ON D.A., INDEX AND SECURITY OF EMPLOYMENT

Documents relating to the 21st Session of the Standing Labour Committee
(*Delhi* — 27 *December* 1963)

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ALL-INDIA TRADE UNION CONGRESS
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CONTENTS

1. OFFICIAL DRAFT

Since the agreements and conclusions reached at tripartite meetings were not formulated in the form of resolutions or statements at the meeting itself, but were drafted later by the officials concerned and circulated, the exact nature of the agreements was not reflected therein and many a time, contained deviations and mistakes. So, on a suggestion by the trade union representatives, Government had agreed that the conclusions could be drawn up by a small drafting committee, also tripartite in nature. This procedure was not followed in relation to the conclusions of the 21st Session of the Standing Labour Committee. The AITUC's objections to the Government's draft of the conclusions are noted in the introduction to this volume. We are publishing below, the conclusions as circulated by the Ministry of Labour and Employment vide No. RD. 173(15)/63 dated 2 January 1964—EDITOR.

Main Conclusions of the Standing Labour Committee (21st Session, New Delhi, 27 December 1963)

GENERAL

The Committee noted the proposal placed before it, concerning family pension for workers who were members of the Employees' Provident Fund and Coal Mines Provident Fund. Briefly the proposal is to create a Fund out of the difference between the old rate of contribution of $6\frac{1}{4}$ per cent and the enhanced rate of 8 per cent, *i.e.*, $3\frac{1}{2}$ per cent of the wages including the employers' contribution of $1\frac{3}{4}$ per cent. The proposed scheme would provide for a minimum family pension of Rs. 25 per month to the widow or minor children of the members of the Fund who die prematurely. The scheme, when drawn up, would be placed before a session of the Standing Labour Committee or the Indian Labour Conference.

ITEM NO. 1 : *Action taken on the main conclusions of the previous session*[1]

It was decided that the scheme for setting up of Safety Council which has been prepared by the Labour Ministry, should be immediately circulated to the workers' and employers' organisations.

ITEM NO. 2 : *Certain proposals for the amendment of the Industrial Disputes Act*

(i) *Amendment of the Industrial Disputes Act,* 1947—*Power of Tribunals to go into the merits of individual dismissals and discharge and to give awards in the light of their findings*—The employers' stand was that the decision of the Supreme Court[2] did not debar the Tribunal from going into the merits of the case and decide whether the quantum of punishment was excessive or not; the merits of the case could be gone into by the Tribunal to find out whether: (a) there was want of good faith, (b) there was victimisation or unfair labour practice, (c) the management had been guilty of any basic error or violation of a principle of natural justice, and (d) the findings were completely baseless of perverse. From the workers' side, however, it was argued that the decision of the Supreme Court was clear on the point that the Tribunals could not go into the merits of the case and that they had only to see whether the domestic enquiry conducted by the management was vitiated by any of the four criteria mentioned above. It was agreed that Government might get this point examined; if it was satisfied that the Supreme Court's decision barred the Tribunals from going into the merits of the case, it might proceed with the proposed amendment of the Industrial Disputes Act.

(ii) *Amendment of Industrial Disputes Act,* 1947—*Section 33 of the Industrial Disputes Act,* 1947 *so as to empower Tribunals to adjudicate upon the applications made by employers to dismiss a workman*—The proposal from the labour side was that the scope of the enquiry on applications under Section 33 (2) of the Industrial Disputes Act should be enlarged conferring jurisdiction on the Tribunals to adjudge cases of dismissal or dis-

1. See Appendix I.
2. Indian Iron and Steel Co. Ltd. and another Vs. their workmen—1958 (1) LLJ, 260.

charge on merits, with powers to grant relief to the parties. The employers were not agreeable to the amendment of the Act in this form.

(iii) *Amendment of the Industrial Disputes Act,* 1947—*Section 29 of the Industrial Disputes Act,* 1947, *so as to provide that continued breach of an award or settlement would be a continuing offence entailing day-to-day penalities*—The proposal was agreed to. The employers, however, suggested that similar provision should also be made with regard to breaches of awards or settlements by workers. The workers agreed to this.

(iv) *Amendment of the Industrial Disputes Act,* 1947— *Section 33C of the Industrial Disputes Act,* 1947 *so as to provide for filing of group applications by workmen*—This was agreed to. It was, however, suggested that a suitable period of limitation should be provided.

(v) *Amendment of the Industrial Disputes Act,* 1947—*Section 25C (2) of the Industrial Disputes Act,* 1947 *in order to provide for lay-off compensation for periods less than a week after 45 days*—The proposed amendment was agreed to.

ITEM NO. 3: *Proposal for legislation to regulate termination of employment of individuals in industrial establishments*

After considerable discussion it was decided that legislation on the lines proposed by the Government of Madras need not be proceeded with; instead, the Industrial Disputes Act might be amended by the Central Government for the following purpose:

In cases of dismissal or discharge of individual workers which were not taken up as an industrial dispute by any union or a group of workers, the individual worker, if he so desired, might approach the Conciliation Officer to secure redress. If conciliation failed and the employer declined to agree to arbitration, the appropriate Government might refer the dispute to adjudication. (It was emphasised that under the Code of Discipline and the Industrial Truce Resolution, it was already obligatory on the part of employers to agree to arbitration in cases of dismissal and discharge of individual workers). In cases of dismissal or discharge of individual workers which were taken up as an industrial dispute by unions, the existing procedure would continue. In such cases also, failing conciliation, employers should agree

to arbitration under the Code of Discipline and the Industrial Truce Resolution. If they failed to do so, the appropriate Government would refer them to adjudication.

ITEM NO.4 : *Certain questions relating to security of employment*

This item was generally discussed along with items 2 (i) and 3; the conclusions which emerged have been set out under these items.

ITEM NO.5 : *Compilation of Consumer Price Indices*

(i) The question of compilation of consumer price indices was considered at some length. It was explained that the Report of the Committee appointed by the Maharashtra Government was likely to be available very soon. As soon as this Report was published, the State Government should take up the matter of payment of dearness allowance on the basis of this Report, with the employers and workers, without any delay and the matter should be settled amicably. The Chairman suggested that in case it was not possible to settle the matter by negotiation, it would be desirable to settle it by arbitration.

(ii) On the question of linking in some way dearness allowance to the consumer price index, the Chairman pointed out that the tendency was towards linking and it was being increasingly followed in many industries.

ITEM NO.6 : *All-India legislation for the regulation of the Beedi Industry*[1]

The proposal was agreed to. It was, however, suggested that since conditions might differ in different States, suitable changes might be made in the proposed legislation.

ITEM NO.7 : *The role of Labour/Welfare Officers in Industrial Undertakings*

(i) It was agreed that the most important point was to demarcate suitably the functions of Welfare Officers and Personnel Officers. If this was done, many of the difficulties now being experienced would be removed. It was decided that this should be done.

(ii) The statutory provision concerning appointment of Labour/Welfare Officers should be continued.

1. See Appendix II.

(iii) It was also agreed that the Labour/Welfare Officers should not be employed for dealing with disciplinary cases against workers or appear in Courts on behalf of the management against workers in labour dispute cases.

ITEM NO.8: *Amendment of the procedure for the verification of membership of unions to facilitate counting of membership of unions which collect subscriptions on an annual basis*

As the matter was considered by the Central Implementation and Evaluation Committee which was going to review the procedure, this item was not discussed.

ITEM NO.9: *Amendment of the Indian Trade Unions Act to prevent persons convicted of offences involving moral turpitude functioning as officials of registered trade unions*

The proposal was agreed to. It was, however, suggested that the term "moral turpitude" should be clearly defined.

ITEM NO.10: *Principle of 'No Work' 'No Wages' and implications thereof*

It was decided that no general principle of "no work, no wages" could be laid down. It was considered that each case should be decided on merits.

ITEM NO.11: *Action taken on the conclusions of the first meeting of the Standing Committee on Industrial Truce Resolution held at New Delhi on 5 August* 1963

It was decided that Consumers Stores/Fair Price Shops would be set up by the employers in at least 95 per cent of the establishments employing 300 or more workers within a period of two months. If the Stores were not set up by 29 February 1964, Government would consider legislation, making the setting up of such Stores a statutory requirement as in the case of canteens under the Factories Act.

ITEM NO.12: *Report of the Committee on Conventions (Seventh Session—New Delhi, 26 December* 1963)

The Report of the Committee on Conventions was noted.

2. ON D.A.

At the meeting of the Standing Committee on Industrial Truce Resolution held on 5 August 1963, it was decided that "the question of linking D.A. with the Consumer Price Index Number would be examined in detail." A note on the subject was circulated by the Union Labour Ministry to participants in the 21st Session of the Standing Labour Committee. We are reproducing here the main parts of the Ministry's note.

The chart on D.A. prepared by the Ministry on the basis of 1958-59 survey had become out of date because of changes due to agreements or tribunal and wage board awards and has therefore not been reproduced in this booklet. Instead, a brief survey of the present position in the country in respect of D.A. payments in various industries as prepared by the AITUC is given here.—EDITOR

I

NOTE ON THE SYSTEM OF LINKING DEARNESS ALLOWANCE TO THE CONSUMER PRICE INDEX NUMBER

(Prepared by the Ministry of Labour and Employment)

THE PRACTICE OF PAYING DEARNESS ALLOWANCE IN INDIA SEEMS to have originated during the first world war when the cotton textile workers in Ahmedabad and Bombay demanded compensation for the rise in the cost of living. At the time of economic recession, however, this allowance was either substantially reduced or merged into wages. With the rise in prices after the outbreak of the second world war, there was again a demand from the workers in organised industries for the grant of a dearness allowance to compensate them for the increased cost of living. The first organised demand of this kind was made in 1939 by the cotton textile workers in Bombay city, which was referred by the

Government of Bombay to a Board of conciliation. The Board directed the Bombay Millowners' Association to pay dearness allowance on a scale linked to Bombay Cost of Living Index Number. A similar direction was given by the Bombay Industrial Court in respect of cotton textile workers of Ahmedabad. Demands from workers in other industries and centres were settled mainly through adjudication. In the absence of any settled and guiding principles, the decisions of adjudicators generally rested on their individual approach. This led to the emergence of a variety of scales and rates of dearness allowance which differed widely not only between one centre and another but also between different industries in the same centre and at times even between different units of the same industry in a centre.

2. There were two broad schools of thought among adjudicators: (i) those who preferred payment of dearness allowance at a fixed amount which remained constant and undisturbed by changes in the cost of living, and (ii) those who considered that the dearness allowance must vary with the rise or fall in the cost of living index. The two groups evolved various types of systems depending upon their appraisal of the circumstances of the cases before them. Certain broad principles such as the extent of neutralisation of the rise in the cost of living, circumstances under which the rates of dearness allowance may be revised, emerged with the appointment of the Labour Appellate Tribunal. The factors which seem to have influenced adjudicators in recommending the system of paying dearness allowance at a uniform rate to all employees irrespective of their wages without in any way being affected by a rise or fall in the cost of living are simplicity and greater relief to persons in lower income groups. This system was recommended earlier by the Rau Court of Enquiry which was constituted in 1940 to investigate the question of dearness allowance for railway employees. Some of the adjudicators have taken the view that persons getting a higher basic pay are entitled to a comparatively high dearness allowance. Such a view has resulted in the evolution of a system of graduated scale of dearness allowance according to income slabs. Under this system, the amount of dearness allowance increases with each slab of salary increase but the rate of allowance in relation to the income goes on diminishing. This system became more popular after its adoption by the First Pay Commis-

sion. There is another variant of this form. Under this scheme, dearness allowance is given as a percentage of basic wages which changes with each income slab. A minimum is also set for each slab below which the amount of dearness allowance paid to workers in that particular slab is not allowed to fall. This system which was recommended by the All-India Industrial Tribunal (Colliery Disputes) was prevalent in all the coal mines in India. The Labour Appellate Tribunal while hearing an appeal filed by employers as well as employees against this award confirmed the existing scheme.

3. The practice of linking dearness allowance to the cost of living index number in one way or the other has been adopted in a large number of cases specially where such indices exist. The most commonly adopted method by adjudicators is the fixation of a flat rate of dearness allowance for all categories of workers and linking it to the cost of living index number. This method was originally recommended by the Bombay Industrial Court early in 1949 in connection with the demand of the cotton textile workers in Ahmedabad. Under this system which is prevalent in almost all the centres of the cotton textile industry, a certain rate of allowance is fixed for every point rise in the index number above a certain level. This means that the workers in the lower wage groups receive a higher proportion of their wages as dearness allowance than those in the higher wage groups. In a number of disputes relating to other industries the rates fixed for the cotton textile mills have also been adopted as a standard and the rate of dearness allowance has been fixed at a certain percentage thereof. In some cases a different rate per point has been prescribed for the different slabs of the cost of living index number. In a few cases this differential rate increases as the slab rises while in others it decreases. Those adjudicators who have recommended decreasing rates have argued that greater relief may be granted for moderate rises in the index but if the index goes higher up, the employees should also tighten up their belts. There is another variant of this scheme of rate per point, which provides for a graduated percentage increase in the standard rate per point for the rise in the cost of living index. The Labour Appellate Tribunal in its 1955 award dealing with the revision of dearness allowance of Bombay cotton textile workers recommended such an increase in the standard rate.

Recently, all the four Central Wage Boards (for cotton textile, cement, jute and sugar industries) have also recommended that the dearness allowance should be linked to the consumer price index number even in those units/centres where it was not linked earlier. Similarly the Wage Board for Working Journalists has also prescribed that the dearness allowance be linked with the all-India cost of living index.

4. Thus dearness allowance has been usually fixed in awards according to two methods, either unrelated to the consumer price index numbers or linked with the index numbers depending upon the circumstances in each case... Out of the 44 important awards (during the period 1948 to 1962), in 23 the payment of dearness allowance was recommended at a flat rate irrespective of the rise or fall in the cost of living. It was granted either at a flat rate for all income groups or according to a slab rate system where the amount of allowance varies according to income-groups. Dearness allowance was also granted as a percentage of basic wages and changing with each income slab.... (On a study of these awards, it can be seen that) the practice of linking dearness allowance to consumer price index numbers in one way or the other has been adopted in large number of awards, especially in areas where such indices exist. The dearness allowance, again, has been allowed at a flat rate irrespective of income groups or on a scale graded according to income groups. It would also be seen, as pointed out earlier, that in a number of disputes relating to other industries, the rates fixed for the cotton textile workers have been adopted as a standard and the rate of dearness allowance has been fixed at a certain percentage thereof.

5. The Minimum Wages Act does not lay down any guiding principle for the fixation of dearness allowance but merely authorises the appropriate authorities to prescribe a consolidated minimum wage or to fix a basic minimum wage and a special allowance either fixed or adjustable with the variation in the cost of living index number in respect of persons employed in industries or employments covered under the Act. This Act applies only to a few scheduled employments. As far as information is available, the Governments of Andhra Pradesh, Bihar, Gujarat, Madhya Pradesh, Maharashtra, Orissa, Punjab, Uttar Pradesh and Himachal Pradesh have fixed the consolidated minimum

wage in respect of all the scheduled employments whereas the Government of West Bengal have allowed a separate dearness allowance other than the basic minimum wage, in the case of most of the scheduled employments and linked it with the consumer price index number. The remaining State Governments while fixing minimum rates of wages under the Act have adopted both the methods; they have fixed consolidated minimum wages for certain employments and for others, a basic minimum wage and a dearness allowance which in some cases, has been linked with the cost of living index number and in some others fixed at a flat rate, with or without taking into consideration the basic wage.

6. The Wage Census (1958-59) gives information on (a) the estimated percentage of workers getting dearness allowance in each industry and (b) of those getting dearness allowance the estimated percentages of those receiving such allowance (i) linked with consumer price index numbers, (ii) at flat rate, (iii) according to their income and (iv) on some other basis. This information is furnished in Table 1 in respect of 37 factory industries, three plantation (tea, coffee and rubber) and four mining industries (coal, manganese, mica and iron ore mines). It will be seen that the most prevalent system in respect of factories and mines is that of paying dearness allowance by linking it with the consumer price index number. This is widely prevalent in textiles with some exceptions, e.g., jute in West Bengal, cotton textile in Howrah, Calcutta, Jaipur and Ajmer and silk textile in Amritsar and Jammu and Kashmir, bicycles manufacturing and repairing petroleum refineries, soap factories, tobacco-curing works and coal mines. The next important system of paying dearness allowance appears to be the payment according to income groups. This system is very common mainly in metal extracting and refining, railway workshops, iron ore mines, manufacture of machine tools, manufacture of electrical machinery and appliances, tramway workshops, aircraft building and repairing, glass factories, manufacture and repairs of motor vehicles, electric light and power stations and artificial manures. In regard to plantations, the system of paying separate dearness allowance is in vogue only in the case of tea plantations. In coffee and rubber plantations, the number of workers getting separate dearness allowance is less than 10 per cent. Even in the

case of tea plantations, the number of workers who get dearness allowance linked to consumer price index number is negligible.

7. According to the Labour Investigation Committee surveys, the results of which were published in the 1960 and 1961 issues of the Indian Labour Gazette/Journal, out of the five industries, the system of paying separate dearness allowance was widely prevalent in three industries (ports, municipalities and coir industry). The system of paying dearness allowance according to the Consumer Price Index Number was found in the coir industry only. In the case of Ports and Municipalities the system of paying dearness allowance according to income group was popular.

8. To sum up, the position with regard to the linking of dearness allowance, in some way or other, to the Consumer Price Index Number is as follows:

(i) *The Adjudicators and Tribunals* have not followed any uniform principle. They have, however, adopted this practice in a number of awards, particularly in areas where Consumer Price Indices exist.

(ii) *The Wage Boards* for cotton textiles, cement, sugar and jute industries have adopted the principle in their recommendations.

(iii) Under *the Minimum Wages Act,* only eight State Governments have in some cases followed this principle in fixing or revising the basic minimum wage and the dearness allowance.

(iv) *The Wage Census and Labour Investigation Committee Surveys* show that the payment of dearness allowance linked to the Consumer Price Index Number is common in textiles (with notable exceptions like jute), bicycle manufacturing and repairing, petroleum refineries, soap factories, tobacco-curing works, coal mines and coir industry.

TABLE NO. I

TABLE SHOWING ESTIMATED PERCENTAGE OF WORKERS GETTING DEARNESS ALLOWANCE IN CERTAIN INDUSTRIES ACCORDING TO THE SYSTEM OF PAYMENT

Sl. No.	Industry/Stratum	Percentage of workers getting D.A. in addition to basic wages	Percentage of workers getting D.A. according to: C.P.I. numbers	Flat rate	Income groups	Others
1	2	3	4	5	6	7
A.	*Factory Industries*	76.5	40.9	27.3	30.7	1.1
1.	Cotton Textile	96.5	66.0	22.5	11.3	0.2
2.	Jute Textile	100.0	4.5	95.5	—	—
3.	Silk Textile	63.5	75.6	8.9	15.5	—
4.	Woollen Textile	76.5	98.3	—	1.7	—
	Textile Group	95.3	53.5	37.5	8.9	0.1
5.	Metal Extracting and Refining	91.4	—	—	100.0	—
6.	Metal Rolling	55.1	36.7	1.9	59.5	1.9
7.	Metal Founding	60.0	25.5	9.1	51.2	14.2
8.	Manufacture of Bolts, Nuts etc.	39.7	28.8	37.5	23.8	9.9
9.	Manufacture of Agricultural Implements	26.1	1.7	19.2	65.4	13.7
10.	Manufacture of Machine Tools	72.2	14.2	4.2	75.5	6.1
11.	Manufacture of Electrical Machinery and Appliances	73.8	10.8	6.3	82.9	—
12.	Manufacture of Textile Machinery and Accessories	79.0	54.7	—	41.6	3.7
13.	Ship Building and Repairing	96.6	51.7	1.6	46.7	—
14.	Railway Workshops	100.0	—	—	100.0	—
15.	Tramway Workshops	98.2	5.1	3.2	91.7	—
16.	Manufacture and Repairs of Motor Vehicles	78.7	20.5	7.1	70.4	2.0
17.	Aircraft Building & Repairing	100.0	—	—	99.7	0.3
18.	Bicycles Manufacturing and Repairing	59.5	88.7	—	11.3	—
	Engineering Group	85.4	11.0	2.1	85.8	1.1
19.	Cement	86.0	33.7	—	36.2	30.1

1 2	3	4	5	6	7
20. Paper and Paper Products	89.3	7.0	46.3	40.6	6.1
21. Sugar	30.5	20.3	19.2	57.7	2.8
22. Heavy and Fine Chemicals	71.9	47.7	21.6	27.3	3.4
23. Printing Presses	73.1	8.2	22.5	63.1	6.2
24. Match Factories	16.2	58.0	18.2	23.2	0.6
25. Glass Factories	33.1	14.1	7.0	72.3	6.6
26. Petroleum Refineries	100.0	86.4	6.2	7.4	—
27. Electric Light & Power Station	93.1	18.3	5.9	74.4	1.4
28. Soap Factories	76.6	89.3	8.2	—	2.5
29. Hydrogenated Oil	55.2	67.1	0.3	16.3	16.3
30. Tanneries	68.7	23.8	73.1	0.8	2.3
31. Footwear Manufacturing	37.6	65.7	32.2	2.1	—
32. Clothing Manufacturing	48.1	10.0	88.4	—	1.6
33. Artificial Manures	42.7	—	6.0	93.7	0.3
34. Cigarette Factories	98.9	57.5	9.2	33.3	—
35. Bidi Factories	0.9	—	82.0	17.3	0.7
36. Tobacco Curing Works	47.7	74.3	18.0	7.7	—
37. Cashewnut Factories	2.1	—	94.4	3.3	2.3
Other Factory Industries	40.4	32.1	21.7	41.6	4.6
B. PLANTATIONS	60.8	0.3	7.9	0.2	91.6
38. Tea Plantations	68.3	0.2	6.9	0.2	92.7
39. Coffee Plantations	8.1	9.9	86.4	—	3.7
40. Rubber Plantations	1.3	100.0	—	—	—
C. MINES	84.7	81.5	2.7	10.4	5.4
41. Coal Mines	98.8	100.0	—	—	—
42. Manganese Mines	33.9	—	—	47.2	52.8
43. Mica Mines	83.9	—	61.4	0.9	37.7
44. Iron Ore Mines	75.2	—	—	100.0	—

Source: Occupational Wage Survey—General Report 1958-59.

II

A NOTE ON DEARNESS ALLOWANCE

(Prepared by the All-India Trade Union Congress)

DEARNESS ALLOWANCE CONSTITUTES AN IMPORTANT COMPONENT OF the present wage structure in India. The failure of the Government to check the rising prices in the country has increased the importance of this component to such an extent that in some industries, the D. A. constitutes the major component of the wages of workers.

In many industries, the working class has been successful in winning D.A. from the employers but so far it has not been able to force the bourgeoisie to implement a uniform system of D.A. payment all over the country.

As the trends clearly indicate, the price level in the country is going to increase more rapidly than during the post-independence period so far. If workers are not protected from these rising prices, there is a danger of depression in their living standard as time passes by.

At present various systems of D.A. payment are existing, some of which are as follows:

(1) D.A. paid at uniform flat rate for all categories of employees.

(2) D.A. being paid at different graduated rates for different basic pay slabs.

(3) D.A. being expressed as uniform percentage of the basic wage, provision being made for maximum and minimum allowable under this system.

(4) D.A. expressed as percentages of basic wages, the percentages being different for different pay ranges.

(5) D.A. being linked to price index, rates varying for different slabs of index.

(6) D.A. linked with price index which varies for rise or fall in the index number every month. The percentage of neutralisation is not the same in every centre where this system exists.

(7) D.A. linked with price index, but the payment determined over a 10 point rise on an average during a 12-month period.

(8) D.A. linked with price index, but adjustments made over quarterly averages or half-yearly averages.

(9) Flat rate of D.A. which varies in the case of male adults, females and children.

(10) Combination of two or more systems mentioned above.

In many industries like handloom, bidi, etc., the workers are even now paid a consolidated wage. In the small-scale engineering units in Punjab and in some other States also, consolidated wage payments prevail. When the prices go up, workers have to fight for a straight wage rise.

The position regarding the D.A. systems in various industries is detailed below. The information is by no means complete in respect of all industries in India but an attempt is neverthless made to get a comparative picture at least as far as major trades and industries are concerned.

COTTON TEXTILES

The report of the Central Wage Board for Cotton Textile Industry while recommending the linking of D.A. to the price index stated:

"The Board recommends that dearness allowance should be linked to the cost of living index in all centres and if any centre has no such cost of living index, the index of the nearest centre should be taken for the purpose. The Board has also come across some cases where there is only a consolidated wage or a fixed D.A. In both cases, we have found that the total wages are comparatively lower. We recommend that in these cases also, the D.A. should be made adequate and linked to the cost of living index number by a suitable machinery."

The Board recommended the following with regard to Madras State: "In the case of Madras State, the D.A. now paid neutralises less than what would be justified by the rise in the cost of living with 1936-39 as the base. The Board recommends that for Madras State, the D.A. should be increased so as to give full neutralisation for the rise in the cost of living to the worker on the minimum basic wage with 1936-39 as the base."

The Textile Wage Board did not go into details beyond this on the question of D.A. nor did it recommend any all-India

measure for linking D.A. with index numbers. The quantum of D.A. given to the workers in some textile centres is as follows:

Centre or State	*Minimum Basic Wage*	*D.A. in Aug. 63*	*Rate of D.A.*
	Rs.	Rs.	
Bombay	40.00	97.10	2.09 pies per day per pt.
Ahmedabad	38.00	86.14	2.84 pies per day per pt.
Sholapur	34.00	71.50	1.75 pies per day per pt.
Baroda	36.00	77.53	90% of Ahmedabad D.A.
Indore	38.00	65.25	
Nagpur	32.00	65.95	1.2 pies per day per pt.
Madras	36.00	83.22	
Kanpur	38.00	68.37	
West Bengal	36.17	52.38	

CEMENT

The Cement Wage Board awarded Rs. 35.50 as D.A. for workers in factories in centres other than Gujarat and Saurashtra and Rs. 38.50 for workers of Gujarat and Saurashtra which was linked to the all-India index 123 for July 1959. It was further provided that D.A. in case of the former would rise or fall at the rate of Rs. 1.47 for every two points in the index and in the case of the latter at Rs. 1.59 for every two points.

The Board further awarded that the clerical and lower technical and supervisory staff should be paid D.A. at 10 per cent of their basic salary plus Rs. 40 per month in the factories and quarries in the regions other than Gujarat and Saurashtra; and in the region of Gujarat and Saurashtra, the D.A. for these categories was fixed at 10% of the basic salary plus Rs. 47 per month.

JUTE TEXTILES

The Jute Wage Board recommended the following on the question of D.A.: "The present D.A. of Rs. 32.50 should be considered as the D.A. fixed at the working class consumer price index number of 425 for Calcutta with year 1939 as 100. The D.A. should be a variable D.A. and the rate of increase or decrease should be at 20 nP per point rise or fall in the average working class consumer price index number for Calcutta. The D.A. should be revised every six months of February and August on the basis of the average consumer price index number of the

previous half years—July to December and January to June respectively.

BANKS

The Bank Tribunal (1960) awarded cent per cent neutralisation to subordinate staff of banks and 75 per cent neutralisation for clerical staff. The D.A. was linked with the all-India index, 1949 base. According to the award, the clerical staff should get D.A., at the rate of three per cent of pay for every rise of 4 points above 100 in the quarterly average of the all-India Index. For the subordinate staff, D.A. should be four per cent of pay for every rise of four points. For this purpose, 'enquiry' will mean the period of three months ending on the last day of March, June, September or December.

SUGAR

The Sugar Wage Board recommended graduated rates to the workers in different regions. For the aggregate minimum basic wage of Rs. 60, D.A. for central, north and south regions are Rs. 6, Rs. 16 and Rs. 21 respectively while in Maharashtra, the D.A. is Rs. 27. This allowance was related to 123 points in the All-India Consumer Price Index (1949=100).

The Board recommended linking of D.A. to the index in the following manner: "For rises over 123 points of cost of living index or fall below this level, adjustments in dearness amount shall not be made for less than 10 whole points. Once there has been rise or fall by 10 or more whole points, adjustments will be for every point of the rise or fall. Once an adjustment has been made, future adjustment shall be made for further rise or fall of ten or more whole points.

"The adjustments in D.A. amount related to cost of living index, although automatic, shall be made only once a year on the basis of the average monthly cost of living index calculated over the twelve months period from 1st July to 30th June. The adjustments, if any, shall however be effective from 1st October each year, following the twelve months period."

For employees drawing up to Rs. 100, the D.A. rate shall be 55 nP per point rise of index. Employees drawing more than Rs. 100 will get D.A. at 65 nP per point of rise over 123.

During July 1962 and June 1963, the index went up only by 9

points on an average and hence sugar workers have been deprived of D.A. despite rise in prices. According to the Wage Board report, they are not entitled to claim additional D.A. till October 1964.

IRON & STEEL

In all the steel plants, D.A. is not linked with the price index. A flat D.A. is given on an ad hoc basis.

In the HINDUSTAN STEEL LTD. plants at Bhilai, Rourkela and Durgapur, the D.A. rates are:

Salary up to Rs. 150	—	Rs. 15.00
" from Rs. 151 to 300	—	Rs. 30.00
" from Rs. 301 to 320	—	Rs. 320 minus basic wage
" from Rs. 321 to 390	—	Rs. 10.00

In TISCO, D.A. rates are different for various basic pay slabs. For example, a worker drawing upto Rs. 75 gets Rs. 45 as D.A. which goes on increasing as the basic salary increases, while an employee drawing a salary above Rs. 600 is paid Rs. 114 as D.A. per month.

The IISCO scheme of D.A. is as follows: Monthly salary upto Rs. 50 or Rs. 1.92 per day—*Rs. 35 per month;* Monthly salary of Rs. 50 to Rs. 100 or Rs. 1.92 to Rs. 3.84 per day—*Rs. 45.00;* Monthly salary slab Rs. 100-150 or daily rated Rs. 3.84-5.77—*Rs. 50.00;* Monthly salary slab 150-200 or daily rated Rs. 5.77-7.69—*Rs. 55.00;* Monthly salary above Rs 200 or daily rated Rs. 7.69 and above—*Rs. 60.00.* There is no provision of sliding scale.

CENTRAL GOVT. EMPLOYEES

The Second Pay Commission awarded D.A. only to those employees drawing pay below Rs. 300 per month on the following rates:

Basic pay below Rs. 150	—	Rs. 10 per month.
Basic pay between Rs. 150-300	—	Rs. 20 per month.

D.A. was fixed at 115 points on the All-India Index (1949=100).

The Second Pay Commission did not accept the principle of automatic adjustment of D.A. with the price index. However, it said: "A substantial and persistent rise in prices, however, normally creates a prima facie case for compensation and it should be the Government's endeavour not to allow the standard

of living of their employees in the lower range of remuneration to fall."

Therefore, the Pay Commission recommended: "If during a period of 12 months, the index remains on an average ten points above 115, the Government should review the position and consider whether an increase in the allowance should be allowed and if so at what rate."

The increase in D.A. was granted in November 1961 when the average index was 125 points. A rise of Rs. 5 in D.A. was awarded to employees earning less than Rs. 150 while Rs. 10 was awarded to employees earning Rs. 150-300. Employees in the pay range Rs. 300 to 400 were grouped with those in the pay range below Rs. 300.

The Pay Commission's recommendations are applicable to 20 lakh central government employees including railway workers. Administrations of Ports and some public sector units and statutory corporations generally follow the practice of the standards laid down by Government for its employees, including in the matter of revision of D.A.

INSURANCE EMPLOYEES

According to a bipartite settlement in Life Insurance Corporation, the D.A. corresponding to the cost of living index 126 (1949=100) will be 26 per cent of the basic salary for class IV employees and 19.5 per cent for class III employees from 1 January 1962. Neutralisation of the rise in the cost of living is 100 per cent in the case of class IV employees and 75 per cent in the case of Class III.

For every 10 point rise on the average over 126 during a period of 12 months, the D.A. shall, with effect from the first of the month following such period of 12 months, stand automatically increased by 10 per cent of the basic salary in the case of the Class IV employees and 7½ per cent of the basic salary in the case of Class III employees. Such adjustments will continue for every further rise of 10 points.

ENGINEERING

There is no uniform system of payment of D.A. in engineering factories in the different centres. In some units in Bombay and Madras, D.A. rates are linked with price index, as per the textile D.A. rates, in most cases slightly lower. In Coimbatore engi-

neering factories, the D.A. rate is $2\frac{1}{2}$ annas per point (1963 base) as against 3 annas in textiles. In Punjab, there is no D.A. system in engineering industry which is mostly small-scale in nature. According to some recent agreements in Bombay, workers in a few concerns are getting D.A. at rates 10% higher than the textile rate.

In West Bengal, the major engineering tribunal awarded a graduated D.A. rate for the engineering workers: Upto Rs. 50—Rs. 36; Rs. 51-100—Rs. 47; Rs. 101-150—Rs. 53; Rs. 151-200—Rs. 59; Rs. 201-250—Rs. 65. These rates were related to the cost of living index number 364 (1939 base) and for every annual rise or fall of 5 points in the index, the D.A. will also rise or fall by Re. 1 (20 nP per point). The neutralisation provided was only upto 65 per cent.

There is considerable disparity in D.A. rates in engineering concerns as between the office employeees and the mass of engineering workers, in West Bengal. While the workers get D.A., as per the tribunal award, the employees are paid as per the Bengal Chamber of Commerce formula which is as follows:

For first Rs. 100 in basic salary	— 130% D.A. (minimum Rs. 79)
For increase of 10 points in middle-class cost of living index (computed by BCC)	— 5% additional D.A.

While a clerical employee drawing a basic wage of Rs. 70 would get 165% or Rs. 122.50 as D.A. as per the BCC formula, a skilled worker of the same concern, in the adjoining factory, drawing the same basic wage would get only Rs. 47. The workers in the factories get some production bonus, depending upon their work performance but the discrimination in respect of D.A. is quite evident.

The Bengal Chamber of Commerce formula provides for a maximum neutralisation, it is said, of 80 per cent.

MUNICIPAL WORKERS

In most of the municipalities and corporations, D.A. is not linked with the index numbers and a flat rate D.A. is paid. The

settlement on D.A. is always done by collective bargaining by raising a dispute.

COAL MINES

Under the Coal Award, for every rise of 10 points in the all-India consumer price index number, above 102 (1949 base), a sum of Rs. 4.88 per month is paid as additional D.A.

IRON ORE MINES

There is no D.A. system in a majority of cases. Even in the Rajhara iron ore mines under the Hindustan Steel Ltd., daily-rated miners under the contractors are paid wages without any D.A.

PETROLEUM

In Bombay, sliding scale of D.A. prevails. In Port Okha also, Burmah-shell employees are paid on the basis of the Bombay index.

According to a recent agreement in Burmah-Shell in West Bengal, the D.A. is paid at the following rates for every 10 point slab over middle-class cost of living index 300 (1939 base) for clerical employees:

On the first Rs. 100 of the basic wage	—	4 per cent
On the second Rs. 100 "	—	2 per cent
On the third Rs. 100 "	—	1 per cent
On the remainder "	—	0.5 per cent

PLANTATIONS

In West Bengal tea plantations, there is a flat rate of D.A. There was some agreement on a sliding scale arrangement linked with the index but this has never been implemented. The rates of D.A. vary for adults and children. For example, in Dooars, adult male and female workers get 60 nP per day as D.A., while a child worker gets 37 nP per day. In South India, rates of D.A. in Tamilnad vary from region to region. In Karnatak and Kerala, flat rates of D.A. prevail. Wage Boards are now engaged in fixing wages in plantations and hence it may be expected that some uniformity in D.A. rates may be introduced.

HEAVY ELECTRICALS, BHOPAL

The D.A. rate in HEL, Bhopal, is Rs. 5 and Rs. 10 and there is no system of linking with cost of living index.

In other public sector plants also, the D.A. rates are fixed quanta and there is no linking with index.

KERALA TILE & CASHEW, ETC.

The Minimum Wage Committees in Kerala have invariably recommended a D.A. linked with consumer price indices while fixing statutory wages in various industries, as for instance, in cashew, tile, etc.

JOURNALISTS

In an award by the National Tribunal at Bombay, the wage-scale of lowest paid workers of the Press Trust of India (PTI) was fixed at Rs. 35-2-43-3-70 and D.A. at Rs. 55 was granted to employees getting upto Rs. 150 per month as basic wages.

The Wage Board for Working Journalists awarded flat rate of D.A. varying according to the classification of cities. For metropolitan cities, the minimum quantum of D.A. was fixed at Rs. 50 on the basic wage range of Rs. 65 to 100. The corresponding figures for towns above five lakh population and other places were Rs. 40 and Rs. 30 respectively. The Wage Board recommended a graduated scheme of D.A. depending on the range of basic pay. It however did not recommend linking of D.A. with price index.

CINEMA THEATRES

In a dispute between the management of three cinema theatres in Bombay and their workmen, a minimum basic wage in the scale of Rs. 35-2-65 per month to hamals, sweepers, peons; etc., was awarded. D.A. of Rs. 50 was also awarded to the lowest paid workers.

ROAD TRANSPORT

Nowhere in the country is D.A. in this industry linked with the index numbers. In some States, a flat rate of D.A. is paid to the workers while in other States, even now a consolidated wage is paid. In Andhra Pradesh State Transport undertaking, new scales of pay were recently introduced wherein 50 per cent of the D.A. has been merged with the basic wage. There has been a graduated rate of D.A. for various categories of workers:

Conductors, record tracers, ticket checkers, drivers, junior clerks	— Rs. 27.50
Watchmen, peons and khalasis	— Rs. 20.00

Clerks, Class I and Stenographers	—	Rs. 32.50
Accounts & Audit Inspectors	—	Rs. 35.00

In U.P. Roadways, drivers of new grade are paid a flat rate of Rs. 20, while clerks and drivers of old grade are paid Rs. 25 as D.A. The Gujarat State Transport Corporation workers drawing a pay upto Rs. 50 are paid Rs. 40 as D.A., while those getting pay above Rs. 50 are paid Rs. 45 as D.A.

In Himachal Government transport undertaking, drivers, booking clerks, inspectors, foremen, head mechanics, mechanics, fitter, etc., get a D.A. of Rs. 40 per month, while cleaners, conductors and fitter-mazdoors get Rs. 30.

In Kerala State Transport, the scale of D.A. is as follows:

Driver, mechanic, electrician, checking inspector, welder, assistant mechanic	—	Rs. 35.00
skilled worker, Asstt. Electrician, Asstt. Welder, Moulder, Fitter, etc.	—	Rs. 33.00
Conductor, booking clerk, clerk, asstt. fitter, liner, cleaner, watchman, helper, mazdoor, taxi driver, etc.	—	Rs. 30.00

PIMPRI AWARD

While in no public sector undertaking D.A. is properly linked up with the price index, for the first time, in an award, Mr. Justice M. R. Meher, Industrial Tribunal, Maharashtra, in the wage dispute in Hindustan Antibiotics Ltd., Pimpri, has stressed the need for linking D.A. with the index number in public sector undertakings. The Government has, however, gone in appeal against this award.

BY DENYING LEGITIMATE INCREASE IN D.A., HOW MUCH DO EMPLOYERS SAVE?

How much are the employers saving by their refusal to pay additional D.A. despite rise in the price level? Or how much will they gain if the index is manipulated in such a way that it fails to register the actual rise in prices? It is possible to make some calculations on the basis of data published in the Census of Manufacturing Industries.

If the Consumer Price Index Number goes up by one per cent over and above the year 1958 and if the employers do not

pay any additional D.A., to the workers for that particular rise, the total amount of saving to the employers as a result of this comes to Rs. ONE CRORE AND NINETYFIVE LAKHS PER YEAR IN ORGANISED INDUSTRIES ALONE. This means a net saving of Rs. 12.2 per worker per year or a little more than Re. 1 per month per worker.

The position regarding some industries is as follows:

TOTAL SAVING FOR EMPLOYERS BY NOT PAYING ANY D.A. TO THE WORKERS DESPITE RISE IN CONSUMER PRICE INDEX NUMBER BY ONE PER CENT

Industry	*Total savings* (in Rs. Thousand)	*Annual saving per worker*	*Monthly saving per worker*
		(Rs.)	(Rs.)
Cement	291	12.2	1.00
Cotton Textile	9009	13.7	1.10
Jute textile	2479	10.0	0.83
Sugar	849	7.7	0.64
Soap	89	18.5	1.50
Chemicals	663	14.0	1.20
General Eng. & Elec. Eng.	2162	12.5	1.00
Iron & Steel	1432	19.1	1.60

3. FAIR PRICE SHOPS

The tripartite meeting held on 5 August 1963 had decided that all industrial establishments employing more than 300 workers which did not already have cooperative stores, should open fair price shops within four weeks. As the position reviewed towards end of December showed, only 55 per cent of the undertakings had by then established the fair price shops or consumer cooperative stores. In the note published below, the Ministry has outlined some of the main reasons for the non-implementation of the decision.

—EDITOR

ON CONSUMERS' COOPERATIVE STORES/FAIR PRICE SHOPS

THE 20TH SESSION OF THE INDIAN LABOUR CONFERENCE HELD in August 1962 decided that consumers' cooperative stores for industrial workers would be set up all over the country with financial assistance of the employers and with the employers participating in the management. The forms of assistance are: (i) Share participation on 50-50 basis; (ii) Working capital loan of upto Rs. 10,000; (iii) Accommodation, either free or at a nominal rent; and (iv) Managerial subsidy.

Wide publicity was given to the scheme and discussions were held with all the State Governments.

The latest position regarding the setting up of the consumers' stores is as given below:

(a) Cooperative societies in the State and the Union Territories:	691
(b) Cooperative societies in Central Government undertakings:	361

(c) Cooperative societies for coalminers:	148	(In addition one Central Society has been set up in Jharia and two in other coalfields being set up).
(d) Cooperative societies for mica miners:	12	
TOTAL	1212 + 1	wholesale store

These societies are being affiliated to the wholesale Central stores set up under the Centrally-sponsored scheme of consumers' cooperative stores for general consumers. Under that scheme, so far 131 wholesale stores and 2046 primary stores have been set up.

The decision of the Standing Committee on Industrial Truce Resolution on 5 August 1963 that all industrial establishments employing more than 300 workers which did not already have cooperative stores, should open fair price shops within four weeks, was widely publicised and taken up with central employers' organisations and State Governments. The Labour Minister addressed a d.o. letter to all the Chief Ministers. Telegraphic reminders were issued and personal discussions were held with some State Governments. We have also called for names of defaulting managements who have not complied with this tripartite decision so that their names may be placed before the next meeting of the Standing Committee. The Minister of State also wrote a d.o. letter to the State Labour Ministers on 12 November 1963.

There are about 2,600 units in the whole country in the public and private sectors which employ more than 300 workers each, and the number of cooperative societies so far opened is 1213. The number of fair price shops actually running is 349. This makes a total of 1562 cooperative stores and fair price shops which, after deducting about 120 branch stores in the same establishments and allowing for the fact that some of the fair price shops are run by the cooperative stores, gives a coverage of about 55 per cent.

DIFFICULTIES

The following difficulties and points relevant to the implementation of the scheme for opening fair price shops and co-operative societies have been brought to our notice by some of the State Governments and employers' organisations:

1. *No need for separate fair price shops.*

(a) The Government of Kerala have stated that 6,200 fair price shops are already functioning in the different parts of the State and all the workers in the industrial establishments having identity cards are covered by these shops. They have stated that separate fair price shops for workers are, therefore, not essential in Kerala.

(b) The Government of Madhya Pradesh have also stated that there is no need for separate shops for workers as there are more than 200 fair price shops already running in industrial areas.

(c) The Indian Jute Mills Association, Calcutta, have also represented that in view of the large number of existing fair price shops in the jute mills area, it would be unnecessary to open more shops and that this would be a mere duplication of the facilities already available to the workers and that normal channels of trade would be disrupted.

It is noteworthy that even though a large number of workers in the different States may already be covered by the general fair price shops' scheme, they are not getting credit facilities since they have to make cash payments at the time of purchase. In fact, the main points in our scheme is that the fair price shops to be opened by employers would provide credit sales to their workers, the realisation being made from their pay-bills subsequently. The Government of Maharashtra had also made a reference to us asking for clarification whether credit sales was an obligatory feature of our scheme and it has been clarified to all the State Governments and central employers' organisations that the facility of credit sale should be provided by the employers in these fair price shops. The Employers Federation of India have, however, in their letter dated 2 December 1963 represented that no commitment has been made by employers in this matter and that it should be left entirely to the discretion of the managements.

2. *Accommodation.*

The Government of Maharashtra have reported that the question of lack of accommodation was raised by some employers. The State Government have, therefore, set up a committee consisting of representatives of the Corporation, Departments of Labour and Factories to go into the question of accommodation to establish fair price shops.

Similar accommodation difficulties have also been reported by the All-India Manufacturers Organisation, Bombay, and the Indian Jute Mills Association, Calcutta, who have also pointed out that they are experiencing difficulties regarding collection, storage and distribution of foodstuffs for a large number of workers.

3. *Transport.*

In the bigger cities like Bombay and Calcutta where the workers reside at long distances from their places of work, it has been reported that it would be inconvenient for them to make their purchases at their work sites and carry them home when they can get their supplies from the shops located near their homes.

Here the point is whether the workers in a particular establishment want the employer to open a fair price shop or not. This would have to be decided by the employer in consultation with his workers and where the workers did not really want this facility it would be for the employer to report this to the State Labour Directorate who would satisfy themselves that this position was correct.

4. *Re-sale of Articles by Workers.*

The All-India Manufacturers Organisation, Bombay, have stated that the workers being indebted and generally in great need of cash right from the second day after their pay day, particularly in mills, buy articles on credit from cooperative stores and sell the same for ready cash to meet their immediate needs. For these workers the sales made by cooperative societies would not be beneficial since it would increase their indebtedness.

It is noteworthy that to overcome this difficulty the Madras Dock Workers' Cooperative Store insists on the women of the

family accompanying the men workers so that the men cannot make such re-sales. A little local ingenuity might overcome this difficulty.

5. *The Workers' objection to Deduction from Wages.*

The All-India Manufacturers' Organisation have stated that the workers in general are apprehensive of any deductions from their wages since they are already highly indebted. They also point out that the private traders also give them credit facilities, the realisation of which is not from their pay bills but spaced out even though at high rates of interest. The Government of Maharashtra had also expressed this apprehension.

6. *Fair Price Shops and Labour Unrest.*

The Indian Jute Mills Association, Calcutta, have expressed the view that the opening of fair price shops may lead to serious labour unrest which they may not be able to manage in the event of delay in receiving steady supplies from Government depots and if the quantum and quality of the foodgrains are below the standard expected by the workers. Some other employers also, especially in Bengal, are perhaps having similar apprehensions even though it has been clarified under our scheme that the employer is not responsible for the quantity and quality of foodgrains which are sold at fixed prices and in fixed quantities by Government through these fair price shops.

7. *Rivalry between Unions.*

The United Planters Association of South India have stated that their previous experience has been that most of the cooperative societies opened in the plantation areas had to be wound up on account of either rivalry between labour unions and sections within the unions or want of proper personnel to run the stores; want of capital or availability of foodgrains at cost price, etc.

The capital for the cooperative societies under this Ministry's scheme is to be provided by the employers' participation in share capital, working capital advances etc. However rivalry between labour unions might be one of the reasons for non-implementation of the scheme in some cases.

8. *Established Traders.*

Especially in plantation areas a large number of shop-keepers have established their business over the years and some of them are under contract with the managements in respect of their business. It has been pointed out that it would not be easy to dislodge these persons from their entrenched positions and any attempt to do so may lead to litigation. These shop-keepers also have been giving credit facilities to the workers and the United Planters Association of South India in particular have expressed doubts as to whether cooperative societies would be able to compete successfully with the established traders in these out-of-the-way areas.

9. *Financial Difficulties of Employers.*

The United Planters Association of South India have also stated that financial burdens of the plantation industry having increased, hardly any estate could be persuaded to lock up substantial sums of money by way of assistance to cooperative stores.

Some of the employers in marginal and uneconomic establishments may raise similar difficulties.

10. *Apathy of workers and unions.*

The All-India Manufacturers Organisation, Bombay, have stated that when the employers convened a meeting of the workers to consider the introduction of the scheme they were disappointed in some places at the lack of response from the workers. The Government of Maharashtra have also forwarded a list of 22 units where there was lack of response from the workers. The Indian Jute Mills Association, Calcutta, have also stated that the implementation of the scheme by them would entirely depend on the interest and eagerness shown by the workers in the individual mills. This was also the view taken by the Ahmedabad Mill Owner's Association of Gujarat. At the unit level the trade unions have not perhaps generally shown sufficient interest in the scheme for setting up consumers' co-operative or fair price shops, nor pressed the managements to implement the decision.

11. *Linking of Consumers' Price Index with Fair Price Shop Prices.*

Even as the scheme for opening fair price shops by the employers was being circulated, the Employers' Federation of India came up with the proposal that in calculating the new consumers' price indices, Government should take into account only the prices of foodgrains at which sales were made in the fair price shops and not those prevailing in the open market. A reply was sent to the Federation that this question would arise only after fair price shops had been set up in all the establishments by the employers, and as this was still not the case, the Employers Federation of India were requested to intimate in how many of the establishments affiliated to them fair price shops or cooperative stores had been set up and how soon they would be able to persuade the other establishments affiliated to them to comply with the decision. No reply has so far been received to this letter.

CONSUMERS COOPERATIVE SOCIETIES/FAIR PRICE SHOPS IN INDUSTRIAL UNITS STATE-WISE

Name of State	No. of units employing 300 or more workers	No. of existing consumers co-operative stores/ branches	No. of units to be covered by Fair Price Shops	No. of Fair Price Shops opened
1	2	3	4	5
1. Andhra Pradesh	56	31	25	—
2. Assam	Information awaited	7	—	—
3. Bihar	134	62+50 Br.	72	15
4. Gujarat	180	53	127	131*
5. Jammu & Kashmir	5	—	5	—
6. Kerala	306	20	286	—
7. Maharashtra	359	91	288	138
8. Madhya Pradesh	49	28	21	—
9. Madras	298	132	166	—
10. Mysore	90+30 Plantations	34	86	2
11. Orissa	44	12	32	—

1	2	3	4	5
12. Punjab	45	14	31	17
13. Rajasthan	48	29	19	2
14. Uttar Pradesh	195	28	167	21
15. West Bengal	337	82	255	17
16. Delhi	38	11	27	6
17. Goa, Daman & Diu	5	4	1	—
18. Pondicherry	4	—	4	—
19. Andaman & Nicobar	3	2	1	—
20. Himachal Pradesh	2	1	1	—

REMARKS BY MINISTRY OF LABOUR & EMPLOYMENT

1. ANDHRA PRADESH: The remaining 25 establishments have been requested by State Government to open fair price shops.

2. BIHAR: 50 Branches include 44 branches of TISCO.

3. GUJARAT: The 131 shops opened are "in industrial areas".

4. JAMMU AND KASHMIR: Three consumers' cooperative stores are functioning in three establishments employing less than 300 workers.

5. KERALA: 6200 fair price shops are effectively functioning. All the workers in the industrial centres having identity cards are covered by these shops. The State Government have reported that separate fair price shops for workers are not very essential here.

6. MADHYA PRADESH: The State Government have reported that there is no need for functioning of separate fair price shops for workers since more than 200 fair price shops are already running in industrial areas.

7. MADRAS: District Collectors have been instructed to have the shops set up quickly.

8. ORISSA: Orissa Government have reported that employers are already making concessional sales of foodgrains to their workers in many cases. They have been asked to indicate how many of these 32 units make such subsidised sales.

9. OTHER STATES: Action is being taken by State Government.

COOPERATIVE STORES OPENED IN INDUSTRIAL UNITS IN PUBLIC SECTOR UNDERTAKINGS

Name of Ministry	No. of units employing 300 or more workers	No. of existing consumers' cooperative stores/ branches	No. of fair price shops opened	
1. Mines & Fuel	43	13+50*	—	*Sales Branches
2. Deptt. of Revenue	1	—	—	
3. Deptt. of Economic Affairs	18	4+2**	—	**Two additional stores in K.C.F.
4. Railways	245	200	—	
5. Transport (Transport Wing)	10	6	—	
6. Civil Aviation Wing	4	3	—	
7. Deptt. of P&T	5	1	—	
8. Industry	10	5+1*	—	*One additional store in one establishment (Kharaghoda)
9. Irrigation & Power	9	7	—	
10. Deptt. of Works Housing	7	2	—	
11. Deptt. of Heavy Industries	11	8+6 Br.	—	
12. Deptt. of Iron & Steel	6	2+11**	—	**11 branches including 6 in Bhilai and 5 in Rourkela
13. Deptt. of Agriculture	10	2	—	
14. Deptt. of Atomic Energy	3	—	—	
15. Defence	*	36	—	*Not reported.
16. Scientific Research & Cultural Affairs	1	—	—	
17. I&B	1	—	—	
18. Labour & Employment	5	2	—	
TOTAL	389	291+70 Br. =361	—	

Total number of units employing 300 or more workers.	389*	*excluding Defence Units
Total number of units having consumers' cooperative stores.	**255+70 Br.	**excluding 36 in Defence Units
Total number of fair price shops opened as reported so far:	Nil	

4. COMPILATION OF THE INDEX

Since the consumer price index numbers published by Government were found to be grossly inaccurate in reflecting the price trends in the country and the workers began to lose in D.A. because of these faults, the AITUC had proposed that the Standing Labour Committee should discuss this question. We publish below the AITUC's Memorandum to the Standing Labour Committee as well as the Memorandum circulated by the Union Labour Ministry on the subject. The Ministry's memorandum has dealt with the subject exhaustively in relation to the technical aspects of index compilation. However, no reference was made by the Ministry about the actual complaint that there were obvious inaccuracies in the index because of the "freezing" of prices of certain commodities theoretically exercised by the Government, the failure to note the rise in house-rents, travel expenses, etc., and the discrepancy between the prices actually paid by the workers and the prices recorded by official investigators. The AITUC has published in THE INDEX FRAUD, *which is a reproduction of the memoranda submitted to the Expert Committee appointed by the Government of Maharashtra to inquire into the Consumer Price Index, the more obvious mistakes which were noticed in the Bombay index. The elaborate note which the Ministry has prepared, reproduced here, contains the description of the scientific methods which should normally go into the compilation of the index but which have obviously not been strictly followed by the authorities, as recent experience has shown.*

The contentions of the AITUC made in its memorandum to the Experts Committee appointed by the Government of Maharashtra have been borne out by the fact that the Committee found the index to be wrong by 29 points and valued the loss to the worker at Rs. 7.50 on an ad hoc basis. —EDITOR

I

MEMORANDUM PREPARED BY THE ALL-INDIA TRADE UNION CONGRESS ON COMPILATION OF CONSUMER PRICE INDICES

IN SOME IMPORTANT INDUSTRIAL CENTRES IN OUR COUNTRY, THE workers are paid dearness allowances at rates linked with the rise and fall in consumer price index numbers. This had helped in preventing to some extent the erosion of real wages, resulting from price rises. At the Standing Committee on Industrial Truce which met on 5 August 1963, it was agreed to further examine the desirability of extending the principle of linking D.A. with consumer price index numbers to all industries and employments in the public and private sectors.

2. The official statistics relating to consumer price index numbers, particularly after the declaration of the Emergency, has however tended to hide rather than reveal the exact increase in living costs caused by the rising prices in the country. According to a survey conducted by the *Times of India* (published on 10 August 1963), prices of essential commodities and service charges have risen by 15 to 40 per cent over the last one year period. The consumer price indices published by Government have, on the contrary, indicated that the prices were more or less stable and, in fact, in some centres, the consumer prices had dropped downwards. The following table is illustrative:

CONSUMER PRICE INDEX (1949=100)

	October 1962	*May 1963*
(1) All-India	134	132
(2) Bombay	145	143
(3) Sholapur	136	123
(4) Nagpur	136	123
(5) Ajmer	117	117
(6) Jabalpur	135	133
(7) Tinsukia	120	125
(8) Kharagpur	132	131
(9) Beawar	113	104
(10) Madras	151	150

3. The index figures, given above, are not only fantastically untrue but they actually result in depressing the quantum of D.A. of a large number of workers while prices were actually continuing steep upward movements. Even to put it mildly, this is nothing but defrauding the workers of several lakhs of rupees legitimately due to them. The cut in D.A. enforced in several centres over statistical downturn in the index has only added insult to injury, as far as the workers are concerned.

4. Even on the new series of consumer price index numbers i.e., with 1960 as the base year, the indices have failed largely to reflect the reality about price rises. Even in this series which is said to be compiled more rationally and scientifically, the index for Calcutta fell from 114 in October, 1962 to 112 in May 1963. The Delhi index in August 1962 remains quite stable at 110 even in May 1963. The Gwalior index fell from 111 to 110 between August 1962 and May 1963 while in Jamshedpur and Jharia, the figures remained absolutely constant at 108 and 107 respectively in August 1962 and May 1963. Of course, in some centres, the index has shown a slight upward trend but that perhaps was to break the monotony!

5. At the meeting of the Standing Committee on Industrial Truce on 5 August 1963, the question of verifying the data collected for compiling the index with particular reference to the Bombay region was discussed, at the instance of the AITUC. It was agreed that Shri M. G. Mane, Maharashtra Labour Minister, and Shri S. A. Dange, General Secretary, AITUC, would jointly undertake the verification, visiting workers' residential areas in Bombay for the purpose. The Maharashtra Government however did not take necessary steps to implement this proposal.

6. The Maharashtra Government, after the General Strike of 20 August 1963 in Bombay, appointed on 22 August, an Expert Committee to advise on readjustment of the index. The Committee is to examine, among others, the extent to which the index has been vitiated by the "freezing" of prices of certain commodities theoretically exercised by the State Government, the failure to note the rise in house-rents, travel expenses, etc., and the discrepancy between the prices actually paid by workers and the prices recorded by the investigators. The Defence of India Rules have apparently made by the traders hesitant to

state openly that they have raised prices when the investigators approach them although they have, of course, no qualms of conscience to sell the essential articles at higher and higher prices to the consuming public and particularly to the workers.

7. The Expert Committee in Bombay is to report within two months. The problems on which the Committee will submit recommendations are not, however, confined to Bombay or Maharashtra. They are problems affecting workers all over India. It is therefore desirable that at the central level, a machinery is evolved to rectify the abnormalities in the methods of collection of data for the compilation of the consumer price index numbers. It is suggested that tripartite committees at local and central levels be set up to scrutinise the data collected by investigators and to order for verification of the data, if found necessary. The Standing Labour Committee may lay down procedures for the immediate resolution of this grave issue which is threatening industrial peace in the country.

II

MEMORANDUM PREPARED BY THE MINISTRY OF LABOUR & EMPLOYMENT

In their memorandum on this subject the All-India Trade Union Congress (AITUC) has suggested setting up of tripartite committees, at local and central levels, to scrutinise the retail price data which are being used for the compilation of consumer price index numbers for industrial workers, and "to order for the verification of the data, if found necessary." The AITUC has further suggested that the Standing Labour Committee might also lay down the procedure, etc., for the implementation of their proposal.

2. In support of their suggestion above, the AITUC have drawn attention to a survey published in the *Times of India* issue dated 10 August, 1963, in which a conclusion was drawn that prices of essential commodities and service charges have risen by 15 to 40 per cent over the last one year. The AITUC feel that the Consumer Price Index Numbers on base 1949=100 in respect of the 9 centres and the all-India figure for October 1962 and May 1963 are "not only fantastically untrue but they

actually result in depressing the quantum of D.A. to a large number of workers while the prices were actually continuing steep upward movements."

3. It may be stated that the Times of India Survey Report has several limitations. Firstly, the Report does not present a connected analysis of the extent of increase in prices levels that has been sought to be apprised. The object seems to be to provide a quick survey on a few facts in the form of a popular feature article. Some portions of the presentation are even misleading.

4. There is misconception that there are defects in the whole method of compilation of Consumer Price Index (CPI) Numbers by Government. It prevents the indices from reflecting the true rise (or fall) in price levels with the consequent loss to workers whose Dearness Allowances are regulated by these indices. It is essential, therefore, to clarify the technical concept of Consumer Price Index, its significance and its limitations. The Labour Bureau has already published in non-technical language, certain pamphlets on the subjects, of which, the *Cost of Living Index in India—a Monograph* and *A Guide to Consumer Price Index Numbers,* need a special mention. Along with other technical matters these publications discuss the limitations in the use of CPI Numbers as indicators of comparative costliness of different centres.

5. The AITUC have contended that the CPI Numbers published by the Government (including some of the new series) have shown a stationary trend and in some cases a down-ward trend since October 1962, whereas prices of essential items have been steadily mounting as revealed by the Times of India Survey. It is useful to remember at the outset that the Survey in question compares the prices obtaining in January 1963 with those in July 1963 at several centres and shows that the price level is higher in the latter month in respect of most essential articles concerned. On close examination of the Consumer Price Index Numbers for these centres published by the Labour Bureau, it will be found that the indices have also reflected some increase between January 1963 and July 1963. The table below shows these indices (both general and food) for 6 out of 19 centres considered in the Times of India Report. Out of these 19

centres, only 10 are common with the centres for which new series of CPI Numbers are compiled by the Labour Bureau. For three of these 10 centres, the index Numbers for July 1963 are not yet available*. Nagpur is one such centre.

Following table showing the New Series of the CPI Numbers for some of the Centres published by the D.L.B. as covered in the Times of India Survey would reveal that there has been some rise in the index numbers and not the slide-down.

(Base: 1960=100)

Centre	FOOD INDEX		GENERAL INDEX	
	Jan. '63	July '63	Jan. '63	July '63
1. Hyderabad	108	110	110	113
2. Ahmedabad	100	105	103	108
3. Bhopal	111	115	111	115
4. Bangalore	107	110	109	112
5. Kanpur	98	109	103	110
6. Calcutta	104	112	106	112

6. Some details regarding compilation of the CPI Numbers which are given below will help in understanding how changes are possible in two sets of figures without either of them being inaccurate.

(i) The structure of the consumer price index numbers automatically ensures that every price-rise or fall of selected items of consumption having significant "weights", is taken into account in its due proportion, in the consumption pattern of the population group (working class in the present case) which it represents.

(ii) There is always a seasonal variation in the consumer price index numbers. While an attempt has been made in the new series to make necessary adjustments for seasonal changes

*The new series of C.P.I. Nos. (Base: 1960=100) will cover 50 centres of which, Consumer Price Index Numbers for 41 have been constructed and are being published in the Indian Labour Journal regularly every month. In respect of the remaining 9 centres which are in the States of Madras, Maharashtra and Rajasthan, the Labour Bureau has been in correspondence with those Governments to settle some points of detail in the compilation of the new series.

in the pattern of consumption in the case of the highly seasonal sub-group "Vegetables and Fruits", it is not practicable to extend the same to other important sub-groups like 'Cereals', 'Pulses' etc., which are not altogether non-seasonal. Thus, in the main rice harvest season, which starts from October and extends upto December, the indices for many centres, especially where the item rice figures as an important food item (having high weight) will register a seasonal fall with the normal time lag for a commodity to reach the retail market. The index numbers (Food and General) are presented in Appendix I for 13 important centres (1 in Delhi and in each State except for Madras, Maharashtra and Rajasthan) for the 13-month period August 1962 to August 1963. The seasonal impact of rice harvests on the Food index can be seen from this table in the case of indices for Southern and Eastern States where rice has a significant weight in the index.

(iii) It will be seen from Appendix I, that for all the twelve centres for which complete figures are available, throughout the level of the General Index is higher in August, 1963 as compared to August, 1962, the different in level ranging from 2% (in the case of Delhi) to 16% (in the case of Sambalpur). On an average, the index has shown an increase of about 5%. In the case of the indices for these important centres it cannot, therefore be said that they have not brought out the picture of rise in price levels generally felt otherwise throughout the country during the last one year.

7. The old series of working class consumer price index numbers are being gradually discontinued and most of them have been replaced by the new series of consumer price index numbers for industrial workers. When the new series of CPI Numbers for the remaining nine centres are also finalized the compilation of the new All-India Consumer Price Index Numbers for Industrial Workers on base: 1960=100 will be taken up and this will replace the existing *interim* series of All-India Index on base: 1949=100. Ultimately, the new series of index for fifty centres and the new All-India series (all one base 1960=100) will come to stay and the existing series on earlier bases will all be discontinued. It would, therefore, be more fruitful to consider the present question with reference to the new series of consumer price index numbers only.

8. Though the Bureau have published and are maintaining series in respect of 41 centres (new series) advance steps have been taken for finalizing the method for computation of new series of All-India Index when the remaining centres fall in line with the rest. A methodological note on this subject was placed before the Technical Advisory Committee* on Cost of Living Index Numbers on 24 September 1962. The Committee wanted some more studies to be made on certain aspects of weighting of new series of Consumer Price Index Numbers.

9. It is relevant to indicate briefly the different steps in the compilation of the index number. The essential constituents of the new CPI Numbers, are:

(a) the "weighting diagrams",
(b) "base prices", and
(c) the current prices.

These help in (i) the initial construction and (ii) the periodical maintenance of the index. The first stage is non-recurring while the second is a recurring operation month after month. For the initial construction of a series, it is necessary to conduct a family budget survey among the working class population for which the series is intended. The expenditure data in the family budgets will yield the weighting structure for the index-series. At the same time the regular collection of retail prices from representative shops must be started so that base price data are properly col-

*The composition of the Technical Advisory Committee on Cost of Living Index Numbers is as follows: (1) Representatives of the Central Statistical Organisation. (2) Representatives of Ministry of Finance. (3) Representatives of the Planning Commission. (4) Director, Labour Bureau. (5) Director, Statistics, Reserve Bank of India. (6) Representatives of Ministry of Food and Agriculture.

The Committee was constituted in 1954. Its functions are as follows: (i) Examination of proposals for the conduct of family budget enquiries by the State Governments or the Central Government. (ii) Examination of the schemes prepared by the State Governments or Central Government for the construction of Cost of Living Index Numbers. (iii) Examination of special difficulties pointed out by the State Governments or the Central Government in the compilation of Cost of Living Index Numbers. (iv) Improvement of the basis of Cost of Living Index Numbers, including standardisation of definitions, concepts etc., and of methods of collection of prices and compilation of index numbers. (v) Consideration of any special problems arising in the compilation of a weighted all-India Cost of Living Index. (vi) Any other matters relating to the compilation or publication of Cost of Living Index Numbers.

lected. The collection of retail prices is carried on right from the beginning of the Family Budget inquiry continuously throughout the life of the series. In the case of the new series of index numbers, the family budget surveys were conducted in 1958-59 by the Directorate of National Sample Survey. In conducting these surveys uniformity in concepts and definitions was ensured.

10. The field staff of the National Sample Survey had 'on-the-spot' consultations with the representatives of employers' and employees' associations at the time of the "try-out" of the schedules during the preliminary enquiries. On the basis of the results of these enquiries, the schedules were finalised and the surveys launched. The entire scheme was referred to the Steering Group on wages, consituted by the Ministry in which the Employers' and Workers' Organisations were represented. The schedules found the approval of the Steering Group. The co-operation of the employers' and employees' associations was also sought in the actual conduct of the surveys. The arrangements for regular collection of prices were made by the Labour Bureau in 1959 at all the centres. The representatives of the employers' and employees' associations were freely consulted by the field staff in the matter of selection of markets, varieties of consumer goods commonly consumed by the local working class population, selected for pricing etc. The data collected in the course of the family budget surveys were tabulated in the Indian Statistical Institute, Calcutta. On the basis of these tabulated results, the Labour Bureau has worked out the final weighting structure for all the 50 series in accordance with the technical principles laid down by the Technical Advisory Committee on Cost of Living Index Numbers appointed by the Government of India. The method of inquiry, the processing of data and the final compilation of indices generally conforms with the international recommendations for this purpose. The details of the weighting diagrams will be published in a monograph which is proposed to be brought out by the Bureau in the near future. Thus, in the first state of the work, viz., the initial construction, the employers' and employees' associations had been duly consulted and advantage was taken on their valuable advice on many practical problems. The matter was also reported to the Standing Labour Committee at its meeting in October 1962

(item 4 of the agenda of that meeting) and the position was noted by the Committee.

11. The machinery for the periodical collection of price data consists of part-time price collectors who are generally employees of State Governments. They collect retail prices for some 100 and odd commodities selected for pricing on fixed days every week from selected shops in the market/s assigned to them. There are altogether 141 selected markets and 133 price collectors. A price collector, therefore, collects prices from one market only in the majority of cases. The price collectors have to collect prices and report on them in accordance with the instructions laid down by the Bureau in an elaborate Manual (Appendix II) which explains the techniques laid down for the collection of retail price data. In order to ensure proper conduct of the price collection work, price supervisors have been appointed, one for each centre. In most cases these price supervisors are District Statistical officers or Assistant Labour Commissioners and generally belong to the same department as the price collectors whose work they supervise. Detailed instructions for the proper conduct of supervision are laid down in the Manual of Instructions for Price Supervisors (Appendix III) and they furnish reports of inspections every month in a prescribed form. Provision is also made for surprise inspections of the price collection work at least once in a quarter.

12. The weekly price data are received in the Labour Bureau within a fortnight after the day of price collection. The data are scrutinised and posted. Discrepancies and abnormal variations in prices, which are unexplained in the price returns are referred to the price collection agency again for further clarification. After obtaining all the clarifications, the weekly prices for a month from all the markets of a centre are averaged for each item included in the index. The monthly average prices are then posted on the index sheets where the base prices and weights are already entered. The index for the month is then worked out in the usual way. The calculations are checked at each stage from the beginning i.e. posting of weekly prices onwards. Procedure for processing of price data is also standardised.

13. There is however one more stage and that has to be brought in only when the varieties in use in the working class areas go out of market. In such cases these have to be substituted

by new varieties comparable to the old ones which have gone out of market. Even in this regard, with the new series we have ensured that price collection will not be restricted to one variety but data are collected for comparable varieties so that when it becomes necessary to substitute a 'dead' variety we are ready with requisite trends for a comparable variety which is likely to live longer.

14. The above procedures while ensuring accurate compilation of the index numbers, entail some unavoidable delays in the final release of the index numbers. Ordinarily, for a centre, all the weekly price returns for a month are received in the Bureau by the third week of the following month. Scrutiny and receipt of further clarifications involve on an average, at least another fortnight after which the index can be finally compiled. Thus, the index numbers are ready by the first week of the second month succeeding the month to which the index numbers relate. In the case of Delhi and Calcutta whose indices are very widely used, as a special case, arrangements have been made with the concerned authorities to obtain all the returns promptly and compile and issue the index numbers before the end of the following month itself. In spite of all these efforts to finalise and issue the index numbers with the least possible time-lag, it sometimes becomes difficult to adhere to the time schedule in the case of some centres due to late receipt of returns and/or clarifications etc. In such cases, attempts are made to issue the indices provisionally. Out of the 41 series, the index numbers of about 5 to 10 series, on an average, have to be kept provisional (or not available) every month. When the All-India index is started, attempts to issue all the constituent indices finally with the shortest possible time-lag will be further intensified so that finalisation of the All-India index may not be unduly delayed to ensure that the interests of workers whose dearness allowances are regulated by the All-India index are safeguarded.

15. Thus everything possible is being done to ensure the soundness of the technique laid down for the collection of the price data, its scrutiny before compilation of indices and the timely publication of the CPI Numbers. The Labour Bureau is making every effort to improve the quality of the price data and also to ensure the timely publication of the indices. It is felt that the institution of permanent tripartite committees both

at the central and local level to scrutinize the raw price data and order verification in some cases apart from the unweildy character of such committees, would definitely come in the way of the timely release of the index numbers. It is also feared that the scientific aspect of the price collection and index compilation might be lost sight of in the anxiety of the representatives of conflicting interests to project their own point of view in the technical work involved.

16. To sum up (a) Compilation of the C.P.I. Index at a Centre falls into three parts, namely—(i) determination of initial weighting diagram; (ii) price collection which goes on from week to week at different centres and (iii) the subsequent arithmetic which gives the index, month after month. The way in which the enquiries have to be considered for determining the weights, the precautions to be taken in collection of prices and the manner of compilation of final indices are standardised over a long period taking into account international experience and the standards laid down by the International Labour Organisation. The question of association of employers and workers representatives so far as the new series is concerned does not arise with regard to (i) above because the enquiries have already been completed and the "weighting diagram" had been determined and accepted in consultation with the employers and workers organisations and after taking into account their comments.

It cannot be the intention of the AITUC to have tripartite association regarding (ii) in (a) above; the machinery will become cumbersome. This suggestion does not appear to be practicable.

As regards (iii) above, the process of calculation is mechanical, no tripartite machinery would be necessary for checking the arthmetic.

APPENDIX—I

CONSUMER PRICE INDEX NUMBERS FOR INDUSTRIAL WORKERS — (BASE: 1960=100)

Centre	Aug. '62	Sept. '62	Oct. '62	Nov. '62	Dec. '62	Jan. '63	Feb. '63	March '63	April '63	May '63	June '63	July '63	Aug. '63
1. Hyderabad	F. 104	105	106	110	109	108	109	106	106	107	109	110	111
	G. 107	107	108	111	110	110	111	110	110	111	113	113	114
2. Digboi	F. 112	108	111	111	109	104	103	105	112	114	117	113	120
	G. 110	108	110	111	109	106	106	108	113	113	114	112	116
3. Jamshedpur	F. 107	109	110	108	105	101	102	106	109	108	109	111	110
	G. 106	107	108	107	105	103	104	107	109	108	109	110	109
4. Ahmedabad	F. 103	105	104	104	102	100	101	102	103	104	104	105	105
	G. 105	106	105	106	105	103	104	105	106	106	107	108	108
5. Srinagar	F. 105	105	106	106	109	114	112	110	110P	112P	113P	...	...
	G. 110	110	110	111	113	116	116	115	115P	117P	118P	...	...
6. Alwaye	F. 107	106	104	102	98	101	101	100	103	105	109	111P	111P
	G. 108	108	107	106	104	106	106	106	108	109	111	115P	115P
7. Bhopal	F. 115	117	119	115	111	111	112	114	114	114	113	115	116
	G. 112	114	115	113	111	111	111	113	114	115	114	115	116
8. Sambalpur	F. 104	104	109	122	104	110	113	125	121	128	130	131	131
	G. 107	106	109	117	106	110	112	120	117	121	123	125	124
9. Amritsar	F. 104	105	106	108	108	104	105	104	105	107	106	107	108P
	G. 105	106	107	108	108	106	107	107	108	109	109	110	111P
10. Kanpur	F. 104	105	103	102	97	98	100	100	102	104	107	109	109
	G. 106	107	105	105	102	103	104	105	106	107	109	110	110
11. Calcutta	F. 109	113	118	112	108	104	105	108	112	112	112	112	114
	G. 109	112	115	111	109	106	107	110	112	112	112	112	113
12. Bangalore	F. 110	111	112	113	111	107	107	106	106	107	110	110	111
	G. 108	109	110	112	111	109	109	109	109	110	112	112	112
13. Delhi	F. 109	107	106	106	104	105	106	106	109	107	108	108	109
	G. 110	109	108	108	107	108	108	108	110	110	110	111	112

F. : — Food Index. G. : — General Index. ... : — Figure not available. P : — Provisional: subject to revision.

APPENDIX—II

CONSUMER PRICE INDEX NUMBERS FOR INDUSTRIAL WORKERS

MANUAL OF INSTRUCTIONS FOR PRICE COLLECTION[1]

PURPOSE OF COLLECTION OF PRICE DATA

1.1 The retail prices are proposed to be collected with a view to building up new series of Consumer Price Index Numbers for Industrial Workers. A brief discussion of the nature of Consumer Price Index Numbers and the method of their compilation will, therefore, be useful for understanding the basic requirements of the price collection work. The Consumer Price Index is intended to measure the rate at which average retail prices of goods and services usually bought by industrial workers' families at a centre change from month to month. It does not measure the changes in the total amount which the families spend for living—it is designed to measure only that part of the change in living cost which is attributable to price changes. It will be clear that the index reflects changes in the price of *a specific and fixed basket* of goods and services generally purchased by industrial workers. The basket has to be kept fixed not only in terms of the goods and services included in it but also *in terms of the qualities of the items of goods and services included.* The basket is made up of the following elements:

(a) Names of goods and services generally purchased by industrial workers' families.

1. Issued by the Labour Bureau, Ministry of Labour and Employment, Government of India.

(b) Qualities of those goods and services which are most popularly purchased by industrial workers' families (quality-description is usually termed as specification).

(c) Importance of each item of goods and services, as indicated by the proportion of total family expenditure spent on each item of goods and services (This is generally termed as the "weight" of the item).

(d) Retail prices which are paid at any given time for the specific qualities of goods and services by the industrial workers.

1.2 It may now be illustrated how exactly the index, based on the above four elements, will be constructed. The index has to have a base, which is the period with reference to which the change in the price-level during any subsequent month has to be measured. In the following example, the calendar year 1959 will be taken as the base-period of the index. For purposes of illustration and for the sake of simplicity, only three items, viz., rice, milk, and meat are taken to constitute the food group of the index. The food-index for January 1960 on base 1959=100, in this example, may be compiled as follows:—

Commodity/ Service	*Quality specification*	*Weight of the item, i.e. % expenditure to total family expenditure on food group*	*Average retail prices in Rs. per seer*		*Price relative (% change) in price as compared to the base-period*	*Product of price-relative and weight Col. (3)× Col. (6)*
			Base period (1959)	*Current period* (January 1960)		
1	2	3	4	5	6	7
Rice	Gurmutia, broken, medium	60	0.50	0.52	104.0	6240
Milk	Cow's, medium quality	25	0.36	0.40	111.1	2778
Meat	Goat's, medium quality	15	1.50	1.75	116.7	1750
						10768

$$\text{Food Index} = \frac{\text{Sum of products in Column (7)}}{\text{Sum of weights in Column (3)}}$$

$$= 10768/100 = 107.7$$

This is how the Index Numbers for each group (Food, Fuel and Light, Housing, etc.) for a particular month is compiled.

The group-indices are then combined, with weights in proportion to family-expenditure on each group, to yield the general Consumer Price Index Number.

1.3. The "weight" [Col. (3) of the Statement in the preceding paragraph] for each item of goods and services has been determined on the basis of data thrown up by family living surveys. The price-collection machinery has the responsibility for furnishing the data required in Column (4) and (5), on the basis of which the price-relatives in Column (6) will be compiled first and then the final Index Number derived according to the process described above. The fundamental requirement in the collection of the retail price data, therefore, is that such data should correctly measure the price change, as it affects the working classes at a centre, of the prescribed qualities of the various goods and services included in the Index. Therefore, factors which can introduce spurious or unreal variations in the price-quotations from one pricing period to another have to be guarded against. Such spurious variations can arise due to changes in quality, changes in shops, changes in price collection day, etc., and in fact due to any change in the price collection technique. Of course, over a period of years, for which the Consumer Price Index will run, it is not always possible to hold these extraneous factors absolutely constant; but the objective should always be to eliminate their effects on price-quotations, as far as possible, so that only the real movement in prices enters the Index and the techniques of price-collection should be suited to this objective. In short, the following essential conditions have to be maintained in the price collection work:—

(a) The prices should conform to the prescribed quality of the commodity/service during each period of price-reporting.

(b) The prices should be collected from fixed shops during each period of price-reporting.

(c) The prices should be collected on the same day of each pricing period and preferably during the same hours of the day.

(d) The prices should be those actually paid by the working class consumers for specific units of quantity and should be inclusive of sales tax and all other local taxes charged to the consumers.

(e) The prices should be collected with an intelligent appraisal of the general market behaviour and purchasing habits.

1.4. These aspects are discussed in greater detail in the relevant sections (3.2 to 3.6) of these Instructions particularly pointing out the procedures which should be followed for maintaining some of the above conditions in special situations. It is hoped that these introductory remarks will help the Price Collectors to understand the fundamental requirement behind the price collection work and enable them to discharge their duties scientifically and objectively.

2. Method of organisation of retail price collection work

2.1. Since the price collection work will have to be done on a set pattern, the initial details have to be fixed before the work can actually be started. Such details consist of choice of markets, fixation of shops (or sources) for price collection, fixation of the price collection day, drawing up the list of goods and services to be priced, determination of the qualities of the goods and services, etc. For finalisation of all these details, the Labour Bureau, in collaboration with the State Authority concerned, conducted local enquiries at each centre for studying the market conditions, working class consumers' preferences, concentration of industrial workers' families, etc., on the basis of which the details were decided upon. The broad principles followed in fixing these details are described briefly in the next paragraph so that the Price Collectors and Price Supervisors can form a clear understanding of the basis of price collection arrangements, suggest improvements in details, and if at a future date conditions at a centre alter so much so to change the basis radically, they may suggest suitable changes in the details fixed for the price collection work.

2.2. At each centre, the main working class localities have been demarcated by grouping the areas, principally inhabited by industrial workers, which are near to one another and are generally served by common market or markets. For each such locality, separate arrangements have been made for regular price collection work. For this purpose, in each locality, the market or markets which are most popular with the industrial workers and which govern the price-trends in other markets of the

locality, have been selected. In the selected market or markets of a locality the well-established shops most popular with industrial workers have been listed separately for each commodity-group (e.g., grocery shops, meat shops, fish-stalls, clothing shops, stationery shops, etc.). From these lists of popular shops of the selected markets of a locality for each selected market two have been chosen as "Selected Shops" and two others as "Reserved Shops" for each commodity-group, the idea being that prices will be regularly collected from the two selected shops and the two reserved shops will act as substitute for Selected Shops whenever necessary, as will be explained later. In the case of periodical market (e.g. weekly *Hat)* no attempt has been made to fix shops, because there is generally no fixity of shops in a periodical market. Hence, so far as the periodical market is concerned, the required number of quotation can be collected from any shop in the market, care being taken to ensure that the quotations furnished represent the ruling price of the prescribed quality in the periodical market on the price collection day. Similarly, for goods and services generally catered to by vendors or temporary and stray stalls, no attempt has been made to fix the shops for purposes of price collection. Where shops have been selected, the considerations taken into account are: popularity with industrial workers, the range of goods and services sold, location (from the point of view of representing the whole area of the market) and operational convenience for the price collection work. Following established practice, it has been decided that prices will be collected on a fixed day of every week. This day has been fixed for a centre (only in a few cases it varies from one locality to another of a centre), after local enquiries, as the day when usually a large retail transaction is made by the working classes. The list of goods and services, for which prices are to be collected, has been drawn up keeping in view the local consumption pattern of the industrial workers. For each item of goods and services, the quality, for which prices are to be collected from week to week, has been specified through a description, which covers the name of the variety, the grade and other physical characteristics (e.g., colour, size, texture, etc.). The quality-descriptions or specifications, as they are called, have been collected from the most popular shops. They are intended to specify uniquely the qualities of goods and ser-

vices most popularly consumed by the industrial workers. The same specifications have been chosen for all the localities of a centre for facilitating computation of the consumer price index. The unit of price-quotation (per kilogram, per meter, per dozen, etc.) for each item of goods and services included in the list has also been chosen on the basis of local enquiries, this being the unit according to which the industrial workers generally make their retail purchases.

2.3. The blank price collection forms supplied to Price Collectors show the list of goods and services to be priced, their quality-specifications and the units of price quotations. The price collection day fixed has been intimated to the Price Collector and the names and addresses of the selected and reserved shops for each item have been supplied to the Price Collectors separately. Quotation No. 1 in the price-collection-form refers to the first-selected shop and Quotation No. 2 to the second selected shop. (The procedure for using the reserved shops in place of selected shops is given later). The Price Collector is to furnish these two price-Quotations as on the fixed day for each item in completed forms regularly every week in accordance with the procedure laid down in this manual.

3. Techniques of Price Collection

3.1 On the selected day every week the Price Collector will visit the shops personally and fill in two quotations about the prevailing retail prices of the prescribed qualities and unit of each of the items shown in the blank price collection proforma. In addition he will furnish controlled price, fair price, etc., if any in a separate column of the proforma. One of his primary tasks will be to enlist the willing co-operation of the shop-keepers, particularly of the selected and reserved shops, in furnishing the quotations. The purpose of the price collection work should be explained to the shop-keepers and they may be told that the quotations furnished by them will not be published as such and will be used for compiling a Consumer Price Index only. The quotations collected from individual shops will be treated as confidential and will not be used for any other purpose. The techniques of price-collection will now be discussed with reference to the five essential conditions given in para 1.3.

Detailed instructions as to how these conditions should be maintained under special situations are given in the following paragraphs.

3.2. *The prices should conform to the prescribed quality of the commodity/service during each period of price-reporting.* The specification shown in the blank price collection forms are intended to fix the quality of the relevant commodity or service. These specifications should be studied carefully to acquire complete familiarity. In the initial stages of price collection work, the price collector should go over these specifications with the shop-keepers (of selected and reserved shops), examine physically the specific grade and variety (the actual physical item conforming to the prescribed quality has been termed as "grade and variety" in these Instructions) in question and if important details, which can fix the quality more effectively, have been left out in the specifications shown in the forms, suggest necessary amendments or additions. Later on also, in the course of the price collection work, the actual grade and variety of the articles for which prices are quoted, should be examined from time to time in order to ensure that they satisfy the specifications. As long as the prescribed grade and variety is available in the market, its price alone should be quoted, except when the prescribed grade and variety, though available, has become very scarce and beyond the reach of the industrial workers in general. When the specified grade and varieties are available in the selected shops or sources, their quotations should be furnished from the selected shops or sources only. Special situations which may arise on a price collection day and the manner of dealing with them are set out below:

3.21. *Prescribed grade and variety not available in one or both the selected shops.* In such a situation, one or both the reserved shops, as necessary, may be visited to collect quotations for the prescribed grade and variety. If it is possible to collect only one quotation from all the four selected and reserved shops, then the other quotation for the prescribed grade and variety may be collected from any other shop in the market.

3.22. *Prescribed grade and variety not available in either the selected or the reserved shops.* In such a situation, quotation may be collected for the prescribed grade and variety from any shop in the market. The main idea behind this is that the non-

availability of the selected grade and variety *in the whole market* (and not just in the selected and reserved shops only) should be got confirmed before quotations are collected for some other variety. For ascertaining this position, the Price Collector can profitably utilise his knowledge of the market conditions, which he has gained through his association with the market in the course of weekly Price-Collection Work, and visit only those shops of the market in which the variety in question is likely to be available, when the shopkeepers of the selected and reserved shops have reported its non-availability in their shops. An easier course will be to put the following questions to the shopkeeper of each of the selected and reserved shops when he reports that the particular variety is not available in his shop.

(a) Whether in his (shopkeeper's) opinion the variety in question is likely to be available in market or not;

(b) If available, in which shop (with name and address), in his opinion, it is likely to be available.

On the basis of the replies to the above two questions of the shopkeepers of selected and reserved shops, the Price Collector will be able to know fairly accurately if the variety in question is available in the market and if available, he will get names and addresses of a few shops of the market where it is most likely to be available. The Price Collector may then visit the shops suggested by the shop-keepers of selected and reserved shops to collect the required quotations and if he finds that the variety is not available in these shops also, he can take it that the variety is not available in the whole market in saleable quantity and so he may proceed to substitute the variety in the prescribed manner. Experience shows that if the price collector follows the procedure suggested above it will not be generally necessary for him to visit more than a few shops of the market for confirming the availability of a particular variety before attempting substitution of the same. Finally, it may be added that if there is a wholesale merchant in the same or nearby markets dealing in the article in question, be may also be able to throw a good deal of light about the availability of a particular variety in the market and it may be useful to contact him also, wherever possible, in this situation discussed above.

3.23. *Prescribed grade and variety not available in the whole*

market or though available has become absolutely scarce. This is the situation when the prescribed grade and variety is no longer available in saleable quantity in the market. Naturally, a substitute grade and variety has to be selected for quoting prices and a substitute which is *equivalent in quality* to the original grade and variety is to be given the foremost preference. Before the exact procedure is laid down, it may be impressed on the Price Collector that as soon as such a situation develops, he should make a market study and send a report intimating the reasons for the disappearance of the selected grade and variety, whether such disappearance is considered to be temporary, seasonal or permanent, whether a substitute grade and variety is available, the comparative price of the substitute and the originally selected variety during the preceding four weeks and if the substitute is not strictly comparable in quality with the prescribed one then in what respects the quality differs between the two and what percentage of the difference in price between the two can be approximately taken to be due to the difference in quality, as is explained in detail later. *This Report of the Price Collector will be the guiding basis for formulating the proper method of compilation of the Consumer Price Index Number under such a situation.* It may also be noted that if the Price Collector anticipates the disappearance of the prescribed grade and variety in the near future, then he may as well select a substitute grade and variety and start showing its prices in the "Remarks" column of the price collection forms in addition to the prices of the selected grade and variety (as long as the latter is available in saleable quantity in the market). This other point to be specially noted by the Price Collector is that *if the selected grade and variety has only temporarily gone out of Market, its price should again be furnished in the returns regularly as soon as it has reappeared in the market in saleable quantity.* One more general principle to be noted by the Price Collector is that even in collecting prices for a substitute grade and variety, preference should be given first to the selected shops, then to the reserved shops and then only to other shops in the market. Subject to these general remarks, the exact procedure is given below for three different situations, viz.,

(A) A substitute grade and variety equivalent in quality with the prescribed grade and variety is available.

(B) No substitute equivalent in quality is available but a substitute with some difference in quality and popular with industrial workers is available.

(C) No substitute commonly purchased by industrial workers is at all available, i.e., the commodity or service in question has itself gone out of market, so far as industrial workers are concerned.

3.231. *A grade and variety equivalent or comparable in quality available as substitute*: After exhausting all possibilities for pricing the selected grade and variety as per Instructions 3.21 and 3.22, the selected shops should be revisited for selecting a substitute which is equivalent in quality. The principles to be followed in the selection of such an equivalent or comparable substitute have been broadly laid down in the following paragraphs.

Meaning of Substitute: Literally the word 'Substitute' means putting or using a thing in place of another, e.g., rice has become scarce and the people have started taking wheat, in which case wheat becomes a substitute for rice. However, the word "substitute" is not to be understood in this sense in the price collection work. In the price collection work, substitution is not envisaged between commodities but only between varieties of the same commodity and the criterion is comparability is quality and not fulfilment of the same want. Let us take the case of a specific commodity like Dhoti. For this commodity, a large number of varieties (manufactured by different mills, of different qualities, etc.) are generally available in the market. Now in the price-return, details (name of the manufacturing mill, number, grade etc.) of a specific variety of Dhoti have been shown for guiding the Price Collector about the quality of Dhoti for which prices are required to be collected. Apart from the specified variety of Dhoti, mentioned in the price-return, there will be generally other varieties of Dhoti of the same quality also available in the market. When the specific variety of Dhoti mentioned in the return is not available in any shop in the market, what the Price Collector has to attempt first is to find out another variety of the same quality (as represented by the one mentioned in the return) and quote its prices in the returns together with all the details regarding its specification of quality. This variety will then be a 'comparable' substitute.

Factors to be taken into account in selecting a comparable substitute: The most important factor in selecting a comparable substitute is, of course, equivalence in quality, i.e., the variety selected as a comparable substitute must correspond to the same quality as represented by the originally selected variety which has been shown in the price-return in the column for specifications. Equivalence in quality of the two varieties (original and substitute) should be judged on the basis of physical characteristics and not on the basis of price alone. This means that the Price Collector has to develop a close familiarity with the original variety and has to acquire personal knowledge of the physical characteristics (e.g., colour, texture, size, border, design, etc.) of the original variety with which he has to match the physical characteristics of the selected comparable substitute. The best procedure is to maintain a Note Book where all details of the physical characteristics of the prescribed variety are noted down after actually seeing and examining the variety. In this matter, experienced shop-keepers will also be able to render a good deal of help and their assistance may be sought in selecting a comparable substitute.

The second important factor in selecting a comparable substitute is the availability of the substitute variety in sufficient quantity in the market. It is desirable to select such a comparable substitute as is available in sufficient quantity in the market. This will ensure that once a comparable substitute is chosen, it will be possible to obtain its prices for at least some time to come so that frequent substitutions will not be necessary.

A third factor to be kept in view, particularly in case of clothing articles like Dhoti and Sari, is that whenever possible the comparable substitute may be chosen from among the varieties manufactured by the same Mill or Company, as has been laid down for the original variety in the price return. This is because certain physical and other characteristics are often associated with the Manufacturing Mill and if there is a Mill Retail Shop in the area, it becomes particularly easy to select a comparable substitute in consultation with them. If no comparable substitute of the same Mill/Company can be chosen, the next preference may be given to choosing a variety manufactured by a Mill of the same area. e.g., if the original variety is manufactured by a Bombay Mill the substitute may be chosen from among

varieties manufactured by another Bombay-Mill. If this is also not possible, then any comparable substitute variety available in the market may be selected.

How to furnish both quotations relating to the same comparable substitute: All attempts should be made to furnish both the quotations for the same substitute in a particular week. How this can be done in actual practice without spending too much time or labour will now be explained. When the first selected shop is visited for selecting a comparable substitute, the Price Collector may select 3 to 4 comparable substitutes (not just one) as available, keeping in view the factors mentioned in the earlier paragraph and note down the specifications and prices of each such substitute in a Note Book. When he visits the second selected shop for obtaining the second quotation, he may enquire whether any of the 3/4 comparable substitutes selected from the first shop is available. If so, he will furnish both the quotations for the same substitute variety common to both the shops. If the Price Collector finds that none of the 3/4 comparable substitute selected from the first selected shop is available in the second selected shop, he may select 3/4 comparable substitutes from the second shop also, note down their specifications and prices in the Note Book and proceed to the first Reserved Shop. In the first Reserved Shop, he may first enquire whether any of the comparable substitutes taken from the first selected shop is available. If so, two quotations for the same substitute common to the first selected shop and the first reserved shop may be furnished in the return. If not, the Price Collector will enquire whether any of the comparable substitutes collected from the second selected shop is available and if so, two quotations for the same substitute available in the 2nd selected shop and 1st reserved shop will be furnished. If no common variety is available as above, the Price Collector will again select 3/4 comparable substitutes from the first reserved shop and then proceed to the second reserved shop to find a common substitute between 1st selected shop and 2nd reserved shop or between second selected shop and second reserved shop or between the 1st reserved shop and the 2nd reserved shop. If the above procedure is followed, it will not be generally necessary for the price collector to cover more than 3/4 shops in order to enable him to obtain two quotations for the same comparable substi-

tute. The other advantage in this procedure is that the specifications of several comparable substitutes will automatically be recorded in the Note Book of the Collector and he will be able to utilise this information at a future date when the need for substitution for the same prescribed variety again arises, without having to spend much time in actual selection of a comparable substitute.

Whenever the prices of an equivalent substitute have been furnished in the price-return, the following action may be remembered:—

i) Cancel the specification given in the form for the prescribed grade and variety and enter in its place the specification of the equivalent substitute.

ii) Quote the Instruction Number, viz., 3.231 in the price-return against the item in the column for "Remarks". This will be taken to indicate that prescribed grade and variety has disappeared and the price of a substitute *equivalent in quality* to the prescribed has been furnished.

iii) While forwarding the first return containing the price of the substitute, attach a note explaining the circumstances leading to the disappearance of the prescribed grade and variety, whether such disappearance is considered to be temporary/seasonal/permanent and if temporary/seasonal, when it is likely to reappear; how the substitute has been selected (from selected shops/reserved shops/other shops), how the quality has been matched and whether the quality of the substitute can be taken to be reasonably the same as that of the prescribed, and lastly, *give the prices of the substitute for the preceding four weeks in the note.* (If, however, during the preceding weeks the prices of the substitute have been furnished in the Remarks Column of the returns in anticipation of the disappearance of the prescribed grade and variety, then it is not necessary to give prices for the preceding weeks of the substitute—only attention may be drawn to the prices already furnished).

3.232. *No substitute equivalent in quality to the prescribed grade and variety is available but a substitute somewhat different in quality and popular with working classes is available:*

Suppose that all attempts to quote prices of a substitute of

equivalent quality, as outlined in Instruction No. 3.231, have failed. In such a situation attempt should be made to select a substitute which, though not exactly comparable in quality with the prescribed grade and variety, *is popularly purchased by the working classes.* All the steps outlined in Instruction 3.231 in the order in which they have been indicated, may be adopted to furnish two quotations of the substitute, i.e., first attempt should be made to select such a substitute and quote its price from the selected shops, the second preference will be given to reserved shops and the last preference to other shops of the market. The requirements (i), (ii) and (iii) indicated at the end of Instruction 3.231 should be noted for compliance in this case also, i.e., specifications of the substitute should be shown in the price-return, in the Remarks-column, the Instruction No. 3.232 should be quoted and note covering all the points and giving prices of the substitute for preceding four weeks should be attached with the return when the prices of the substitute are first furnished. In this note an additional point to be indicated in the present case is what percentage of the price-difference between the prescribed grade and variety and the substitute grade and variety is purely due to the difference in quality. For example, let the price of the prescribed variety of Dhoti (Madhusudan Mills, No. 992, 48″×10 yds. etc.) be Rs. 10.50 nP when last quoted. During the next week, this variety has completely disappeared, no variety of comparable quality is available and hence the price of a substitute variety (say, Muir Mills, No. 101, 48″×10 yds. etc.) of a different quality but popular with working classes is quoted as Rs. 12.25 nP. Obviously, the difference between the prices of the two varieties, *viz.,* Rs. 1.75, is not a real price-change between the two weeks, because either a portion or the whole or even more than the whole of this price-difference is due to the change in quality. It has already been pointed out that the Consumer Price Index Number should take into account only the real price-change. Naturally, the Price Collector has to guide as to what percentage of the above price-difference should be taken to be due to quality-change so that the rest of the price difference alone can be included in the index. Suppose, in this case the price collector indicates that 80% of the price-difference, i.e., 80% of Rs. 1.75, i.e., Rs. 1.40 nP, is due to change in quality, then the real price-change between

the two weeks should be taken to be Rs. 0.35 only (Rs. 1.75—Rs. 1.40) for the purpose of compiling the Index. It is recognised that the Price Collector can indicate such a percentage only on an approximate basis in most cases. Even such an approximate percentage will be useful and the Price Collector may try to do his best in the matter in consultation with the shopkeepers. The Price Collector will have an indirect idea of this percentage from the general market-trends also. In the above example if there is no evidence that the prices of Dhoti have actually fluctuated between the two weeks, then the whole or 100% of the price-difference is probably due to quality-difference. Suppose, there is evidence that prices have actually gone down by 10% between the two weeks, then 110% is probably the effect of the quality-change, so far as the difference in price between the two varieties is concerned. Further elucidation of the above is given in the following paragraphs.

Method of judging non-comparability in quality: A proper method to judge the comparability in quality of the varieties will be to know their basic quality characteristics. For example, in the case of clothing articles some of the basic physical quality characteristics are Count (Warp and Weft), Pick and Reed. If there is any material difference between the two varieties in respect of the above quality characteristics, it can be taken that there is a difference in the quality of cloth. If, therefore, the basic physical quality characteristics can be known from experienced shop-keepers, mill retail shops, manufacturers, etc., it will be possible for the price collection personnel to conclude definitely whether there is a difference in quality between the two varieties. If such quality characteristics cannot be known as is the case very often, the price collection personnel have to fall back upon rough and ready methods for judging comparability in quality by means of visible quality-characteristics. In this connection attention is invited to para 3.2 above wherein it has been laid down that the Price Collectors should familiarise themselves fully with the specifications laid down in the return by examining physically the prescribed grade and variety and noting down the visible quality characteristics, such as, colour, texture, fine-ness, border, etc. Naturally, when the Price Collector has selected some other variety (in the absence of the prescribed one), he should have the physical quality character-

istics of the prescribed variety in mind, try to match them with those of the substitute variety and then decide whether the substitute variety should be taken to be comparable or not. In this matter the difference in the prices between the two varieties, i.e., prescribed and the substitute, can also be taken as an indirect indicator of the difference in quality. (This can be only a rough indicator because some difference in price between two varieties can also be caused by factors like profit-margin, demand and supply conditions, etc., which are not strictly speaking, related to quality). For example, if the difference between the prices of the two varieties is considerable, there is some likelihood that there is a difference in quality which can then be further confirmed by actually seeing the quality-characteristics of the substitute variety and comparing them with those of the prescribed variety, as explained earlier. In applying this method in practice, the Price Collectors will receive a good deal of assistance from experienced shop-keepers.

In the above paragraph, discussion has been limited to judging comparability in quality of two varieties on the basis of physical characteristics alone. However, in a broad sense, quality should be taken to include all factors which go to make up the total satisfaction of the consumer in buying the article concerned and hence in some situation such non-physical characteristics as taste, smell, durability, etc., which are not strictly visible, have to be taken into account alongwith physical characteristics in judging comparability in quality of two varieties. Such situations commonly arise in the case of old stock and new stock of the same variety of an article, e.g., old rice and new rice of the same variety, old stock and new stock of the same variety of cloth, etc. For example, the old stock of a particular variety of cloth, if it has remained in the shop for years, may deteriorate in quality from the point of view of durability or may become shop-soiled and hence this should not be taken as a comparable substitute. Similarly, new rice may differ in taste and digestibility from old rice (which, let us suppose, is the prescribed variety) of the same variety and if so, the former cannot be taken as a comparable substitute. It will be possible for the Price Collector to distinguish, wherever necessary, such difference in quality also by consulting experienced shop-keepers and noting the difference in prices between the two, as described earlier.

Criteria for selection of a non-comparable substitute: If all attempts to quote prices of a substitute of equivalent quality have failed, attempts should be made to select a substitute which, though not exactly comparable in quality with the prescribed grade and variety, is popularly purchased by the industrial workers. The words "popularly purchased by the industrial workers" need some explanation in this connection. Generally, it is difficult to determine accurately which particular variety is being purchased popularly by the industrial workers during a particular week without making very detailed market studies. This is particularly true in the case of clothing articles which are not usually purchased by the industrial workers frequently. In practice, the criteria which should, therefore, be adopted in selecting the non-comparable substitute variety, which is popularly purchased by the industrial workers, are as follows:

a) The variety should be freely available in the market during the particular week. In other words, availability of the variety will be taken as an indication of popularity.
b) The variety should be, as far as practicable, of a quality which is nearest to the quality of the prescribed variety. This means that in case the prescribed variety is medium, the non-comparable substitute should preferably be selected from the next quality-range, viz., higher medium or lower medium.
c) The variety preferably has the same dimensions (in case of clothing articles) as for the prescribed variety.

Keeping the above explanatory remarks in view, a non-comparable substitute variety (no variety equivalent in quality to the prescribed variety being available) should be selected according to the procedure given in para 3.232. It should be ensured that first attempt should be made to select such a substitute from selected shops, the second preference will be given to reserved shops and the last preference to other shops in the market (for an explanation of "other shops" in the market, attention is invited to para 3.22 above).

Method of reporting percentage of price-difference accounted for by quality-difference: Having selected the substitute variety for which prices are to be quoted in the return for a particular week, the next problem arises in giving what percentage of the price difference between the two varieties (prescribed and non-

comparable substitute) is accounted for by the quality difference. This percentage is required on an approximate basis only. The object of getting this percentage is to so adjust the price of the non-comparable substitute as to allow only the real price-difference between the two weeks. Some approximate methods to derive this percentage are discussed in the next paragraph.

Let us suppose that quotation relating to the prescribed/ comparable variety of Dhoti during a week Rs. 10.00 and the price of the selected non-comparable substitute variety (no comparable substitute being available) is Rs. 12.50 next week. The price-difference between the two varieties is Rs. 2.50 and the problem is to determine what percentage of this price-difference is accounted for by quality-difference. This gross price difference of Rs. 2.50 can be taken to consist of two elements, viz., the real price-change between the two weeks and the effect of a number of factors which can broadly be ascribed to quality-differences. If one of the two elements can be isolated, the percentage of the gross price-difference accounted for by quality-difference, can easily be found. Three methods which can be adopted for this purpose are given below in order of preference, i.e., *if the first method cannot be adopted, then only the second method may be adopted and if the second method is also not practicable, then only the third method may be adopted.*

First Method: The Price Collector will collect quotations for two or preferably three available varieties (including the one selected as non-comparable substitute) of the articles, the varieties being in the quality-range next to that of the prescribed variety (i.e., if the prescribed variety is medium, the three varieties should preferably fall in the categories of higher-medium or lower medium) from two shops (preferably the two selected shops) for the current week as well as the preceding week. Let us suppose that the article in question is Dhoti and the following quotations have been collected in the above manner (*See page* 65).

In the example given (on page 65), the average percentage change in price during the current week as compared to the previous week comes to a rise of 3.5%. Since the quotations relating to the prescribed/comparable variety of Dhoti during the previous week was Rs. 10.00, a rise of 3.5% will make a difference of Rs. 0.35 ($10 \times 3.5/100$). Therefore, out of the gross price-

Variety	*Price during previous week*	*Price during current week*
(1)	(2)	(3)
	Rs.	Rs.
	From First Shop	
A	12.80	12.50
B	13.00	14.00
C	13.00	13.00
	From Second Shop	
a	12.00	12.50
b	13.50	14.50
c	13.00	13.50
Total	77.30	80.00

Average percentage rise in price between the two weeks $= \frac{80.00 - 77.30}{77.30} \times 100 = 3.5\%$

(The varieties need not necessarily be the same between the two shops but the range of prices of the different varieties should not be too wide)

difference of Rs. 2.50 between the prescribed/comparable variety and the selected non-comparable substitute variety, Rs. 0.35 should be taken as the real price-change and the balance of Rs. 2.15 (Rs. 2.50—Rs. 0.35) should be ascribed broadly to quality-difference. Thus, the percentage of price-difference accounted for by quality-difference should be reported as:

$$\frac{\text{Rs. } 2.15}{\text{Rs. } 2.50} \times 100 = 86\%$$

In this method the attempt is to isolate the real price-change on the basis of a study of price-trends in the market between the two weeks for several varieties of nearby quality.

Second Method: The Price Collector will collect prices for the selected non-comparable substitute for three or preferably four preceding weeks from two shops. For the same weeks he will usually have prices for the prescribed/comparable variety in the returns for earlier weeks. The average difference in the two sets of prices will then be computed in the following manner, taking a hypothetical example:

Shop/Week (1)	*Prescribed price of comparable variety* (2)	*Non-comparable substitute variety* (3)
From First Shop	Rs.	Rs.
First preceding week	10.00	12.50
Second preceding week	10.00	12.00
Third preceding week	11.00	12.50
Fourth preceding week	11.00	12.00
From Second Shop		
First preceding week	10.00	12.50
Second preceding week	10.25	12.50
Third preceding week	11.00	13.00
Fourth preceding week	11.50	13.50
TOTAL	84.75	100.50

$$\text{Average percentage difference in price between the two varieties} = \frac{100.50 - 84.75}{84.75} \times 100 = 18.6\%$$

In the above example, the price of the non-comparable substitute is found to be on the average 18.6% higher than the price of the prescribed/comparable variety broadly because of the quality-difference between the two. Since the average price of the prescribed/comparable variety was Rs. 10.00 during the previous week the effect of the quantity-difference alone can be taken to be Rs. $1.64 \frac{(10 \times 18.6)}{100}$. Thus out of the gross price-difference of Rs. 2.50 (the average price of the non-comparable substitute during the current week being Rs. 12.50) between the two weeks, Rs. 1.86 can be ascribed to quality. Hence, the percentage of price-difference accounted for by quality-difference should be reported as:

$$\frac{\text{Rs. } 1.86}{\text{Rs. } 2.50} \times 100 = 74\%$$

Third Method: In this method, the extent of real price-change is determined on the basis of informed judgment of the experienced shop-keepers. These shop-keepers will be able to indicate approximately by how much the price of the particular article

(Dhoti) has generally varied in the market between the two weeks. Suppose, it is found on this basis that the price has recorded a rise of Rs. 0.50 between the two weeks and the gross price difference *(as in the example given earlier)* between the two varieties (prescribed/comparable variety and non-comparable substitute variety) is Rs. 2.50 then the balance of Rs. 2.00 (Rs. 2.50—Rs. 0.50) should be attributed to quality-difference. The percentage of price-difference accounted for any quality-difference will then be reported as:

$$\frac{\text{Rs. } 2.00}{\text{Rs. } 2.50} \times 100 = 80\%$$

As explained earlier, this method should be adopted only if the other two methods cannot be applied. For example, a case may arise about blanket. Only one variety (non-comparable substitute) is available in the market during the current week and hence the first method cannot be applied. This variety of blanket may not be available during the preceding weeks and hence the second method also cannot be applied. In such situations only the third method may be adopted.

Method of reporting percentage of price-difference accounted for by quality-difference in the case of fair/controlled prices

A special problem arises when the percentage of price-difference due to quality-difference is to be determined for two varieties (of the same article) of different quality, viz., the prescribed/comparable variety for which prices are collected from open market and the variety distributed from fair-price or controlled shops. It may be noted that under a monthly proforma (to be regularly attached to the last weekly return of a month), this information is required to be reported regularly, if the qualities for which prices are reported from the two sources (open market shops and fair-price shops) differ, for each of the items distributed from fair-price/controlled shops. In such cases the first method described above cannot be adopted because the prices of both the varieties (open market variety and the variety distributed from fair-price shops) will relate to the same week and there is no question of isolating the real price-change from market trends. The method, as explained in the

next paragraph, may, therefore, be adopted in such cases.

Let us suppose that the average price (average of the two quotations) of the prescribed/comparable variety of *rice* quoted from open-market shops during a particular week is Rs. 0.75 per seer and the fair-price of an inferior variety of rice, being distributed from fair-price shops, is Rs. 0.50 per seer during the same week. The price-difference between the two varieties is Rs. 0.25 and the problem is to determine what percentage of this price-difference is due to quality-difference. The Price Collector, in consultation with experienced shop-keepers will physically compare the two varieties and judge in what respects the quality of the two differs, taking into account also such factors as taste (the inferior variety may give a foul smell after cooking), mixture of impurities (there may be stone chips), etc. Then the Price Collector will try to evaluate this difference in quality in monetary terms by adoption of any of the methods given below in order of preference:

Method I

The Price Collector will make enquiries in the market whether some variety *of rice of the same quality,* as is being distributed through fair-price shops, is selling in the open market. If such a variety is selling in the open-market, then he will ascertain the open market price of this variety *from one of the shops from which open-market price* of the prescribed variety has been collected or any shop in the market where the particular variety is selling for the preceding three weeks. He will then calculate the average percentage difference between the open market price of the prescribed variety (for which he has already collected the prices in the returns) and the open-market price of the variety being distributed from fair-price shops in the manner indicated in the Second Method above, taking only that quotation of the prescribed variety for each week which has been collected from the same shop from which prices of the other variety have been collected, but if the shop is not common, then the average of the two quotations for the prescribed variety may be used. Let us suppose that the open-market price of the quality, which is comparable to the fair-price quality, is on the average 25% lower than the open-market price of the

prescribed quality. Then, out of the gross price-difference of Rs. 0.25 between the open-market variety and fair-price variety

Rs. $0.19 \frac{(0.75 \times 25)}{100}$ will be attributed to quality and the percentage will be reported as:

$$\frac{\text{Rs. } 0.19}{\text{Rs. } 0.25} \times 100 = 76\%$$

Method II

If no variety of the same quality as the one being distributed through fair-price shops is available in the open-market, the Price Collector will try to select a variety in the open-market, which, though not identical in quality with the fair-price variety, is near to it. He will then calculate how much of the price-difference in the open-market between the prescribed variety and the other variety should be ascribed to quality-difference in the same manner as indicated in the Method I above. Let this average price-difference come to Rs. 0.16. The Price Collector will then allow for the slight difference in quality between the other variety selected from open-market and the fair-price variety. This can be done only by informed judgment and in consultation with experienced shop-keepers. Let us suppose, the superiority of the other variety over the fair-price variety is estimated to cause a price-difference of Rs. 0.04 nP per seer. Then the total price-difference between the prescribed variety and the fair-price variety caused by quality-difference will be taken as Rs. 0.20 nP (Rs. 0.16+Rs. 0.04) and the percentage will be reported as:

$$\frac{\text{Rs. } 0.20}{\text{Rs. } 0.25} \times 100 = 80\%$$

Method III

In this method only informed judgment is employed on the advice of experienced shop-keepers and other knowledgeable people to evaluate the difference in quality between the prescrib-

ed variety and the fair-price variety in terms of price-difference. Let us suppose that the quality-difference between the two is estimated to cause a price-difference of Rs. 0.21 nP. In that case, the percentage will be reported as:

$$\frac{\text{Rs. } 0.21}{\text{Rs. } 0.25} \times 100 = 84\%$$

General Instructions: Thus the criteria for selection of a non-comparable substitute variety of an article (when the prescribed variety or a comparable substitute variety is not available in the whole market) for quoting prices have been laid down in detail for adoption by the Price Collectors. While furnishing prices of such a non-comparable substitute variety, the Price Collector is also to report the percentage of price-difference accounted for by quality-difference, between the non-comparable substitute variety and the prescribed/comparable variety. Methods for obtaining such a percentage have been described above with actual illustrations. The Price Collector will attempt to follow these methods in the order of preference indicated. While furnishing the percentage, he will also indicate in bracket the particular method which has been followed in obtaining it, e.g., "First Method", "Second Method", or "Third Method" and in the case fair/controlled prices, "Method I," "Method II" or "Method III".

3.233 *No substitute commonly purchased by working class is at all available in the market.* After following the procedure laid down in Instruction 3.232 if no quotation for a substitute variety can be collected, it will be taken to mean that the commodity or service in question has completely gone out of market, so far as industrial workers are concerned. In such a situation, please fill in the words "N.A." (Not available) in the relevant columns of the price-return and quote the Instruction No. 3.233 in the Remarks-column. A note covering all the points mentioned in point (iii) at the end of Instruction 3.231 should also be sent along with the first return when the situation has been faced. In this note, an additional point to be indicated after necessary market enquiries is how the industrial workers in general are meeting their requirement of the commodity or service in question. For example, they may be temporarily doing

without the commodity or service in which case this fact should be mentioned in the note. In the alternative, they may have transferred their requirement to some other commodity or service, e.g., if the coal has temporarily gone out of market they may be consuming more of firewood, in which case this substitute commodity or service should be mentioned in the note and if the substitute commodity is not already included in the price-return, its prices for the preceding four weeks should be furnished in the note and such prices should continue to be regularly furnished in the Remarks-Column of the return every week, as long as the original commodity/service is not available.

3.3. *The prices should be collected from fixed shops, as far as possible*

3.31. This is the second principle given in para 1.3. It is common knowledge that prices may vary slightly from shop to shop and this factor is known as shop-differential in prices. For example, for the same quality of an article one shop may be charging Rs. 0.25 nP and another shop Rs. 0.22 nP in the same market. Suppose, the price of that quality is quoted during the first week from the first shop and during the second week from the second shop, a price-change will be recorded which is purely due to the change in the shops and not due to any real price-change. This spurious effect is, therefore, to be guarded against, as far as possible, in the price collection work. That is why shops for purpose of price-collection have been pre-selected and a rigorous design has been laid down (vide Instruction 2.2) under which, as long as it is possible to collect quotations from the selected shops, they alone should be used. The next preference (in case of non-availability of quotation in selected shops) will be given to the reserved shops and the last preference, when it is not possible to collect quotations from either the selected shops or the reserved shops, is given to other shops in the market as a whole. *When a quotation is furnished from a shop other than the selected or reserved shops, a star-mark (*) should be indicated against such a quotation and the name and address of the shop from which the quotation has been furnished should be given in the Remarks-Column of the Price Return.* In the lists of selected and reserved shops supplied to the Price

Collector, against some of the commodities/services, the entries may be 'Vendors' or "Weekly Market". In such cases, there are no fixed shops as explained in para 2.2 of these instructions. For these commodities/services, the Price Collector can quote prices from any shop, say, in the whole of the weekly market or from amongst all the vendors; but if possible, here also the Price Collector may try to get quotations from the same source week after week.

3.32. Of course, over the period of years during which price collection work will continue, it may not be possible to stick to the selected shops all through and some necessity may arise for the substitution of shops also. One thing to be remembered in this connection is that a mere change in address, name or shop-owner of the selected or reserved shops should not be taken as a change in the shop necessitating substitution, unless the type of operation or the type of service or the popularity of the shop with the industrial workers has also changed materially. The changes in name, address or ownership (without changes in the major characteristics) of the selected or reserved shops should be promptly intimated, but prices should continue to be collected from these shops in the prescribed manner.

3.33. Frequent substitution of selected or reserved shops should be avoided. Only when a particular shop (selected or reserved) permanently goes out of business, changes its type of operation materially, permanently discontinues stocking the item or items priced, or loses popularity with the industrial workers to a very large extent, it should be substituted. The rule in this regard is that if a selected shop is to be substituted, it should be substituted by one of the reserved shops and in place of the reserved shop so substituted another shop from the market should be selected as a reserved shop. If a reserved shop is to be substituted, then one from the same market should be selected in its place. The shop selected in place of the reserved shop should be highly popular with industrial workers and should be similar to the latter, as far as possible, in regard to location, size (in terms of total business done) kind and quality of the commodities sold or services rendered and type (from the point of view of manner of doing business). As soon as a shop is substituted a detailed note should be enclosed with the first price return after the substitution, giving details regard-

ing the reasons for substitution, how exactly the substitution has been done and also the name and address of the substituted shop.

3.4 *The prices should be collected on the same day of each pricing period and preferably during the same hours of the* day.

3.41. It has already been stated that a particular day in a week has been selected for collection of prices. The idea behind this is sampling over time. All the quotations received during a month will be averaged to obtain the monthly average price and since prices are not being collected on all the days of the month it is necessary to ensure that the days of collection of prices during a month and also from month to month are equidistant. This is ensured by fixing a particular day of the week for price collection so that prices are always collected exactly on the seventh day and the quotations are evenly spread out over time. The Price Collector should therefore, make it a principle to collect prices on the fixed days every week. *If, however, on the selected day a market happens to be closed fully or partially due to Hartal or some other special reasons, then only prices may be collected on the next day for that market, but this fact should be intimated while forwarding the price return in question. For other markets of the same centre, which did not remain so closed on the selected day, prices may be collected on the selected day as usual.*

3.42. The hours of price collection are also important in the sense that for some of the articles prices may fluctuate over different hours of the day. For example, fresh vegetables and other perishable commodities may be costly during early hours of the day and cheaper towards the end of the day. Naturally, *a particular time has to be fixed for the collection of prices and this time should be adhered to, as far as possible, during each price collection day,* so that the price-change measured on the basis of quotations is not subject to the spurious effect mentioned here. Thus, if the prices are being collected during early hours of the day, then it should be collected during those hours every week, so that the difference in quotations reported between one price collection day and another may reflect the real price-change between weeks only. Of course, the time to collect prices

should be fixed by the Price Collector according to his convenience and also the convenience of the shop-keepers concerned. Having fixed such a time, the same should be observed, as far as possible, week after week.

3.5 *The prices reported should be those actually being paid by the working class consumers for specific units of quantity inclusive of taxes, etc.*

3.51 The purpose of collection of the price data is to compile a Consumer Price Index Number which will reflect the change in the price level as it affects the industrial workers. Naturally, *the prices reported should be those which are actually paid by the working class consumer at the particular shop or shops for cash purchases.* A great deal of care should be exercised in checking that the prices given by the shop-keepers are actually those being charged to the consumers. To ensure this, it will be useful to verify prices of some of the items by turn every week from the consumers themselves, after they have made purchases from the shop concerned. Another procedure to be followed in this connection is to check up the prices of a few items by turn every week (say, 10 items—a different set of 10 items being taken every week) from shops other than those from which prices are usually collected. Of course, in such a comparison of prices from other shops, due allowance should be made for the existence of a shop-differential in prices. The two types of checks mentioned here would usually prevent the prices being quoted in a routine and indifferent manner and will ensure the reliability of the quotations.

3.53. Rebates or discounts, if any, given by the shops should also be taken into account in furnishing the quotations in the returns. The quotations should be the net price paid by the working class consumers for cash transactions.

3.52. It is also necessary to ensure in this context that the quotations furnished in the returns are inclusive of all taxes, such as, Sales Tax, Municipal Tax; Entertainment Tax; Octroi, etc., which are charged to the working class consumers. If a new tax is imposed during a particular week due to which the prices of some commodities go up, this fact together with the details of the new tax, e.g., commodities affected, rate of

tax, etc., should be intimated along with the price return in which the new taxes have appeared for the first time. Similarly, when a tax is withdrawn, the details should be furnished along with the first price-return.

3.54. Associated with the question of prices to be reported is the unit (per kilogram, per dozen, metre; etc.) for which prices are to be reported. These units have already been laid down in the price return for each item and they are the local units in which the industrial workers generally make their retail purchases. *These units should be kept under review so that if any change is necessitated, the same should be intimated at once together with the equivalence of the prescribed unit to the new unit.* Thus, if "pylee" is the prescribed unit and it becomes necessary to change the unit to Kilogram at a later date, then while making the change, the equivalence of "Pylee" to Kilogram should also be intimated so that all the quotations can be reduced to the same unit. It is, therefore, necessary to maintain a Table showing *for each article,* the prescribed unit and its equivalence to the standard (Kg., Millilitres, etc.) if the two are different. This should be done at the very initial stage of price collection work and a copy of the Table should be forwarded to the concerned Authorities. Another type of change is when the unit apparently remains the same but the contents change. For example, "a match box" which is the prescribed unit may come to contain 50 sticks instead of 60 sticks. Similarly, the unit prescribed for washing soap may be "a bar" and the weight of the bar may change. All such changes should be indicated in the price-return itself in the relevant column for "Unit" and in the Remarks-column the new weight as well as the old weight in terms of standard unit (say, gram) should be given. This will enable correction of the prices for the change in the unit. Special care should be taken in recording changes, which may occur, in the dimensions of clothing articles.

3.55. All prices should be reported in Rupees and Naye Paise.

3.6 *The prices should be collected with an intelligent appraisal of the general market behaviour and purchasing habits.*

3.61. The fundamental requirement of the quotations reported by the Price Collector is that such quotations should

enable a correct measure of the real price-change. To ensure this, a great deal of vigilance needs to be exercised and the market situation and consumer preferences have to be kept under close observation from week to week. One situation necessitating a study of market situation arises when a particular variety of an article or the article itself goes out of market and a substitute has to be selected. This situation has already been discussed at length in Instruction 3.2. Similarly, in Instruction 3.5 it has been laid down that market-price should be verified for a few articles every week in order to keep a check on the reliability of the prices quoted by the selected shop-keepers. One more important aspect to be kept under close watch is price variation from week to week, shop to shop or locality to locality. After the prices of a particular week are collected, they should be compared on the spot with those quoted during the previous week. On the basis of such a scrutiny, a large variation should be spotted and discussed with the shop-keeper to find out the plausible reasons for the same (Generally a price-variation of more than 10% between two consecutive weeks should be considered as large except in the case of vegetables and fruits for which a price-variation of more than 25% should be considered as large.) Such scrutiny may reveal sometimes defects on the price-data themselves, e.g., inaccuracy in quotations, quality-change, change in the unit of price quotation, etc. When such deficiencies are found the necessary corrections should be made and intimated at once. If, however, the large price-variation is correct and indicates a real price-change, as far as possible, suitable explanations should be given for such variation in the Remarks' column of the price return. If no suitable explanation is available, at least the Remarks 'Price verified and found correct' should be indicated in the Remarks-Column. This will save a good deal of correspondence because the agency compiling the Consumer Price Index Numbers often refers prices showing large fluctuations from week to week to the Price Collectors for verification. If such verification has already been done by the Price Collector and suitable explanations or remarks have already been indicated in the price-return, much correspondence and the resulting delay in the compilation of the Consumer Price Index Numbers can be avoided.

3.62. Another situation which introduces changes in the

market-situation and purchasing habits is the introduction of rationing, distribution through fair price system, system of cheap grains, etc. Major developments and changes in this regard should be carefully observed by the Price Collector and reported with the least delay. Whenever any of the above systems, namely, rationing, fair-price, cheap grains, etc., is introduced at a centre for the first time covering the working class consumers, the following information should at once be intimated:—

i) Full details of the system introduced indicating whether it covers industrial workers, whether any income-limit has been prescribed, what exactly is the method of distribution under the system, etc.

ii) Name of the article or articles brought under the system.

iii) Whether the system has been introduced on a complete or partial basis (By complete basis is meant that article or articles concerned are available only under the system, say, in ration-shop and *not* in the open market and partial basis means that the article is available both under the system and also in the open market).

iv) If partial, whether the industrial workers are making their purchases from both the sources, say, from both open-market and fair-price shops.

v) If the industrial workers are purchasing from both the sources, then roughly in what proportion they make their purchases from the two sources (The proportion can be, say, 60% from fair-price-shops and 40% from open market).

vi) Whether the quality of the article or articles being distributed under the system is equivalent to or comparable with the quality prescribed in the return. If not, what percentage of the difference in the price between the prescribed quality and the quality being supplied under the system is accounted for by difference in quality alone, (For details about the method of determination of the percentage of price-difference accounted for by quality, please see Introduction 3.232).

vii) The scale or quantum of the article or articles available under the system (Scale may be 400 grams per adult per day, etc.).

The information required above is absolutely essential for evolving a suitable technique for the compilation of the Consumer Price Index Numbers under a system of rationing/fair-

price/cheap grains. It is realised that some of the information (e.g., v and vi) asked for will be difficult to furnish on an accurate basis. *But even an approximate guidance will be very much helpful.* Having furnished the above details as soon as the system comes into force for the first time, the Price Collector will intimate changes in respect of any of the above 7 points, whenever, such changes occur. This means that he will keep the working of the system and the purchasing habits of the industrial workers under the system constantly under his watch for detecting and intimating any material change which may occur from time to time.

3.63. As regards quotations to be furnished under a system of rationing or fair-price, it will be clear from the price-return itself that the *ration-price or fair-price should always be indicated in a separate column provided for the purpose as long as the system is in force.* In addition, open-market prices should also be entered in the columns provided for quotations from shops following the prescribed procedure, if the article or articles concerned are also available in the open-market. If, however, the article or articles are not at all available in the open-market, then a remark "N.A." (Not Available) should be entered in the column provided for quotations from shops in accordance with the prescribed procedure and only the ration price/fair-price reported in the relevant column.

4. Furnishing of Returns

4.1. As soon as prices have been collected, four copies of the price returns should be prepared. One copy should be despatched to the Director, Labour Bureau, Kennedy House, Simla-4; the second copy should be despatched to the Price Supervisor, the third copy to the State Authority and the fourth copy should be kept on file with the Price Collector. All the three copies should be despatched simultaneously within four days of the price collection day.

4.2. The completed price returns should be despatched week by week; it should not happen that all the weekly returns for a month are despatched together in one lot.

4.3. All notes and other details to be intimated as laid down

in the Instruction should also be prepared in quadruplicate and a copy each should be sent to the

a) Director, Labour Bureau, Kennedy House, Simla-4.
b) Price Supervisor and
c) State Authority

as in the case of Price Returns.

4.4. The Price Supervisor, as soon as he receives the price-returns, will carefully scrutinise the same and if any deficiences are found or clarifications required, he may at once address the Price Collector concerned with copies endorsed to the Director, Labour Bureau, Kennedy House, Simla-4, and the State Authority concerned. Similarly, in the office of the Director, Labour Bureau, the price returns will be scrutinised as soon as received and refereness made directly to the Price Collector on doubtful points with copies of such references endorsed to the Price Supervisor and the State Authority concerned.

4.5. *All references received from the Director, Labour Bureau, Simla-4, the Price Supervisor and the State Authority concerned should be promptly attended to by the Price Collector and he should send the clarifications etc., required with the least possible delay.*

4.6. Records relating to price collection work to be kept properly by the Price Collectors. Copies of (a) weekly price-returns, (b) Standard instructions and (c) other routine correspondence should be kept in three separate folders.

5. MAINTENANCE OF CONTINUITY OF THE PRICE COLLECTION WORK

5.1. It will be appreciated that the price collection work has to go on week after week regularly and there should be no break in it. It is, therefore, necessary for the Price Collector to intimate in advance whenever he proceeds on leave or is transferred or has to give up the price collection work for any reason, either temporarily or permanently, to the Price Supervisor, the State Authority and the Director, Labour Bureau, so that alternative arrangements can be made. He should stop collecting prices only after somebody else has taken over charge of the work. In handing over the charge of work he should explain carefully to the new incumbent all the Instructions, familiarise him with the specification and shops and ensure that the work will go on smoothly without any break. When he hands over charge he

should send the following declaration duly signed to the Price Supervisor, the State Authority and the Director, Labour Bureau, Simla-4.

"I have handed over charge of price collection work to Shri .....with effect from ..... I have handed over all relevant records, Instructions, etc., relating to the price collection work to Shri..... I have also explained to him the methods of price collection and have familiarised him with the selected and reserved shops, specifications, etc."

Similarly, when a new Price Collector takes over the work at a particular centre, he should send the following declaration duly signed to the Price Supervisor, State Authority and the Director, Labour Bureau, Simla-4.

"I cartify that I have duly taken over charge of the price collection work at .....from Shri..... with effect from.....I have received all relevant records, instruction, etc., relating to the price collection work. I have fully understood the methods of price collection work and have familiarised myself with the selected and reserved shops, specifications, etc.".

Copies of the above charge-reports sent to the Labour Bureau should be in duplicate.

5.2. The price collection work is a part of the official duties of the Price Collector and any negligence in this work will be treated as negligence of official duties.

Summary of Instructions for Price Collection work

1. Two quotations should be furnished for every item except when (a) only one shop/outlet has been prescribed or (b) it has been possible to obtain only one quotation. If it is (a), dash (—) should be entered in place of second quotation and if it is (b), "N.A." should be entered.

2. First, an attempt should be made to collect the quotations *for the prescribed variety* from (a) selected shops, (b) failing that from reserved shops and (c) if not available in reserved shops also from any other shop in the market.

3. If quotations cannot be collected for the prescribed variety as in (2) above, attempt should be made to collect quotations for a *substitute variety equivalent in quality* to the prescribed

variety. In collecting such quotations preference should again be given (i) first to selected shops, (ii) then to reserved shops and (iii) lastly to any other shops in the market. While furnishing such quotations, the specifications given in the return should be corrected to indicate the details of the substitute variety, the quotation of the substitute variety for the preceding week should be given in the Remarks Column and the words "Instruction 3.231" should also be entered in the Remarks-Column.

4. If quotations cannot be collected even for an equivalent variety [as in (3) above], attempt should be made to collect quotations for a substitute variety popular with working classes but somewhat *different* in quality from the prescribed variety. Here again preference should be given to collection of such quotations from (i) firstly, selected shops, (ii) secondly, reserved shops and (iii) lastly, any other shops in the market. While furnishing such quotations, the specifications given in the return should be corrected to indicate the details of the substitute variety, the quotation of the substitute variety for the preceding week should be given in the Remarks-Column, the words "Instruction 3.232" should be entered in the Remarks-Column and wherever possible, the percentage difference in price (between the prescribed variety and the newly substituted one) accounted for by quality-difference should be furnished.

5. If all attempts to collect the quotations as in (2), (3) and (4) fail, the words "N.A." should be entered in the columns for quotations and the words "Instruction 3.233" entered in the Remarks-Column. This contingency will arise when the commodity itself has gone out of market or is not available in saleable quantity.

6. If the prescribed variety appears again in the market, after disappearance for some period, quotations should again start to be furnished for the prescribed variety only.

7. The quotations should generally be furnished for the units (per seer, per cake, etc.) or dimensions (5 yds. x 44", 34" width, etc.) prescribed in the return. When there is any change in this unit or dimensions, necessary corrections should be made in the return itself and wherever necessary the equivalence of the new unit to the prescribed unit given in the return itself.

8. When quotations have been collected for the prescribed or equivalent variety and for the prescribed unit, attempt should

be made to explain *large variations* in prices, if any [say (a) between the two quotations for the same week, (b) between the quotations of previous week and current week and (c) between quotations of two markets] in the Remarks-Column of the return itself so that the reasons for such differences are known and no further correspondence is required. In cases of standard items like Bata-shoes, life-buoy soap, etc. even small variations in quotations should be scrutinised and necessary reasons for such variations given in the return itself.

9. For seasonal items (e.g., vegetables and fruits) quotations should be reported in accordance with the monthly chart prescribed by the Labour Bureau. If an item features in the chart in a particular month, even though it might have become scarce, its quotations should be obtained from some shops where it may be available in limited stock and reported in the relevant price returns.

10. Quotations should be collected with an intelligent appraisal of the general market behaviour and purchasing habits of the working class population. In particular, necessary details required when system of distribution through fair-price/ration shops is in operation should regularly be furnished.

11. All quotations should be furnished in terms of Rupees and Naye Paise.

12. All quotations should include sales tax and other local taxes charged to the purchasers.

13. Each price return should be despatched singly (not in a batch of 3/4 returns together) within four days of the price collection day.

14. All references received from Labour Bureau, Price Supervisors, etc., should be attended to promptly and necessary clarifications should be furnished within 7 days of the receipt of the reference.

APPENDIX III

WORKING CLASS CONSUMER PRICE INDEX NUMBERS SCHEME

MANUAL FOR PRICE SUPERVISORS

1. *Purpose of price collection data*

The retail prices are being collected with a view to building up new series of Consumer Price Index Numbers for the working class and these consumer price index numbers are intended to measure the changes in the average retail prices of a fixed basket of goods and services as paid by the working class families at a centre from month to month.

2. *Price Collection Machinery*

Initial details, like selection of centres, choice of markets, fixation of shops or sources for price collection, fixation of price collection day, drawing up of the list of goods and services, etc., have been laid down by the Labour Bureau in collaboration with the State Authority concerned in order to initiate the price collection work on a set pattern. At each of the selected centres Price Collectors have been appointed and their work is being supervised by Supervisors appointed for the purpose.

3. *Functions of Price Supervisor*

The primary duty of the Price Supervisor is to ensure that prices are collected correctly, methodically and continuously in accordance with the detailed procedures laid down in the Manual of Instructions for Price Collection. The Price Supervisor is to discharge this function through:

a) Close scrutiny of each weekly price return furnished by the Price Collector;
b) periodical personal visits to the markets for spot-checking of prices;

c) keeping a close watch over general market developments and suggesting re-orientation of price collection work, as necessary;
d) performing some administrative and allied duties for ensuring regularity and continuity of price collection work.

In the following paragraphs broad procedures are laid down for each of the above.

3.1. *Scrutiny of Returns*

In the Manual of Instructions for Price Collection it has been laid down that the Price Collector will forward a copy of the price return to the Price Supervisor within 4 days of the price collection day. As soon as the Price Supervisor receives the copy of the return, he may immediately scrutinise it personally in the light of the requirements laid down in the Manual of Instructions for Price Collection. Some general types of deficiencies which are usually found in the price-returns are mentioned below for the guidance of the Price Supervisors:

a) Large variations between the two quotations for the same item, from the same market and for the same week without any assignable reasons;

b) Large variation between quotations of a particular item from a particular market between two consecutive weeks without any assignable reasons;

c) Large variations in the quotations reported for the same grade and variety of a commodity from the different markets of a particular centre in a particular week without any assignable reason;

d) Indication of dash (—) or "N.A." against a large number of items or furnishing of just one quotation for some items without explaining the position;

e) Whenever prices are reported for a substitute variety other than the selected original variety, the required details, e.g. the reasons for the disappearence, whether the disappearance is considered to be temporary, seasonal or for an indefinite period, the comparative price of the substitute and the originally selected variety during the preceding four weeks (or at least one week), whether substitute variety is comparable in quality or not, if not comparable what percentage of the price-

difference is accounted for by quality-difference, etc., are not often furnished according to procedures laid down in para 3.23 of the Manual of Instructions;

f) The problem of substitution of clothing varieties in particular seems to be acute in most of the centres. This problem is not often properly tackled by Price Collectors in accordance with the Instructions laid down in paras 3.23, 3.231, 3.232 of the Manual of Instructions;

g) According to para 3.62 of the Manual of Instructions, a note regarding introduction of rationing, distribution through fair price shops, etc. is required whenever such occasion arises and changes are to be intimated thereafter. This is not being done usually.

3.11. As regards large variations in price quotations [points (a), (b) & (c) of the earlier paragraph], the Price Supervisor has to keep in view that normal price variations will always occur and should be reflected in the consumer price index numbers but what should be avoided is spurious price variations due to extraneous factors, e.g. quality-change, change in the unit of price-quotations and dimensions in the cases of clothing articles, inaccuracy of quotations, etc. which do not reflect real price-changes. It is not the idea that large price-variations should be completely avoided; what is intended is that cases of large price-variations should be closely scrutinised in order to ensure that such variations are real and not fortuitous, because it is the general experience that very often price-variations of a large magnitude are caused by some extraneous factors of the type mentioned earlier. The question of quality-change in particular deserves special attention. It will be seen that in the Manual of Instructions for Price Collection a good deal of emphasis has been laid on the fact that the price-quotations should conform to the prescribed quality as far as practicable. The Price Supervisor may constantly impress this aspect on the Price Collectors and ensure that they resort to furnishing prices of a non-comparable substitute only after exhausting all possibilities for collecting prices of prescribed or equivalent quality.

3.112. Reasons for large price-variations are enquired into in order to ensure that the quotations are not subject to extraneous elements mentioned earlier. When such extraneous elements are unavoidable in a particular quotation, additional details (e.g.

in the case of quality-change, past quotations and an approximate percentage of price-difference accounted for by quality-change, etc.) are required to be furnished. These additional details have been laid down in the Manual of Price Collection and more specifically in the standard Scrutiny-Note issued by the Bureau. These additional details enable the Labour Bureau to adjust the relevant quotation suitably through special techniques so that the adjusted quotation can be utilised along with others in the compilation of consumer price index number and there is no loss of quotations. Hence it is very necessary that the quotations subject to unavoidable extraneous factors are specially indicated in the return itself and additional particulars, as required, are also furnished in the return itself in order to avoid further correspodence on such quotations. The Price Supervisor may specially keep in view this aspect.

3.113. Another special type of price-variation is found to arise in cases of centres where prices are collected by different Price Collectors from different markets. In the price collection form, the same specifications of commodities have generally been laid down for all the markets of a centre and hence quotations reported from different markets for the same item are expected to relate to the same quality. However, it is noticed that sometimes different Price Collectors, reporting prices from different markets of the same centre, are not able to identify the same quality of the item on the basis of the specifications laid down for the same and hence price-quotations reported from different markets are subject to marked quality-differences and record large inter-market variations, which are not real and hence should not enter in the index. Such situations are to be resolved by the Price Supervisor by effecting a proper co-ordination of work among different Price Collectors and by suitably training them so that all the Price Collectors are able to identify the same quality uniquely and only real inter-market differences are reflected by the quotations. To ensure that variations in prices of the same item reported from different markets are real and not due to extraneous factors, particularly when there is more than one Price Collector at a centre, is a special responsibility of the Price Supervisor and he may personally attend to this matter. It may be clarified that in some items real inter-market price-differences of a relatively large magni-

tude may exist due to special reasons. When the Price Supervisor confirms the existence of such large inter-market differences and indicates special reasons for the same, the Labour Bureau will keep them in view in scrutinising the returns in future.

3.114. In the light of the above requirements, the Price Supervisor is to scrutinise all cases of large variations in price quotations as soon as he receives the returns for a particular week and remedy the defects in price quotations and/or furnish additional details required, to the extent possible. If some quotations are to be investigated into further, he may issue instructions to that effect to the Price Collector concerned. All these points are to be included in Price Supervisor's Scrutiny Report, as laid down in para 3.16 later.

3.12. As regards cases where a remark "N.A." is furnished by the Price Collector in the return [vide point (d) of para 3.1 above], the Price Supervisor has to ensure that the commodity has really gone out of the market completely. It will be seen from the Manual of Instructions that unless the commodity itself has completely gone out of the market, two quotations should generally be furnished. In this matter the order of priority laid down is that quotations should be furnished (a) for selected specification, (b) for another specification equivalent or comparable in quality with the selected specification [if (a) is not possible] and (c) for any other specification [if (b) also is not possible]; and for each of these contingencies the order of priority laid down for shops is that quotations should be furnished (a) from selected shops, (b) from reserved shops [if (a) is not possible] and (c) from other shops in the market [if (b) also is not possible]. It is felt that in some cases the Price Collectors do not exhaust all these procedures for pricing the article before entering the remark "N.A.". This seems to be particularly true in the cases of clothing articles where substitution-problems arise more frequently. It is, therefore, necessary for the Price Supervisor to scrutinise such entries and satisfy himself about the same and also ensure that instructions 3.233 is quoted in the Remarks-column along with the entry of "N.A.". The Price Collectors may be instructed not to enter dash (—) in such cases. Dash (—) should be entered in returns when it has already been decided that the relevant price quotation is not be furnished, e.g. in cases where quotations are required

to be furnished only during the last week of a month and not every week, in cases where some quotations are not required from particular markets, in cases where only one shop has been selected, etc.

3.13. As regards the problem of substitution [vide points (e) and (f) of para 3.1], a good deal of responsibility behoves on the Price Supervisors. All substitutions are required to be done in an objective way after completing the necessary investigations as outlined in the Manual. The Price Supervisor has generally to ensure, firstly, that the substitutions for the selected specifications made during a week were necessary; secondly, that the substitutions were done correctly; and thirdly, all necessary details have been shown in the return. The Price Supervisor will have to tackle these problems mainly during his personal visits to the markets, as discussed later.

3.14. As regards (g) of para 3.1 above, the Bureau has issued a circular laying down a proforma in which the required information is to be furnished regularly along with the last return of each month. This being an important matter, it will be desirable if the Price Supervisor attends to it personally, as far as possible.

3.15. In paras 3.11 to 3.14 some of the more important aspects of price collection work requiring special attention of the Price Supervisor while scrutinising the returns have been discussed. There are many other aspects which the Supervisor has to keep in view in the light of the Manual of Instructions of Price Collection. For example, he has to ensure that when quotations are collected from shops other than selected or reserved ones, the names of the shops are furnished; when units change, the new unit and its equivalence to standard unit are furnished, etc. In fact, a close familiarity with the Manual of Instructions for Price Collection is essential on the part of the Supervisor for scrutinising the returns properly.

3.16. A particular return is to be scrutinised by the Price Supervisor generally within 7 days of the receipt of the same and a scrutiny-report is to be furnished by him immediately to the Director, Labour Bureau, Kennedy House, Simla-4, with copies endorsed to the State Authority and the Price Collector concerned. The Report should cover the defects noticed, corrections in the return to be made, additional details which were

omitted in the return, instructions issued to the Price Collector, etc. If some of the points have been referred to the Price Collector, a copy of the letter addressed to the Price Collector may be enclosed with the Report. In case there are no points in connection with a return for a particular week, a "Nil" Report may be sent for the information and guidance of the Labour Bureau. *The Scrutiny Report of the Price Supervisor in respect of a return for a particular week should generally reach the Labour Bureau within a fortnight of the price collection day.*

3.17. The manner in which the price returns are to be scrutinised has been discussed at considerable length in the above paragraphs in order to bring out the basic logic of the price collection techniques. In actual practice, the scrutiny of price returns is a simple process and does not entail much time, as the Price Supervisor will find after scrutinising a few returns.

3.2. *Periodical personal visits to the markets for spot-checking of prices.*

3.21. In the earlier section, some of the basic principles behind the retail price collection work have been discussed broadly and some of the common defects to be checked in this work indicated. While regular scrutiny of the price returns and pointing out defects to the Price Collectors concerned is a necessary condition for ensuring the quality of the price data, this alone is not a sufficient condition. The Price Supervisors have to follow up such scrutiny by periodical personal visits to the markets for inspecting the quality of work being done by the Price Collectors and for imparting necessary practical guidance and training to them. In fact, the main object behind the institution of Price Supervisors at the various centres is that being responsible Officers located at the price-collection-centres or nearby centres, they would be able to exercise personal control over the price-collection work through spot-checks, inspections, investigations, etc. *It is, therefore, necessary that the Price Supervisors should personally visit each of the markets under their charge at least once in a month for inspecting the price collection work.* Usually these visits may be made with the knowledge of the concerned Price Collectors, who may even accompany the Price Supervisors, and it will be useful to make it a general

practice, as far as practicable, that such personal visits are made by the Price Supervisor on the last weekly price collection day of a month. However, there should be at least one surprise visit during each quarter, in which case the Price Supervisor, without the knowledge of Price Collectors and unaccompanied by them, will directly go to the market and verify the quality of work being done by the Price Collectors. The dates of such surprise visits may be chosen by the Price Supervisor himself but preferably they should be dates immediately next to a price collection day for providing a close check on the prices collected by the Price Collectors on the previous day. The usual visits (i.e. those which are not surprise visits) may or may not be made during the month in which a surprise visit is made according to the discretion of the Supervisor. Thus, in a year there should be at least 12 personal inspections of a Price Supervisor in respect of each market under his charge—four of which should be surprise visits spaced at intervals of approximately 3 months. Regular reports on such visits are to be furnished to the State Authority and the Director, Labour Bureau, as indicated later.

3.22. The usual monthly visits may be mainly directed towards rectifying all the outstanding discrepancies and defects noticed in the earlier returns and imparting practical training and guidance to the Price Collectors concerned. More specifically, the Price Supervisor may attend to the following during such visits:

(a) He may investigate into all the outstanding points (including abnormal inter-market variations in prices) in respect of prices reported for earlier weeks, either noticed by him while scrutinising the returns or referred to by the Labour Bureau, and collect the requisite information for settling those points.

(b) He may watch the procedures followed by the Price Collector in collecting prices for a few items and correct him, wherever necessary.

(c) He may directly help the Price Collector in selecting substitutes for 2/3 colthing items (a different set of items being chosen each time). This will ensure that correct substitutes, whenever the occasion arises, are taken in price collection work.

(d) He may develop personal contacts with the shop-keepers (of the selected and reserved shops) so that they give full co-operation to the Price Collector and also furnish correct quotations without any reservation.

(e) He may independently collect the prices of some 10/15 items (a different set being taken each time) from shops other than the selected and reserved shops, check them up with those collected by the Price Collector from the selected and reserved shops and thus verify the accuracy of the quotations and remedy the defects, if any. It will be helpful if such information with Supervisor's brief observations are also conveyed to the Labour Bureau from time to time.

(f) He may look into the difficulties, if any, being experienced by the Price Collectors and take necessary steps to remedy the same.

At centres where more than one Price Collector collects prices from different markets, it will be very useful if the Price Supervisor so arranges that once in 3 to 4 months all the Price Collectors for a centre are taken by him together to each market so that the Price Collectors can critically observe the techniques followed and qualities priced by one another. During such visits the exact varieties to be priced may be identified in each market in the light of quality-specifications laid down in the price-return, so that unreal inter-market differences in quotations may be avoided. These visits will go a long way in establishing uniform and correct standards of reporting prices from different markets of a centre.

3.23. The surprise visits will have an added objective of assessing whether the Price Collectors have been doing their work honestly, regularly and according to prescribed procedures. During such visits the Price Supervisors may, therefore, attend to the following:

(a) He may investigate into all the outstanding points in respect of prices reported for earlier weeks and collect the requisite information for settling those points.

(b) He may make discreet enquiries from some 10/15 selected shops (a different list of shops being taken up each time)

whether the Price Collector has been visiting them regularly every week for obtaining prices.

(c) He may collect prices from the above shops for the relevant items, compare them with those reported by the Price Collector in the return for the nearest price-collection-day and thus have an assessment of the correctness of the prices reported.

(d) He may pick up a few items for which the Price Collector had reported either "N.A." (not available) or had reported prices of substitute varieties in the last return, available with the Supervisor on the date of the visit, and make necessary enquiries from the market whether the reporting was correct.

(e) He may investigate into any other aspect of price collection work which he considers necessary.

Whatever defects emerge from these surprise visits may be discussed by the Supervisors with the Price Collectors concerned with a view to understanding their difficulties, if any, and improving matters in future. If, however, repeated and gross negligence is found on the part of a Price Collector, the Supervisor may recommend to the State Authority and the Labour Bureau suitable action to be taken.

3.24. *After each visit (usual visits as well as surprise visits), the Price Supervisor will send a detailed report, covering all the findings particularly in regard to the above points to the Director, Labour Bureau and to the State Authority.* In these reports, the exact details may be mentioned, e.g. the names of items and their prices collected by the Price Supervisor, the names of shops visited, the names of items for which substitutes were selected, etc. This report may be sent within a week of the visit. As mentioned earlier, at least one report will be expected every month in respect of each market.

3.3. *Keeping a close watch over general market developments and judging the quality of the price-data in the light of of the same*:

3.31. Through scrutiny of returns and periodical personal visits to the markets, the Price Supervisor will gain a close

familiarity with the behaviour of prices and markets under his charge. In addition, it is necessary for him to keep himself fully abreast of the general developments in this field as well as in respect of purchasing habits of the local working class population, so that he is able to anticipate new situations and suggest re-orientation of the price-collection-work in such situations when they occur. As an illustration, when fair-price-shops/ ration shops are introduced at a centre or when new types of shops (say, co-operative stores) start catering to the needs of an appreciable proportion of the working class population or when new markets for working classes grow up, the Price Supervisor is to suggest to the Labour Bureau steps for taking into account the new situations keeping in view the general requirements laid down in the Manual of Instructions for Price Collection. Similarly, when transactions start taking place in Metric System of Weights and Measures to a large extent, he is to suggest necessary changes in the units of price-quotations. Also, when the situation so warrants, he may make proposals for replacement of shops (selected or reserved) or qualities being priced though it has to be kept in view that frequent changes in shops or qualities are not desirable and should not be made except for very definite reasons, e.g. shop or quality (as denoted by the specifications) becoming unrepresentative or ceasing to exist altogether. An indication of the need for replacement of the prescribed quality will be available when the Price Collector goes on furnishing prices of a substitute variety of a different quality in the returns continuously for a long time, say for more than 3 months. Apart from making proposals on the above points as and when a definite need arises, the Price Supervisor will make a general review once in a year, as laid down later.

3.32. One point which may be clarified in this connection is that specifications laid down in the return are indication of quality and not always the quality itself. For instance, in the case of clothing articles, the name of the manufacturing mill, the number of the cloth, etc., including in the specifications are intended to fix the quality but several other specifications (e.g. other varieties manufactured by the same or other mills) can also represent the same quality. So, disappearance of a specification should be clearly distinguished from disappearance of the quality. If the specification (i.e. the prescribed variety) goes out

of the market, the Price Collector will himself automatically try to select another specification conforming to the same quality, quote its prices and furnish necessary details, as laid down. If, however, the quality itself disappears or becomes unrepresentative, it becomes a more general problem and has to be attended to by the Price Supervisor himself, as indicated in the previous paragraph. The disappearance of specifications is common and frequent occurrence in the case of clothing items. The Price Collectors will no doubt make necessary substitutions, etc., in the prescribed manner in furnishing prices from week to week, but in order to ensure that this is done correctly, it has been laid down in para 3.22 that during his monthly visits, the Price Supervisor himself will select substitutes for 2/3 clothing items. Besides doing this, it will be for the Price Supervisor to review the specifications of all the clothing items and any other item for which substitution problems have been acutely felt once in a year, i.e. at the end of each calendar year. On the basis of this review, the Price Supervisor will suggest substitute specifications, wherever necessary, for adoption in the future price collection work. In selecting a substitute specification, the considerations to be kept in view are: (i) the substitute specification is generally available in all the markets, (ii) conforms to the same quality as represented by the original specification and (iii) it is commonly purchased by the working classes.

3.33. At the end of each calendar year, the Price Supervisor will make a general review of each centre/markets under his charge and send an Annual Report to the Labour Bureau and the State Authority covering *inter alia* the following points with his suggestions on each:

(a) Whether any new situation (e.g. coming into existence of new markets, new types of stores etc.) has developed or is likely to develop in the near future needing any re-orientation of price collection work;

(b) Whether any change is needed (indicating reasons therefor) in the list of selected or reserved shops;

(c) Whether any change is needed (indicating reasons therefor) in the qualities;

(d) Whether any change is needed in the units of price-quotations;

(e) Whether any change is needed in the specifications.

This Annual Report will be furnished by the Price Supervisor at the close of each calendar year so as to reach the Labour Bureau by 15 January of the next year. After examining the suggestions made in this Annual Report, the Labour Bureau will intimate what changes are to be introduced in the price collection work.

3.4. *Performing some administrative and allied duties for ensuring regularity and continuity of price collection work.*

3.41. The Price Supervisor has to ensure that the price collection work at markets under his charge goes on smoothly, methodically and continuously from week to week. For this purpose, he has to attend to certain administrative and allied matters, the more important of which are discussed in the following paragraphs.

3.42. The Price Collector for a market may sometimes proceed on leave or may fall sick and hence unable to do his work on a particular price collection day. In such cases it will be for the Price Supervisor to ensure that there is no gap in the price collection work. If he comes to know sufficiently in advance of the likelihood of such contingencies (say, in case the Price Collector applies for leave), he may suggest suitable alternative arrangements to the State Authority and the Labour Bureau beforehand. Otherwise, he may make necessary local arrangements.

3.43. There may be changes in price-collection personnel. For example, a Price Collector may be transferred or may resign or may proceed on long leave in which case a new person will take over his place. It will be the responsibility of the Price Supervisor to give necessary training to the new Price Collector and to familiarise him with all the details of price collection work, so that the work proceeds smoothly without any dislocation. Of course, if it is possible to do so, the Price Supervisor may so arrange that the new Price Collector works for some time with the old incumbent before the latter relinquishes charge. Whenever, any change in the price collection personnel takes place, the Supervisor will forward the reports on the handing over and taking over charge, in the proforma laid down in the Manual of Instructions for Price Collection. Before doing

this the Price Supervisor may ensure that all records, unused stamps and forms, etc., are duly transferred.

3.44. The Price Supervisor may ensure that the Price Collector maintains all his records properly and up-to-date. Separate files are to be maintained by the Price Collector for copies of weekly returns, correspondence with the Labour Bureau, Price Supervisor and the Statistics Authority and a file on Instructions received including extracts of important Instructions from the correspondence File. The Price Supervisor may also ensure that regular accounts of stamps and forms are kept by the Price Collector and requisitions for more stamps or forms are sent in good time on the basis of such accounts.

3.45. The Price Supervisor may ensure that the Price Collector forward the copies of each return according to the procedures and time-schedule laid down in the Manual of Instructions for Price Collection and no arrears accumulate in this respect. The Price Supervisor has also to ensure that references made by the Labour Bureau, etc., to the Price Collector are promptly attended to and replies covering all the points are sent generally within a week of the receipt of the reference.

3.46. When there is a change in the Price Supervisor at a centre, the outgoing Price Supervisor will send the necessary intimation to the State Authority and the Labour Bureau before making over charge. The outgoing Price Supervisor will also hand over all papers, records, etc., to his successor and will explain fully the nature of work, the periodical reports to be furnished, etc., to his successor so that the supervision work proceeds without any dislocation.

4. SUMMARY

4.1. To summarise, the Price Supervisor has to discharge the following functions:

a) The Price Supervisor is to scrutinise each price return within 7 days of its receipt from the Price Collector and immediately send his scrutiny Report to the Labour Bureau.

b) The Price Supervisor is to visit each market under his charge personally at least once in a month to check up the price collection work and send his monthly reports on such visits to the Labour Bureau.

c) At the end of each calendar year, the Price Supervisor is to make a general review of the whole system of price collection work at each market and send his annual report to the Labour Bureau containing suggestions for changes and improvements. This Report is to reach the Labour Bureau by 15 January of every year.

d) The Price Supervisor is to impart training and guidance to the Price Collectors so that the work is carried on scientifically and in accordance with the requirements laid down in the Manual of Instructions for Price Collection.

e) The Price Supervisor is to ensure that the price collection work at each market under his charge goes on smoothly, methodically and continuously week after week without any break. He is also to ensure that all records, etc., are maintained properly and there is no dislocation when any change in the personnel occurs.

5. SECURITY OF EMPLOYMENT —SOME QUESTIONS

At the 21st session of the Standing Labour Committee, an important item on agenda was "Certain Questions relating to Security of Employment". Although the discussions on the subject in the Committee were too general, a very detailed memorandum on it was circulated by the Ministry. There were no conclusions on the points raised in the memorandum beyond those reached on the proposal of the Madras Government for legislation to regulate termination of employment of individuals in industrial establishments. The Madras Government proposal was not agreed to, because of opposition from certain other State Governments as well as the INTUC and HMS. (See conclusions of the Committee on item 2(i) and item 3—page 2). Since the note circulated on the subject is of general interest, it is being published below.

—EDITOR.

CERTAIN QUESTIONS RELATING TO SECURITY OF EMPLOYMENT

Memorandum prepared by the Ministry of Labour and Employment

The 20th Session of the Standing Labour Committee (New Delhi, 17 October 1962) considered the item 'Security of Employment and Sanction behind the Tripartite Decisions' which was suggested by the Indian National Trade Union Congress. A copy of the memorandum submitted by the I.N.T.U.C. circulated at the last S.L.C. is at Annexure I. The comments of the Employers' Federation of India on the memorandum is at Annexure II. There was an exchance of views on the subject, but no specific conclusions were reached at the meeting of the Standing Labour Committee. It was, however, agreed that the subject should be considered further, and in the meanwhile,

the magnitude of the problem might be studied. In pursuance of that, comments on the memorandum prepared by the I.N.T.U.C. were invited from the State Governments, employing Ministries of the Central Government and the Central Organisations of Employers and Workers.

2. The main points raised in the memorandum prepared by the INTUC are as follows:—

(i) Fixation of time-limit for completion of enquiry proceedings and payment of subsistence allowance during the suspension period.

(ii) Withdrawal of the right of management to enquiry into the conduct of the employees (dual role of the employers as prosecutor and the judge).

(iii) Enhancing powers of Tribunals so as to enable them to go into the merits of cases of dismissals and discharges and also to decide the appropriateness of the punishment and if necessary, to modify the employer's decision.

(iv) Discharge/termination of service without assigning any reason.

(v) Direct approach to Industrial Tribunals by workmen;

(vi) Placing the burden of proof about the misconduct of a workman on the employer.

(vii) Standing machinery to scrutinise all cases of retrenchment.

(viii) Steps to check premature retirement by correct recording of age of a workman.

A separate memorandum (Item No. 2 (i) in the agenda) has been circulated in regard to item No. (ii) above.

In regard to item (v) the Madras Government have proposed that the individual workers may be allowed to approach direct a Labour Court or a Tribunal against the order for his termination of employment. They have forwarded a memorandum proposing a separate legislation for implementing this proposal. This memorandum has been included in the agenda as item No. 3.

The comments of the various interests received on the points mentioned above have been briefly summarised item-wise in Annexure III to IX.

The Standing Labour Committee may cosnider the views expressed by the various interests and recommend whether any amendment of the Industrial Disputes Act, 1947 is called for in this regard.

ANNEXURE–I

SECURITY OF EMPLOYMENT AND SANCTION BEHIND THE TRIPARTITE DECISIONS

MEMORANDUM PREPARED BY THE INDIAN NATIONAL TRADE UNION CONGRESS

Security of employment is of fundamental importance to all workers. It is therefore a primary duty of all genuine trade unions to protect this right. Demands for wage-increase and bonus, important as they are, take their precedence only after the demand for security of employment is satisfied. While all other demands have their varying frequencies, the demand for security of employment is a continuous one, as the danger to the security of employment can crop up at any moment. This problem therefore calls for unceasing vigil and unhesitating action.

The danger to security of employment either of groups or individuals comes from many directions. The reasons advanced are also many, and often the reasons put down on paper may not be the real reasons. One thing, however, is clear, that where there is a constant danger to the security of employment in any undertaking, the labour-management relations in that undertaking would be highly and permanently strained, leading in turn to poor productivity.

THE DIFFERENT FORMS

The threat to security of employment comes in different forms. Indefinite suspension pending enquiry, victimisation for trade union and/or other activities or reasons, discharge which may mean anything from punishment to simple termination, dismissal for 'misconduct', retrenchment in the name of surplus, premature retirement, and even closure of the plant temporarily are some of these forms. It will be the task of every bonafide

trade union to meet this threat effectively; or where it becomes inevitable to gently slope the process so that the sting is the least on the worker affected by getting him adequate monetary relief. But the effort must always be to put up the worker back on his job. This can be done in deserving cases by negotiations across this table where the labour-management relations are good. But where the relations are good such incidence is rare. And where labour-management relations are not so good, the union will be forced to seek the aid of law to get the worker justice. And it is here its troubles begin.

THE LAW IS DEFFECTIVE

The law, as it stands today, is extremely defective. Let us take the first in the list, viz., 'suspension pending enquiry'. There is no time limit within which period management is required to complete its enquiry. It may go on in a leisurely manner, and where the intention is to victimise, the enquiry will be almost never-ending. It is therefore necessary to have time-limit for this process—which is often a formality and a farce, alongwith a provision for payment of subsistence allowance for the period of such suspension.

THE DOCTRINE OF DOMESTIC TRIBUNAL

The doctrine of domestic tribunal, viz., the management sitting as the judge and enquiring into the conduct of the workers is rather outmoded. This might have been justified some decades back when the law of master and servant ruled the relations between an employer and employed. But with the progress registered in labour-management relations, and with our having come to regard labour as a partner in industry, with a right conceded to labour to participate in the management of industry, the doctrine of domestic tribunal, conferring the right on the management to enquire into the conduct of the workers does not fit in. How can one partner sit in judgment over the conduct of the other partner? If this is allowed how can such partnership function smoothy?

The enquiry by the management will be found to be also incongruous if we look at it with a legal eye. The management after all is as much a party to the dispute as the worker himself.

If the management has a complaint against the worker, it is possible the worker too has a complaint against the management. In short both are parties to the same dispute as complainant and opponent or as petitioner and respondent. How can then one party be allowed to usurp the position of a judge? In all cases of punitive action against the workers, it is the management that makes the accusation. And when it starts enquiring into the conduct of the accused, it becomes a judge. How can there be justice when the prosecutor is allowed to become the judge too?

To balance this state of affairs, will a similar right be given to the workers when they have a charge against the management? Surely there will be loud protests from the managements.

If we allow management which charge-sheets a worker to become the judge as well as the executioner, how will it fit in with the principles of natural justice? Yet if such an enquiry is not held by the management, that is also held to be a violation of the principles of natural justice.

In the case of enlightened and fair minded management, this right conferred on the management may not be susceptible to much damage. But such managements are few and in their case this symptom of unhealthy industrial relations will not be there at all. It is only in the other cases, where the management is not so good and where the disease is rampant and where the worker needs the maximum protection, that this right of being the prosecutor, judge and executioner being combined in the management is capable of maximum damage. And it is here that we need an effective remedial action.

DIRECT APPROACH TO INDUSTRIAL TRIBUNAL BY INDIVIDUAL WORKERS IS DENIED

As law stands today, there is no scope for a workman, as a matter of right, to approach the Industrial Tribunal challenging the validity of action taken by management in respect of termination of service either of so-called misconduct or for any other reason. The workman concerned therefore has to raise the dispute through the union and the discretion rests with the Government to refer the said dispute to adjudication. This denial of right to individual workers place the management on

an advantageous position which often sought them to resort to unlawful action.

THE DOUBLE ROLE OF EMPLOYERS

As the law stands today, management is bound to hold an enquiry, i.e. by law the management is required to act both as complainant and judge. Having required him to play this dangerous double role, courts say that they would not interfere with the findings of the management unless there is a proved case of victimisation, perverse findings of fact, or violation of the principles of natural justice. Victimisation can only be experienced by the person concerned and cannot be proved in any court of law. Managements will take care to give some other reason on record. As regards not violating the principles of natural justice as required by courts, all that is required of the employer is to give an opportunity for explaining the circumstances alleged against the worker and to hold an enquiry, which is exactly the process objected on the self-same ground of violation of principles of natural justice as it would make the prosecutor, the judge.

TRIBUNAL SHOULD HAVE GREATER POWERS

Courts have also held that once the employer comes to a decision that the guilt is proved, it is for the management to choose the manner and measure of punishment and that courts should not substitute their own judgement to that of the management. The higher courts have only revisional jurisdiction, therefore, it prevents the workers to produce further evidence. In these circumstances how can there be security of employment?

It is a sound principle of justice that punishment awarded must bear some proportion to the crime, and if it is out of all proportion the court must have right to modify the punishment. The object of punishment should be to reform the offender and not to finish him on the slightest pretext. It must be remembered that every saint is a forgiven sinner, and there must be a substantial and genuine human approach in determining the punishment. The manner and measure of punishment are therefore very important to preserve industrial peace, but tribunals have been rendered powerless to suitably modify the punishment

imposed by employers even if they feel that the punishment imposed is excessive. The propriety of punishment is left with management and it is impossible to create a sense of security in the minds of the workers, if these conditions are not changed.

If therefore the present procedure of enquiry by management is to be retained, tribunals must act on their own and should completely ignore the employer's enquiry proceedings. Tribunals must be specially empowered by law to sit in judgment over the conduct of the employer, decide on the appropriateness of the punishment and be able to modify the employer's decision. And above all there should be no appeals or writs against decisions of tribunals in this regard as it will be functioning essentially in the realm of arbitration.

DISCHARGE WITHOUT ASSIGNING REASONS

Another source of danger to security of employment is the provision found in certain Standing Orders that an employer can discharge any workman by simply giving him a fortnight notice or wages in lieu of, without even assigning reasons thereof. Such a provision is extremely arbitrary, unsound and dangerous, and easily lends itself to misuse by the not-so-good employers. The Certifying Officers must therefore be instructed not to certify standing orders with such a provision.

BURDEN OF PROOF

It is against reason and logic to admit that the employer should be left out from the obligation to prove the validity of the accusation before inflicting any punishment and that the workers should prove their guiltlessness. This gives the employers the undue power to resort to victimisation of workers at their whims and fancies by fabricating cases. In all principle and natural justice the burden of proof should lie with the management.

RETRENCHMENT

It has been held that it is the management's function to determine the size of the labour-force to be employed. So if any management decides to cut down its labour force, nobody can question it. Even courts can only insist on the payment of com-

pensation if retrenchment had been effected among the junior-most. But in a planned economy, struggling hard to raise the volume of employment, the existing level of employment cannot be allowed to be tampered with by any management as it likes and thus allow it to dislocate the planned progress of the nation. All retrenchment proposals should therefore first go before a third party who will have to be satisfied before they can be implemented. There is no injury caused to managements because of this process. If the schemes are sound and necessary, no impartial third party will reject it. If on the other hand, the scheme is uncalled for and unsound, it is necessary it should be rejected. Therefore a standing machinery to study all cases of retrenchment, even when they are at the proposal stage, and permit or refuse permission to the schemes depending on merits is necessary.

PREMATURE RETIREMENT

Age-records of workers are not properly made out and maintained in many cases. It was only with the introduction of the P.F. Scheme and the E.S.I. Scheme that the workers were questioned about their age and they gave in most cases without a thought whatever figure that struck them at the moment. The age of superannuation was not fixed in those cases. But once it was fixed it was also necessary to check the accuracy of the age given for other purposes where age was not an important factor, and here it was just a case of filling in a column. Such a check up will help to avoid bitterness on account of premature retirement. Premature retirement will have to be avoided in the interest of both the worker and industry for the loss of the services of experienced and able-bodied workers is also a loss to the industry. For the workers, even where he can get a gratuity-cum-P.F. benefit, he would not like to be idle if he is fit, and to go about seeking employment again would be an avoidable difficulty to him.

TEMPORARY EMPLOYEES AT THE MERCY OF SUPERVISORS

In Government and Government of India undertakings, it is a common unfortunate feature that workers are not confirmed

or made permanent against their posts in spite of working consecutive years and they are for all practical purposes considered as temporary employees. The services of these temporary employees are liable to be terminated without assigning any reason. No appeal against such termination is entertained. This discretionary power of the officers is often used on employees who displease the superior officials. It is a matter of disappointment that such Civil Service Rules are not scrapped off in a democratic state as that of ours.

Thus looked at from any angle, the problem of security of employment is yet to be tackled satisfactorily. Particularly the legal provisions and procedures make the position more complicated and even paradoxical. Government owes it to the workers to look into this basic problem and remedy the defects without further loss of time.

ANNEXURE II

COMMENTS ON THE INTUC MEMORANDUM ON SECURITY OF EMPLOYMENT AND SANCTION BEHIND TRIPARTITE DICISIONS BY THE EMPLOYERS' FEDERATION OF INDIA

1. The INTUC has submitted a Memorandum on this subject in support of its suggestion to amend the Industrial Disputes Act 1947. The amendments to the Industrial Disputes Act 1947 suggested by the INTUC are intended to achieve the following objectives:

(1) To enable an individual workman directly to appeal to an Industrial Tribunal challenging the validity of his termination of services or dismissal for any reason without raising an industrial dispute through a Union.

(2) To enable Industrial Tribunals to hold a fresh enquiry *ignoring* the proceedings of the enquiry held by the employer and to sit in judgment over the decisions of the employer.

(3) To ensure that the decisions of Tribunals are not taken up to the High Courts by way of Writ proceedings or to the Supreme Court by way of Appeals with special leave.

(4) To ensure that no retrenchment takes place unless the retrenchment proposals are approved by an independent Standing Machinery.

2. In support of the suggestion to amend the Industrial Disputes Act 1947, the INTUC has advanced various arguments which proceed from a lack of understanding of the industrial law as it stands at present.

3. At the outset, it may be stated that the law relating to the powers of Industrial Tribunals to interfere with the decisions of the employer regarding the termination of services and dismissal of workmen is *not* based on the interpretation of any of the provisions of the Industrial Disputes Act. Therefore, the law as it stands is not the result of any defect or lacuna in the Act to justify an amendment of the same. The law is based on broad principles of justice and it was for the first time laid down by the Labour Appellate Tribunal (1951 II LLJ 314 B. & C. Mills vs. Their Workmen) and not by any High Court or the Supreme Court. The Labour Appellate Tribunal, taking note of the tendency of various Industrial Tribunals to give decisions which were not based on any principle but merely on their own ideas of what was right, laid down certain broad principles for the guidance of Tribunals. These principles were later accepted by the Supreme Court. In defining the powers of a Tribunal, the Labour Appellate Tribunal stated as follows:

"The power of the Management to direct its internal administration, which includes the enforcement of discipline of the personnel, cannot be denied; but with the emergence of modern concepts of social justice, that an employee should be protected against vindictive or capricious action on the part of the Management which may affect the security of his service, this power has to be subjected to certain restrictions but at the same time undue interference by a tribunal with administration and management should not be encouraged. The Management, with the knowledge and experience of the problems which confront it in the day-to-day working of the concern, ordinarily ought to have the right to decide what the appropriate punishment should be, but its decision is liable to be revised if the tribunal is of the opinion that the punishment 'is so unjust that remedy is called for in the interests of justice'. It must, however, be

remembered that it is essential that the matter should not be viewed altogether subjectively from the point of view only of the employer or employee but also objectively in the interest of industry for bringing about a harmony in the relationship between the two". (Page 318)

4. It is difficult to conceive of any valid objection to the policy enunciated by the Labour Appellate Tribunal. The present attempt of the INTUC is precisely to enjoin the tribunal to do what was discouraged by the Labour Appellate Tribunal, namely, "undue interference with administration and management". In this context, it is well to remember the view of a Bench of the Madras High Court that it would be wrong to allow a tribunal which does not run the hazards of industry and the survival of which is not threatened by industrial vicissitudes, to substitute its later and cold decision for a judgment to be taken by a management under anxiety and stress. (1962 II LLJ 99 at page 104).

5. The risk of allowing tribunals to arrive at a decision in industrial matters ignoring the decisions of the management and without any fear of appeal against their decisions has been very forcibly pointed out by the Supreme Court in the following words:

"It happens that when the safeguard of an appeal is not provided by law the tendency sometimes is to act in an arbitrary manner like a benevolent despot. Benevolent despotism, however, is foreign to a democratic Constitution. The members of the tribunal seem to have thought that having heard the statement of the case of the parties they could proceed to a judgment on their own view of its right or wrong unaided by any material. This kind of procedure to my mind is unwarranted by the statute and is foreign to a democratic Constitution." (1950 LLJ 921 @ 942).

6. We know of cases where the decisions of tribunals have been described by the Supreme Court as patently perverse. The question for consideration is whether even the very limited safeguard which now exists against perverse decisions should be taken away. As pointed out by the Supreme Court,

"An industrial dispute concerns the rights of employers and employees and its decision affects the terms of a contract of

service or the conditions of employment. Not only may the pecuniary liability of an employer be considerably affected by the adjudication of such disputes but it may even result in the imposition of punishments on him. It may adversely affect the employees as well. Adjudication of such a dispute affects valuable rights. The dispute and its result can always be translated in terms of money. The point for decision in the dispute usually is how much money has to pass out of the pocket of the employer to the pocket of the employee in one form or another and to what extent the right of freedom of contract stands modified to bring about industrial peace." (1950 LLJ 921 @ 931).

7. In deciding industrial disputes, considerations of social justice may arise but, as pointed out by the Supreme Court, "the concept of social justice does not emanate from the fanciful notions of any particular adjudicator but must be founded on a more solid foundation." (1955 I LLJ @ 6) It is clear that unless the broad principles on which industrial disputes should be settled are laid down for observance by Industrial Tribunals, the tendency for various concepts of social justice emanate from fanciful notions of different adjudicators cannot be controlled.

8. The tendency of tribunals to act like benevolent despots has been expressed very forcibly by the Supreme Court in the following words:

"Adjudicators and tribunals cannot act as benevolent despots and that is exactly what it comes to when an adjudicator, after setting out, correctly in our opinion, the Company's rights, holds against the union on the only grounds that it did raise and then proceeds to give an award, not only on grounds that are not raised but on grounds that fly in the face of the very principles that he enunciated; and that only because he felt that he was under a compulsion to 'safeguard' the workmen to 'a certain extent'." (1956 I LLJ 227 @ 232)

9. In the appeal before the Labour Appellate Tribunal in the above case, the appellant had contended that "the award of the learned adjudicator is quite arbitrary" and the Supreme Court found that "this, of course, is exactly what it was". In fact, the Supreme Court went to the extent of giving a clear finding in this case that "the adjudicator and the Labour Appellate Tribunal had adopted the attitude of benevolent despots

and have based their conclusions on irrelevant considerations and have ignored the real questions that arose for decision and the issues that arose out of the pleadings of the parties". (Page 234) The grave injustice that would have resulted in this case but for the very limited right of appeal to the Supreme Court needs no elaboration.

10. The INTUC, in its Memorandum, has attempted to create an impression that interference by the Supreme Court in appeals and the High Courts in Writ proceedings with the decisions of tribunals has threatened the security of employment of industrial workers. There is absolutely no justification for such a suggestion. The circumstances in which the Supreme Court or the High Courts will interfere under Article 136 or Article 226 of the Constitution are well-known. It is only in exceptional cases of grave miscarriage of justice or an error of law apparent on the face of the record that these Courts interfere with the decisions of tribunals. As pointed out by the Supreme Court in 1950 LLJ 927,

"In construing the Articles of the Constitution it has always to be remembered that India had been constituted into a sovereign democratic republic in order to ensure justice to all its citizens. In other words, the foundations of this republic have been laid on the bedrock of justice. To safeguard these foundations so that they may not be undermined by injustice occurring anywhere this court has been constituted. By Article 32 of the Constitution the court is empowered to see that the fundamental rights conferred on the citizens by the Constitution are not in any way affected. By Article 136 it has been given overriding power to grant special leave to appeal against orders of court and tribunals which go against the principles of natural justice and lead to grave miscarriage of justice." (Page 928)

"This court is not to substitute its decision for the determination of the tribunal when granting relief under Article 136. When it chooses to interfere in the exercise of these extraordinary powers, it does so because the tribunal has either exceeded its jurisdiction or has approached the questions referred to it in a manner which is likely to result in injustice and has adopted a procedure which runs counter to the well-established rules of natural justice. In other words, if it has denied a hearing to

a party or has refused to record its evidence or has acted in any other manner, in an arbitrary or despotic fashion, in such circumstances no question arises of this court constituting itself into a tribunal and assuming powers of settling a dispute. All that the court when it entertains an appeal would do is to quash an award and direct the tribunal to proceed within the powers conferred on it and to approach the adjudication of the dispute according to the principles of natural justice." (Page 935 and 936)

11. Can it be contended that the power that is now vested in the Supreme Court to interfere with decisions of tribunals when they act in an arbitrary or despotic fashion or when there has been a grave miscarriage of justice should be taken away leaving the field open to tribunals to act like "benevolent despots"?

12. The suggestion to amend the Industrial Disputes Act in order to enable individual employees to approach directly an appellate authority regarding their termination of employment or dismissal was discussed at the 17th Session of the Indian Labour Conference held in Madras in July 1959 and it was decided at that Conference that—

(a) Disputes relating to individual cases including dismissals should, as far as possible, be sponsored by a union.

(b) In the absence of a union to sponsor such cases, or the union concerned declining to sponsor them, the aggrieved individual might approach the Government conciliation machinery for redressal.

(c) The Government official authorised for the purpose should be empowered to refer such cases to a labour court for adjudication.

13. The conference further agreed that there should be careful screening of cases before these were referred for adjudication, and that the model principles approved by the Conference should be followed in making reference of disputes to adjudication. In the Model principles, the criteria for referring individual disputes to adjudication are the following:

"Industrial disputes raised in regard to individual cases, i.e., cases of dismissal, discharge or any action of management on disciplinary grounds, may be referred for adjudication when the legality or properiety of such action is questioned, and, in particular:

(i) if there is a case of victimisation or unafir labour practice,

(ii) if the Standing Orders in force or the principles of natural justice have not been followed, and

(iii) if the conciliation machinery reports that injustice has been done to the workman.

"*NOTE*: If there is prima facie evidence in the possession of the appropriate machinery to show that the workman concerned has committed a serious breach of the Code of Discipline, adjudication may ordinarily be refused."

14. The question now is: What are the circumstances which have occurred since the 17th Session of the Indian Labour Conference to justify a reversal or modification of these conclusions? If the conclusions of the Indian Labour Conference are to be respected, they ought not to be tampered with unless there are very valid grounds based on change in circumstances to warrant such a course. In 1959, the Employers' Federation of Southern India had occasion to collect data from its members regarding the number of workmen discharged or dismissed from their respective firms during the past two years for all causes other than retrenchment and, among these, the number of cases taken up to the Conciliation Officers and/or referred to adjudiction. The statistics so collected revealed that, out of 1260 cases of dismissals and discharges, only 340 were taken up to Conciliation Officers and that of these only 14 were referred to adjudiction. In the cases taken up to the Conciliation Officers, victimisation was alleged in only 43 cases out of 340 cases and these figures related to establishments in which the total number of workers employed was 57,474 and in which there were strong trade unions. If the suggestion of the INTUC to amend the Act is accepted, and given effect to, every single dismissed or discharged workman is likely to approach the authority with the result that a considerable amount of time of the authorities, the employers and in many cases the unions is bound to be wasted. That is perhaps the reason why the 17th Session of the Indian Labour Conference came to the conclusions referred to above. The proposal of the INTUC will have the disastrous effect of undermining discipline, as there can be little doubt that every case of dismissal or discharge will be the subject-matter of a protracted enquiry before a tribunal.

15. A point has been made that a provision of this nature now exists in the Bombay Industrial Relations Act which at present is applicable only to certain industries in the Bombay area of the State of Maharashtra. Although an individual worker can apply to the Labour Court under Section 78 of the Bombay Industrial Relations Act regarding the propriety or legality of an order passed by an employer acting or purporting to act under the Standing Orders, the Labour Courts and the Industrial Court in Bombay have consistently held that their powers are no more than the powers of Industrial Tribunals under the Industrial Disputes Act, 1947 which have been laid down by the Supreme Court. Secondly, there is provision under Section 84 of the Bombay Industrial Relations Act for an appeal to the Industrial Court against the decision of a Labour Court. The present proposal of the INTUC is not only to give powers to Industrial Tribunals which are much wider than those enjoyed by the Labour Courts in Bombay under Section 78 of the Bombay Industrial Relations Act but also to take away even the limited right of appeal under Article 136 of the Constitution. Under the Bombay Industrial Relations Act, it may be noted, an appeal lies to the Industrial Court against a decision of the Labour Court. Secondly, appeal could be filed against the decisions of the Industrial Court to the Supreme Court under Article 136 of the Constitution or Writ Petitions could be filed against the decisions of the Industrial Court under Article 226 of the Constitution. To cite the Bombay Industrial Relations Act would, therefore, not be fair. Further, industries governed by the Bombay Industrial Relations Act enjoy several advantages, such as one representative union, which are not availble to industries governed by the Industrial Disputes Act. So it would be unjust to incorporate in the Industrial Disputes Act one provision of the Bombay Industrial Relations Act which may suit the workmen leaving out all other provisions of the Bombay Industrial Relations Act.

16. Let us now consider the restrictions that have been placed on tribunals by the law laid down by the Supreme Court with regard to their power to interfere with decisions of the management regarding termination of services and dismissals of workmen and see to what extent these restrictions have threatened the security of service of workmen as contended by the INTUC.

17. Taking the case of dismissals first, the power of tribunals to interfere with decisions of the management was defined by the Supreme Court in the Indian Iron and Steel Company's case reported in 1958 I LLJ 260. In this case, the Supreme Court has only confirmed the decision of the Labour Appellate Tribunal reported in 1951 II LLJ 314 which laid down that a tribunal may interfere with decisions of the management (1) when there is a want of good faith, (2) when there is victimisation or unfair labour practice, (3) when the management has been guilty of a basic error or violation of a principle of natural justice, and (4) when on the materials the finding is completely baseless or perverse. In laying down these rules for the guidance of tribunals, the Supreme Court has emphasised that undoubtedly the management of a concern has power to direct its own internal administration and discipline but this power is not unlimited and, therefore, the above safeguards have been provided for the workmen. The Supreme Court has not lost sight of the right of workmen with regard to security of service.

18. The argument of the INTUC that the management is as much a party to the dispute as the worker himself and that it is the management that makes the accusation against the worker emanates from a lack of clear understanding of the administrative set-up. In all disciplinary matters, it is not the management that makes a complaint against a workman. Invariably, the immediate supervisor such as a Jobber and, in some cases, some member of the supervisory staff makes the complaint to the management against the workman. There is a clear distinction between the management and a member of the supervisory staff. The person who conducts the enquiry and finally gives the decision on the charge is not the complainant and has no personal interest in the matter. There is, therefore, no basis for the argument that, in domestic enquiry, the prosecutor is also the judge. This system is not peculiar to private industries. It is followed in any organisation including Government service. When a Government servant is charged with a misconduct, the enquiry is conducted by another Government servant and the decision is also given by a Government servant. Can it be said that in such cases the enquiry should be conducted and the decision given by a person who is not a Government servant? Even in trade union organisations such as the Textile

Labour Association in Ahmedabad, which have employees, the right to take disciplinary action is not given to persons outside the managerial staff of the unions. Our Constitution itself contemplates domestic enquiries as can be seen from Article 311 which is applicable to Government employees. The only protection that Government employees have been given is that they should be dealt with by an authority not subordinate to that by which they are appointed and that they shall not be dismissed or removed or reduced in rank until they have been given reasonable opportunity of showing cause against the action proposed to be taken in regard to them. The powers that have been given to tribunals by the Supreme Court to interfere with decisions of the management are much wider than the powers given to Courts to interfere with actions taken against Government servants as provided in Article 311 of the Constitution.

19. Personal prejudices, *mala fides* and other forms of undesirable human behaviour are not peculiar to the industrial world. They are present in varying degrees in almost all organisations including Government service and the law as it stands cannot provide complete protection against the working of such forces. But there is no reason whatsoever to give the industrial worker special treatment which is not enjoyed by other persons who work in similar services.

20. The INTUC itself has admitted that, in the case of enlightened and fair-minded managements, the right conferred on the managements is not abused. But it is of the view that such managements are few and, therefore, some other protection ought to be given to the worker. Apart from the unsubstantiated allegation made by the INTUC, this is a curious argument to advance. Don't Government officials also sometimes have personal prejudices or *mala fides* in regard to particular employees?

21. The specific points that can be gleaned from the INTUC Memorandum in support of its proposal for amendment of the Industrial Disputes Act are the following:

(1) The reasons recorded for an action of the management may not be real reasons.

If this is so, it is clear case of *mala fide* decision and the tribunal has ample powers now to examine this matter fully and

interfere with the decision of the management if the allegation is proved.

(2) *Indefinite suspension pending enquiry, victimisation for trade union activities, discharge or dismissal for misconduct, retrenchment in the name of surplus, premature retirement, temporary closure of the plant are some forms of threat to security of employment.*

If by this the INTUC means that these are all various devices adopted by employers to get rid of workmen, all of them come under the heading "*mala fide* action" and a tribunal has ample powers now to examine such allegations fully and give appropriate relief including reinstatement if the allegation is proved.

(3) *There is no time limit within which period the management is required to complete its enquiry and where the intention is to victimise, the enquiry will be almost never-ending keeping the worker under suspension pending enquiry and so there is a need to have a time limit for this process which is often a formality and a farce.*

If the whole process is proved to be a formality and a farce, as the law stands at present, a tribunal has powers to order reinstatement of the workman on the ground that the action of the management is *mala fide*. The allegation that a person can be kept under indefinite suspension pending enquiry is baseless. It is true that generally there is no fixed time limit for an enquiry. Often the enquiry is protracted by workers themselves who attempt to tire out the management by protracting the enquiry. In any event, if a tribunal finds that an enquiry has been prolonged without any valid reason, it will certainly be entitled to come to the conclusion that the workman has been victimised and give him appropriate relief. Further, it should be noted that if, at the end of the enquiry, the management decides to acquit the workman, Standing Orders provide that the workman shall be paid full wages for the period of suspension pending enquiry. Therefore, no management is likely to protract an enquiry if the charge is not likely to be proved. On the other hand, if the charge is likely to be proved, there is no reason why the management should protract the enquiry.

(4) *The management cannot be the prosecutor as well as the judge.*

This point has already been dealt with.

(5) *There is no scope for a worker as a matter of right to approach the Industrial Tribunal challenging the validity of the action taken by the management.*

Why should an individual workman have such a right? Any workman who is aggrieved is free to go to the trade uinon and the trade union, if it comes to the conclusion that the action of the management is not justified, is free to raise an industrial dispute. The 17th Session of the Indian Labour Conference has provided for cases where there are no trade unions functioning, although it is hard to find industries in which trade unions are not operating.

(6) *For adhering to the principles of natural justice all that is required by the employer is to give an opportunity for explaining the circumstances alleged against the worker and to hold an enquiry.*

As the law stands at present, the management has to hold a proper and fair enquiry and not just a formal enquiry. This is the law as laid down by the Supreme Court. If the tribunal comes to the conclusion that an enquiry is not proper and fair, it is open to the tribunal to reverse the decision of the management. Further, if the conclusions reached in the enquiry are held to be perverse or if the punishment is held to be vindictive and *mala fide,* the tribunal has power now to interfere with the decision of the management and grant appropriate relief.

(7) *Tribunals have been rendered powerless suitably to modify the punishment imposed by employers even if they feel that the punishment imposed is excessive.*

Tribunals at present have the power to interfere with punishment if the punishment is out of all proportion to the offence or if it is considered to be vindictive. The protection sought by the INTUC is already there.

(8) *The Tribunal should hold a fresh enquiry by ignoring the employer's proceedings.*

If this suggestion is accepted, why should an employer hold an enquiry at all? He might as well file a complaint against a workman before the tribunal and leave the rest to the tribunal in the same way as a complaint is filed before a Magistrate in

respect of a crime. In practice, this suggestion would result in Government having to appoint tribunal for almost every industrial establishment or at least for a group of industrial establishments, if each establishment is too small.

(9) *The provision in the Standing Orders that an employer can discharge any workman by simply giving him a fortnight's notice wages in lieu of notice without assigning any reason therefore is extremely arbitrary, unsound, dangerous and easily lends itself to misuse by the not-so-good employers.*

The suggestion of the INTUC is that Certifying Officers must, therefore, be instructed not to certify Standing Orders with such a provision. Most Standing Orders contain a provision that the reasons for termination of employment must be recorded and communicated to the workmen. In any event, as the law laid down by the Supreme Court stands at present, if an employer terminates the services of an employee by giving him notice or wages in lieu of notice without assigning any reason and if the employee raises a dispute the tribunal has power to enquire whether the discharge has been effected in the *bona fide* exercise of power conferred by the contract. In other words, it can examine the reasons for the discharge and if it is satisfied that the reasons stated for the discharge are not the real reasons, it can interfere with the decision of the management on the ground that the decision is *mala fide*. (See 1960 I LLJ 587, 1960 II LLJ 222 and 1961 II LLJ 99)

(10) *It is against reason and logic to admit that the employer should be left out from the obligation to prove the validity of the accusation before inflicting any punishment and that the workers should prove their guiltlessness and this gives the employers the undue power to resort to victimisation of employees at their whims and fancies by fabricating cases.*

It is difficult to understand this statement, because, as the law stands at present, the employer has an obligation to prove the accusation before inflicting any punishment and if he cannot do this, the tribunal will undoubtedly interfere with the decision of the employer.

(11) *In a planned economy struggling hard to raise the volume of employment, the existing level of employment cannot be allowed to be tampered by any management as it likes and thus allow to dislocate the planned progress of the nation. All retrenchment proposals should, therefore, first go before a third party who can be satisfied before they can be implemented.*

A procedure of this nature cannot but bring disaster to industry. There are occasions when decisions have to be taken swiftly if a catastrophe is to be avoided. If the delay caused by the so-called third party should result in heavy losses to an industry, who is to make good such losses? When any such proposal is placed before a third party, there will always be a tendency to drag on the enquiry to prevent retrenchment and in the meanwhile losses may occur. How can an employer hand over the function of determining his labour force to a third party which has no stake in the industry? That is the reason why the High Court and the Supreme Court have held that it is the responsibility of the management to determine its labour force but if it is established that retrenchment is resorted to *mala fide*, tribunals have been given power to grant appropriate relief to the workmen.

22. In this connection, the observations of a Bench of the Madras High Court are relevant. "We must reiterate that, so long as the private sector is permitted to exist, and managements in that sector run the hazards of industry, it would be totally unjustified to substitute the later judgement, either of the State or of any industrial tribunal, for the judgement of management, in such a vital measure, affecting the very survival of a concern, as retrenchment. Nor does the law require that, in order to prove the existence of 'the deadweight of uneconomic surplus' the management should not act upon incurred loss and threatened dangers, but must wait for the loss to prove overwhelming, in brief, that the management must almost proceed into bankruptcy, before it can retrench." (1962 II LLJ 99 @ 105) The High Court expressed its inability in this case to concede that even in such a perspective, the judgement of any other agency, judicial or otherwise, which has no responsibility or hazard in industry cannot be substituted to the decision taken by a management in a particular situation of actual and threatened losses.

23. The Supreme Court had occassion to characterise the decision of a tribunal in relation to retrenchment as perverse and in another case the Supreme Court dealing with the decision of a tribunal regarding retrenchment has stated that the adjudicator and the Labour Appellate Tribunal had adopted the attitude of benevolent despots and had based their conclusions on irrelevant considerations and had ignored the real questions that arose for decision and the issues that arose out of the pleadings of the parties. This is precisely what is likely to happen if the proposal of the INTUC is accepted to refer all retrenchment proposals to third parties who will neither have the experience for proper business forecasting nor any stake in the industry.

24. In considering the question of amending the Industrial Disputes Act to provide wider powers to tribunals to interfere with the decisions of the management and to take away the right of appeal to the Supreme Court and the right of taking up a matter in Writ proceedings to the High Court, we should not proceed on the basis of unsubstantiated facts. If we examine the cases in which the High Courts and the Supreme Court had to interfere with the decisions of Tribunals, it will be readily seen that, but for their interference, there would have been a grave miscarriage of justice. The employer is as much entitled to justice as the workmen. Any attempt to take away the existing very limited safeguard against arbitrary decisions by Tribunals must be strongly opposed.

ANNEXURE–III

TIME LIMIT FOR COMPLETION OF DISCIPLINARY CASES AND PROVISION FOR SUSPENSION ALLOWANCE

The views of the INTUC are that there is no time limit within which period management has to complete its enquiry and it may go on in a leisurely manner, and where the intention is to victimise, the enquiry will be almost never-ending. It has, therefore, suggested for fixation of time limit for completion of enquiry proceedings and payment of subsistence allowance during the suspension period.

(a) *Comments of the State Governments/Administrations*:

The consensus of opinion is that there should be time limit of

about three months for completion of a departmental enquiry and that the workman should be paid subsistence allowance during the period of suspension.

(b) *Comments of the employing Ministries of the Central Government*:

Opinion is divided. Some are of the view that there should be a time-limit (some of the departmental undertakings under the control of the employing Ministries already have such a limit) while others feel that this may not be practicable. Some are of the view that the workers take up dilatory tactics deliberately and prolong the enquiry proceedings.

As regards subsistence allowance, the consensus of opinion is in favour of such a provision. Some departmental undertakings already have provisions for this; those undertakings have also provision for varying the rate of allowance according as the faults leading to the prolongation of the proceedings are due to the management or the workers.

(c) *Comments of the Central Organisations of employers*:—

The consensus of opinion is that it is the workers who try to prolong the proceedings so that appropriate action against them is delayed to the utmost extent possible. If the charges against the workman are not substantiated, he gets full wages for the days of suspension. Therefore, the management would not like to prolong an enquiry in such a case. On the other hand, if the charges are likely to be proved it is the management's interest to complete the proceedings as early as possible. Two of the Organisations have stated that the apprehension of the INTUC is much exaggerated. In 1959 data were collected from the members of Employers' Federation of India in respect of Southern India regarding the number of workmen discharged or dismissed from their respective firms for the preceding two years and the number of cases taken up to conciliation officer or referred to adjudication. It was found that out of 1260 cases of dismissals and discharges, only 340 were taken up to the Conciliation Officers and that of these, only 14 were referred to adjudication. Out of those 340 cases, victimisation was alleged in only 43 cases. Those figures relate to establishments in which the total number of workmen employed was 57,474 and in which there were strong trade unions (Employers' Federation of India). In another

case, data for 1961-62 showed that in 106 units, only 72 cases of alleged victimisation were reported to the conciliation machinery.

(d) *Comments of the Central Organisations of Workerss*

Other Central Organisations of workers have generally supported the proposal for restricting the rights of the employer in this respect.

ANNEXURE–IX

WITHDRAWAL OF MANAGEMENT'S RIGHT TO HOLD DOMESTIC ENQIRY.

The INTUC has been of the view that the conferring of rights to enquire into the conduct of workers on the management does not fit in. The management and labour are the two partners in industry and it is incongruous that one partner sits in judgement over the conduct of the other. The management makes the accusation and it is the management which acts as the judge. This does not fit in with the principle of natural justice. In cases where the management is not enlightened and fair minded, and where there is unhealthy industrial relations as a result of which the workers need the maximum protection, this right of being the prosecutor, judge and the executioner being combined in the management is capable of maximum damage.

The INTUC has, therefore suggested the withdrawal of the right of management to enquire into the conduct of the employees (i.e. dual role of the employers as prosecutor and the judge in cases of domestic enquiry).

(a) *Comments of the State Governments/Administrations*:

The consensus of opinion is in favour of continuance of the present system. It has been stated that it is a senior officer who conducts the enquiry, and not the same person as makes the allegation. Therefore, the dual role as prosecutor and judge does not exist. It has, however, been suggested that the workman may be allowed to be represented by an office-bearer of Trade Union. Some State Governments are also of the view that unscrupuluous employers may have a fake case and the enquiry may be so done that the *mala fide* action cannot be detected. So, Tri-

bunals should have some sort of appellate powers (at least to call for further evidence for better appreciation of the evidence recorded by the domestic Tribunal). Most of the State Governments feel that the present rights of the management are inherent and should continue. If any outsider interferes, that will undermine the discipline in the industry. Moreover, the action of the management may be challenged by the workers concerned and then that is subject to further scrutiny by Tribunals, High Courts and even the Supreme Court.

(b) *Comments of the employing Ministries of the Central Government.*

The consensus of opinion seems to be in favour of maintaining the *status quo*. Strong views have been expressed in favour of the management's retaining powers of maintaining discipline by enforcing the orders in the establishment. It has been expressed that the present system enables the workman to have justice and the employer to act in a responsible manner. However, association of one or two workers for conducting the enquiry has found favour with some. It has been contended that the INTUC's proposal is not feasible at all. That the present practice can hardly be changed with advantage. Present legal provisions have adequate safeguards against *mala fide* action by employers. Outside interference would lead to indiscipline. There is one view that the present system should be ceased by removing certain undue restrictions on the management under present conditions.

(c) *Comments of the Central Organisations of Employers*:—

The same official levelling the charges does not act as the judge; a senior official is deputed for the purpose. Thus, the dual role does not exist. The right of management's holding domestic enquiry cannot be interferred with, except on some tangible grounds. The management with the knowledge and experience of the problems of the concern and its day to day working, has the right to decide what the proper punishment should be. This system is not peculiar to private industries. It is not followed in any organisation including Government service. The powers that have been given to Tribunals by the Supreme Court to interfere with decisions of the management are much wider than the powers given to Courts to interfere

with actions taken against Government Servants as provided in Article 311 of the Constitution.

(d) *Comments of the Central Organisations of Workers*:—

The workers' Organisations have generally supported the views of the INTUC. It has been suggested that the employers should be divested of the double role of prosecutor as well as the judge. The objectivity and impartiality of the enquiry as also the correctness of the records of enquiry should be ensured. Labour Courts/Tribunals should be given specific authority to examine the legality and propriety as also the reasonableness of the action taken by the employer. These bodies should also have the powers of appellate authority as regards the action taken by the employer.

ANNEXURE–V

DISCHARGE OF WORKMEN WITHOUT ASSIGNING ANY REASON

The INTUC has been of the view that the provision under certain Standing Orders to the effect that the employer can discharge a workman by giving him notice of a fortnight or the wages in lieu thereof, without assigning any reason, is a source of danger to security of service. It has been observed that this is extremely arbitrary, unsound and dangerous and easily lends itself to misuse by not-so-good employers. It has been suggested that the Certifying Officers should not certify standing orders with such a provision.

(a) *Comments of the State Governments/Administrations*:

The consensus of opinion is that draft Standing Orders permitting discharge without assigning reasons should not be certified by the Certifying Officer. It has, however, been observed by two that such an action by Certifying Officers would go beyond the provisions of law. It has been mentioned that even *discharge simpliciter* can also be challenged under the Industrial Disputes Act and it has been held by the authorities under the Act that they are entitled to see that such discharge is proper and is supported by sufficient reasons on record. A strong union is the greatest guarantee of the rights of the workers. Therefore,

the position of workers is not so insecure and unstable as has been made out in Memorandum.

(b) *Comments of the employing Ministries of the Central Government*:

From the comments received, the consensus of opinion is seen to be that the provisions for discharge without assigning any reason is resorted to either in the interest of the workers (so that chances of his getting job elsewhere are not prejudiced) or in such cases where it may not be possible for the employer to specify the charge without involving it in legal proceedings, but, the maintenance of discipline and/or security calls for the discharge. Normally workers may have safeguards in the provision for appeal to higher authorities or the Labour Department against the dismissal.

(c) *Comments of the Central Organisations of Employers*:

Most Standing Orders contain provision that the reasons for termination of employment must be recorded and communicated to the workmen. Discharge without assigning reasons is done by management only under extra-ordinary or special circumstances. It is meant to safeguard the interests of the industries for security reasons. The action in such cases is always based upon authentic information received by the management, or upon their own personal knowledge. Instances in which this power has been used by the management will be negligible in number in the whole country. It is, therefore, not worth considering this insignificant point. Anyway, as the law laid down by the Supreme Court stands at present, if an employer terminates the services of an employee without assigning any reasons and if the employee raises a dispute, the Tribunal has power to enquire whether the discharge has been effected in the *bona fide* exercise of power conferred by the contract. In other words, it can examine the reasons for the discharge and if it is satisfied that the reasons stated for the discharge are not the real reasons, it can interfere with the decision of the management on the ground that the decision is *mala fide*. Lastly, the Standing Orders are certified by the Certifying Officer after satisfying the trade unions.

(d) *Comments of the Central Organisations of Workers*:

There is general agreement on the point suggested by the INTUC. It has been suggested that the industrial relations

legislation should be amended so as to prohibit *discharge simpliciter,* and also discharge or dismissal of an employee without giving valid and proper cause.

ANNEXURE–VI

DIRECT APPROACH TO INDUSTRIAL TRIBUNALS BY WORKMEN

The Indian National Trade Union Congress has stated that a workman has no scope, under the present law, for approaching the Industrial Tribunal challenging the validity of action taken by management in respect of termination of service either for so-called misconduct or for any other reason. The workman concerned has to raise the dispute to the union and the discretion to refer or not to refer the dispute to adjudication rests with the appropriate Government. This denial of right to individual workers places the management on an advantageous position which often sought them to resort to unlawful action.

(a) *Comments of the State Governments & Administrations*: (As the issue was considered in connection with an item for the I.L.O. on "termination of employment—dismissals and lay-off"—specific comments of the State Government etc. were not invited this time.)

It has been apprehended by one of the State Governments that allowing workers to go directly to the Tribunal would be adversely affecting the strength of trade unions. It has been held that the present system is working well. Another view is that the workers do not generally have that sense of responsibility which such a right would demand of them. Moreover, Government can, at the moment, ill-afford to provide for adequate machinery to deal with such automatic references to Tribunals for adjudication. Moreover, such a step would also set at naught the very concept of collective bargaining and would go against the larger interest of workers themselves. The Bombay Industrial Relations Act, 1946, the C.P. & Berar Industrial Disputes Settlement Act, 1947 and the M.P. Industrial Relations Act, 1960 have provisions for individual workers taking up certain matters such as dismissals, discharges, removal or suspension etc. to Labour Courts direct. As those Acts clearly distinguish be-

tween individual matters and collective disputes matters, the latter being left for the exclusive bargaining by unions, the collective bargaining power and other interests of the unions have not seen affected adversely by that provision. The State Governments concerned are of the view that the present system under the State enactments have been working well. The Government of Madras have proposed to promote a separate legislation under which individual cases of discharges and dismissals would be taken up by the workman direct to the designated authority. The essence of the proposal would be comparable to the suggestion of the INTUC [c.f. para (g) in this regard].

(b) *Comments of the Central Organisations of employers*:

There is no point in an individual workman's having right to approach the Industrial Tribunal direct challenging the validity of the action taken by management under the Industrial Disputes Act. It is true that the Bombay Industrial Relations Act provides for direct reference, but the entire approach of the Act is different from that of the Industrial Disputes Act. Taking up only a few features of one Act for incorporating them in another, without reference to the other provisions of the former Act, is not a desirable thing to do. Any workman who is aggrieved is free to go to the Trade Union which, if considered that the employers' action is not justified, is free to raise an industrial dispute. The Supreme Court has clearly laid down that the Act does not appear to provide for individual rights of a workman when the same have not been taken up by the union or a number of workmen. Similar position exists in the UK and Australia also. The 17th Session of the Indian Labour Conference has provided for the mode of taking up cases of individual discharges, dismissals etc. where there are no trade unions functioning or the existing unions declined to sponsor the case. The Model Principles for reference of disputes to adjudication provides for reference of industrial disputes concerning cases of individual dismissals, discharges etc., to adjudication under specific circumstances. Accordingly, the present provision of the Act and principles laid down by the Conference are sufficient to give protection to the workers.

(d) *Comments of the Central Organisations of workers*:

There is general agreement with the views expressed by the

INTUC. It has been emphasised that workers should have scope for approaching Labour Courts and Industrial Tribunals for redress of grievances relating to dismissals, discharges and other disciplinary matters and that the Labour Court or Tribunal shall have powers to act as an Appellate Authority to some extent.

(e) *Recommendation of the 17th Session of the Indian Labour Conference.*

In 1959, the Government of Madras sought to promote a legislation providing for direct approach to an independent authority by an individual aggrieved by discharge or dismissal by an employer. The 17th Session of the Indian Labour Conference (Madras—July 1959) considered the question of providing a machinery for dealing with disputes relating to individual dismissals etc. During the course of discussion, it was pointed out that the proposed facility of direct approach to the Tribunals, though providing a further protection to individual workmen, would increase the work of the Court considerably and may affect the discipline in industry adversely. The right is likely to be misused by the workers. Besides these, the proposal would tend to create a number of other difficulties, some of which are:

(i) while the aim is to minimise litigation, the proposed provision would, in fact, result in a constant rush to Tribunals/Labour Courts, thereby disturbing industrial peace.

(ii) The proposed right may affect the collective strength of a labour union.

(iii) Workers may not get much relief as they are actually swindled by lawyers and opportunists in such cases.

The recommendations of the Conference was that—

(1) Disputes relating to individual cases including dismissals should, as far as possible, be sponsored by a union.

(2) In the absence of a union to sponsor such cases, or the union concerned declining to sponsor them, the aggrieved individuals might approach the Government Conciliation Machinery for redressal.

(3) The Government official authorised for the purpose should be empowered to refer such cases to a Labour Court for adjudication.

(f) *Government's view on the I.L.O. issue on termination of employment (Item No. 8)*:

The 46th Session of the International Labour Conference had an item on termination of employment which dealt, among others, with the desirability of giving to individual workmen the right of direct approach to Tribunals or some such neutral bodies. For the purpose of formulating Government's stand on the proposal, views of the State Governments and Central Organisations of Employers and Workers were obtained. On the basis of the comments received, the Government of India's view was that while the principle was supportable, its implementation so far as the right of access to a Labour Court etc. by an individual workman was concerned, might raise questions of practicability. The whole question of termination of employment at the initiative of the employers was discussed again at the 47th Session of the International Labour Conference. The recommendations of the Conference are:

"A worker who feels that his employment has been unjustifiably terminated, should be entitled unless the matter has been satisfactorily determined through such procedures within the undertaking, establishment or service as may exist or be established consitent with this Recommendation, to appeal within a reasonable time, against that termination with the assistance, where the worker so requests, of a person representing him, to a body established under a collective agreement or to a neutral body such as a court, an arbitrator, an arbitration Committee or a similar body".

(g) *Madras Government's proposed legislation on termination of employment of individual workers.*

This is item No. 3 on the agenda of the present meeting.

(h) *Practice obtaining in foreign countries*:

Express provisions for approaching a Court or a neutral body for redressal of grievances regarding dismissals and discharges of an individual workman exist in Argentina, Belgium, Ceylon, Federal Republic of Germany, Indonesia, Libya, Spain. Courts have powers to examine the causes and circumstances of a dismissal (without legitimate reasons) in countries like Brazil, Cameroun, Central African Republic, Chad, Congo (Brazzavile), Czechoslovakia, Dahomey, Gabon, Guinea, Ivory Coast, Mala-

gasy Republic; Mali, Morocco, Netherlands, Niger, Pakistan; Senegal, Togo, and Upper Volta. In Japan and Lebanon such cases may be taken up with bodies like the Local Labour Standards Bureau; but it is not clear whether the workman can go without the assistance of the trade union. In countries like the U.K., U.S.A. and Tunisia, the workers may sue the employer for damages in cases of wrongful dismissals etc. in breach of contract. In some countries like Austria, Netherlands and Yugoslavia, Workers' Councils or like bodies are to decide the cases of recruitment or dismissal of workers. In the USSR, the appeal lies to the Joint Works Committee which tries to settle the issue.

ANNEXURE–VII

BURDEN OF PROOF ABOUT MISCONDUCT TO BE ON THE EMPLOYER.

The suggestion of the INTUC is that the burden of proof should lie with the management. It has been observed that it is against reasons and logic to admit that the employer should be left out from the obligation to prove the validity of the accusation before inflicting any punishment and that the workers should prove their guiltlessness. This gives the employers undue power to resort to victimisation of workers at their whims and fancies by fabricating cases. This is against the principles of natural justice.

(a) *Comments of the State Government/Administrations*:

The consensus of opinion is that the contention of the INTUC is not correct. The burden of proof always lies with the employer in such matters, and the presumption always is that the worker is innocent unless it is proved to the contrary by the employer. When the prosecutor produces his own witnesses, the worker also produces his witnesses to rebut the evidence produced by the other. This does not mean that the worker has to prove his innocence.

(b) *Comments of the employing Ministries of the Central Government*:

In disciplinary cases, the charge sheet contains only *prima facie* evidence, and it is not indicative of the views of the disciplinary authority. When the workman denies the charge, the prosecution witnesses are examined in presence of the workman

who is allowed to cross-examine them and also to bring his own witnesses. The onus of proving the charge rests with the management.

(c) *Comments of the Central Organisations of Employers*:

It is difficult to understand the statement; for, as the law stands at present, the employer has an obligation to prove the accusation before inflicting any punishment and if he cannot do this, the Tribunal will undoubtedly interfere with the decision of the management. Again, reference may be made to the agreed Standing Orders and the Grievance Procedure which take care of the question of burden of proof. It has been observed by one that the onus of proving the charges is invariably on the complainant and the proposal of the INTUC to shift this onus on the employer is against all canons of justice.

(d) *Comments of the Central Organisations of Workers*:

Workers' Organisations have broadly agreed with the views of the INTUC.

ANNEXURE–VIII

Scrutiny of proposals for retrenchment by a Standing Committee

The INTUC has stated that the management is now free to cut down its labour force and nobody can question it. Even courts can only insist on the payment of compensation if retrenchment had been effected among the junior-most. But, it feels, in a planned economy, struggling hard to raise the volume of employment, the existing level of employment cannot be allowed to be tampered by any management as it likes and thus allow it to dislocate the planned progress of the nation. It has, therefore, suggested that a standing machinery should be set up for studying all proposals for retrenchment and permit or refuse permission to the scheme depending on merits. If the scheme is sound and necessary, no impartial third party will reject it. On the other hand, any scheme which is unsound and unnecessary, will be rejected.

(a) *Comments of the State Government/Administrations*:

The consensus of opinion is that the suggestion is not practicable. The employer is the best judge to determine his labour

force. In case use cannot be made of the productive capacity of the worker and the products cannot be marketted, then the right of the management to retrench its labour force after paying suitable compensation should not be taken away. If the retrenchment is not *bona fide,* the action can be challenged and the management runs the risk of the workman being reinstated with full back wages. One State Government has stated that the employer has to give notice under section 9A of the Industrial Disputes Act, 1947 before effecting retrenchment. If the workers are aggrieved, they may take up the matter with the Conciliation Officer within the prescribed time limit of 21 days. It has been suggested by some that there can be a provision for a tripartite board to examine schemes of retrenchment involving larger number of workmen, alternatively, for a scrutiny by the conciliation machinery or a Labour Court or an arbitrator, depending upon the volume of retrenchment. In Bihar and Madras, the workers and managements have agreed to refer such cases to the Labour Commissioner and accept his decision.

(b) *Comments of the employing Ministries of the Central Government:*

The consensus of opinion is *not* in favour of the proposal. Labour is one of the factors of production and its strength is to be determined in relation to the other factors. The problem of fixing labour strength in a given set of conditions is a complex process, particularly in the heavier type of new industries that are springing up in the country. If the employer is deprived of his essential right to determine his labour force, the concern may have to incur loss till the matter is decided by a third party. As such a decision by an outsider would be time-consuming, by that time the industry may reach a stage of closing down on account of heavy drain by employing unproductive labour. The Industrial Disputes Act provides for adequate safeguard against arbitrary retrenchment.

(c) *Comments of the Central Organisations of Employers:*

A procedure of the nature proposed would be disastrous to industry. There are occasions when decisions have to be taken swiftly if a catastrophe is to be avoided. The interference of a third party would simply delay such decision and defeat the very objective of such immediate decisions. For, by that time,

losses may occur. It will not be possible for the employer to hand over the functions of determining his labour force to a third party which has no stake in the industry. It is the duty of the management to plan its productive programme and working of the concern according to the financial resources and market conditions, and plan its labour force for the most efficient and economic working. That is the reason why the High Courts and the Supreme Court have held that it is the responsibility of the management to determine its labour force, but if it is established that retrenchment is resorted to *mala fide,* Tribunals have been given power to grant appropriate relief.

It has also been observed that the INTUC was a party to the mode of "Rationalisation without tears", and it is surprising that the issue of retrenchment has been raised by it. Provisions have been added some time back in the Industrial Disputes Act to specially take care of retrenchment in industry. No further change in the present law has been considered necessary.

(d) *Comments of the Central Organisations of Workers*:

There is broad agreement with the views expressed in the memorandum prepared by the INTUC.

ANNEXURE–IX

VERIFICATION OF AGE FOR STOPPAGE OF PREMATURE RETIREMENT.

The views of the INTUC are that the age-records of workers are not properly made out and maintained in many cases, with the introduction of the P.F. Scheme and the E.S.I. Scheme, the workers were questioned about their age, and in most cases, a figure was given without a thought. But, once the age of superannuation was fixed, it was necessary to check the accuracy of the age given so as to avoid bitterness on account of premature retirement. Premature retirement has to be avoided in the interest of both the worker and industry; for, the loss of the services of experienced and able-bodied workers is also a loss to the industry. For the able-bodied workers, going about seeking employment again would be an avoidable difficulty to them.

(a) *Comments of the State Governments/Administrations*:

It has been pointed out by a State Government that the suggestion made by the INTUC, is rather vague, though it

appears that what is suggested is that premature retirement of workers should be avoided. From the replies received, it is seen that the need for correct recording of age has been felt. In the absence of suitable proof of age, e.g., certificate from the Registrar of Births and Deaths, Matriculation Certificate, University records, declaration of age in the Provident Fund account, Life Insurance papers, etc., the age should be determined by a qualified Medical Officer. One State has suggested that proofs like the 'Janampatri', etc. should not be relied upon for deciding age. It has been apprehended that in case the entries in the records of the Employees' Provident Fund and Employees' State Insurance Corporation are subjected to further scrutiny on each and every application made by the worker, it will create trouble. The only remedy, though partial and long-drawn, is, after the introduction of compulsory primary education, the school age can invaribly be taken as correct age.

(b) *Comments of the employing Ministries of the Central Government*:

The consensus of opinion is, if a workman gives a wrong date of birth at the time of entry into the service, he has to suffer consequently. If however, he can produce convincing evidence, his age may be corrected accordingly. Premature retirement is not effected except on medical certificate, and in the case of a dispute, the views of the Government Medical Authority as agreed upon by the parties, prevails. There would be no question of threat to premature retirement of a workman; but the age of superannuation should, of necessity, be fixed. The verification of age should be done at the time of entrance or at least very soon after that.

(c) *Comments of the Central Organisations of Employers*:

It is not a serious point. The fear of premature retirement because of insufficient age records can be overcome quite easily, if the workmen can produce some documentary evidence of their correct age, like the birth record, etc. to the satisfaction of the employers. Otherwise, the matter can be decided by a Medical Officer.

(d) *Comments of the Central Organisations of Workers*:

There is broad agreement with the points raised by the INTUC in its memorandum.

6. ON ARBITRATION IN CENTRAL SPHERE

The report on a case study of arbitration cases in the Central sphere undertakings was circulated to participants in the Standing Labour Committee meeting, in the context of the provision relating to arbitration in the Industrial Truce Resolution. We are reproducing below, important extracts from the official report on the subject.— Editor.

REPORT ON THE STUDY OF ARBITRATION CASES IN THE CENTRAL SPHERE UNDERTAKINGS

PART A

PART II OF THE INDUSTRIAL TRUCE RESOLUTION ADOPTED AT THE Joint meeting of Central Organisations of Employers and Workers held in New Delhi on 3.11.1962 dealing with 'Industrial Peace' *inter-alia* states that:

(a) "There should be maximum recourse to voluntary arbitration and adequate arrangement should be made for the purpose...." [II (iii)].

(b) "All complaints pertaining to dismissal, discharge, victimisation and retrenchment of individual workmen not settled mutually should be settled through arbitration. For this purpose, the officers of the Conciliation Machinery may, if the parties agree, serve as arbitrators...." [II (v)].

2. Copies of the Industrial Truce Resolution were forwarded to all officers of the Central Industrial Relations Machinery on

7.11.1962 and subsequently detailed instructions were issued on 26.12.1962 by the Chief Labour Commissioner (Central) with regard to handling of voluntary arbitration cases for the guidance of officers. The Industrial Truce Resolution was adopted voluntarily and hence the instructions emphasised that the officers should take up industrial disputes for arbitration under item (iv) of para. (II) of the Code of Discipline in Industry and not under Section 10A of the Industrial Disputes Act, 1947. As most of the officers were handling arbitration cases for the first time, a short study course on 'Voluntary arbitration—procedures and practice—' was arranged by the Training Wing of this Organisation at some of the regional headquarters.

3. Efforts made by the officers of the Central Industrial Relations Machinery to persuade the employers and the unions to adopt voluntary arbitration as the means of settlement of disputes of certain types have yielded encouraging results. From 3rd November 1962, the date on which the Industrial Truce Resolution was adopted up to the end of October 1963, 25.3% of disputes in the Central Sphere which failed in conciliation were settled through voluntary arbitration. If the disputes which were settled otherwise or considered unfit for adjudication are excluded, the percentage of cases settled through arbitration comes to 50.9. In other words, 49.1% disputes were referred to adjudication and 50.9% disputes were settled through voluntary arbitration (Details in Annexure A–I & II).

4. A case study of 102 cases of industrial disputes (Details in Annexure B–I & II) in the Central Sphere in which the parties agreed to settle the same by voluntary arbitration till the end of July 1963 (from 3rd November 1962 i.e. the date on which the Industrial Truce Resolution was adopted) was recently undertaken by the Training Wing of the Chief Labour Commissioner's Organisation. This study has revealed a number of interesting features. For example, 96% of the arbitration cases were under the Code of Discipline and the remaining 4% under Section 10–A of the Industrial Disputes Act, 1947. Whereas officers of the C.I.R.M. acted as arbitrators in as many as 97% of the cases, the parties selected outsiders as arbitrators only in 3% cases. It is interesting to note that out of 95 industrial disputes handled by the officers of the C.I.R.M. in arbitration

under the Code of Discipline, in 42 cases the officers acted both as Conciliators as well as arbitrators. With regard to the nature of disputes referred to arbitration, it was observed that 85% of the cases studied pertained to individual issues such as discharge, dismissal, suspension, retrenchment etc. and 15% cases related to general issues concerning wages and other service conditions. Of the 85% cases relating to individual disputes, in 54% cases disputes were raised on the issues of discharge, dismissal or termination of services. In 79% of the cases, the arbitrators had given their awards till the time of study. The arbitrators took time ranging between one week to four months for hearing (i.e. for proceedings) and giving their awards. It was, however, noticed that in an overwhelming majority in cases i.e. 75%, the awards were given within a period of 2 months. In 62% of the cases, the awards given were already implemented by the parties and in 32.9% of the cases, they were in the process of implementation. There were only 4% of the cases in which one of the parties, either the employers or the unions, felt aggrieved by the awards. Part B of the report which follows given details of the study.

PART B

5. Of the 102 cases for the period from November 1962 to July 1963 studied, in 2 cases, strictly speaking, there was no reference to voluntary arbitration. Whereas in one case the parties had applied jointly for reference of the dispute for adjudication to an Industrial Tribunal under Section 10(2) of the Industrial Disputes Act, 1947, in the other they arrived at a settlement before the Conciliation Officer under Section 12 of the Industrial Disputes Act. These two cases have been excluded from the study. The study therefore pertains to 100 cases out of which 4 (4%) were referred to voluntary arbitration under Section 10-A of the Industrial Disputes Act and the rest (96%) under the Code of Discipline in Industry. The position with regard to awards and the cases handled by the officers of the Central Industrial Relations Machinery and outsiders, is indicated in Table I below:

TABLE I

	Under I.D. Act		Under Code		Total
	By CIRM officers	By outsiders	By CIRM officers	By outsiders	
(a) Awards given	1	1	76	1	79
(b) Awards yet to be given	1	1*	16	—	18
(c) Settlements reached and hence awards not given	—	—	2	—	2
(d) Dismissed for non-attendance by union	—	—	1	—	1
	2(2%)	2(2%)	95(95%)	1(1%)	100 (100%)

Note: *1. *In this case, arbitration agreement has not yet been signed by the parties who had indicated their willingness to refer the dispute to voluntary arbitration under Section 10A of the I.D. Act.*

2. *It will be seen from Table I that 97% of the arbitration cases were handled by C.I.R.M. officers and 3% by outsiders.*

6. Table II shows Region-wise classification of the arbitration cases studied.

TABLE II

(i) Calcutta	..	39	(39%)
(ii) Dhanbad	..	36	(36%)
(iii) Bombay	..	15	(15%)
(iv) Jabalpur	..	6	(6%)
(v) Visakhapatnam	..	2	(2%)
(vi) Madras	..	1	(1%)
(vii) Kanpur	..	1	(1%)
		100	(100%)

While Calcutta region takes the pride of place with 39 cases (39%) closely followed by Dhanbad region with 36 cases (36%), Madras and Kanpur regions have handled only 1 (1%) case each. Calcutta and Dhanbad regions together account for 75 disputes (75%).

7. The arbitration cases studied, relate to various industries in the Central Sphere. Table III below gives classification of arbitration cases industry-wise:

TABLE III

(a) Coal mines	..	79	(79%)
(b) Non-coal mines	..	9	(9%)
(c) Ports and Docks	..	10	(10%)
(d) Banks	..	1	(1%)
(e) Other Central Sphere establishments (N.D.R.I. Karnal)	..	1	(1%)
		100	(100%)

An overwhelming majority i.e. 79 (79%) of the disputes concern collieries (mostly from Calcutta and Dhanbad regions).

8. The study revealed that officers from Deputy Chief Labour Commissioner (C) down to Labour Inspector (C) handled disputes in arbitration. In the table below (Table IV) arbitration cases handled by or referred to officers of different status and outsiders are given:

TABLE IV

(a) Deputy Chief Labour Commissioners	..	4	(4%)
(b) Regional Labour Comissioners	..	38	(38%)
(c) Conciliation Officers	..	53	(53%)
(d) Labour Inspectors	..	2	(2%)
(e) Outsiders	..	3*	(3%)
		100	(100%)

*Note: One each by a lawyer, representatives (jointly) of employer and union and the Presiding Officer of an Industrial Tribunal.

It will be observed that in 91 disputes (91%), Regional Labour Commissioners and Conciliation Officers who are regular Conciliation Officers under the Industrial Disputes Act acted as arbitrators. The study also revealed that in 42 cases, the officers of the C.I.R.M. acted both as Conciliators as well as arbitrators.

9. The disputes which were referred to voluntary arbitration be employers and workers involved issues of individual as well as general nature. Table V depicts the classification of arbitration cases on the basis of nature of issues involved in the disputes.

TABLE V

(a) *Individual disputes*

(i) Discharge/dismissal/termination of service ..	54	(54%)
(ii) Retrenchment/lay off ..	5	(5%)
(iii) Suspension ..	8	(8%)
(iv) Wages and allowances ..	9	(9%)
(v) Promotion/confirmation ..	3	(3%)
(vi) Leave/holidays ..	1	(1%)
(vii) Hours of work ..	1	(1%)
(viii) Transfer ..	1	(1%)
(ix) Categorisation/gradation ..	1	(1%)
(x) Miscellaneous ..	2	(2%)
	85	(85%)

(b) *Large/General disputes*

(i) Demands concerning various service conditions (charter of demands/general demands) ..	3	(3%)
(ii) Wages and allowances ..	10	(10%)
(iii) Welfare measures ..	1	(1%)
(iv) Miscellaneous ..	1	(1%)
	15	(15%)
	100	(100%)

A perusal of figures in the above Table would reveal that as many as 85 (85% of the disputes referred to arbitration were of individual nature and a majority of them i.e. 54 (54%) were raised over the issues of dismissal, discharge or termination or service. 19 disputes concerned wages and allowances in both the categories viz. individual and general. The study further revealed that no dispute involving victimisation was referred to arbitration.

10. Out of the 100 arbitration cases, as many as 63 (63%) were sponsored by the unions affiliated to different Central Trade Union Organisations, 27 were sponsored by independent trade unions. In the remaining 10 cases, information regarding affiliation of the unions sponsoring the disputes was not available. Particulars regarding the affiliation of the unions sponsoring the disputes are given in the following Table.

TABLE VI

(a) Indian National Trade Union Congress ..	36	(36%)
(b) All India Trade Union Congress ..	9	(9%)
(c) Hind Mazdoor Sabha ..	14	(14%)
(d) United Trade Union Congress ..	4	(4%)
(e) Independent ..	27	(27%)
(f) Unspecified ..	10	(10%)
	100	(100%)

The study also revealed that of the 100 disputes referred to voluntary arbitration, 46 (46%) were raised by recognised unions and 30 (30%) by unrecognised unions. In the remaining 24 cases, information regarding the status of the unions raising the disputes was not available.

11. Table below shows particulars regarding affiliation of employers who were concerned in the 100 arbitration cases.

TABLE VII

(a) Indian Mining Association ..	31	(31%)
(b) Indian Mining Federation ..	11	(11%)
(c) Indian Colliery Owners Association ..	7	(7%)
(d) Indian Colliery Owners Association & Indian Mining Federation ..	4	(4%)
(e) Bombay Stevedores Association ..	7	(7%)
(f) Not affiliated ..	10	(10%)
(g) Unspecified ..	30	(30%)
	100	(100%)

12. As indicated in Table I, out of the 100 arbitration cases, the arbitrators have given their awards in 79 cases. Classification of these cases on the basis of time taken by the arbitrators, is given in the Table below:

TABLE VIII

(i) Awards given within one week ..	6	7.59%
(ii) Awards given after one week but within a fortnight ..	8	10.13%
(iii) Awards given after two weeks but within a month ..	18	22.78%
(iv) Awards given after one month but within two months ..	28	35.44%
(v) Awards given after two months but within three months ..	10	12.67%
(vi) Awards given after three months but within four months ..	7	8.86%
(vii) Awards given after four months ..	2	2.53%
	79	100%

13. The position with regard to the implementation of the awards of the arbitrators in 79 cases is indicated in the following Table:

TABLE IX

(i) Awards implemented ..	49	(62%)
(ii) Awards in regard to which implementation reports are still awaited ..	26	(32.9%)
(iii) Awards which are not implemented ..	4	(5.1%)
	79	100%

From the above Table, it will be seen that arbitration awards have been implemented in a majority of cases (62%). In the 4 cases of non-implementation of awards, either the union or the employer has made a representation to the Chief Labour Commissioner (C), New Delhi. In 2 of these four cases, it was the employer (one affiliated to Indian Mining Association and the other independent) and in the remaining two, the unions (both independent) who were aggrieved by the Awards which either did not satisfy them or fell short of their expectation.

14. A classification of the 79 arbitration awards which were given till the date of study and were available in the respective files pertaining to the relevant disputes, where they were favourable to the employers, unions etc. is shown in the Table below:

TABLE X

(i) Favourable to employers	..	9	(11.39%)
(ii) Favourable to the workers	..	32	(40.50%)
(iii) Partly favourable to employers and workers	..	15	(19%)
(iv) Awards which were given in terms of settlements filed before the arbitrators	..	23	(29.11%)
		79	100%

15. *General Observation*: Considering the fact that the officers of the Central Industrial Relations Machinery undertook functions of arbitration in industrial disputes for the first time as contemplated in the Industrial Truce Resolution, the performance of the officers on the whole may be considered as encouraging. Another significant fact which may be noted is the increasing confidence the employers and unions showed in the officers and faith in the Code of Discipline as is evident from the steady increase in the number of cases referred to the officers for arbitration from month to month ever since the Industrial Truce Resolution was adopted.

ANNEXURE-A-I

Statement showing the number of cases where conciliation failed, parties requested for arbitration, arbitration agreed to, referred to adjudication and those pending examination for the period from November, 1962 to October, 1963.

Item No.	Subject	Cases relating to retrenchment	Cases relating to dismissal	Others	Total
1	2	3	4	5	6
1.	No. of cases in which conciliation failed and parties were requested by C.I.R.M. to agree to refer the dispute to voluntary arbitration	30	130	394	554
2.	No. of cases in which the parties agreed to arbitration	4	40	96	140
3.	No. of cases in which the parties did not agree to arbitration:				
	(a) Employers	24	87	295	406
	(b) Employees	1	1	1	3
	(c) Both	1	2	2	5
4.	No. of cases referred to adjudication	11	35	89	135
5.	No. of cases in which the Ministry informed the parties that the dispute is not fit for adjudication	11	30	86	127
6.	No. of cases in which settlements were arrived at later	1	6	18	25
7.	No. of cases pending with the Ministry:				
	(a) Recommended for adjudication by this Office	1	7	35	43
	(b) Not recommended for adjudication by this office	—	9	16	25
8.	No. of cases pending examination by this Office	2	3	54	59

ANNEXURE–A-II

Statement showing the month-wise information about cases of failure reports and the number of disputes referred to arbitration under the Code of Discipline and Industrial Disputes Act for the period from November, 1962 to July, 1963.

Month	No. of failure reports	No. of cases referred to arbitration (out of col. 2)		
		Under I.D. Act	Under Code of Discipline	Total
1	2	3	4	5
1. November, 1962	35	—	—	—
2. December, 1962	29	1	5	6
3. January, 1963	32	—	5	5
4. February, 1963	33	—	3	3
5. March, 1963	56	2	12	14
6. April, 1963	60	1	13	14
7. May, 1963	43	—	15	15
8. June, 1963	52	—	29	29
9. July, 1963	52	1	15	16
10. August, 1963	54	2	16	18
11. September, 1963	50	—	10	10
12. October, 1963	58	—	10	10
	554	7	133	140

ANNEXURE–B-I

Statement showing the number of cases where conciliation failed, parties requested for arbitration, arbitration agreed to, referred to adjudication and those pending examination for the period from November, 1962 to July 1963.

Item No.	Subject	Cases relating to retrenchment	Cases relating to dismissal	Others	Total
1	2	3	4	5	6
1.	No. of cases in which conciliation failed and parties were requested by C.I.R.M. to agree to refer the dispute to voluntary arbitration	22	97	273	392

1	2	3	4	5	6
2.	No. of cases in which the parties agreed to arbitration	2	32	68	102*
3.	No. of cases in which the parties did not agree to arbitration:				
	(a) Employers	18	62	203	283
	(b) Employees	1	1	1	3
	(c) Both	1	2	1	4
4.	No. of cases referred to adjudication	3	11	49	73
5.	No. of cases in which the Ministry informed the parties that the dispute is not fit for adjudication	3	22	59	84
6.	No. of cases in which settlements were arrived at after	—	6	11	17
7.	No. of cases pending with the Ministry:				
	(a) Recommended for adjudication by this office	7	8	33	48
	(b) Not recommended for adjudication by this office	1	4	25	30
8.	No. of cases pending examination by this office	6	4	28	38

*Two of these 102 cases were settled mutually by the parties before the arbitration proceedings could be started.

ANNEXURE B–II

Statement showing the month-wise information about cases of failure reports and the number of disputes referred to arbitration under the Code of Discipline and Industrial Disputes Act for the period from November, 1962 to July, 1963.

Month	No. of failure reports	No. of cases referred to arbitration (out of col. 2)		
		Under I.D. Act	Under Code of Discipline	Total
1	2	3	4	5
1. November, 1962	35	—	—	—
2. December, 1962	29	1	5	6
3. January, 1963	32	—	5	5
4. February, 1963	33	—	3	3
5. March, 1963	56	2	12	14
6. April, 1963	60	1	13	14
7. May, 1963	43	—	15	15
8. June, 1963	52	—	29	29
9. July, 1963	52	1	15	16
	392	*5	*97	102

*One each of these cases was settled mutually by the parties before the arbitration proceedings could be started.

Appendix I

ACTION TAKEN[1] ON THE MAIN CONCLUSIONS/RECOMMENDATIONS OF THE 20TH SESSION OF THE STANDING LABOUR COMMITTEE (NEW DELHI, 17 OCTOBER, 1962)

(i) SAFETY COUNCILS

The preparation of the scheme for setting up Safety Councils, and examination of the point as to how the Employees' State Insurance Corporation could render assistance, should be expedited.

The Chief Adviser, Factories, has drawn up a Scheme for the setting up of a Safety Council at the National level. The question of co-operation and assistance which the Employees' State Insurance Corporation could render to the proposed National Council is being examined in consultation with the Corporation. It is proposed to consider the above Scheme as also the question of constitution of similar Councils at the State level at the Conference on Safety in Factories to be convened sometime early next year.

(ii) SPECIAL MACHINERY FOR PROMOTING THE SCHEME OF JOINT MANAGEMENT COUNCILS

(a) The State Governments which had not yet set up the machinery recommended by the Second Seminar on Labour—Management Co-operation (New Delhi, March 1960) should do so without delay.

(b) A periodical report on the progress of the Scheme in the public sector would be placed before the Indian Labour Conference or the Standing Labour Committee.

(a) *The recommendation was communicated to the State Governments for necessary action. All State Governments, except Gujarat and J&K have set up the special machinery; the matter is being pursued with these two State Governments.*

(b) *Joint Management Councils are at present functioning in 22 units in the public sector as against 15 at the beginning of the current year. The matter has been taken up with the concerned Ministries and more units in the public sector are being persuaded to set up Joint Management Councils.*

(iii) REFERENCE OF CASES OF VICTIMISATION TO ARBITRATION

It might not be possible to refer all cases of alleged victimisation to arbitration. However, such cases should be referred to arbitration to the utmost extent possible.

The conclusion has been communicated to the State Governments, employers' and workers' organisations, and the Chief Labour Commissioner (Central) for necessary action.

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1. Action taken is indicated in the paragraphs printed in Italics—Editor.

(iv) FUNCTIONING OF WORKS COMMITTEES

The question of functioning of Works Committees in Uttar Pradesh, which had been suspended by a Government Order, would be reconsidered by the State Government.

The U.P. Government propose to make a provision in the draft U.P. Industrial Relations Bill regarding the constitution of Works Committees in industrial establishments.

ITEM 2: ADDITIONAL MEASURES FOR PROTECTION AGAINST VICTIMISATION AND REFERENCE OF CASES OF VICTIMISATION TO ARBITRATION

Cases of alleged victimisation should be referred to arbitration to the utmost extent possible. Where there is no arbitration such cases should ordinarily go for adjudication. Before however adjudication is resorted to in such cases, there should be more effective screening: when conciliation has failed, the Conciliation Officer and the Union concerned should discuss the matter again whether adjudication was necessary; in the event of disagreement, the case should be screened by a higher official of the Central or State Industrial Relations machinery, with the representative of the Central Workers' Organisation concerned. If the latter still insisted, the matter should be referred to adjudication.

The conclusion has been communicated to the State Governments and the central organisations of employers and workers for bringing it to the notice of their affiliates. The conclusion was also brought to the notice of the Chief Labour Commissioner (Central). He has issued necessary instructions to his officers regarding the screening of cases.

ITEM 3(i): AMENDMENT OF SECTIONS 79 AND 80 OF THE FACTORIES ACT TO PROVIDE FOR THE RATE OF PAYMENT FOR THE PERIOD OF LEAVE ACCORDING TO THE WAGES OF NORMAL POST HELD AND FOR GRANT OF LEAVE ACCORDING TO EXIGENCIES OF WORK IN A FACTORY.

The proposal for amending Section 79 was not accepted. As regards Section 80, specific cases of difficulty should be brought to the notice of Government for considering the matter further, if necessary.

The matter was brought to the notice of the parties concerned, who were requested to communicate spcific cases of difficulty experienced by them. The AIOIE have drawn attention to certain difficulties experienced by some employers; these are being examined in consultation with the Chief Adviser, Factories.

ITEM 3(ii): AMENDMENT OF SECTION 2(00) OF THE INDUSTRIAL DISPUTES ACT SO AS TO CHANGE THE DEFINITION OF THE TERM 'RETRENCHMENT'

The instances* cited were not really cases of retrenchment but of retire-

* Cases of termination of employment of some workers in the coal mining industry, declared medically unfit, consequent upon the enforcement of the Coal Mines Regulations, 1957. The proposal before the Committee was that the term 'retrenchment' may be amended to include cases of such termination.

ment and invalidity. The question of providing for benefits in such cases should be further examined.

The question has been examined. The rate of Provident Fund contribution in the coal mines has been enhanced recently to 8%. The question of gratuity is also being considered by the Central Wage Board for the Coal Mining Industry. No further action is considered necessary at this stage.

ITEM 3(iii): AMENDMENT OF SECTION 25 FFF OF THE INDUSTRIAL DISPUTES ACT SO AS TO PROVIDE FOR PAYMENT OF FULL COMPENSATION IN THE CASE OF CLOSURE OF AN UNDERTAKING ON ACCOUNT OF EXPIRY OF LEASE, LICENCE, OR EXHAUSTION OF RESERVES

(a) The proposal for amending the Act to provide for payment of full compensation in cases of closure on account of expiry of lease or licence was accepted. The question of covering cases of closure due to exhaustion of reserves should be considered, in the first instance, by the Industrial Committee on Coal Mining and Mines other than Coal, and thereafter brought up before the Standing Labour Committee or the Indian Labour Conference.

(b) The question whether the money set aside for the purpose of paying such compensation could be treated as deductible item of expenditure for purposes of Income-Tax would be examined.

a) *It is proposed to amend the Industrial Disputes Act, 1947, for giving effect to the Committee's decision concerning cases of closure on account of expiry of lease or licence. An amending Bill is being finalised. The recommendation concerning cases of closure due to exhaustion of reserves has been noted for necessary action.*

(b) *The matter was examined in consultation with the Ministry of Finance who have advised the provision made in the accounts in anticipation of final payment of compensation on closure of business would be regarded as contingent liability and the money set aside for the purpose could not be treated as an allowable item of expenditure for purposes of Income-Tax.*

ITEM 3(iv): AMENDMENT OF SECTION 10(B) OF THE INDIAN TRADE UNIONS ACT, 1926, SO AS TO EMPOWER THE REGISTRARS TO CANCEL THE REGISTRATION OF A TRADE UNION THE EXECUTIVE OF WHICH HAS BEEN FOUND TO HAVE VIOLATED ITS REGISTERED RULES

The Registrars need not be given very wide powers. The State Governments would examine the difficulties experienced by them in this regard and formulate, in consultation with the State Labour Advisory Committee, proposals concerning the specific types of violations for which Registrars might be given powers to cancel registration. The subject should thereafter be considered at a subsequent session of the Standing Labour Committee or the Indian Labour Conference.

The State Governments and Union Territories were requested to examine the matter and furnish proposals concerning the specific types of violations

for which Registrars might be given powers to cancel registration. Replies have so far been received from Andhra Pradesh, Bihar, Kerala, Maharashtra, Punjab, Himachal Pradesh, Andaman & Nicobar Islands and Tripura. Replies from others are awaited.

ITEM 3(v): AMENDMENT OF SECTION 33 OF THE INDUSTRIAL DISPUTES ACT, 1947, TO EMPOWER TRIBUNALS TO ADJUDICATE UPON THE APPLICATION MADE BY EMPLOYERS TO DISMISS A WORKMAN

Consideration of the proposal was deferred.

The proposal has been separately placed before the 21st Session of the Standing Labour Committee.

ITEM 4: PUBLICATION OF NEW SERIES OF CONSUMER PRICE INDEX NUMBERS FOR INDUSTRIAL WORKERS

The position stated in the Memorandum was noted.

The intention was to maintain and publish the new series for 50 selected Centres on a regular and continuing basis. The new series for 41 Centres have been compiled and published regularly in the Indian Labour Journal. Efforts are also being made to publish the series for the remaining 9 Centres in consultation with the State Governments of Madras, Maharashtra and Rajasthan.

ITEM 5: SOCIAL SECURITY—REVIEW OF THE WORKING OF THE EMPLOYEES' STATE INSURANCE SCHEME

A tripartite Committee should be set up to go into the matter and suggest what modification or change in the structure and organisation of the Employees' State Insurance Corporation would be necessary to ensure more satisfactory functioning of the Scheme.

A tripartite Committee, with Shri C. R. Pattabhiraman, Deputy Labour Minister, as its Chairman, was set up on 26 June 1963. At its meeting held on 28 July 1963, the Committee decided to issue a Questionnaire to the various parties concerned for collecting the relevant information. It is proposed to finalise the Questionnaire at the next meeting of the Committee to be convened shortly.

ITEM 6: WORKERS' EDUCATION—QUESTION OF ALLOWING SOME TIME OFF TO THE WORKERS ATTENDING UNIT-LEVEL CLASSES

The proposal that workers should have some time off for attending unit-level classes organised under the Workers' Education Scheme was approved. At least half of the time required for the purpose would be granted by the employers from the employees' working time.

The decision has been communicated to the Central Organisations of employers and workers, and the Director, Central Board for workers' Education for necessary action.

ITEM 7: DEFINITION OF 'NATURAL WASTAGE' OR 'SEPARATION' AS CONTAINED IN THE RECOMMENDATIONS ON RATIONALISATION ADOPTED BY THE 15TH SESSION OF THE INDIAN LABOUR CONFERENCE HELD IN 1957.

The term "natural wastage" or "separation" should include (i) death, (ii) superannuation, (iii) invalidity caused due to accidents, and (iv) resignation.

The definition has been brought to the notice of the interests concerned.

ITEM 8: RAISING OF THE WAGE LIMIT FROM RS. 500 TO RS. 1,000 UNDER THE EMPLOYEES' PROVIDENT FUNDS SCHEME, 1952, FOR ELIGIBILITY TO MEMBERSHIP OF THE FUND.

The proposal to raise the wage limit from Rs. 500 to Rs. 1,000 was approved.

A notification to this effect which came into force on 31 December, 1962 has already been issued.

ITEM 9: PRINCIPLE OF 'NO WORK, NO WAGES' AND IMPLICATIONS THEREOF

The consideration of the subject was deferred.

The subject is being separately placed before the Committee for its consideration.

ITEM 10: PROBLEM OF DELAYS IN THE DISPOSAL OF CASES.

The position stated in the Memorandum was noted.

No further action is called for.

ITEM 11: AMENDMENT OF THE INDIAN TRADE UNIONS ACT WITH A VIEW TO PROTECTING THE RIGHT OF MEMBERSHIP OF SEASONAL WORKERS DURING OFF-SEASON WITHOUT PAYMENT OF THE PRESCRIBED MEMBERSHIP FEE.

The proposal to amend the Act was not agreed to.

The decision has been communicated to the Government of Andhra Pradesh who had initiated the proposal. No further action is called for.

ITEM 12: SECURITY OF EMPLOYMENT AND SANCTION BEHIND THE TRIPARTITE DECISIONS.

There was an exchange of views on the subject but no specific conclusions were reached. The subject should be considered further; meanwhile the magnitude of the problem should be studied.

The subject is being separately placed before the Committee for its consideration.

ITEM 13: PROPOSAL TO AMEND THE INDUSTRIAL EMPLOYMENT (STANDING ORDERS) ACT SO AS TO MAKE MODEL STANDING ORDERS APPLICABLE TO INDUSTRIAL ESTABLISHMENTS TILL STANDING ORDERS ARE CERTIFIED.

The proposal to amend the Act was accepted.

The Amendment Bill was passed by the Lok Sabha during its November-December 1963 Session and brought into force from 23 December 1963.

ITEM 14: FURTHER CONSIDERATION OF THE REPORT OF THE STUDY GROUP ON SOCIAL SECURITY.

(i) Further consideration of the Report of the Study Group on Social Security should be suspended for three years.

(i) *The decision has been noted.*

(ii) Steps to raise the contributions of both employers and employees to the Provident Fund to 8 per cent should be processed vigorously.

(ii) *The Employees Provident Funds Act, 1952, has been amended from 1 January 1963 to empower the Central Government to enhance after necessary enquiry, the rate of contribution from 6¼ per cent to 8 per cent in any establishment or class of establishments. Under the Act as amended, the rate of contribution has been enhanced to 8 per cent in factories employing 50 or more persons in the case of: (a) cigarattes, (b) electrical, mechanical or general engineering products, (c) iron and steel and (d) paper—other than handmade paper industries from 1 January 1963; (e) cement industry from 1 April 1963; (f) 18 other industries from 1 November 1963; and (g) cotton textile industry from 1 December 1963. The question of a similar increase in the case of a number of other industries is under consideration.*

(iii) A modified scheme involving compulsory insurance of contributors under the Employees' Provident Funds Act and the Coal Mines Provident Fund Act should be examined as a matter of urgency, the premia and other payments towards insurance being made from the individual's accumulations in his provident fund.

(iii) *The matter was examined in consultation with the Life Insurance Corporation of India. The question was also placed before the Central Board of Trustees, Employees' Provident Fund, at its meeting held on 7 October, 1963. The Board has set up a Sub-Committee to examine the question and make recommendations in this regard.*

As regards the Coal Mines Provident Fund Scheme, a proposal to amend it so as to permit financing of Life Insurance Policies out of members' accumulations in the Coal Mines Provident Fund is under examination. Further action on the question of compulsory/group insurance under the Employees' Provident Fund and the Coal Mines Provident Fund Schemes would, however, be taken in the light of the recommendations of the Sub-Committee.

ITEM 15: AMENDMENT TO THE INDIAN TRADE UNIONS ACT, 1926, TO PROVIDE FOR RESOLUTION OF DISPUTES AMONG RIVAL OFFICE-BEARERS OF A TRADE UNION.

The proposal to empower the Labour Courts to resolve such disputes was generally favoured.

Disputants should have direct access to the Labour Courts for this purpose.

On representation from one of the workers' organisations, the matter was further examined and it was considered advisable to defer further action on the proposal till the issue was discussed further at a tripartite conference.

ITEM 16: GRANT OF FACILITIES BY EMPLOYERS TO EMPLOYEES ATTENDING TRADE UNION COURSES ORGANISED BY THE TRADE UNION ORGANISATIONS ON A PATTERN SIMILAR TO THOSE EXTENDED BY THE EMPLOYERS TO THE TRAINEES

ATTENDING THE TRAINING COURSES OF THE CENTRAL BOARD FOR WORKERS' EDUCATION.

The proposal for granting release time wages to workers attending special courses conducted by trade union organisations was not favoured.

The conclusion has been communicated to the interests concerned.

GENERAL.

(i) It was necessary to give greater attention to the basic questions of: (a) increasing production through fuller utilisation of resources and working of multiple shifts, and (b) reduction of costs which have assumed added significance in the existing conditions in the economy. The possibility of examnation of these and other allied matters in relation to particular industries by the Industrial Committees concerned might be explored. These matters would be considered at a tripartite meeting at the national level to be specially convened for the purpose.

(i) *Some of these matters were considered at a joint meeting of the employers' and workers' representatives and 3 November 1962 which adopted a Resolution on Industrial Truce. One of the directives in the Resolution relates to maximising of production through better and fuller utilisation of resources, working, wherever possible, of extra shifts, etc. An Emergency Production Committee has been set up at the Centre to secure implementation of these directives in the Resolution. Similar Committees have also been set up in all the States and in over 1,300 enterprises.*

(ii) Ministry of Labour and Employment would arrange to carry out case studies with a view to devising ways and means whereby recurrence of situations which were allowed to drift and develop, at times, into a deadlock, resulting prolonged work-stoppages could be averted.

(ii) *The decision has been noted. Case studies are carried out whenever considered necessary. Normal action is, however, taken under the Code of Discipline in all cases of work-stoppages.*

(iii) The Committee reiterated the decision taken at the 17th session of the Indian Labour Conference (Madras, July 1959) that the legislative and administrative policies of the Central and State Governments, and the policies of employers' and workers' organisations should be run counter to the broad lines of policy that may be adopted by the Indian Labour Conference from time to time after full tripartite discussions in the Conference. Proposals involving any new major point of policy or principle should generally be undertaken after consultating the Indian Labour Conference or the Standing Labour Committee.

(iii) *The recommendation has been brought to the notice of the interests concerned.*

Appendix II

ALL INDIA LEGISLATION FOR THE REGULATION OF THE BEEDI INDUSTRY

MEMORANDUM PREPARED BY THE GOVERNMENT OF MADRAS

The conditions of work in the beedi industry in the Madras State made it difficult to enforce the Labour enactments in respect of persons employed in that industry. With a view to regulate the conditions of work in this industry, the Madras Government enacted the Madras Beedi Industrial Premises (Regulation of Conditions of Work) Act in 1958.

2. When the provisions of the above Act were brought into force in certain areas in this State, a serious situation arose, as some of the employers stopped giving work to their workers as a result of which many were thrown out of employment. But, after a series of discussions with the Commissioner of Labour, the employers agreed to take out licences under the Act and requested the Government to enforce only the licensing provisions of the Act and keep the other provisions in abeyance till such time the neighbouring States introduced a similar legislation. The Government have agreed to this request.

3. The employers are not reluctant to take out licences under the Act. Their only difficulty is that when their counterparts in the neighbouring States do not have any such statutory liabilities, they will not be able to compete with them, since the expenditure in the manufacture of beedies in this State will be high as compared to the cost of manufacture in other States and if the prices of beedies are put up in this State, they will lose the market. Effective enforcement of the Madras Act is not therefore feasible.

4. The position was recently reviewed at a conference of the representatives of the Southern States. The Kerala Government have enacted their beedi legislation and the Mysore Government have introduced a Bill in their legislature. The Andhra Pradesh Government representative pleaded inability of his Government to pass a legislation at present for want of similar legislation in the adjoining States of Maharashtra, Madhya Pradesh and Orissa. Pending such a legislation, the Andhra Pradesh Government contemplate notifying the provisions of the Factories Act to the beedi industry under section 85(2) of the Factories Act. Having already passed a special legislation, it will be somewhat inappropriate and embarrassing for Kerala and Madras Governments to notify beedi industry under section 85(2) of the Factories Act. Moreover, the beedi industry in its organisation and characteristics will be very dissimilar to the factories for which provisions of the Factories Act can apply. It is therefore felt that the only way to ensure effective enforcement of Beedi Acts passed by Madras and Kerala and to extend protection and benefits to the workers in the Beedi industry in other States is to have an All India legislation.