

National Commission on Labour

Date: 7th January, 1969

Time: 10.30 A.M. to 12.15 P.M.

Record of Discussions of the National
Commission on Labour with the Planning
Commission held at Vigyan Bhawan.
New Delhi.

The following were present:-

1. Professor D.R. Gadgil,
Deputy Chairman,
Planning Commission.
2. Mr. R. Venkataraman,
Member, (I),
Planning Commission.
3. Mr. B. Venkatappiah,
Member (A),
Planning Commission.
4. Mr. Pitambar Pant,
Member (P),
Planning Commission.
5. Dr. S. Nag Chaudhury,
Member (S),
Planning Commission.
6. Mr. B.D. Pande,
Secretary,
Planning Commission.
7. Mr. M.V. Desai,
Adviser (PI & P).
8. Mr. S.G. Tiwari,
Chief (EG & P).
9. Mr. D.P. Nayar,
Senior Specialist (Education)
10. Mr. R.P. Sachdev,
Deputy Secretary.
11. Mr. S.E. Joseph,
Director (V & SI).
12. Mr. K.V. Iyer,
Joint Director (L & E).

Welcoming the Deputy Chairman and Members of the
Planning Commission the Chairman, National Commission on

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Labour said that he wished to express gratitude to them on his own behalf and on behalf of his colleagues for having agreed to meet the Commission and give the benefit of their views on some of the problems which came within the purview of the NCL's inquiry. "The scheme", he said "which we have proposed for this morning's discussion is that we have forwarded to you a paper in which we have set out certain assumptions we have made for purposes of our work. We will very much wish to be enlightened as to whether our assumptions are correct or need modifications. On some portions of the paper I am not completely conversant. I have, therefore, asked Dr. Baljit Singh to discuss it with you. Mr. Deputy Chairman, our paper is in your hands and, if you prefer, you might tell us what you think about it. I leave it entirely to you. After you have made your observations Dr. Baljit Singh will enter into a kind of dialogue with you. When this dialogue is over, if you have no objection, I would like to put a few questions with a view to getting your assistance and views on some major questions. They may have nothing to do with planning as such but as you are entrusted with the work of planning for the country

my colleagues and I feel that you would be in a better position to judge the issues involved. I thank you once again."

2. Replying to the Chairman, NCL, the Deputy Chairman, Planning Commission Professor D.R. Gadgil said: "Mr. Chairman, thank you for inviting us to have this dialogue with you and we are glad that we have had this opportunity. In regard to the first point that you have raised we find ourselves in a position of some difficulty. In the paper on the "Approach to the Fourth Five Year Plan" brought out some time back some of the broad assumptions made by the Planning Commission were set out. In part these were discussed at a meeting of the National Development Council. There have also been some subsequent discussions with industrialists, academicians and others in relation to some of these assumptions. At present we are at what may be called the ultimate stage of the formulation of our proposals to be incorporated in the draft Fourth Plan which is expected to go out to the States towards the beginning of the next month. The position is, therefore, difficult in this sense that we are at present engaged in making, so to say, the last adjustments and what we can say in relation to the implications that have been brought out by you will depend on the final picture as it emerges. Unfortunately we are not in a position just now to anticipate that final picture and to bring out the full implications".

3. "What we propose to do is to incorporate in a short paper which will accompany the plan proposals we send out to the States some of the main assumptions on which these proposals rest. A number of background papers are being prepared in the

Planning Commission in regard to these assumptions. We shall be able to let the Labour Commission have our proposals more or less at the time when these are sent out to the States. If you feel that you would be interested in these, some of our officials would discuss with your officers the more detailed assumptions. We could even confidentially let your officers have the background papers that are being prepared. Unfortunately just at this stage we are having discussions with the Central Ministries. We have just gone through with our discussions with the States but some points concerning our discussions with the States have still to be cleared up. Because the proposals have not yet been finalised and a final picture has not emerged in regard to the relative priorities - we have no doubt a fair idea of what they will be - it will be somewhat premature for me or my colleagues to say anything definitive in regard to these. But in about a week's time all this would be clear and if then any of your officials want that information we will be very glad to give it".

4. Commenting on the position as explained by the Deputy Chairman, Planning Commission the Chairman, NCL said: "That means that for the moment you would not be able to carry on any dialogue with us. We can appreciate your difficulties. We will, therefore, postpone it for the present".

5. Chairman, NCL: I would now like to know the views of the Planning Commission in regard to a general question concerning the work of the National Commission on Labour namely the approach to question of industrial relations. I may explain that there are two views in regard to the philosophy of industrial relations viz. collective bargaining in the strict sense of the term and adjudication. Which one of these views, according to Planning Commission, will suit better in Indian conditions?

6. Deputy Chairman, Planning Commission: "I suppose you will excuse me if I put this question against a much wider background. It has to be considered in the context of planned economy and the lines on which we believe the economy is going to operate. That is the basic position. If for example you are postulating a pattern of, let us say, productive and distributive arrangements in which the State plays a very large part in (a) directing investment resources and (b) in determining the distribution of the product together with such necessary measures as price and allocation controls - if all that is taken for granted - then you will have one picture and one set of answers. If, on the other hand, it is taken for granted that you are operating

very much in a mixed economy in which price and allocation controls are not very large and the forces of the market determine to a very large extent both the direction of investment and in part the distribution of profits, then the issue which you have posed is placed against an entirely different background and acquires an altogether different character.

7. "You will note that we felt it necessary to put in the "Approach Paper" a small section on mixed economy and its operation, in order to bring out for public discussion and for discussion at the governmental level whether the assumption we were making regarding the background of the total planned development was the proper assumption or not. We have not found that there is any very great divergence. So it will be largely a mixed economy in which the public sector will continue to operate in certain strategic spheres. In certain strategic spheres direct controls may operate. But for any kind of detailed allocation and for a large part of the pricing process, it will be the market forces that will work. If you consider the problem against that background then you get two sets of questions both of which have been raised in your paper. One is the issue regarding any changes in the pattern of distribution that Government's policy wants to bring about. The other is the general issue regarding the route of industrialization, the stages through which the process of industrialization passes. Both these are extremely important from the point of view of the planned development. They are important also from the point of view of the work entrusted to the Labour Commission."

8. "In regard to the change in pattern of income distribution we are preparing a few working papers which will be put before the Cabinet and partly incorporated in the plan proposals. But they are in consonance with what we have said regarding the operation of the mixed economy. The instruments for income distribution are to be largely fiscal together with checks and controls at such strategic points as the Government may like to have. Besides there will be very positive policy measures in relation to smaller industries, the small land holders, more employment opportunities, protection of the weaker sections and so forth. It is positive measures like these rather than any highly directed distributive re-arrangement which are being contemplated. We are definitely planning against the background of given political and socio-economic conditions. Of course if the Government says that it is going to do something very much more than this the plan proposals will have to be drawn up differently."

9. "The other problem, that is the one regarding the route, of industrialization involves a number of assumptions.

We began to look at this in 1956 in some details. We found that one major aspect of this problem was technological change. If we view the problem in this light we find that we have at one end of the scale an organization like the Khadi Board which conducts in part what may be termed relief operations and at the other modern industry. We had taken the view in 1956 that these relief and sheltering operations would be minimal and that positive programmes of continuous technological improvement in the traditional industries were an important aspect of the whole policy. Here you had a general policy frame in which you recognized the need for investing in some of the most modern technology in order to bring about the process of development and while doing this, sheltering some of the smaller, more dispersed and traditional sectors, not with a view to make the whole position rigid or fixed but to give a breathing time to develop them. It is a very difficult concept to develop in practice. I am emphasising this thing and I am emphasising the operation in the context of a mixed economy because instead of giving a direct answer to the issue posed by you I would like to begin this dialogue by raising issues before the Labour Commission".

10. "There are two issues which are very important. The first, taking for granted that there is a market economy, is the important role of the differentials in prices. The price differential is a principal feature of a market economy and if you are thinking of a continuous and simultaneous operation of smaller scale and less capital intensive technology as well as highly modern large-scale modern technology then you have a feature which economists call dualism. The Japanese economists claim that even today Japanese economy has a feature of this type. In all other underdeveloped economies this dualism is important. In some fields where modern technology has been adopted the surpluses are larger and capital intensity is also large. In others labour intensity is greater. While the productivity in terms of the total investment may be relatively smaller and the wage return small for the aggregate capital investment it may still be important to have that kind of distribution. It may in fact be necessary. In this context, the differentials are important because one of the factors which allow the smaller scale enterprises to be dispersed and enables these technologically less capital intensive establishments to survive is a certain degree of cost advantage and one of these cost factors is labour. In Japan this happens even today. It was very much more prominent in the pre-war period. It is common to all under-developed economies. It is in this context that the whole of this problem of a national wage policy of

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and this is also very difficult. It is difficult because of the arrangements by which labour market is kept back from overflowing. Accretions of rural population coming into cities are so large that certain arrangements for the labour market to absorb them become absolutely inevitable and necessary. Otherwise you get a very serious problem. To what extent these arrangements can flow through differentials in wages from place to place and from occupation to occupation is a question which comes up here. Having regard to the mixed economy in which market operations are more important than governmental allocation and distribution, the processes and the ability to keep the market operations functioning become very important for the economy. It is in this context that we would answer your questions. We would say that in regard to some particular questions posed by you such as this highly controversial question of labour relations in the economy we are not very competent. But we thought that we might as well take some part of your time to explain the background against which our minds are working."

14. Chairman, NCL: We would also like to have the views of the Planning Commission regarding a national minimum wage or alternatively fixing minimum wage rates in different regions.

15. Deputy Chairman, Planning Commission: "The statement I have just made would lead to the conclusion that the Government should continuously extend the operation of its protective legislation. Wherever it is able to say that it can effectively prevent exploitation it should move into those areas and do it. Preventing of exploitation will have to be through the laying down of the conditions of work, recruitment, employment and wages. Instead of thinking, in terms of a generalised solution of the problem, this may be very much better. Take, for instance, the problem of casual agricultural labour or of casual labour in plantations. It has been found that it is very difficult to deal with this problem. What will be the effects of an attempted regulation or what form it will take it is difficult to say. But if you are thinking of a national minimum or a generalised minimum the largest category is the landless, casual labour. If you are not able to make a generalised proposition for this category would it not be better to ask Government to look at the specialized categories and extend the network as widely and as quickly as possible."

16. Chairman, NCL: Do you think, that the National Commission on Labour could recommend that a certain amount should be the lowest minimum that anybody should get?

17. Deputy Chairman, Planning Commission: "Unfortunately, I have a very concrete type of a mind. Do you define the daily wage or do you define the annual income? Begin with notions like that. If you define an annual income and if the employers are different quite obviously in the case of casual labour it would be difficult. Basically the casual labour goes from one operation to another operation such as ploughing, intermediate types of work, harvesting, women labour doing weeding and other operations. How can you think in terms of a generalised daily wage for this kind of labour? It was reported last year that in the Punjab at harvest time you could not get a labour below Rs.8 to 10 per day: But there are other areas where women labour gets one rupee or less per day. In such a position what will be the sort of intervention which can be thought of as being practicable? The point is that one has to define the sphere of practicable regulation. In the context of particular operations and particular avocations what is the way to proceed to define the minimum? Take for example the case of contract labour in Kashmir engaged in public works operations. If you fix a reasonable wage there the cost of public works may go up a little, or may be it does not. There should of course be direct employment of labour rather than through contractors. It involves a little more work on the part of the officers. If that can be done this problem can be solved. Our general approach is that this kind of effort ought to be made by Government. On the other hand the worker has to organise himself. In Gujarat and Maharashtra there is a certain measure of organisation in forest labour and the exploitation and the operations of contractors are somewhat less. But even there it is difficult to convince the Maharashtra Forest Department that it would accord the same treatment which the Gujarat Government is giving to the Gujarat forest labour societies. It should be easy enough for Government to legislate but when you come to concrete organization it is very difficult Unless there is some-body organizing and trying to run the forest labour societies it would be very difficult to tackle the problem".

18. Chairman, NCL (to Shri R.Venkataraman, Member (I) Planning Commission): what are your views on the question of collective bargaining vs arbitration?

19. Member (I), Planning Commission: "The idea of collective bargaining with the right to strike has a historical background. When the British ruled India most of the industries were British. The labour did not have any confidence in the administrative officers. Therefore, they said if we are going to settle the matter, let us collectively bargain and settle it by strike. Ideally and theoretically speaking settlement of disputes by collective bargaining and strikes is the best. But nobody ever lives in an ideal state. Even

in those countries where this right has been the sheet anchor of labour policy there was a switch over to adjudication during the war. If we allow strikes freely economic development would be very much hampered. Adjudication should of course be reduced to the minimum and collective bargaining should be encouraged as much as possible. This is because it is only through collective bargaining that you are able to reach agreements on wages which the industry is able to pay and which the labour is able to earn. But since in the ultimate analysis some sort of solution has to be found resort to arbitration or adjudication would become necessary. You should have more of arbitration, not as it is now provided in the Industrial Disputes Act, but in a different way. Each party should be asked to nominate a representative or an arbitrator and both of them even before they enter upon arbitration should ask for an umpire. If that is done, the umpire's decision would be accepted as final without any further recourse to courts, including the writ jurisdiction of the High Court or the Supreme Court. Adjudication should not be automatic. The parties to a dispute should not have an a priori confidence or certainty that if the collective bargaining fails the matter will automatically go to a tribunal. They should on the other hand be faced with the prospect that there may be a strike. It would then depend on the Minister who handles the situation what the further course should be".

17. "Arbitration in its character should be compulsory. Each party should be asked to appoint an arbitrator and the arbitrators should choose an umpire. Otherwise the Government should appoint the umpire. That is to say there should be collective bargaining followed by compulsory arbitration. Against the award of the arbitrators a civil revision application to the High Court as provided under section 115 of the Civil Procedure Code should be allowed but the court should not go into the merits of the case. This will prevent writ petitions to the Supreme Court. It is true that the jurisdiction conferred on the High Courts and the Supreme Court by the Constitution cannot be taken away but the rule is that where an alternative remedy is provided recourse has to be taken to it. It has also to be borne in mind that it is not in every case that the Government is obliged to refer a case to adjudication. The position should be that the Government will not be obliged to refer every case to arbitration. Theoretically, of course the position remains that collective bargaining (followed by strike) is the best, notwithstanding the loss of mandays".

21. Chairman, NCL (to Shri R. Venkataraman, Member (I), Planning Commission): "What is your reaction to the idea of setting up of an Industrial Relations Commission and doing away with the provisions of section 10(1)-A of the Industrial Disputes Act, 1947?"

22. Shri R. Venkataraman, Member (I), Planning Commission: "The idea of eliminating the Government, I am afraid will not work. In any society there must be a Government and the Government must have the authority to govern. It must face the ensuing consequences and criticisms. The authority of the government to govern cannot be whittled down. As at present the Government takes a decision whether to refer a dispute to adjudication or not. In many cases (which Government does not refer to adjudication) employees do go on strike and a fair settlement is arrived at. The Government's decision is based on exigencies of administration of the State. There is a difference as between civil or criminal disputes and industrial disputes. The latter are concerned with production and industrial peace, public order, etc. Therefore, the Government has to come in. I do not accept the idea of an Industrial Relations Commission even if it is that it is required to give notice to the Government about cases coming before the Commission or about strikes. The ultimate responsibility is that of the Government and so long as that is recognised it does not matter whether the authority is exercised through the Commissioner of Labour or any other agency".

23. Chairman, NCL: In some countries Government does not come in such matters and why could this not be so in India also?

24. Member (I), Planning Commission: "It may be that in many other countries, the Government does not come in but we have a controlled economy. We want production to be stepped up. We want labour to be protected. Australia for instance does not have a controlled economy in the same sense as India has and, therefore, the analogy of Australian practice will not apply".

25. Chairman, NCL: What are the views of the Planning Commission on the question of a need-based minimum wage?

26. Deputy Chairman, Planning Commission: "The need-based concept itself is also very elastic. Quantification is very elastic. Even the nutritional standards as defined internationally differ. I was at one time a member of a committee, the Textile Labour Committee. Our terms of reference were that if in any unit of the industry a need-based wage was not paid we should make certain enquiries. Therefore, we had first to satisfy ourselves about it and then have a definition. This definition can be very elastic according to the circumstances.

According to the Australian definition in 1920's a house with 3-4 rooms was the minimum. Therefore, merely accepting the idea does not by itself lead us very far. If the idea is accepted and a certain concrete shape is given to it, then it becomes very rigid. This rigidity when considered in relation to the case of government employees turns on to a very important context. Where do you want the standard of living of Government employees to be fixed in relation to the totality of the people? Governments giving of a need-based minimum to its own employees does nothing to increase the national income. Out of the total national product must a certain deduction be made in favour of the particular category namely the Government employees? That I believe is a question which from the planning point of view is very much relevant because it amounts to saying that a certain category who are already somewhat better off than others their relative position should be somewhat bettered. The assumption here is not this that they are unproductive labour; it is this that increasing the wages of government servants does not necessarily lead to further development of the national income. Today their contribution to national income is considered to be the same as the wages paid to them. If we pay them more, their contribution will be considered to be more. Where you have an incentive wage or production wage or there have been arguments regarding the minimum wages or minimum conditions of work, it has been argued that if you make the working hours reasonable, the efficiency improves and the worker produces more than before. If you give him the minimum wage, his efficiency improves. So that you have a total effect on economy. That argument can be made in regard to productive workers; it does not operate in the case of Government employees".

27 Shri Naval H Tata, member, NCL: Since the criterion is need would you discriminate between industrial workers and Government employees?

28 Deputy Chairman, Planning Commission: "There you get back to capacity. Even in the case of industry, nobody says that if incapacity is proved, industry should pay. Therefore, here it is the question of Government's capacity."

29. Shri Naval H Tata Member, NCL: How will you measure Government's capacity? We tell the employer that you have the capacity to pay and therefore you must pay. Can Government say that there are a large number of people who do not get even what you are getting and unless they come to your (Government's employees') stage we will not pay? Is it sound logic?

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30. Deputy Chairman, Planning Commission: "Each of the Chief Ministers has pointed out to us that dearness allowance has cut into their resources and they cannot put more in development. Any substantial increase in government's expenditure on existing establishments is a cut into developmental plan outlays quite directly. Government has to decide whether looking after its direct employees is a more important matter than the indirect responsibility of making the base of economic development stronger". Continuing Professor Gadgil said: "I have referred to dearness allowance as an example. At a given minimum the choice is whether you spend more on existing establishment or alternatively spend more on new developments".

31. Dr. Baljit Singh, Member, NCL: Will it not be that an increase in the Government servants wages will imply an increase in savings potential?

32. Deputy Chairman, Planning Commission: What you have said regarding savings would be appropriate if you assume that while increasing Government servants' wages their standards of consumption is not raised and if the same applies to other similarly placed persons then in that case savings potential will go up".

33. Chairman, NCL: What should be the appropriate assumptions regarding the price level in the coming years?

34. Deputy Chairman, Planning Commission: "We are now proceeding on the basis of the 1958-69 price level our attempts will be to stabilise prices at about this level. If it is stabilized then the wages could be related to this level. We do not think that with any control over the economy we can have a price plan. We are suggesting certain measures for stabilization of food and agricultural prices".

35. Chairman, NCL: How could the Government's capacity to pay be judged or measured?

36. Deputy Chairman, Planning Commission: "There is no direct answer to that question. Government's capacity to pay is not related merely to its capacity to pay to its own employees. An industry is producing something or giving a certain service and for that it is incurr-ing certain costs. The return that it gets and the costs that it incurs determine its capacity. In case of the Government it is not possible to do so. It is true that theoretically the Government's power of taxation is limitless but practically speaking there are very large limitations. To the extent, however, that any activities of Government are treated on strictly commercial

basis it should be possible to distinguish them from ministerial and other employees. In monopoly services like railways and posts and telegraphs, the rates are fixed by Government. If the rates are fixed too high you deprive the people of the services and, therefore, you cannot fix rates at any level in order to pay the labour. Ethically also there is a great difference between Government as an employer and a private employer. An industrial establishment is responsible in regard to itself, its shareholders and its employees. Government on the other hand bears responsibility not only to its employees but to the people. Therefore, its moral responsibility of providing amenities to the people as a whole is at least equal to providing them to its employees".

37. Chairman, NCL: What is the view of the Planning Commission in regard to the rate of D.A. for neutralization of the cost of living increases? Should it be 95 per cent or 100 per cent?

38. Shri R. Venkatraman, Member (I), Planning Commission: "In view of the fact that the Government has not accepted the integrated scheme proposed and recommended by the D.A. Commission I would not stick to the position taken earlier that there should be 95 per cent neutralization. The situation now is altogether different and the entire question was, therefore, open. It has to be look up de novo".

39. Dr. Baljit Singh, Member, NCL: What is the assessment of the Planning Commission in regard to the perspective for unemployment in the country in the coming years and the issues related to this problem?

40. Deputy Chairman, Planning Commission: "It will be very difficult to give any idea about the employment potential during the next 15-20 years and labour policy. As we see the prospects of population growth and of additions to the working force, a certain minimum rate of growth is compatible only with a sufficient diversion from farm employment to non-farm employment. If sufficient diversion does not take place then the numbers depending on farm employment will rise and there are limitations on what farm employment can absorb. I do not put a great deal of store by concepts of absolute unemployment. We come up with all kinds of surveys and the surprising thing is that all of them give a low level of unemployment. You have to see that an underdeveloped economy tends to make a lot of adjustments in order to absorb more and more people. But all these adjustments are not necessarily development oriented. Where there is greater diversification the employment of the labour force is at a higher level

and is more productive. But there are other kinds of adjustment which are of the type of sharing rather than developmental, when there is more of the sharing aspect it creates a certain lag in development. Employment problem is not so acute as unemployment. In cities it may be acute e.g. in Calcutta or Kanpur. In parts of Punjab it may not be so. It is not an integrated problem; it is a differentiated problem - different types of economy, different areas and regions and differences between urban and rural, agricultural and industrial. It does not admit of an aggregative approach but of a disaggregative, pragmatic approach. The question of unemployment insurance is a very large question. To what extent can you limit it? If you do introduce that concept, then what happens to the total recruitment and other policies?"

41. Shri Pitamber Pant, Member (P), Planning Commission further elaborated the remarks of the Deputy Chairman, Planning Commission and said: "The best insurance for unemployment is to prepare the ground for larger employment. Otherwise, you distract attention from the problem. A 100 million addition to labour force is roughly the projection for the period between 1960 to 1978. If you consider this you will realise the enormity of the task. Even at present if you want to give employment to a large number of people then the investment would have to be substantially larger than we contemplated. How we organise ourselves both by way of savings of the community and the wherewithals of development will give a solution. Even with a rate of growth of 5 to 6 per cent per annum which has been contemplated in the Planning Commission's Approach Paper, we find that in terms of employment that is not going to make a large impact. We are, therefore, not saying anything which is optimistic or significant in terms of employment. Here there are also problems connected with wages in the sense of enlargement of savings. Even the question of measuring industry's capacity is not easy. Your responsibility is not only to yourself and the shareholders but also to the community. If you look at the capacity of the employer with large capital, new technology and assured market, the capacity appears to be large. But that is not correct. The labour force should be identified as one community. Not the one as very privileged but as the one which is partly industrial, partly agricultural, partly casual, etc. Therefore, these questions are to be viewed from an integrated aspect and the integration is the growth of national economy at a satisfactory pace. We have a number of informal exercises for our own work on which one can discuss these problems. But there is no formal approach defined by us because alternative approaches are possible".

42. "So long as agricultural produce is rising at $3\frac{1}{2}$ to 4 per cent a year, if there is also a very large rise in employment in farms, it means that the per capita income in farms is collapsing in comparison with the rise in incomes elsewhere. Therefore the disparity gets more aggravated",

43. "The concept of employment is very closely linked with the level of income. Employment can be had at any level. But the question is to give the labourer a level which is obtaining in the community. If agricultural production is associated with a corresponding growth of labour force absorbed in agriculture at a rate at which the per capita income of agriculture is not even comparing with the per capita income of other sectors, it is not a desirable solution".

44. Dr. Bharat Ram, Member, NCL: Is there any relationship between the levels of farm output and farm employment?

45. Deputy Chairman, Planning Commission: "Some enquiries had been made into the transition from dry to irrigated agriculture. These revealed that the labour components depend upon the type of agricultural breakthrough which is achieved".

46. Shri Venkatappiah, Member (A), Planning Commission: elaborated this aspect and explained that requirements on labour have gone up substantially in areas where there was multiple-cropping. The general experience as shown by the recent surveys was that where something is really happening to agriculture, employment is increasing somewhat, but wages are increasing even faster.

47. Chairman, NCL: thanked the Planning Commission for enlightening National Commission on Labour on the areas of their work.
