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NATIONAL COMMISSION ON LABOUR

Perspective For Future Growth - Some Assumptions.

The terms of reference of the National Commission on Labour (N.C.L.) inter alia require it to make recommendations in respect of labour policy in future in the context of the national objectives of establishing a socialist society and achieving planned economic development. For this purpose the N.C.L. needs a broad outline of the likely perspective of the future growth of the Indian economy and seeks the assistance of the Planning Commission in this regard. Tentatively, the N.C.L. has, for the purpose of its work, gone by some assumptions which are briefly set out in the following paragraphs. These assumptions relate in a sense both to the quantitative and the qualitative changes likely to be brought about by future economic growth and its consequent impact on labour.

2. Considering that the process of economic development and social change in a country like India implies, by its very nature, the pursuit of a wide range of objectives and that even within a homogeneous set of objectives there can be an element of conflict arising from the time period in which the desired changes are to be brought about, the relative emphasis on improving consumption levels and stepping up of savings and capital formation assumes crucial significance in the growth strategy. This means, to an extent, a choice as between present consumption and building up of the potentialities for sustaining a high rate of growth. For practical purposes it may mean that reliance may have to be placed on a judicious mixture of both these considerations. To put it specifically the general assumption made is that from out of the net year to year additions to the

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national income some 25 per cent could be canalised into savings for productive purposes and the remaining 75 per cent will be permitted to be diverted towards improvements in consumption levels.

3. We have further assumed that with the incremental rates of savings presently indicated it will be possible to finance investment outlays for achieving a sustained rate of growth of about 5 to 6 per cent per annum over the next 10 to 15 years, and that a large part of the aggregate investment programme will be financed internally. The reliance on external finance, will be gradually reduced in the course of next five to ten years.

4. The overall rate of growth of 5 to 6 per cent per annum will be achieved via specific sectoral rates of growth which will vary within limits from plan to plan. In broad terms the underlying assumption in regard to the sectoral growth rates is that the net output of the agricultural sector will grow at an average rate of about 4.5 to 5 per cent per annum and simultaneously industrial production would also continue to rise at a rate of between 8 to 10 per cent per annum. The expansions in the tertiary and services sectors would correspond to this order of growth in the primary and secondary sectors.

5. In the matter of the growth rates in different sectors of the economy as also in regard to the rate of expansion of important industries and economic activities, the N.C.L. is proceeding on the basis of the document 'Draft Fourth Plan Material and Financial Balances 1964-65, 1970-71, 1975-76', released by the Planning Commission in September 1966 and has tried to incorporate in it the changes in thinking since then. In brief, the assumptions broadly are:(i) In view of the

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capacity reached in machine building industries the rate of growth of the new capacity in industry will be lower than what was envisaged earlier though the capacity already built up will be used more fully than in the past. (ii) Since agriculture will demand better attention, industrial inputs for agriculture will receive somewhat greater emphasis. (iii) Industrial structure as a whole would be further diversified and the growth of consumer goods industries will also be more than in the past. (iv) Subject to the availability of raw materials this would mean larger and a more continuous employment in consumer goods industries. (v) Product-wise there would be a better balance as between traditional and new industries. (vi) In terms of employment the increase in traditional industries will in the aggregate be of a lower order than in the new industries. This in turn would have an impact on the tertiary sector also.

6. The other set of assumptions relate to the distribution side. (i) With the growth of the aggregate and the sectoral outputs in the economy the urge in the population towards securing a more equitable distribution of incomes would gather further momentum. The progress in this regard will be conditioned by considerations of social policy as also the technical and economic factors. (ii) While the stress will be on bringing about a reduction in the disparities in disposable incomes through fiscal and other methods, the functional role of profits and other incomes in stepping up the rate of capital formation will be assigned its proper place. (iii) In the urban sector the accent of policy will continue to be on securing a wider dispersal of large scale industry together with the encouragement to small and medium scale industries so as to secure a better balance in the distribution of incomes and economic power and

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to also meet employment needs. (iv) Rural consumption will improve and its pattern would get further diversified.

7. Against this broad setting the aspects relating to the broad perspective for the working class as such may be viewed in terms of (i) the growth of the numbers constituting the labour force, and (ii) the expansion of employment avenues in different sectors of the economy whereby these numbers will be converted into workers. Linked with these are the problems of (a) minimum levels of living and (b) wage policy.

8. The numbers constituting labour force will comprise the currently unemployed and the additions to the labour force in the coming years. The N.C.L. does not propose to estimate the extent of the former. It will assume that with the plans as contemplated, the objective of reducing unemployment cannot be reached. With the growth of population the numbers in the labour market will continue to increase. N.C.L. has assumed the projections for growth as in the following table.

Calendar Year	(Figures in million)				
	1961	1966	1971	1976	1981
Males - Age group 15-59	124	137	154	176	204
Females- Age group 15-59	114	126	143	164	189
Persons in the labour force:					
Males in labour force*	114.8	126.9	142.6	163.0	188.9
Females in labour force*	51.6	57.1	64.8	74.3	85.5
Increase over every 5-year period:					
Males		12.1	15.7	20.4	25.9
Females		5.5	7.7	9.5	11.2
Total		17.6	23.4	29.9	37.1

\* On the basis of actual percentages revealed in 1961 Census.

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9. It may be recalled in this connection that the Third Five Year Plan had set out certain estimates of additions to labour force in agriculture on the assumption that by 1976 the labour force dependent on agriculture would be 60 per cent of the total labour force compared to roughly 70 per cent in 1961. The magnitude of this task is brought out if it is considered that during 1901 to 1961 the total number of workers increased from 111.3 million to 188.4 million. Corresponding to this rise, the percentage of the workers in the primary sector has remained around 72 per cent and in the secondary sector the proportion has slightly come down from 12.6 per cent in 1901 to 11.7 per cent in 1961. In the tertiary sector there has, however, been in this fifty-year period a marginal rise from 15.6 per cent in 1901 to 16.0 per cent in 1961 though the figure for this sector at the 1951 Census was 17.3 per cent. It will be useful if the Planning Commission could indicate as to what extent the Third Plan aspirations could be considered realistic in the light of past experience? If this change in interse distribution of working force in agricultural and non-agricultural sectors has undergone a review in the Planning Commission/<sup>it</sup> may be indicated as to what should be the assumptions which N.C.L. should make.

10. The figures given above necessarily reflect only the overall magnitudes. For a better understanding of the position a similar analysis may have to be attempted State-wise. Except in two or three States, the task of changing the occupational structure in its broad pattern will indeed be colossal. Further account will have to be taken of how the numbers involved are to be equipped for future employment. One assumption could be that educational facilities will be expanded on

the basis of the recommendations of the Education Commission which reported in 1966. One of the recommendation of that Commission is that education should be more purposive and take into account the needs of development. It is therefore, assumed that there will be a better balance between employment opportunities and outturn of educated personnel? Thus it could be hoped that with the spread of education literate groups will form the bulk of employment seekers though in the case of agricultural labour this change will be harder to come by.

11. Whatsoever the assumptions regarding the dependence of the population on agriculture, the fact remains that between now and 1981 roughly a third of the additional labour force may have to seek employment in agriculture. A part of this will be self-employed and the rest in wage employment. If the trends in intensive agricultural districts are any indication agriculture will be organised more as an industry and its employment potential would, therefore, require to be reassessed. An increase in yield per acre will have its impact on rural processing, transport and marketing. However, whatever the assumption it is extremely unlikely that agriculture will fruitfully absorb additions to the working force of the size indicated above. The resulting process of unemployment will in future affect the unorganised sections of the non-agricultural labour.

12. The employment aspects - both aggregative and sectoral - link up directly with the question of the overall size of investment and its distribution. The sectoral distribution of the planned investments is under Indian conditions of particular relevance because the investment requirements for attaining given output goals vary greatly as between the major sectors and sub-sectors of the economy. An idea

as to the broad scheme of investment priorities to be pursued in the coming Five Year Plan periods is thus necessary in order to visualise the overall employment prospects.

13. Apart from the size and distribution of investment outlays the broad policy framework for planning and the assumptions on which it is based is necessary for dealing with important aspects concerning organised and unorganised labour. In overall terms the more specific aspects of this framework having particular relevance from the stand-point of the perspective for labour are as follows:-

- (a) The assumptions which underlie the planned effort in regard to the change in the pattern of income distribution in the community are needed. It is only in the light of the pattern of income distribution as it may evolve in the coming years that a view in regard to the levels of living and the standard of living of the working classes should be taken.
- (b) The policies as also the broad pattern of regional development including the policy in respect of the location and dispersal of industry are also important not only from the stand point of fresh employment opportunities in different regions of the country but also as a factor influencing the geographical mobility of labour.
- (c) In as much as the input/output ratios as well as investment/worker ratios in organised activities and decentralised activities show a wide divergence the relative roles of large scale and small scale production assume significance.

This aspect has two important facets. In the first instance there is the question of the choice of techniques and the levels of technology assumed for purposes of attaining given output goals. Secondly, there is the organisational aspect of demarcating the spheres of expansion of the large scale and the small scale sectors. It will be useful if the policy assumptions in respect to these could be spelt out.

- (d) In an expanding economy a significant portion of the new employment opportunities consists of discontinuous employment provided by construction activities of all kinds. From the stand-point of employment opportunities for unskilled categories as also the economically weaker sections this kind of employment has a key importance. In view of the changing pattern of financing developmental outlays - e.g. the gradual reduction in reliance on external assistance - it is likely that the construction component of the planned programmes would be different from what might have been the case in the preceding plan periods and would get further modified in the subsequent plan periods. Some concrete lines of policy in this regard would greatly assist the N.C.L.

14. Finally the N.C.L. would like to seek the assistance of the Planning Commission in regard to the issues connected with wage policy. The N.C.L. are proceeding on the basis that the broad objectives of wage policy in the coming years will be: (i) to prevent and eliminate unfair practices



in the matter of wage payments, (ii) to formulate and devise norms and principles of wage determination so as to evolve and maintain a suitable wage structure keeping in view the broad purposes of social and economic policy, (iii) to provide for minimum wage regulation, if necessary, according to conditions in different areas and industries but more specifically to protect the workers in a weak position, (iv) to seek to improve the current and future remuneration of wage earners employed in different sectors in relation to the prospective growth of industry/ economy and in the process reward current effort and build up a desire for future effort, and (v) to prescribe procedures and measures for the effective implementation and application of the principles and norms underlying the wage policy formulated. While some of the objectives of wage policy stated above relate more specifically to legal and other measures the objective stated at (iv) above ties up essentially with the assumptions as to the growth and expansion of the economy and the distribution of the product. In terms of this objective the manner and mechanism of making appropriate adjustments in wage levels under changing circumstances has naturally a paramount importance. The adjustments in wage levels in terms of such an objective would principally comprise: (i) the adjustment of money wages so as to protect the wage earners incomes from erosion due to price rise, and (ii) improvement of wage levels in line with productivity gains.

15. The N.C.L. will appreciate if the Planning Commission could assist it by giving their comments and suggestions in regard to the assumptions briefly brought out above in the light of the latest thinking and developments in regard to the Fourth Plan. The assumptions stated

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here are only some of the assumptions which the N.C.L. has made with a view to giving shape to the labour policy of the future. The Planning Commission may feel free to add to and further elaborate these assumptions.