. When the above shortages are coupled with poor supervision and inadequate motivation there will be an idle labour force on the plant, because the whole environment encourages indolence. Then there may be crowding and confusion in material movement or large accumulation of scrap due to defective layout and design, unstandardised methods, poor quality control, inadequate specifications or poor equipments and tools leading to obstructions in work-flow and slow work pace. Again inadequate production control, lack of current job-time data, poor estimating, defective inventory control, inadequacy of reporting system may be creating production deadlines. If to this there are added old and obsolete machines or machine tools and frequency of break-downs due to wearing out, bad methods or poor maintenance then labour-productivity can only be wished. All this should not be done by work-study technologists alone. For quite often such studies result in making inroads into the workers skills, routines, traditions of craftsmanship and personal inter-relations. If



for all these changes a worker is put like an inanimate thing, in the hands of a methods engineer and ordered to accommodate according to his dictates then sentiments get hurt in the process, resentment spreads and the whole scheme approaches failure. It is only after an elementary methods study in the above nature is done that the task of work-measurement should be undertaken. The line of demarcation between these two studies is not always clear. Because many methods improvement are in practice discovered during the making of a time study. However, a pilot study of methods improvement can be and should be completed before the measurement of work is undertaken on which is based the whole edifice of the system of payment by results. The administrative staff college of India, Hyderabad gives free consultancy service in this regard to identify the problems. We may also add to this that the application of ergonomics to the extent that it forms the part of work-study should also be included at this stage. This takes into account various aspects such as the worker's habit of work, natural movements of the process, bodily positions, work-load, rhythm of work, continuity, speed, fatigue, motion and various types of loading and even extend upto work-place layout working condition and welfare. The human characteristic take account of factors like learning, skill, physique, sex, age, intelligence and anthropometric data. The loads are physical, perceptual ( visual, aural, tactile etc.) and mental (display and control). The classes of movements include all bodily pivots such as knuckle, wrist, elbow, shoulder and trunk taken in order of increasing strain. The design of layout should suit immediate or normal working area (but not maximum). The principles of motion economy regarding minimum, simultaneous, symmetrical, rhythmic, habitual, natural and continuous movements should be given their due regard. The environment needs to be controlled so as to give optimum considerations to illumination (glare, level of illumination contrast in object and surroundings and type), ventilation, temperature and humidity, noise, atmosphere ( wind, rain, dust and altitude) colour, fumes, smoke and odour, distances (to toilet, canteen, smoking area), constrictions (traffic and space), surroundings (landscape, garden, scenery), cleanliness and radiation.

285. A simple incentive system wherein each worker can calculate his incentive pay by counting his production is obviously the best from the view-point of workers. But in a modern factory, the processes are so complicated and they depend on a number of factors such as quality of raw material, machine-age, temperature, team-work, etc., that a simple incentive system is not found to be practical. Moreover many processes in an engineering factory are needed to be subjected to a vigorous quality-control. However, it is the experience of B.M.S. Unions (e.g., in G.K.W. Factory, Bhandup, Bombay), that however complicated an incentive scheme may be, it can be made understood for any worker by means of work-charts and a little elementary training in work-appraisal techniques.



This must be done at a unit level. It is an absolute must that all these details of incentive scheme be decided in collective bargaining and incorporated in registered agreements with the Unions before they are introduced in a factory. Otherwise the suspicion about exploitation of labour will always remain and even the best designed scheme may lead to an eventual failure. No wage incentive scheme should ever lead to wage cutting. It is against all spirit of genuine progress. As between the individual and a group incentive scheme it is difficult to make a choice. Much will depend upon the circumstances of each case, nature of production process or work, historical factors in human relations, etc., On the whole however we feel that a group incentive scheme is better suited to Indian Conditions. It is, however, possible, and often desirable, that the group incentive scheme may decide, the rate of incentive pay (specially when quality control, machine-breakdown, factors arising out of materials, tools and orders are to be given their due effect), and the actual quantum of pay is decided by measurement of individual contribution within that group. Such a combined scheme can control even absenteeism when the work units on which incentive pay is calculated at a given rate are sensitive to standards of attendance or are given negative values when leave reserves are drawn to make up the group quorum. We do not believe that time-rated categories are an insuperable bar to the introduction of incentive schemes. The incentive pay can be treated as a packet apart and then it will afford equal chance to all workers to increase their earnings with increase in productivity. Moreover what is necessary in distribution of productivity gains is not a mathematical equality which may in some circumstances defeat the very object of productivity. The social concept of equitability and equality of opportunity are more basic tendencies that influence individual or group behaviour and action over a long-term basis. In many western countries where time-rated categories did not exist a tendency is being marked to introduce a sort of time-rated plan. In India, the effects of reversing the trends will be quite damaging. Moreover the technique of work-study is now sufficiently developed so that it can cover even the clerical jobs where its variant viz., "activity sampling" is used to give us efficiency co-efficients. This is variously known as random observation studies, snap reading, ratio-delay, work-sampling, activity-ratio study, machine utilisation study or observation ratio. This is based on theory of sampling and theory of probability. This is more useful to analyse non-repetitive job when job is not of a cyclic nature. It is comparatively inexpensive, establishes goal for supervision, helps planning of man-power and observes effectiveness of varying systems. Under this method, the management takes a decision about the degree of confidence it wants to place on results of activity sampling and then the work-study technology splits the sample activity and decides the number of observations on the following formula:



$$N = \frac{\delta P(100-P)}{L^2}$$

where, N = Number of observations;  $\delta$  = level of confidence, L = limits of accuracy and P = percentage of working so that (100-P) = idle time. The time-rated pays are deeply attached to clerical workers. And as it will be sought to bring these categories under incentive scheme by more direct (rather than indirect) methods, we shall have to live with both time-rated wage plans and incentive systems. Besides this consideration there is an added advantage in giving the incentive pay-packet in a separate manner. Sometimes it produces a marked effect when it is given on a separate date. In one particular factory, where B.M.S. Union was involved, we had a unique experience of this bifurcation. After introducing a well-designed incentive scheme, the management started giving incentive pay along with the normal pay-packet on 7th of each month which was a pay-day for the said factory. Later on it was noticed, that the workers were so much used to getting different amounts by way of monthly pay due to deductions for loans, without pay leave, etc., that the amount of incentive pay failed to impress them in any manner. Thereafter, by discussing with the Union the management isolated the incentive pay from gross earnings and began giving same on 28th of each month. It was observed that the spending habits of the workers in the factory were such that by the end of month many of them used to borrow money even in quantities such as Rs.5/- or Rs.10/-. The system of getting incentive pay by month-end came to them as a boon and enhanced its utility far beyond the money-value it had when it was given along with the pay. With the result, the tone of morale in the factory went up and people began to take tremendous interest in increasing their incentive pay which changed their status among their family members and neighbours. From then onward, the incentive scheme became a great success. As regards the sensitive line after which the incentive pay should start we do not agree with the principle that extra earnings should start only after a particular level of efficiency is achieved. On the contrary it is our view that to make the incentive scheme a real success it should start paying at a level of output less than the output present at any given moment when the scheme is sought to be introduced or methods study is undertaken as a preliminary to work-study. The management embarking on a system of paying by results must put its stake in the scheme by giving a backward effect to the whole plan. In the beginning, or even at the moment, the works-study man makes his appearance on the field, the workers often suspect the intentions of management introducing a different system of payment. In this situation if the Union is required to agree for a system when extra earnings are promised only after raising the present efficiency or after crossing present standards, then the chances are that the Union may not be able to sell the scheme to workers. If in such a situation the Union is weak or a rival union exists in the same or near-about plant, then it is likely to take advantage of the situation and make things impossible. However,



when the incentive pay begins to accrue at a level little below the historic norm and shows marked difference with the increases then the incentive scheme begins to interest even the most sceptic of workers and soon becomes an economical proposal from any angle. A backward start gives speed and the jump in production becomes longer. But without it, even the margins are missed, there is a complete standstill or even deterioration and it becomes extremely difficult to restore any confidence. The worker's desire to improve his standard of living is undoubtedly the principle motivation in making the incentive scheme a success. But before this motivation becomes operative the worker must be convinced that the scheme will not wipe out this advantage by other means and act as a temporary shield to introduce some other evils or different forms of exploitation. Especially, the fear of increase in work-load and subsequent tendency of employer to treat the increased work-load as normal after some time is quite present in minds of many persons. It needs to be dispelled by good relationship, intelligent communication, union contracts and long-term policies. The flow of materials, quality of equipment, machine break-downs etc., must also not come in the way of assessing the efforts put by men. This will normally ensure a comparatively steady incentive pay after some time.

286. A better plan to avoid the influence of abnormal factors is "The Premium Pay Plan". This is now well-tested in foreign countries. Under this plan the worker is fixed on a standard scale according to the class and nature of work and work performance. The levels of work-performance are determined by work-study technologist on measurable part of work by taking one week as a unit. The worker is then encouraged through an in-service training programme to achieve proficiency in work. During training the worker is paid from the scale in a way whereby successive steps of pay increase are tied to progress during training which is aimed at encouraging upto a performance level technically described as 70 M' hour level. When the worker achieves the 70 M' hour level for a period of two weeks and has satisfied himself and his supervisor that he can maintain it, the worker is put on a level of wages appropriate to the performance level. When the next level of performance is attained and similarly maintained by the worker for two weeks, he is free to contract for a new target at the higher level which carried with it the higher pay. This method gives a sort of stability to the level of pay and accommodates for outside interferences such as machine-breakdowns or leaves which would have penalised a normal piece rate worker. It gives the worker a little more elbow room to adjust work to his habits and rhythm of work and avoid variations in pay due to factors which are outside the control of the operator. Whatever the system of incentive pay it needs however to be looked into that the workers do not overstrain themselves while running after money. It is an experience of some piece rate wage system (e.g. in Bombay's Docks) that while these systems improved workers earnings through better productivity, they began to tell upon



the workers's health heavily. This is inhumanitarian and demoralising. We recommend therefore that wherever the system of payment by results is adopted, there should be a maximum ceiling beyond which no incentive pay should be given to worker producing beyond the ceiling. It is in this context that the principle of rating used in work-study technique should be widely applied. At present the rating is sought to be applied in time and motion study to determine the average worker and standard performance. This use may be made by the management to study its techniques of supervision. We have already said that the scientific norm should have no place in deciding the starting point of incentive pay - that point must be behind the line given by the historic norm. But to determine the maximum performance beyond which it is injurious for a person's health to work, the principle of rating can certainly be used with necessary modifications. The various non-financial incentives like job-security, job-satisfaction, job-status, etc., have certainly a great part to play in increasing productivity either with or without an incentive scheme. All the factors that go in building good industrial relations about which we have dealt in detail previously are applicable in this context with a greater force. The worker should be treated as a participant in the management and not merely bossed over. His superior should not be a mere show boy, good in appearance and dress, english speaking, gentleman signing papers but incapable of manual work. It is the experience of B.M.S. Unions that in engineering and chemical concerns where the top executive works with a fine finish on the floor of the factory, his sleeves rolled up and clothes becoming dirty like those of other workers, the productivity goes up like anything. The worker always feels himself as superior and more important than an officer, who is never tested on the production line. So also, is the case when the management fails to maintain a proper flow of work, or cannot provide good tools and machinery. He looks with distrust to all suggestions that emanate from such out-of-touch management. The worker should be constantly consulted and assisted in his needs on the job.

287. A special care taken at the time of work-measurement is also helpful in this regard. Especially, wide use should be made of synthetic data. This is not yet used in India where only Ad Memoirs of foreign countries are used. The worker should know how the factors of effort, speed, aptitude, rest and relaxation, interruptions and delays are accounted in work-measurement. Between the various techniques of work-measurements such as time-study, reference data, synthetic data, basic motion data (pre-determined motion-time studies P.M.T.S., basic method-time measurement M.T.M. etc.), the choice of suitable technique according to circumstance of each case or nature of work should be communicated to the Union. A thorough appreciation of job regarding its technicalities, safety, material and equipment and operations are a part of initial approach of even a work-study man. When the worker knows that



he is not summarily rated but a due allowance is given for relaxation and fatigue he develops respect for work-measurement. Otherwise a stop-watch observation may carry an intense reaction in his mind. This is while establishing standards. But in the maintenance job that follows the management must go steps ahead with the workers.

288. In fact, the management should share the workers' domestic anxiety. A compassionate supervisor or manager who visits the sick patients bed in a worker's family, shares in his joys and sorrows, gives financial and other help in times of need is naturally loved and respected by the workers. Of all the motivations that can spur productivity, love for job and love for man are the supreme and most reliable ones. The money-incentive is in fact secondary and should flow naturally from the first as an appreciation. Where love exists, productivity goes to its highest acme even by personal sacrifices. The sense of duty follows sense of love. On the other hand a mere playing on financial need has a in-built antagonism of a master-servant relationship. The sense of fellow-feeling and brotherhood makes the firm an extended family. Just as Indian Village once was and to some extent even in its ruins still is, an organic and natural unit or limb of society, where no major upheavals take place stopping all production, since the inter-relationship of different functions were or are well-set and all are prospering with the prosperity of village and suffering with its common suffering; so a modern industry or factory and firm should become an organic unit or limb of society. Then conflict will give place to co-operation and distribution become a natural function of production.

#### SHARING OF PRODUCTIVITY GAINS AND RATIONALISATION

289. We have taken these two concepts viz., sharing of productivity gains and rationalisation together even though they do not appear so in the questionnaire circulated by N.L.C. Both have a common feature viz., the destination of savings generated in the economic process. We have already stated that the quantum of these savings will be influenced by the manner in which they are ultimately employed in furthering the growth of economy. The question of how much the worker should forgo from the gains arising out of productivity and to what sufferings or accommodations he may submit in the process of rationalisation can be determined only with reference to the various investment decisions taken as a result of a given set of accommodations. Indeed we cannot repeat this argument any more. It is quite possible that in many typical situations the predominant contribution in the increase of productivity may come from injection of fresh capital, application of improved technology or managerial skill in bringing about better organisation or methods. The labour may only be a co-operant factor. But it does not follow from this that the gains of productivity must be allocated to capitalist or technical men and managers. After all capital and technical knowledge are given to men by



operations of society and the social objective has a greater say in the matter than the immediate or efficient factors in the work-process. The real tussel in distribution is between consumption and savings, or rather the claims of the programme of capital re-investment for purposes of development over immediate consumption. If these programmes are employment-oriented as we have said earlier then labour can be asked to stand for such plough-back. About the manner of this share between capital and labour the same principles apply as we have enumerated earlier while dwelling on wage-policy and industrial relation where the N.P.C. formula was quoted. For the quantum of this share our principles regarding wage-differentials hold good. As regards the analysis of productivity gains according to the significance and importance of each of those factors whose fusion in a common endeavour resulted in ultimate improvement, our view is that such an attempt should not be made. It is an unnecessary and even dangerous hair-splitting like that of brothers who quarrel on the division of common ancestral property. All have an equal claim on and attachment to the mother industry whose working is indivisible. The erstwhile utility of such analysis that is often advocated for programming future course of development is properly speaking a field for Operations Research. For operations research is the best type of attack that modern science with the help of mathematics has done on problems of likelihood which arise in the management and control of men, machines, material and money. Its special technique is to invent a strategy of control by measuring, comparing and predicting probable behaviour through a scientific model of the situation. The application of linear programming, the programme evaluation and review techniques that give us the optimum path and the critical path, the input-output analysis etc., are its techniques. The investment decisions of a firm should be informed by such analysis with employment objective remaining a predominant one in the picture at a given level of average earnings per worker. On a national level the same objective can be achieved by application of Macroeconomics. The science of econometrics can now give us statistical specifications of practically all economic relations. Even the production and inventory decisions of a firm can be taken by simpler applications of econometrics. By using the results of such mathematical models it should not be difficult to involve labour in the decision-making-process about investment decisions of a firm or industry both regarding the quantum and the manner of such investment in the light of its probable end results. We hold that a cause-wise analysis of productivity gains which is a function of the past (as against operations research which is an instrument for the future) need not be brought into the picture so as to influence sharing of productivity gains. The ownership of capital or possession of technical or other knowledge should not be locked upon by persons as a license to extract more money, comfort or privileges from the society. The possessors of these things are the trustees of God and Society who are their real and efficient masters. They should



put these possessions at the service of the masters. They will and must get their due reward according to the valuations the society puts from time to time upon these attributes. The basic considerations that should underlie these valuations have been laid down at the time of discussing wage differentials. Once a decision is taken on sharing of productivity gains between the two factors, viz., immediate consumption on the one hand and plough-back for development on the other (the division depending upon the employment-orientation of development project as discussed earlier), the portion set aside for immediate consumption would attract division in plans other than the one suggested by us, in again two parts viz., the share of consumers and the share of workers. However, in the plan suggested by us the share of consumer already gets itself decided in the employment nature of re-investments - for such type of investment decision takes care of income distribution through employment and reduction of price-level by influencing the marginal considerations. Under the scheme suggested by us therefore the whole share for immediate consumption component of productivity gain is available for distribution among the persons who worked to achieve this gain - the distribution being on the lines of valuation adopted for wage differentials. The other part which is ploughed back for re-investment should be owned by persons within the industry in form of shares to be given to all according to the stage in which each firm or working unit of Industry finds itself in the march towards the scheme for progressive labourisation.

290. In the scheme for Rationalisation the same concept of treating the firm or unit of industry as an extended family should be further enlarged by grouping together all firms and units working in the same industry as a still more extended family. The broad approval for scheme of rationalisation should be obtained from planning authorities who should look to the aspects such as overall employment-orientation (this will be more evident for infra-structure), Defence requirements (for efficiency in strategic industries) and overall plan strategy including such as import substitution, stage of economic growth etc. The benefit that the community should get out of such schemes of rationalisation should be determined at this stage only. This aspect need not appear again in deciding equitability in sharing of benefits of rationalisation. The share of benefits between employer and worker should follow again the theory of distribution underlined in the chapter on wage differentials i.e. Clause (ii) of the basic recommendations of the 15th Session of the Indian Labour Conference need not appear at the place at which it exists there today after the socio-economic complex undergoes the change suggested by us in this theme. The present recommendations leave the subject open for bargaining and therefore provide a source of constant and recurring troubles. We seek to replace this situation by bringing in a more stable and sustained (स्वस्थ) organism. (This clause has been the main source of trouble in adopting rationalisation). The remaining clauses of appendix XI of the questionnaire as



regards the basic and broad procedure for rationalisation are quite appropriate and should remain. There is in our view, a need however to add one more dimension to the present thinking on rationalisation. The burden of the present recommendations weigh heavily on policies regarding retrenchment and work-loads. These considerations are translated into platitudes, vague promises or paper agreements which are hardly honoured in real practice. The management undertaking a programme of rationalisation does find out ways and means to retrench or dismiss the staff found to be surplus after rationalisation. In cases where it is not so done as in some public sector undertakings where management efficiency is seldom made an object of pursuit, we find surplus staff demoralising the services as said before. The labour of any category or department made surplus by rationalisation is not given a true occupation or gainful and productive employment as a process of rationalisation. It is carried on as an immediately unavoidable burden to be made light at an opportune time. This is so because there is a basic conflict between a decision on rationalisation and continuation of some staff component under the altered conditions after rationalisation. Rationalisation by its very definition implies mobility in staff matters. It makes demand on different skill, makes some traditional works and skill and attitudes and relations redundant, changes job content and organisational structure. It is an innovation and an overhauling where the shift is from one equilibrium of forces to a different equilibrium. This can hardly be done by superficial accommodations. It is one thing to restrain rationalisation on priorities of social objectives, it is a different thing to say that it should be achieved without tears by introducing humanitarian considerations in organisational discipline. The latter part, which is all that the recommendation of Indian Labour Conference tries to do, does not provide us with any solution of the problem. The real solution can hardly be found within a firm or working unit that undertakes rationalisation scheme. We are of the opinion that once a firm or working unit is permitted by national and industrial committee to proceed with a scheme of rationalisation, it should be given a comparatively free hand to gear up its organisation to the new job-contents, skills, job-relations, placement of men as required by objective standards of the process. The appropriate forum to decide these matters is the works committee or joint management council whose role we have clarified in our chapter on industrial relation, e.g., we have said there that a decision to retrench or dismiss a person should be taken by a unanimous decision of the works committee. In this process of gearing up the whole organisation many changes are warranted for an efficient shift and some jobs and men are bound to become superfluous. It is better for organisation and men that this question is met in a straight manner either by providing alternative suitable employment or by unemployment insurance for such frictional unemployment or by sumptuous retrenchment compensation. We rule out the last method since it contemplates retrenchment of able-bodied persons.



The unemployment relief on grounds of frictional unemployment must be for as minimum a period as possible and it should be equivalent to full pay and D.A. as in the last service. The re-employment should be quick and on a scale and status that is not below the previous stage. Apparently this looks to be impossible for the firm undertaking a programme of rationalisation. But this should become possible for the industry and it should be the responsibility primarily of the industry. In our whole approach of economic organisation we are visualising a co-ordinated social system of extended or large functional family - a family world within another family world ( जगत्या जगत् ). In case of frictional unemployment arising out of rationalisation, we hold that the whole Industry should be treated as one unit. We are aware that this concept of treating industry as a composite unit in a national organisation has wider repercussions on concepts and policy of economic discipline. We propose to touch this wider aspect in the concluding chapter of this submission. We have already posited this concept in dealing with aspects of wage policy national investment pattern as a part of public policy, pricing and taxation system, functional representation or Udyoga - Sabha etc. The introduction of technological innovation through rationalisation in our view of socio-economic build-up, again calls in "the Industry" as a decision making body. It should form a sort of industrial committee on basis of joint-council to operate on such programmes and issues. If necessary, the Industry should constitute for this purpose an Industrial Fund that can be used for welfare, unemployment relief and more yet for giving a technical service to meet through appropriate technological, scientific and organisational research the need to make the progress of technological and productivity revolution smooth and speedy. A decision on such a structural change has to be taken before we can hope to solve the labour or social issues arising out of rationalisation or other important techniques of productivity. The impact of Science can be accommodated and made welcome by building such a socio-economic body where various industries form many sensory channels of action ( कर्मद्रिय ).

#### AUTOMATION

291. The question of Automation is being widely discussed in our country. We do not wish to add anything to the controversy. The two familiar arguments in the whole debate are efficiency on the one side and retrenchment on the other. The employers have come out with a plea that they will not make any retrenchment as a result of the introduction of computers. But this is only their style of putting bad things in palatable words. The computers are a labour-saving device of a giant magnitude. Their existence does make a great difference to the employment situation. Without a computer the same work will certainly occupy a large number of men than what are occupied with the computer. If it is not so, they defeat their own purpose. The



overt or disguised unemployment or displacement of labour caused by automation cannot be denied. It is significant that no employer has put forward comparative organisation charts of staff component required for working with a fully loaded computer and the one for doing the same work without it. The employees coming with such a plea could have satisfied the labour or its anti-automation committee by inviting it to examine critically the two organisational charts and proceed debate on such an informed background. They have not done it because the plea is basically dishonest. The more sober and honest arguments for automation are about its necessity in infra-structure or key industries where a multiplier effect on employment situation is visualised or its necessity for import-substitution or export-oriented industries on grounds of competitive position or in Defence industries. A more recent justification for computarisation has come for statistical or mathematical works of such a nature where either the calculations cannot be done without the help of a computer or the processing of data takes such a time by even the best of manual methods (including use of normal office equipment) that by the time the results of analysis are made available the time for its utilisation is already passed away. In these various pleas made to justify the hastening of a computer age the one for Defence merits a first attention. The country's independence is above all involvements of sacrifice. Therefore, in all such spheres of war activities where computarisation makes a difference between victory or defeat and heavy loss, the automation must be given a green signal. In the rest of the sector the arguments about export-oriented industries holds no water. While quoting the example of sugar industry we have already indicated how the real export-orientation can be given to the whole economy. The stage to compete western countries in manufactured goods by computarisation is still far off. As against 50 computers in the whole of India, the U.K. alone has got 2,700. The U.S.A. before a year was having more than 43,000 and one does not know how fast that country is going ahead on the wings of a Research Revolution by a jet-speed activity. Another point is made about computerisation in infra-structure so that the computers will make land a more consistent and bountiful producer, by designing irrigation systems, speeding up crop forecasting, controlling the rotation and scheduling of planting and areable lands, helping weather forecasting and even controlling the weather-factor by schedule adjustments. It is urged that such a selective use of computers will increase the national income and output and allow economy to give higher real wages to workers. But this argument so far as it is advanced in this country looks like that of a salesman intent on selling the computers rather than of an econometrician or policy-maker who coolly calculates all types of economic and social costs before finalising his plan model. Even a top level commission in U.S., viz., The National Commission on Technology, Automation and Economic progress has not denied the fact that by choosing to defer the programme of automation



the economy can certainly give a greater employment. What is needed in the Indian situation is first to provide for a full employment base and then take a graded ascent from one equilibrium to a higher and more productive equilibrium through a national economic strategy by giving a equitable treatment to different industries and thus raising the productivity and real income of the average man in India. The real concern for a higher technological application like automation can come in this second and subsequent stages. There should therefore be a moratorium at least for a ten-year period on introduction of automation in Indian Industry. While suggesting this we are aware that few arguments made in favour of automation may have some intrinsic merit in them, but we are sure that if once the gates are opened for the computer in any department of civilian sector then it will force its way in other departments as well. Therefore, in our stand on automation we fall in line with the other Trade Unions who are opposed to introduction of automation in Indian Industry at this stage of our economic growth and till such time as the full employment is achieved. The subject can be taken up for discussion at a more suitable date after the first target of full employment is reached.

#### ROLE OF PARTIES

292. In raising the productivity of factors of production the Government, Management and Labour all have to play a very important role. First of all the Government by its own action must give a lead to push up the productivity of the whole economy. For this purpose it must identify the scarce factors in economy like capital, strategic raw materials, land, foreign exchange etc., and plan for an investment pattern that is most productive for the economy without being inconsistent with the first social target of reaching full employment, and then of an equitable growth in the standard of living of all citizen. It must use its control mechanism wisely with due regard to obsolescence of existing capital equipment, real needs of rationalisation, building up of foreign markets by consistent policy, promulgation of wage and price policy and labour and industrial policy, overall supply budgeting, development of a good infrastructure, qualitative education, production-oriented taxation policy and its own example in efficiency and economy and honesty in public dealings and wiping out of all corruption, nepotism and indolence from services. The Government has indeed a central part to play in gearing up the whole economy to productivity orientation. It can do this by example and suitable action by promotion of national virtues and by planning scientific research with a vision and an eye on optimum utilisation. The management has also a great part to play in day to day details of industrial or firm planning. It must specially see that production scheduling is well controlled, Man-Machine Chart analysis is scientifically done and put to good use, a well-designed methods and works study is carried out and maintained and proper incentive schemes are worked out on



on confident readings of work-measurement, crowding and confusion in material movement is averted by use of flow-chart analysis and diagrams, cost and budget and inventory control is done by use of operations research, morale of workers is well maintained by proper personnel and promotion policies, tools and equipments are well designed, market research and forecasting is well done and quality control is established on these ascertained basis, quality of supervision in constantly changing social and labour situation is well-maintained by training and refresher programmes and by case and follow-up studies for a personnel development programme, age and efficiency of machines is guarded by preventive maintenance and repairs which is a key to capital productivity, reporting and estimation is made by those who possess a good know-how and by ensuring that a host of other decisions that come in a capacity-analysis and planning and control are promptly taken by a comprehensive analysis of all factors. The Management must also have an eye on future and for this purpose it must establish and gear-up the research and development unit for promotion of economic growth. This is an applied research within the industry wherein by an in-built system of evaluation of its work and a feed-back system by relating contribution of R & D to plough back of productivity-gains, a control by overall objects is well-maintained. Of course, the management should work on all these lines of productivity development by keeping labour a constantly consulting party and by its consent in matters that affect job-content, or job-relations or job-conditions in any way. The main burden of labour is to create and sustain a temper and attitude conducive to the growth of productivity, take an intelligent interest in productivity by utilising the suggestion scheme or other methods of communication and generally to understand and follow the changes necessary in routine operations and relations to increase the gains arising out of productivity-oriented schemes. The Trade Unions will have to be specially careful that when they advocate go-slow, work-to-rule, ban on overtime or such other work-stopping or tempo-killing practices, they are constrained by organisational discipline so that habits of work do not get damaged in the process. It is the experience of B.M.S. Unions that a disciplined mind is necessary equally for a trade union or management action and when positions are taken by either party without spoiling the habits of discipline in a fundamental manner no damage is done to productivity by Union's stand on say work-to-rule, or such practice. In such situations the worker merely shifts his loyalty and obedience from work to observation of Union rule. He does not thereby impair his mental faculty and can divert the same again to work as soon as his Union takes the appropriate decision. A conscientious Union takes such a step only when it finds that the management is taking an unreasonable stand, for it knows that the gains of its members are ultimately linked to productivity and it cannot afford to lower down permanently the tempo of productivity. Of course, to play effectively this important role the trade unions must get themselves equipped with a technical expertise.



Many of the Unions of the past have only an organisational and legal wing. The unionism of the future must install a technical wing as its directing authority.

293. We may conclude this chapter by saying that productivity is more a function of attitudes and cultivation of a scientific temper and esprit-de-corps rather than a mere adjustment of life-less machines and paper procedures and in this lively action on the productivity front the psychology of labour and quality and strength of trade union movement have a supreme role to play. This psychology must therefore be greatly respected and properly understood from that integral knowledge of human mind whose basic search is not for economical goals alone though it cannot always translate what it is aiming at in clear terms. Here comes the necessity to relate Economics to other Sciences. The social orientation given by us in describing the effective methodology of various productivity techniques is designed to give a first basic starting point for such a wide national adventure, based on an integral approach to a complicated problem of transforming the traditional society to the valuations of the future.

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THE PAYMENT OF BONUS ACT

294. Without prejudice to an aforesaid submission that the Bonus should be regarded as "Deferred Wage" till there is a gap between the actual wage and living wages and the Bonus Act should be totally amended on the said basis, we propose the following changes in the Act:-

- (i) Section 32 of the Act, specifying certain classes of employees to whom this Act shall not apply, should be deleted from the Act. Bonus is not bounty but a legal right of the workers and the Bonus Act should be applicable to all workers, irrespective of the character of the employer, but excluding the government servants of purely administrative cadre.
- (ii) Development rebate or development allowance should not be allowed to be deducted at all from gross profits and for this purpose sub-section (b) of section 6 should be deleted. It may be recalled here that the Bonus Commission recommended that Development Rebate should not be allowed as a prior charge.

As regards the development rebate, the commission observed, "We now come to the question of development rebate and the saving tax on account of development rebate.... It is a special allowance to encourage companies to instal new machinery. In a year in which installation of machinery are very large, the inclusion of the whole of the development rebate together with the statutory depreciation, as prior charge, might wipe off or substantially reduce the available surplus, even though the working of the concern may have resulted in very good profit.... Development rebate has not been treated as a prior charge under the Labour Appellate Tribunal formula and we are also of the view that it should not be deducted as a prior charge. It seems to us that if the development rebate is not allowed as a prior charge it is fair that the concession in tax on account of development rebate should not be taken into consideration in deducting Income Tax and Super Tax in the bonus formula. This means that in effect a portion of the development rebate is allowed as a prior charge, for tax on a portion of the profit on which tax is not really payable is deducted. At the current standard rate of Income Tax and Super Tax applicable to Companies, which is 50%, the saving of tax on development rebate would be 50% of the amount. Therefore, in effect, the Company would get, by way of additional deduction for tax, a benefit equivalent to the 50% of the development rebate as a prior charge for the purposes of the bonus formula."



- (iii) Only income tax and super tax, as recommended by Bonus Commission should be allowed as a prior charge and allowed to be deducted from gross profits and for this purpose section 6(c) should be suitably amended and section 2(12) be deleted. Surtax and Surplus profit tax or any other direct tax should not be allowed as a prior charge. This question of Super-profits tax has been discussed in detail and ultimately rejected by the Bonus Commission.

As regards surplus Profits tax, the Commission observed "We are of the opinion that in the calculations for the purposes of the Bonus Formula, no deduction need be made on account of Super Profits Tax. Our reasons are these: (1) In the first place, it has to be borne in mind that bonus paid up to a reasonable amount is allowable as expenditure under the Income-tax Act. (2) Income-tax and Super-tax are deducted in the Bonus formula to ensure a minimum return on Capital and Reserves after allowing for these taxes. (3) The Super Profits Tax has been notified by the Government as a tax on excess or abnormal profits under Sec.349 (4)(d) of the Companies Act....(4) If Super Profits Tax is allowed as a prior charge, since the amount paid as bonus would not be liable to Super Profits Tax, and Super Profits Tax is in effect a tax on excess profit, it would be necessary to add the saving in Super Tax on account of bonus to the amount allocated as bonus, but the addition to this would be rather difficult because the calculation of the Super Profits Tax itself is beset with complications. It is desirable not to make the bonus formula unnecessarily complicated. (5) Another reason for not deducting the Super Profits Tax as a prior charge is that the tax would be payable only if the surplus left to the company is sufficiently large, for only the portion of income over the standard deduction is liable to tax."

- (iv) The return on capital should be allowed at the rate of 7% and the return on reserves at the rate of 4% only, as recommended by the Bonus Commission, for this purpose schedule III of the Act should be suitably amended.

As regards the return on capital and reserves, the Commission observed, "In considering a suitable formula for bonus, it may be considered that regard must be had to the fact that it is advantageous to industry as well as to the workmen that there should be an investing public who should be given inducement to invest in industry; but the bonus formula cannot be expected to safeguard the investor against increase in taxation. In the conditions of the last few years, with the expenditure on the plans and more recently



under the condition of the emergency taxation rates have gone up so as to affect all sections of the public ... Having given careful considerations to the representations made before us we are of the view that the return on paid up capital should be allowed as a prior charge in the bonus formula should be at 7%. There has been a sufficient change of circumstances since the full Bench Formula was devised to warrant some increase in the rates of return on paid up capital. We do not think a higher return than 7% should be allowed as a prior charge. The return which we propose on reserves would allow for additional dividend to the share holders. The proportion of the available surplus which we propose to leave to the company after paying bonus would also be available, among other things, for payment of higher dividend..... Bearing all the above points in mind, while it may still be said that the present labour force has, by and large, contributed to the profits out of which reserves have been built up and which has increased the profit making capacity of the concern, and this may be considered as one of the factors, not a decisive factor, for giving a lower return on reserves than on paid up capital. Having considered the matter carefully, we are of the opinion that in the bonus formula the prior charge of return on reserves should be at a lower rate than on paid up capital and that it should continue to be at the rate at which the return is usually allowed on reserves used as working capital under the existing formula, viz. at 4%".

- (v) If any rebate on the income derived from the export is allowed in relation to direct taxes, such amount of rebate should be added to the gross profits. Similarly, any amount of rebate or relief allowed for the purpose of development of any industry should be added to the gross profits. The simple reason for this addition is that any benefit which is denied by the employers should be shared by the workers, with whose co-operation and contribution the employer develops his business or industry, for this purpose, sections 7(d) and 7(c) should be deleted.
- (vi) For the removal of any doubt and to uphold the claim of profit bonus of the workmen, employed in establishments employing less than 20 workmen, a provision in the Act should be expressly made for the payment of Bonus to them according to Labour Appellate Formula. It may be recalled here that Madras High Court has upheld the above view in the case of various chilly and Kirana Merchants published in June 1967 issue of Labour Law Journal.
- (vii) As per section 17(a) of the Act, any amount of puja or festival or customary bonus paid to the workmen shall be allowed to be adjusted against the bonus



payable under Act.

Bonus in the Act means only what is known as profit bonus. Payments like incentive Bonus, production Bonus and the like are not covered by the Act as they are quite distinct from profit Bonus. Similarly, Puja Bonus and Festival Bonus paid on certain occasions, though payable, should not be covered by the Act. In other words, the Bonus in the Act should be paid in addition to Puja or Festival Bonus. For this purpose, section 17(a) should be suitably amended.

(viii) Section 19 provides for a time-limit for the payment of Bonus but the time limit is not prescribed for the purpose of declaration of bonus, along with its detailed calculations. Hence, many unscrupulous employers just pay 4% bonus only and when the dispute is raised by the workers employers do not make the payment of additional bonus upto the expiry of the month from the date on which the award becomes enforceable or the settlement comes into operation vide Sec.19(a) of the Act. Hence Sec. 19 should be amended so as to prescribe a time limit for compulsory declarations of bonus. Such amendment has been sought by Maharashtra Government.

(ix) Section 14(b) provides that for the purposes of computation of number of working days, an employee shall be deemed to have worked on the days on which he has been on leave with salary or wage.

It is difficult to understand why leave with salary only is to be included and leave without salary should be excluded for the aforesaid purpose. The authorised leave and unauthorised absence can be differentiated on reasonable grounds, but the leave with pay and leave without pay should stand on same footing as far as the Bonus Act is concerned. Otherwise, especially the unfortunate employee, suffering from prolonged sickness and compelled to remain on leave without pay shall suffer heavily on account of the aforesaid provision. Hence, aforesaid section 14(b) should be suitably amended.

(x) Section 23 provides that the balance sheet and profit and loss accounts of the Company, duly audited by the qualified auditors may be presumed to be correct and it shall not be necessary for the employer to prove the accuracy of such statements and particulars contained therein by the filing of an affidavit or by any other mode.

No doubt, this provision has been made with a view to over-ride the effect of the Supreme Court decision in the case of Petlad Turkey Red Dye Works Co. Ltd. (A.I. R. 1960 S.C. 1006). In the case Supreme Court held



that no conclusion as to the correctness of balance sheet can be drawn unless it is proved by positive evidence that the statements made are correct Statements. The Statements contained in a document filed before the Court has to be proved by an affidavit or the oral testimony of a competent witness and a balance sheet which a company prepares for itself cannot be made in exception to this rule. The burden is on the party who asserts a statement to be correct to prove the same and unless the burden is discharged, it has to be held that the statement has remained unproved.

The important right of the Labour of challenging the balance sheet and other statements of the employers, upheld by the highest judicial authority of the land has been snatched away by the aforesaid provision.

It is a matter of common knowledge that the balance sheets are prepared and manipulated by the officers of the employer to evade the liability in respect of taxes and bonus. The Labour is not a party to preparation of accounts but it is a co-sharer in the profits of industry and hence they must have a right to inspect the accounts to arrive at the correct amount of share. Merely supplying particulars or breaking of certain items of expenditure or furnishing the Labour with certain clarification is not enough.

Hence, sections 23, 24 and 25 should be suitably amended as to require the employer to prove the balance-sheet, when it is challenged by the Labour.

(xi) Section 9 provides that an employee shall be disqualified from receiving the bonus if he is dismissed from service for fraud, theft etc. It must be remembered that Bonus is the legal claim of the workmen arising out of the profits earned by the employer with the cooperation of the Labour. The Labour cannot be deprived of his earned share payable in the form of bonus, because his services are terminated, rightly or wrongly, for minor or major misconduct. It will amount to double punishment, firstly by way of dismissal and secondly by way of forfeiture of Bonus.

The Supreme Court has held in series of discussions, including those of Garment Cleaning Works and Hindustan Times Ltd., relating to gratuity that ...the gratuity is earned by the worker for long and meritorious service, it cannot be denied to him, whatever may be the nature of misconduct for which his services has been terminated. The same principle should apply in the case of bonus and the worker should not be disqualified for bonus, even if he is dismissed from service, for any reason whatsoever. Hence, Section 9 of the Act should be deleted from the Act forthwith.



PROVIDENT FUND ACT

295. In this Act, we suggest the following changes:-

(i) The Act is applicable to every establishment which is a factory engaged in any industry specified in schedule I and in which 20 or more persons are employed.

The object of the Act is to provide for the future of the worker after he retires or for his dependents in case of his early death and to cultivate the spirit of saving something regularly. It is a social legislation meant for the benefit of workers. Hence there is no reason why the applicability of the Act be restricted to factory-workers only and that too, to those factory-workers who are engaged in any industry specified in schedule I only. This much needed benefit should be extended to all the workers.

Again, this scheduled industry clause creates a problem in the application of the Act to composite establishments carrying on several industrial activities of which some only fall within schedule and the others do not. Of course, the course the Supreme Court has held is that the test for determining whether or not the act applies to such a composite factory is whether its activity which falls within the schedule is its primary and dominant activity or only its incidental or feeder activity. In the former case, the whole factory is within the premises of the act and in the latter case not. Even for avoiding all such controversies and litigation for such determination, it is desirable to extend the benefit to all the workers of all the establishments in which 20 or more persons are employed and schedule I may consequently be deleted.

(ii) To remove all the doubts, it should be enacted that an establishment to which this Act applies continue to be governed by this Act, notwithstanding that the number of persons employed therein falls below twenty.

(iii) Under Section 17(1) of the Act, it is provided that the appropriate Govt. may exempt any establishment from the operation of P.F. Scheme, if the employees of such establishment are in enjoyment of benefits in the nature of P.F. pensions or gratuity and the appropriate Govt. is of the opinion that such benefits jointly or separately are on the whole not less favourable than the benefits provided under the Act or any scheme relating to employees in any other establishment of a similar character.

Through the series of decisions of the Supreme Court, it has been now well established that the workers are entitled to double benefits of gratuity as well as P.F. There is no bar, on principle, to this double benefit and the claim for gratuity must be allowed, subject to the employer's capacity to bear the burden.



This development, subsequent to the enactment of P.F. Act, 1952, is significant and necessitates a revision in the mode of evaluation of total benefits for the purpose of grant of exemption under Section 17(1) of the P.F. Act.

We, therefore, submit that the Act should be amended in such a way as to delink gratuity from other retirement benefits for arriving at total benefits for the purposes of grant of exemption.

(iv) At present, there is no provision for cancellation of the exemption granted under Section 17 of the Act. It is therefore very much essential that a provision may be introduced in the Act for cancellation of exemption granted, if there had been a material change in the circumstances under which the exemption was originally granted. The Maharashtra Govt. has already sought such an amendment.

#### PUBLIC SECTOR

296. At the beginning of the first five year plan, the total investment in the industrial establishments and public enterprises was hardly Rs.50 crores. It rose to Rs.110 crores at the commencement of the second plan, and Rs.900 crores at the beginning of third plan. With the investments of Rs.1,500 crores during the third plan, total investment in the public sector alone was Rs.2,400 crores at the end of 1965-66, and with the proposed addition of Rs.4,000 crores during fourth plan, the total investment at the end of fourth plan shall be Rs.6,400 crores. The total investment in the industry by that time is estimated to be shared between the public and private sectors in the proportion of roughly 56:44. As compared to 1951, investments in the public sector would have grown by 130 times. Likewise, employment in the public sector has gone up in recent years. Between 1961 and 1966, it has gone up from 70,50,000 to 93,64,000, an increase of 33 per cent.

297. Thus the Government has emerged as the biggest employer in the country. As a result, whatever policies and programmes are adopted in the field of industrial relations should automatically be expected to be followed by this sector too, and the Govt. have a moral duty to act as a model employer, and set the pattern to the employers in the private sector. Government shall have to play an ever-increasing role of an employer as the custodian of the interest of public sector employees. It should not seek for any exemption from any labour legislation. There should not be any discrimination between the public and private sectors, as far as labour legislation and its implementation were concerned.

298. The first five year plan had accepted the principle that the benefits of all labour laws which were applicable to workers employed in the private sector undertakings should also be made applicable to workers employed in the public sector.



299. The second five year plan went a step further and categorically stated thus:

"In view of the fact that the public sector will grow in future, the manner of administration of the industrial relations in the public enterprises is of great importance for the success of the undertaking, and for the fulfilment of the aspirations of labour. An attempt, therefore, on the part of public employer to avoid the responsibility of an employer on the ground that he is not working for profit has to be discouraged. Managements of public undertakings should not normally seek exemptions from labour laws or ask for further concessions, not available to the private sector. In the last analysis employees in the public sector should on the whole be at least on par with their counterparts in private employment and should feel a legitimate pride in what they produce and in their position as employees in the public sector."

The approach was further clarified by the then Union Labour Minister, Mr. G.L. Nanda, who declared at the Conference of Heads of Public Sector Enterprises held in January 1959, that, in the application of labour laws, there should be no discrimination between the private and the public sectors.

300. In the Third Plan, it was stated that "the employers in the public sector have a special obligation to follow labour policies which are conducive to securing and keeping a competent working force at a reasonable cost."

301. The sixteenth Session of the Labour Ministers' Conference (1960), while reiterating that there should be the same standards for the enforcement of labour laws in the public sector as in the private sector, recommended that the public sector should not only be an enlightened employer but also a progressive employer, and serve a model for the private employers.

302. In spite of this declared objective, public sector representatives demand for a privileged position in the matter of labour legislation. The stand taken by such representatives before the Bonus Commission is illustrative of this point:

The Commission in its report (page 88) states as follows:-

"A number of representatives of public sector enterprises appeared before us or submitted their representations. In one way or another, they emphasised the special character of public sector enterprises, stating that their primary objective was to assist in the economic growth of the country, with a view to promoting employment and the well-being of the community in general; that profit motive was a secondary consideration and that whatever gains ultimately



accrued would be utilised for further growth to the ultimate good of the entire community; that most of them were of a basic character designated to promote dependent industries in the private sector; that certain financial institutions recently set up were not intended to restrict or retard business activities of established private financial institutions, but were primarily designed to provide cheap credit for the development of industries in the private sector when credit position remains tight, or where, because of the need for underwriting greater risk elements, established institutions may be somewhat reluctant to operate. . . . . They therefore, pleaded for a differential treatment in respect of bonus compared with the private sector Industry."

Even in the fixation of the wage structure, the public sector seems to argue that the Government companies should not be treated on a par with their counterparts in the private sector,-inter alia, for the following reasons:

- (i) Nexus with the Central Government;
- (ii) Need to keep parity or at least no disparity between different public sector industries in different parts of the country;
- (iii) The concepts of capacity, profits and surplus have a new connotation which is different from what they bear in their application to industries in the private sector;
- (iv) Amenities and fringe benefits in public sector industries are incomparably greater than in the private sector industries;
- (v) The employees of the public sector industries have greater security than those of the private sector industries etc.

303. It is, however, gratifying to note that these arguments were rejected by the Supreme Court in the HINDUSTAN ANTIBIOTICS LTD. v/s ITS WORKERS. The Court's verdict was that the same principles evolved by the Industrial adjudications in regard to private sector undertakings should govern those in the public sector undertakings having a distinct corporate existence.

304. As regards the implementation of labour laws, the experience is very much discouraging. In this respect, the study of the Implementation and Evaluation Division in 1966, is very significant. We quote below the findings of the study in respect of one of the public sector undertaking, viz., National Instruments Ltd:

"The position regarding implementation of labour laws in the National Instruments Ltd., is not satisfactory. The accident reports are not sent in time and the annual reports under the Factories Act and the Workmen's Compensation Act are not being sent at all



to the concerned authorities. Safety measures in the factory are not adequate. There is smoke in the Dye Casting Section. Latrines and urinals are dirty and the canteen too small to accommodate all the workers who take their meals there. The workers have not been provided with Leave Books. In a few cases deductions from the pay of the workers exceeded the statutory limits and in two cases, the injured workmen were paid half the compensation admissible to them under the Workmen's Compensation Act. Though the rate of provident fund contribution was raised from  $6\frac{1}{4}$  per cent to 8 per cent from January 1, 1963, the management has not yet paid the contributions at the enhanced rate from January 1963 to May 1965."

305. This is the case with many other units. For example, several instances of violations or improper implementation of the Factories Act were brought to the notice of the management of the Hindustan Machine Tools (Pinjore Unit) by Inspecting Officers. Warning letters had to be issued to the management a number of times for rectification of the violations. The Implementation and Evaluation Division stated, in its study made in 1966, that the management was not paying adequate attention to proper implementation of even important provisions of the Factories Act, such as examination of lifts, safety of shop floor, provision of protective equipment for the workers, proper maintenance of First Aid Boxes and cleanliness of latrines etc.

306. Under the above circumstances, the B.M.S. submits that the National Commission of Labour should finally end this controversy of special treatment to public sector undertaking in any form, as far as the matters relating to the Labour are concerned and hold that there is no case for any discrimination between two sectors, Private and Public.

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