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NATIONAL COMMISSION ON LABOUR

DRAFT REPORT

PART I

P R E F A C E

In drafting Part I of the Commission's Report the Secretariat had to depart from the scheme of Chapters adopted by the Commission in January, 1968. The material to be included in this Part has been divided in six Chapters instead of five as agreed. The main point of departure is the addition of a Chapter on Directive Principles of State Policy. This has been done because there is a specific reference in our terms of reference to these Principles. Within each Chapter, the material had to be re-distributed because of this need for a separate Chapter on Directive Principles.

2. A part of the material which should have gone in the original Chapter 4 "Labour in a Changing Social Order" has come in Chapter VI as now presented. The remaining portions will be brought in at the respective places in 'Subject' Chapters. (Original Part III).

3. Chapter VI 'A Perspective for Labour' will emerge more clearly only after our discussion with the Planning Commission in December. This will mean a revision of Section III of Chapter VI and consequential changes.

B.N. DATAR
Member-Secretary.
3-10-1968

CHAPTER I
INTRODUCTION

The National Commission on Labour was appointed by the Government of India Resolution No. 36/14/66-LAE dated December 24, 1966 (Appendix 1) issued by the Ministry of Labour, Employment and Rehabilitation (Department of Labour and Employment), with the following terms of reference:

- (1) To review the changes in conditions of labour since Independence and to report on existing conditions of labour.
- (2) To review the existing legislative and other provisions intended to protect the interests of labour, to assess their working and to advise how far these provisions serve to implement the Directive Principles of State Policy in the Constitution on Labour matters and the national objectives of establishing a socialist society and achieving planned economic development.
- (3) To study and report in particular on -
 - (i) the levels of workers' earnings, the provisions relating to wages, the need for fixation of minimum wages including a national minimum wage, the means of increasing productivity, including the provision of incentives to workers;
 - (ii) the standard of living and the health, efficiency, safety, welfare, housing, training and education of workers and the existing arrangements for administration of labour welfare - both at the Centre and in the States;
 - (iii) the existing arrangements for social security;
 - (iv) the state of relations between employers and workers and the role of trade unions and employers' organisations in promoting healthy industrial relations and the interests of the nation;
 - (v) the labour laws and voluntary arrangements like the Code of Discipline, Joint Management Councils, Voluntary Arbitration and Wage Boards and the machinery at the Centre and in the States for their enforcement;
 - (vi) measures for improving conditions of rural labour and other categories of unorganised labour; and
 - (vii) existing arrangements for labour intelligence and research, and
- (4) To make recommendations on the above matters.

Note:- For the purposes of the Commission's work the term 'labour' and 'workers' will include, in addition to rural labour, all employees covered by the Industrial Disputes Act, 1947.

2. The original composition of the Commission changed as a result of (i) the elevation of Shri G.D. Khandelwal, the then Member (Staff), Railway Board to the Chairmanship of the Railway Board and his place being taken by Shri B.C.Ganguli, (ii) the inclusion of two additional Members, Dr. Bharat Ram and Dr. Baljit Singh, (iii) the sad demise of Shri N.K.Jalan which necessitated the appointment of Shri D.C.Kothari in his place, and (iv) the resignation of Shri S.A.Dange on September 17, 1968. For a major portion of its life, the Commission consisted of the Members who have signed the Report.

3. The Commission assembled for the first time at Bombay on January 18, 1967 and had the benefit of listening to the inaugural address by the then Labour Minister, Shri Jagjivan Ram*, and a response to it by the Chairman of the Commission. Since these two speeches provide the main guidelines for the work of the Commission**, they have been appended to the Report. (Appendix 2).

4. In the first formal meeting immediately after inauguration, we took a decision about the possible date by which we should complete our work. A Commission with a charter as vast as ours would have been justified in taking a long time for completing its assignment; at the same time the public would be anxious to see our findings as early as possible. Taking into account the area to be covered, preoccupations of most of us, the time taken by the Royal Commission on Labour (1929-31), our predecessor Commission, and by the Commissions appointed by Government in recent years on other subjects, we felt it reasonable to fix March 31, 1969 or thereabouts, as the date for presenting our conclusions and recommendations to Government. It is with this date-line that we worked our time-table backwards for completing the different stages of our work.

5. We had to seek a clarification from Government as to whether the employees of the Posts and Telegraphs Board were included within our terms of reference, in view of the Government's decision around 1960 to treat them as departmental employees. The position was clarified by Government, though late, and on this basis we sought the co-operation of the Department of Communications, the P & T Board and the Federation of Posts and Telegraphs Employees in our work.

6. Fortunately for the Commission, three of the eminent persons associated with the Royal Commission on Labour, two of them as Members and one as Joint Secretary, still continue to be in active public life, Shri G.D.Birla a noted industrialist, Diwan Chaman Lal, a senior trade union leader and Shri S.Lall a distinguished civil servant (now retired). Our discussions with them about the manner in which the predecessor Commission set about its task and on problems in the area to be covered by our inquiry were of assistance to us in settling our lines of work.

7. One of our earlier tasks was to assess the availability of information connected with our enquiry. The charter we were to cover was both more extensive in terms of the number of workers involved and the aspects of working relations and more intricate in regard to interactions between labour

* In the unavoidable absence of the Labour Minister, his Inaugural Speech was read out by Shri P.M.Nayak, Additional Secretary, Department of Labour & Employment.

** The Commission will be referred to hereafter in the first person plural except where the context requires the use of the word 'Commission'.

and management and relations between Government on the one hand and the two parties on the other because of fundamental changes in the Indian social framework. Our starting point was, according to the terms of reference, to assess the situation as it existed and developed since Independence. However, for understanding how the situation as prevailing in 1947 had evolved and for maintaining continuity with the report of the Royal Commission on Labour, brief references to the period 1931-47 could not be considered irrelevant.

8. In a sense, we could consider ourselves more fortunate than the predecessor Commission in respect of access to literature. Literature on labour and allied problems in the last 35 years, and more particularly in the period since Independence, has been so voluminous that we had necessarily to be selective in sorting out the material to be studied. Rather than listing all the source material, we indicate, for the sake of brevity, merely the type of sources we tapped. Apart from the Report of the Royal Commission on Labour (1931), and the extensive studies published by the Labour Investigation Committee (1946), there have been reports of committees appointed by different Provincial/State Governments which reflected the conditions prevailing at the time of reporting. In the same category, though with a difference, would be various official surveys of labour conditions in different industries and different areas but undertaken at different points of time. To state a few, we had the reports of the two agricultural labour inquiries, survey reports on labour conditions in industries, reports on the family living surveys, the wage censuses, all of them emanating from Governmental sources. There has been a fair amount of legislative activity in the field of labour more particularly in the early years of Independence. The debates in Parliament and State Legislatures leading to this legislation formed an equally valuable source of information. On the interpretational side of these enactments, apart from the pronouncements of the Supreme Court and High Courts, we had the awards of the industrial tribunals, industrial courts and labour courts. Reports of wage boards and special committees appointed from time to time to provide a basis for changes in conditions of work in different sectors of employment including agriculture, industries, small and large, transport of all types, again large and small, trade and service organisations, and financial institutions of different types provided another useful source of material. Reports of the two Pay Commissions, the Dearness Allowance Commissions/Committees and of the Courts of Inquiry fall in the same category. The additional official documentation for our study was the Annual Reports of the Ministries of Central and State Governments which supplied information with a certain slant, but read with the debates on them could be understood in their proper perspective. The material prepared for discussions in the

tripartite meetings like the Indian Labour Conference, Standing Labour Committee, the Industrial Committee, Evaluation and Implementation Committees and similar organisations at the State level, and the discussion on them was another useful source. There are, in addition, albeit subjective, the annual reports of employers' and workers' organisations which discuss from time to time special problems as affecting them.

9. Over the last 15 years, some valuable work has been undertaken through sponsored research in universities and research institutions. The Research Programmes Committee set up by the Planning Commission has been instrumental in encouraging localised studies on various aspects connected with labour and also in broader areas like city surveys, assessment of land reforms, small industries, benefits of irrigation and the like, all of which in one way or the other, have relevance to the work of the Commission. Indian labour in recent years has been a subject of study by a number of scholars within the country and abroad. Research institutions have been set up; some universities and similar institutions have organised special wings to study labour with or without Governmental assistance. Professional organisations in the field of labour have increased their activities. The documentation which such organisations prepare for their annual meetings or special seminars contains a fair amount of information particularly in relation to local experience. The assessment prepared in the Planning Commission from time to time on different aspects of policy for formulation of the country's overall plans contained information of analytical value. Different aspects of labour figure from time to time in articles in weekly journals. The library of the Department of Labour and Employment prepares from time to time bibliographies on important topics. These were fully availed of. The International Labour Office, Geneva, also provided us with considerable bibliographical assistance.

10. On the statistical side, the yearly publication of the Labour Bureau 'Indian Labour Statistics' and similar publications by State Labour Departments came in handy for purely labour aspects of our work. To understand the general behaviour of the economy, we could use other statistical material published by Governments, the Reserve Bank of India and financial journals from time to time. For a major part of the work of interpreting changes in industry*, its financial structure, the wage component and the like, information culled out from the Census of Indian Manufactures (1946-58) and the

* For the classification of industries/occupations we have used in our analysis the international classification as adapted to the Indian conditions. Considerable work has been done in this country since Independence in this area of classification. The classification as evolved is in vogue in different departments of Government for some time.

Annual Survey of Industries (since 1959) could be used with advantage. For assessing knowledgeable reaction to these indicators, the Commission published in advance of drawing conclusions, a statistical volume consisting of three parts covering the period 1946-64. The volume includes data of particular interest to labour at three yearly intervals upto 1958 and annual data from 1959 onwards for different industries in different States. The reports of National Sample Survey were used wherever it was necessary to understand the changes in the fortunes of labour in the context of changes in the conditions of the community as a whole. But even with this vast fund of statistics, there were some areas, particularly in agriculture and small scale industries, where special efforts had to be made for understanding the changes that had taken place. There were some others where we had to rely on the knowledge of experts but without statistical support and still others where it was not possible to penetrate.

11. Apart from these library type of sources, we requested the Central and State Governments and central organisations of employers and workers to send for the benefit of our analysis special papers under the following broad headings: (1) Wages, earnings and productivity; (2) Social security; (3) Conditions of work; (4) Industrial relations; (5) Rural and other unorganised labour; (6) Labour Research and intelligence; (7) Organisations and functions of the Department of Labour*; (8) International obligations; (9) Tripartite consultative machinery and its impact on labour policy; and (10) Employment and training. Between them, they were expected to cover the area of our inquiry and in the process of presenting facts, the papers could pose problems for our consideration. We also requested them to send to us such reports as they thought would be useful to the Commission. The response from the Central and State Governments to this request was satisfactory, though the central employers' and workers' organisations thought it more appropriate to cover these topics in the exhaustive memorandum they proposed to send.

12. We were conscious that the task which we were to undertake could not be completed satisfactorily unless adequate local/plant experience was woven into our analysis and reflected in the conclusions and recommendations. For this purpose, we found it convenient to appoint liaison officers in every employing Department** of the Central Government and other Departments with which we were directly concerned, the State Labour Departments***, major public sector undertakings and central organisations of employers and workers.

* This was not relevant to non official organisations.

** Employing Departments are those which control Government employees who come within the definition of the term 'workman' under the Industrial Disputes Act, 1947.

*** Includes Labour Departments of Union Territories also.

Names of the liaison officers so appointed is appended. (Appendix 3). Their contribution to the smooth flow of information in the Commission has been considerable. The liaison officers of the State Government, mostly State Labour Commissioners, in particular, had to bear the main brunt of many queries from the Commission and demands for information. It is with the assistance of State Labour Secretaries/Labour Commissioners that physical arrangements for the Commission's visits to State Headquarters and other places of industrial importance could be made with the least inconvenience to our Secretariat. In order to ensure that the requirements of the Commission were uniformly appreciated by the liaison officers, two Conferences were held in the early stages of our work: (1) with Labour Secretaries and Labour Commissioners of State Governments and (2) with officers of Central Ministries and public sector undertakings associated with them. Conclusions were reached in these meetings about the nature of co-operation we sought from the liaison officers. These conclusions were followed up by the visits by the Commission's staff as and when required for further on the spot discussions.

13. The next task was to frame a Questionnaire. In evolving it, our endeavour was to take adequate care (i) to see that there was no bias in favour of status quo; and what is more; (ii) to avoid criticism that the questions were suggestive of a leaning on the side of Government, employers or workers. The Secretariat was advised to consult a section of persons interested in responding to the questions posed to understand their difficulties but mainly to avoid the possible types of bias referred to. We sought to emphasise this aspect further by underlining in the circular issued with the Questionnaire:

"Since labour problems cannot be viewed in isolation and have necessarily to be a part of the overall problem of development, it is expected that while answering questions and making suggestions, due account will be taken of the present stage of the country's economic development as well as the perspective in which the Commission's recommendations may have to be implemented. If for this perspective some of the principles on which the present labour policy is framed require to be re-examined, such re-examination should also find a place in the replies."

14. The questions as finally drawn up (Appendix 4) were widely circulated in India; some copies were distributed in foreign countries among persons conversant with the Indian labour scene. Within the country all organisations, persons who were interested in helping the Commission were requested to respond to the Questionnaire. To secure a wide public response and do justice to our terms of reference, the number of questions had to be large and the problems covered extensive, but the Commission's circular letter pointed out -

"the Questionnaire seeks to elicit mainly the views with statistical support, if any, of organisations/persons interested in labour, on most of the important issues

which the Commission will investigate. Organisations/ persons will, however, respond to only such questions as are of interest to them."

We thought it necessary to keep the Questionnaire open and provide a choice to add to the points by stating -

"Organisations/persons are free to communicate to the Commission their views on matters which have a bearing on the terms of reference but which have not been specifically covered in the accompanying Questionnaire."

15. Public response to our questionnaire was satisfactory. The State Governments, employers' and workers' organisations in different States* sent us, on this basis, their memoranda, which could form a basis of dialogue between the respective parties and us. The names of persons/organisations who responded to our questionnaire and with whom we had discussions are listed in Appendix 5. To facilitate discussions we selected the more important questions for eliciting information leaving the parties to raise any other points if they so wished. As we went from State to State such new ideas as were mentioned to us, in the States* visited, were tested on persons/organisations in States* that followed. Discussions at the various State Headquarters* and centres of industrial importance were helpful in providing a deeper insight in local problems and in understanding how difficulties in future could be avoided. The response to our invitation for discussions was generous wherever we went.

16. For recording evidence at State Headquarters* we secured through the State Governments the assistance of local expertise available in the Labour Departments, generally the Labour Secretary/Commissioner. Our sessions usually opened with a discussion with State trade union leaders and were followed by a similar round, covering more or less the same range of topics, with employers' organisations or groups of individual employers. We followed up these discussions by a dialogue with eminent persons who wanted to help us in our inquiry. In some States, the members of local legislatures gave us the benefit of their advice. The final session at each State Headquarters* was with the Government Departments/State Corporations and State public sector undertakings ending with a detailed dialogue with the State Labour Minister and other Ministers and officials of the Labour Department. Such clarifications as were needed on this evidence from the persons meeting us were sent to us in writing by the persons/organisations appearing before us. In some cases we considered it necessary to probe deeper into certain points mentioned to us. For this purpose we asked the Secretariat to depute a suitable officer of the Commission for making an on the spot inquiry and framing a report for us. This was in addition to a number of observational visits undertaken by some

* This term also includes Head-Quarters of Union Territories.

of us to get ourselves acquainted with local situations. It was possible, through this process, to sort out the information sent to us as also the points made by the witnesses needing clarification on the spot from the concerned State officials. A similar procedure was followed in seeking information from the employing departments of Union Government and the Central public sector undertakings which they control.

17. Almost towards the close of our discussions at the State Headquarters, we started our meetings with the central organisations of employers and workers. On many general issues or issues of all-India importance the affiliates of these organisations in different States had expressed only tentative views or explained local advantages or dissatisfactions, mainly the latter. Apart from what the central organisations had to tell us about our charter in general, points arising out of the evidence of their State affiliates were brought up for clarification in these meetings.

18. We thought that our series of consultations would be incomplete if we did not have extensive discussions with the Members of Parliament belonging to different political parties. Among them there are many who took keen interest in problems connected with industrial and agricultural labour. Through the good offices of the Minister for Parliamentary Affairs and leaders of different Parliamentary groups, we obtained a list of Members who wanted to help us with their views. The Members of Parliament who met us are shown in Appendix 6. For these meetings the secretariat put together the trend of evidence recorded till then on some important areas of our inquiry with a view to making our dialogue more meaningful.

19. In an inquiry of the type entrusted to us it was important to have the views of a wide cross section of public opinion, apart from the persons who are directly concerned with labour viz. employers' and workers' organisations, research scholars interested in labour and the various groups referred to above. We, therefore, considered it necessary to invite persons, recognised for their eminence in various walks of life, but whom we could not normally reach through organisations appearing before us. The list of persons who helped us in this capacity is at Appendix 7.

20. Before we sat down for framing our conclusions we had a round of discussions with Planning Commission, the representatives of the Department of Economic Affairs, the Ministry of Home Affairs and the Department of Labour and Employment. For these discussions also the secretariat attempted an up-to-date version of the trend of evidence in the more controversial areas of its inquiry.

21. As a measure of tapping expertise outside the Commission, we followed the foot-steps of the Education Commission which reported in 1966 and the Administrative Reforms Commission to set up Committees/study/working groups

to cover a major part of our enquiry*. In all, 38 such groups were appointed. Each group was expected to draw upon the expertise of its members, the relevant material on the whole area of the Commission's work in the concerned industry or subject and on information which would help project its thinking on the problems of the industry in the years to come. Each group was free to evolve its own procedure for work and for framing its report. We emphasised however, that the study group should interpret the existing information and avoid planning and collection of new material; this caution was necessary to avoid non-uniformity in collection and interpretation of data. In securing a free discussion on the basis of which alone a study group could report, the Commission informed the study group members -

- "(i) Constituted of different interests as the study group is, the Commission feels that complete unanimity within a study group may be difficult. At the same time each study group will collectively endeavour to secure unanimity as far as possible.
- (ii) If unanimity eludes a study group for unavoidable reasons the Commission expects a clear statement of the points of difference so that within the Commission an attempt will be made to sort out these differences."

The composition of different study groups is at Appendix 8. In many cases the study groups came out with unanimous recommendations. In some, there were differences in emphasis; in others, the divergences were of a more serious nature requiring a dissenting minute. The status of the conclusions and recommendations of the study group will be clear from the relevant portion of the Foreword to the report by the Chairman of the Commission, reproduced below:-

"The views expressed in the report are the views of the Study Group. In examining them for framing its final recommendations, the Commission will attach due importance to these views coming as they do from knowledgeable persons. In the meanwhile, the report is being published by the Commission with a view to seeking comments on it."

22. As another variation of seeking expert guidance in our work, we selected a knowledgeable person who could prepare a documentation for us on a specific subject. For instance we secured a note on labour engaged in small scale industries, power looms, mica, quarries, industrial cooperatives, leather, forests etc. in this manner. The information we got on this basis was used by the Secretariat in preparing material for our consideration. Persons who helped us in this aspect of the Commission's work are listed in Appendix 9.

* Before the Commission was set up the Department of Labour and Employment had constituted/had thought of constituting Committees on some subjects needing investigation. We sought to coordinate the work of the former and own the latter to make our work comprehensive.

23. Another known method was to seek expert guidance through participation by the Commission in seminars, organised by academic institutions which have been taking interest in labour problems, covering any aspect of our field of inquiry. In some cases, these seminars were sponsored by the Commission; in others a small measure of assistance was made available to deserving institutions for the discussions arranged by them. The expertise tapped in this manner is shown in Appendix 10.

24. To understand some technical problems involved in the work of the Commission more fully, the Commission on its own organised conferences on the basis of a select documentation of technical information. Such information itself was an accumulation of comments on a technical paper which the Commission was instrumental in getting prepared by an expert in the line. This method was used for a proper appreciation of various problems connected with working conditions. We enlisted the cooperation of the Director-General of Factory Advice Service to draw up a paper on the basis of his wide experience and covering the concerned term of reference of the Commission. On this paper the secretariat sought the views of the Chief Inspector of Factories of every State. The comments/suggestions received from the Chief Inspectors were discussed in a conference at which the Directorate General of Factory Advice Service and the State inspectorates (Appendix 11) were adequately represented. The conclusions of the conference were published in the same manner as the reports of the study groups and for the same purpose.

25. For comprehending the statistical problems connected with our inquiry, a variation of this procedure was used in the sense that the Director, Labour Bureau, was requested to state the problem and his way of looking at the solution. But instead of confining the area from which response was to be sought to either the State Directorate of Economics and Statistics or the State Labour Commissioners we brought both these groups together (Appendix 12) to sort out the problems and reach conclusions for our consideration.

26. A similar meeting was organised for understanding problems of agricultural labour. For this purpose, the secretariat put together the latest statistical and other information available on the subject and also the conclusions which emerged from the studies undertaken by it with the help of Education Officers of the Central Board of Workers' Education (Appendix 13). The information so collected was supplemented by the assessment available in the Planning Commission, the Central Ministries/Departments concerned and with the State Governments on the working of the land reforms, rural works programmes and various other projects which together formed plans of agricultural development. The assessments of the implementation of minimum

wage legislation in agriculture undertaken from time to time by the Department of Labour and Employment also formed a part of the material supplied to the participants as indeed the analysis of the evidence recorded by the Commission on this subject. This documentation formed the basis of a representative Conference on Agricultural Labour which sorted out, for our benefit, many of the problems connected with rural labour in general and agricultural labour in particular. The list of experts who assisted us in this manner is appended (Appendix 14). We used a variation of these arrangements for a study of problems connected with labour in small scale industries.

27. We express our thanks and gratitude to all those who extended their cooperation to us in various ways.

28. To understand the latest developments in the field of labour in the international context, our secretariat, in the early stages of Commission's life, established liaison with the International Labour Office through the Department of Labour and Employment. The I.L.O. was good enough to nominate one of its senior officers to help clearance in good time of our references to that office. The Embassies and High Commissions of different countries located in Delhi readily assisted us with whatever information we wanted from the respective countries. The Australian Government provided facilities to Member-Secretary and the Member-Secretary of our Study Group on Labour Legislation to visit Australia and have discussions with a cross-section of public opinion in that country and also persons/organisations, governmental institutions which help in maintaining industrial harmony. We had similar invitations from the I.L.O., the U.S.A. and the U.S. S.R. but these could not be availed of because of the tight time-table which the Commission had fixed for itself. Our special thanks are due to the I.L.O. and to foreign Governments who provided/offered to provide liberal facilities for studying international/national experience for any lessons we could draw from it.

29. The Commission held meetings

30. A word about the Press. Throughout our inquiry the Press in India was extremely co-operative. It provided adequate coverage about the Commission's task before we visited the Headquarters of a State and also to the press conferences which usually followed the completion of our work in that State. At regular intervals we shared our experience, based on the trend of evidence reaching us, with the public through the press. The material on which we wanted public reactions like the study group reports, the proceedings of the conferences, seminars, special discussions etc. received wide publicity and.

evoked editorial and other comments in important dailies and weeklies and other journals. We acknowledge with thanks that our task would have been more difficult if such public notice was not taken of the work which had been entrusted to us.

31. The Commission's report is in three parts. Part I provides a general background of changes, of interest to labour, which have taken place in the economy since Independence. Discussed in this Part are (i) changing framework of the Indian society, (ii) progress in the implementation of the Directive Principles of State Policy, (iii) price movements, (iv) employment trends and (v) the perspective which the Commission kept in view in framing its recommendations. Part II deals with different subjects enquired into by the Commission and the conclusions reached on them. Part III brings together the recommendations of the Commission.

32. Apart from the Study Group reports ^{and} the statistical volumes which were released to the public from time to time, the Commission has also authorised the publication of two companion volumes, one on industry and the other on States. The status of these latter publications in relation to the Commission's conclusions is explained in the Foreword to each of these volumes.

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CHAPTER II

FRAMEWORK OF INDIAN SOCIETY

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The Commission's terms of reference require us inter alia

"(1) To review the changes in the conditions of labour since Independence and to report on existing conditions of labour, and

(2) To review the existing legislative and other provisions intended to protect the interests of labour and to assess their working and to advise how far these provisions serve to implement the Directive Principles of State Policy in the Constitution on labour matters and the national objectives of establishing a socialist society and achieving planned economic development."

2. For these tasks it seems necessary to provide by way of background a synoptic view of the main features of the Indian society as it has emerged since Independence and their relation to an important component of it: labour. Such a view, we expect, will facilitate a wider and deeper understanding of the issues assigned for the Commission's inquiry. Notwithstanding the significance of individual issues, a comprehensive view of labour which covers all wage labour engaged in primary, secondary and tertiary activities, whether organised or otherwise, whether protected or unprotected, cannot be taken in isolation of the trends and tendencies in the system as a whole.

II

3. India is inhabited by over 500 million people with a population density varying from 1792 per square kilometre in the Union Territory of Delhi, 435 in Kerala to 59 in Rajasthan and 8 per square kilometre in Andamans. The population witnessed an increase of just about 34 per cent over the 40 years - 1901 to 1941. But the increase since then has been 13.3 per cent in 1941-51 and 21.5 per cent in 1951-61. The high rate of population growth in recent years has been the result of a continued high birth-rate coupled with declining death-rate. The sex ratio of the population is in favour of males - 941 females per thousand males in 1961. The age structure reveals the typical characteristics of a population which has potentiality of a high rate of growth: 41% of the population is accounted for by boys and girls below the age of 15. The rural-urban ratio as revealed in 1961 was 82:18.

This represents a small change as between 1951-61 even allowing for definitional changes between the two Censuses. A major shift to urban areas was in the period 1941-51 and the one factor which accounts for this is reported to be the Partition of pre-Independence India.

4. As may be expected in a country with a rich and varied cultural heritage, a large number of languages and dialects are spoken in different parts of the country. Each one of the former has developed in varying degrees its own literature and of the latter its folk lore. The 1961 Census reveals that languages specified in the Eighth Schedule of the Constitution, inclusive of dialects grouped under them and Indian languages in current usage by 5 lakhs and over, but other than those specified in the Schedule, are a medium of communication of about 98.6 per cent of the population. The Census also records that 24 per cent of the population was literate as against 16.6 per cent in 1951. The percentage of literacy in 1961 worked out at 34.4 per cent for males and 12.9 per cent for females. The highest literacy rate was recorded for the Union Territory of Delhi and Kerala State and the lowest for Jammu and Kashmir and NEFA.

5. India has been described as a museum of races, a vast receptacle into which different ethnic strains have merged to form a multi-racial and multi-lingual society. In response to geographical and historical factors India developed the unique institution of caste and there are some three thousand of them in the country. Whatever the impediments this institution has been responsible for the development of the country, it has enabled the social structure to remain fairly stable and, at the same time, allowed for regional diversity of creeds and customs. However, over the long span of years prior to Independence with the basic unity unimpaired the structure as a whole, did show enough resilience to absorb changes consistent with the requirements of time and space.

6. To complete the picture of resource endowments, we refer albeit briefly to the land, water and mineral resources. India's geographical area is 3.27 million square kilometres with a land frontier of 15,168 kilometres and a coast line of about 5700 kilometres. It has a variety of soils ranging from the rich alluvium of the Indo-Gangetic plains in the north, noted for their response to irrigation and manuring to black red and laterite structures in the peninsular region. It has well distributed water resources consisting of rivers and streams about a third of which have been exploited. India is rich in mineral resources. Reserves of coal are estimated at over 120,000 million tonnes. Potential oil bearing areas so far explored aggregate a million square kilometres

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and more, with oil reserves of over 100 million tonnes. Iron ore reserves of about 22,000 million tonnes account for a fourth of the total world reserves. Besides, there are sizeable deposits of gypsum, manganese, bauxite, and mica and small belts of copper, chromite and gold.

III

7. India became Independent on August 15, 1947. The events leading to Independence and the long history associated with it are by themselves significant in tracing the evolution of the Indian society in the last 20 years. The early years of struggle were characterised by an internal debate as to the relative place of social or political reform in the future of the country. Economic over-tones used to be introduced in the debate by each group though one clear direction was discernible in the debates: to shake off the foreign yoke. An aspect which overshadowed discussions, public controversies etc. in the later years was of bringing about a workable integration between the major communities comprising undivided India. These have influenced significantly the framework which free India has given to herself for conducting the affairs of the nation.

8. India inherited from her erstwhile rulers a unified system of administration, a rule of law, sporadic eruptions of public disorder notwithstanding, leading to an orderly and peaceful way of managing the affairs of the nation, a synthesis of eastern and western ideas and thoughts in many matters affecting the destiny of the nation, an industrial setting and a system of transport and communications which for a developing country could be considered modern, a press which had in it the main elements of free and fearless comment on the events of the day, a foundation of liberal education and scientific and technological institutions on which could be built up the super-structure of seats of higher learning suitable to the genius of the people, and above all an independent judiciary which could be trusted to interpret the wishes of the legislature faithfully and with due regard to social conscience. The strengthening of the better elements in this inheritance and choosing those, which could have acted as a drag on society, for discarding by the way side was at once a challenge and an opportunity brought to the country on the eve of Independence. It evoked responses from the people in the form of nationalism and political unity based not on narrow regional patriotism but on the essential cultural integration of the country which is an important element in preserving the hard earned freedom.

9. To understand the position of the economy as it stood at the time of Independence it would be useful to have a peep into a more remote past. Though the country was essentially agricultural, development of agriculture remained behind what was required to meet the needs of growing numbers. Successive changes in the geographical boundaries over the years reduced India, in the absence of such development, to the position of an importer of food-grains. Within the country, the small dose of industrialisation with a dash of newer forms of transportation made rural areas less insular and more dependent on products of large scale industries. But these also showed a considerable measure of tardiness in their growth. One could even say that industrial development was just enough to kill local initiative and create aspirations in rural masses for paid employment in urban areas without adequate means of satisfying them at any stage, though it could be a moot point whether mere local initiative was a sufficient condition for the sustenance of growing numbers. In spite of the industrial growth spread over a century, employment in it on the eve of Independence was not more than few millions and, even to reach this stage, major impetus had to come from the two World Wars and a measure of tariff protection which the industry could grudgingly secure in the inter-war period under an alien rule. The process of industrialisation remained inhibited due to lack of financial resources, inadequate development of technical skills and indeed the sluggish pace of growth of the economy as a whole. Agriculture stabilized at a low level of efficiency and low productivity per hectare of utilised land and even more so per person employed in agriculture. Simultaneously, with the reaching of the most cherished goal of Independence there was a realisation that total effect on the economy of the events of years of dependence was such that the inheritance for the post-Independence leadership displayed all the typical features of an under-developed economy: stagnant agriculture, impoverished land, low level of productivity and savings, a high order of labour intensity in production, inadequate development of social over-heads like transport, education, health and other services. This is not to suggest that there were no developed pockets in the country; but few which were there merely served to whet the aspirations of others and these aspirations were also dormant in the pre-Independence phase.

10. The dominant political organisation in the country was not unaware of the needs of the time. Its annals reveal resolutions on what Government should and should not do to alleviate the miseries of the people. Its action programme acquired a radical character only

when with the philosophy of nationalism it blended an economic content which appealed to the masses. For a long time there was no set economic platform for the Indian National Congress. Such trend as could be seen in the early years was against Government's policy of laissez faire which operated in favour of interests outside the country; it was for conscious governmental action to tackle the deep rooted problems of under-development. Whether this could be considered as the origin of departure from laissez faire in the labour field also is, however, open to doubt. When the struggle for Independence acquired a sharper edge in the thirties the economic objectives became more definite. Indeed on the assumption of limited political power given by the Government of India Act, 1935, the major political party initiated work at the non-official level on a comprehensive analysis of the economic problems in relation to the resources of the country and for preparing a blue-print for development. This was about ten years prior to Independence, and over a dozen years prior to the inauguration of formal planning in the country.

11. The cessation of hostilities in 1945 and the accession to power by the British Labour Party which initiated steps for what is known elsewhere as 'grand denouement' of transfer of power to the people of India were developments important in themselves, to be taken note of after the militant postures struck by the wartime British Government on the one side and the political parties in India on the other. Because of a fall in the general level of demand and thus fall in the levels of employment and the pressure of prices the difficulties got aggravated. These resulted, in conjunction with the post-war change in employers' attitude to wage demands (as compared to their attitude during the war) in a high degree of industrial unrest in the years 1946 and 1947, the like of which has not been noticed in the twenty years since then except perhaps in 1966 and 1967. The problems inherent in the transition from war-time to peace-time economy, dislocations and distortions resulting from the Partition of the country, which had functioned till then on the basis of inter-dependence between the regions, added to these difficulties. Intractable as these were, some further compulsions engaged Governmental attention. Domestic consolidation through reorganisation of Princely States, rehabilitation of displaced persons, gearing up of administrative machinery and strengthening arrangements for international diplomacy, all required attention of the new Government. It was only after their magnitude could be brought to a size which the people could live with, that Government's attention could be devoted to nation-building activities which were at a stand-still for years for reasons beyond the control of the new Government.

The Resolution became the Preamble to the Indian Constitution. Some of its Articles came into force at once but the Constitution as a whole started its eternal course on January 26, 1950. The Constitution went a stage beyond the 1946 Objectives Resolution of the Constituent Assembly by introducing in the Preamble the word 'Fraternity', since the framers of the Constitution "felt that the need for fraternal concord and goodwill in India was never greater than now and that this particular aim of the new Constitution should be emphasised by a special mention in the Preamble." The current Indian scene shows how prophetic were the sentiments of the framers of the Constitution !

14. As required by the Constitution, India is a Sovereign Democratic Republic with a Parliamentary form of Government based on adult franchise and the ideals of a secular State to accommodate innumerable communities which inhabit the country. In its essential features it has borrowed the principles of Liberty, Equality and Fraternity from the French Constitution, Federalism and the office of the President as Head of the State from the United States and Parliamentary Democracy from England. These features have been blended in a way to meet the special genius of the people who ultimately are the source of authority behind the Constitution as much as they acquire their rights from it and from the instrumentalities defined by the Constitution to protect these rights.

15. The Constitution provides for a single and uniform citizenship for the whole of India. It confers the right of vote on every person who is a citizen of India and who is not less than 21 years of age on a fixed date and is not otherwise disqualified under the Constitution or any law of the appropriate legislature on the ground of non-residence, unsoundness of mind, crime or corrupt or illegal practice.

16. Citizens have been given certain Fundamental Rights under the Constitution: Right to Equality, Right to Freedom, Right against Exploitation, Right to Freedom of Religion, Cultural and Educational Rights, Right to Property and Right to Constitutional Remedies. The Fundamental Rights are justiciable and any citizen can approach the competent court for seeking redress against the infringement of these rights. It is only when the President proclaims Emergency that these rights can be suspended for the period of operation of the Proclamation. Another feature of our Constitution is the writing into it of what are known as the "Directive Principles of State Policy". These principles though ^{not} justiciable are nonetheless regarded as 'fundamental in the governance of the country.' The Directive Principles

cast a duty on the State on grounds of which the performance of the Government in power can be judged. Except where a time horizon is prescribed in the Constitution, as in the case of provision of free and compulsory education, the approach to the reaching of goals has to be pragmatic.* A detailed discussion on the Directive Principles as have relevance to our enquiry will be found in CHAPTER IV.

17. The Constitution then goes on to describe the office of the President, the manner of his appointment and the extent of his powers, rights and responsibilities and the Council of Ministers, conduct of business of the Government of India, the Union Judiciary, the Constitution and functions of the Parliament and so on. Corresponding provisions for the governance of the States follow and in each case the relationship between the Executive, the Legislature and the Judiciary has been defined. The Constitution then lays down the legislative and administrative relationship between the State and the Union, Distribution of Taxes, Union and State Finance, Provision of Services, Procedure for Elections etc. Three Legislative Schedules (1) exclusively for the Union, (2) exclusively for the State, and (3) for both the Union and States have been drawn up and provision has been made to avoid difficulties likely to be created by concurrent jurisdiction. Residuary legislative functions rest with the Union.

18. The Constitution then envisages that the autonomy of federating units based on the regional and State consciousness of the community is the content of the Indian federal structure. According to Dr. Ambedkar, who could be considered as the person to whom the country owes most for her Constitution:-

"The Indian Constitution establishes a dual polity with the Union at the Centre and the States at the periphery each with sovereign powers in the fields assigned to them respectively by the Constitution. The Union is not a League of States united in a loose relationship nor are the States the agencies of the Union deriving powers from it. Both the Union and the States are created by the Constitution, both derive their respective authority from the Constitution. The one is not subordinate to other in its own field. The authority of one is coordinate with that of the other".**

*This pragmatism should not however be construed as a garb for delaying unduly the reaching of the desired goal. Indeed as the Second Plan points out "the pattern of development and the lines along which economic activity is to be directed must from the start be related to the basic objectives which the society has in view. The task before under-developed countries is not merely to get better results within the existing framework of economic and social institutions but to mould and reframe these so that they contribute effectively to the realisation of wider and deeper social values."

** C.A.D. Vol.VII. pp. 33-34.

19. Recognising that (i) passage of time throws up new events and circumstances and brings about changes in the ways, norms and values of our life, thought and action, (ii) the entire texture of social, economic and political life of the people is inter-woven in the interstices of the Constitution, and (iii) the Constitution itself sometimes requires adaptation and adjustments to these new events, circumstances and changes, the Constitution provides articles for amending the Constitution itself. However, since Constitutional amendments should not be treated lightly, a more stringent procedure has been prescribed for such amendments than for other work falling within the vast character given to the Parliament.

20. It may not be out of place to state that the working of the Constitution has revealed that Union-State relationship may develop stresses mainly on account of lapse in (i) coordination and cooperation in the formulation and implementation of programmes and plans of economic and social development, (ii) financial relations, (iii) administrative relations between the State and the Centre, and (iv) political relation between them in some cases where the Union Government and Government in some States have different political allegiance or even irrespective of it. In labour matters, however, working of Constitutional provisions have not created any special difficulty so far even at times when Union-State relationship in other aspects of their respective functions had to undergo a severe strain.

V

21. At this stage we mention some aspects of the changes in the political and administrative set up of the country since Independence. Immediately prior to 1947, the Indian political scene was dominated mainly by two parties, one which comprised all communities and the other which had a major following in the second largest religious group in the population. With Partition, the Parliamentary system and legislatures, Union and States, became almost monolithic and continued to be so upto the Fourth General Election (1967) with notable exceptions in some areas for varying spans of life. Even in this monolithic existence the party in power suffered splinters of different size from time to time. In the early stages major opposition in the Union Parliament/Legislatures came from some politically well knit groups, but over these years, barring exceptions, these also were affected by splits, groupings and re-groupings. Except for short periods between 1947 and 1967 the monolith which enjoyed power at the Centre and in the States did not show variations in the exercise of power. The picture which emerged after the last General Election seems to establish

a pattern in which the Union and State Governments could belong to different political persuasions. The federal structure of the Constitution is, in a way, being put to test now. About the severity of this test, it is perhaps too early or too rash to speculate just yet.

22. The essential structure of the machinery of Government administration has again been inherited from the pre-Independence period. At the senior policy and administrative levels the functions used to be discharged both in the States and the Centre by members of selected services. A major expansion, however, came with Independence. The problems which a popular Government had to face imposed strains on the administrative set up. The period between 1947-51 which saw considerable changes in the functions of Government brought out a number of reviews of the working of the administrative system as also expansion in the administrative cadres all over. With the initiation of the Planning process the tasks of developmental administration were added on to the normal administrative but expanding functions, both at the Union and the State level. The system as a whole required a thorough examination and this task is now under study by a separate Commission, the Administrative Reforms Commission.

23. The principal unit of administration in India is the district under a District Officer (Collector/District Magistrate), usually a member of the service. As Collector he is responsible for the proper collection of revenue and for the administration of all matters connected with land except certain technical aspects of irrigation, agriculture and forestry. As District Magistrate he is responsible for the maintenance of law and order and the criminal administration of the District. For the functions which the administrative set up had to perform under an alien rule the machinery evolved had many features which commended themselves. The then Government needed essentially personnel for its regulatory, policing and taxing functions. Some developmental activities like education, public works, health, ^{and} promotion of industrial peace, were undertaken even then but by and large the basic character of administration still emphasised the need of persons whose strong points could be recognised in terms of their utility for the older set of duties.*

* Latterly the Collector is also the Chief Development Officer of the District and is assisted in many States by Additional Collectors and District Development or Planning Officers. District Development or Planning Committee on which all members of the State Legislature and Parliament from the District, representatives of Zila Parishads and Municipal Committees and leading non-official workers are represented, ensure popular association with the formulation and implementation of development programmes.

VI

24. How have the resource endowments been used by the country with the help of instrumentalities created by the Constitution? Contrary to popular belief and a measure of elite and interested cynicism, under the process of planning initiated in 1950-51, development and harnessing of country's resources have gained a momentum. We see evidence of transforming and refashioning the traditional pattern of the Indian economy, which experienced only a marginal change almost since the beginning of the century. The progress recorded so far has added fresh dimensions both to the nature and scale of economic activities in the country. We are confident that the material and human resources of the country are capable of further development and more intensive and efficient utilisation. Both in terms of employment and contribution to the national product, agricultural and allied activities continue to predominate but there is now a well-developed and diversified industrial base and an organised net-work of transport and communications. The institutional framework and the system of socio-economic overheads of the economy are on the way of being purposively reshaped and there has been an all round expansion and growth of social services though there can be reasons to quarrel with the pace of growth.

25. In overall terms, the broad profile as also the behaviour of the economy over the years since Independence is brought out by the trends in the growth and composition of the country's national income. During 1948-49 to 1966-67 the country's national income grew by a little less than 73 per cent and, after allowing for increases in population, the per capita income has improved by over 19 per cent. Over a period of 18 years ending March 1967, in spite of the pronounced recessionary trends of 1965-67 the economy showed a rate of growth at 3.5% compound.*

26. With the growth of aggregate national production its composition has also tended to change. While agriculture, animal husbandary and allied activities continue to contribute about half of the net national product the relative shares of 'mining, manufacturing and small enterprises', 'commerce, transport and communications' and the services sector have gone up. In the more recent years the large fluctuations in the levels of agricultural production due to adverse climatic conditions coupled with the slack in industrial production have somewhat

* Japan is generally believed to be a country which grew rapidly in the latter part of the 19th and the first quarter of the 20th century; yet the rate of growth of national income in Japan was slightly less than 3 per cent per annum in the period 1893-1912 and did not go up to more than 4 per cent per annum even in the following decade. Judged by criteria such as these the growth rate achieved in India in the last decade and a half is certainly a matter for some satisfaction.

distorted the picture as regards the composition of the net domestic product but there is little doubt that gradually the shares of the secondary and tertiary sectors have been moving up as indeed they should in a developing economy.

27. The official series of national income accounts do not give a break-up of the total national product in terms of factor incomes. The estimates worked out from time to time by research workers indicate that the share of profits, rental and interest incomes in the total income has been growing somewhat faster than ^{that} of wages and salaries. This is borne out by data on the relative shares of 'wages and salaries' and 'profits before tax' (including of interest and managing agent's remuneration) in the total net output, in so far as the organised industrial sector is concerned. In 1952-53, for example, the salaries and wages constituted 78% and profits before tax were 22 per cent of the net output of the industrial sector. As against this the respective percentages were 65 and 35 in 1964-65*. The percentage of profits after tax to net worth has remained more or less constant over this period.

28. There is, little doubt that in the years since Independence the Indian economy has entered an expansionary phase and its productive potential has been greatly augmented. The average levels of money incomes have risen appreciably in rural and urban areas. The distributive aspects have, therefore, acquired a significance both from the standpoint of the goals of social policy and the management and regulation of money flows for maintaining monetary equilibrium. In agriculture which is by far the most important sector of the economy there has been a significant expansion. Between 1950-51 and 1965-66 the gross acreage under cultivation is estimated to have gone up by 22 per cent. Over the same period the volume of agricultural production registered an increase of about 45 per cent and the average yield per acre improved by about 19 per cent.

29. Operationally, however, Indian agriculture still continues to be organised along traditional lines. In more recent years there has been a greater use of fertilizers as well as cultivation of high-yielding varieties. Report of the National Sample Survey (July 1960 to January 1961) reveals that the number of rural operational holdings in the country was about 49 millions covering a total area of about 13 million hectares. The average size of an operational holding was about 2.66

* See table on page 73 of the R.B.I. "Report on a Framework for Incomes and Prices Policy (1967)".

hectares - it varied considerably from State to State ranging from 0.56 of a hectare in Kerala to about 2.95 hectares in Rajasthan. About 10.5 per cent of the operational holdings were reported to be using chemical fertilizers and 69 per cent other types of manures. The total number of rural households in the country was estimated at 69.5 millions. Of these 72 per cent possessed operational holdings and the remaining 28 per cent had either no operational holdings or were engaged in non-agricultural pursuits. About 5 out of every 10,000 household reported the ownership of a tractor and 62 out of every 10,000 of a pumping set.

30. For the development of irrigation facilities some 500 irrigation schemes were taken up over the period of the three Plans (1951-1966). Of these 74 were major projects and 426 medium schemes. By the end of the Third Plan 295 of these schemes are reported to have been completed in the sense that the ultimate irrigation potential expected from them had been created. Additional irrigation potential thus created is estimated at about 6.88 million hectares. This is in addition to 9.7 million hectares irrigated through major and medium works in 1951. Besides, the area irrigated through minor schemes has increased from 12.95 million hectares in 1951 to 20.23 million hectares in 1965-66.

31. The installed capacity for the generation of power has risen from 2.3 million KW in 1950 to 10.2 million KW in 1965-66. The bulk of the electric power consumption is for industrial and commercial uses. With larger generation of electric power the plant utilisation ratio has also improved. The average ratio of plant utilisation in 1951 was about 65.7. By 1964-65 this ratio rose to 85.6. As visualised at present the power development system may eventually be one of inter-connected hydro and thermal power stations and the regional systems may form an all-India grid. Of the total sales of the electric energy in 1965-66 industrial power accounts for about 70 per cent and commercial uses for about 6 per cent. Approximately 9 per cent of the sales are for domestic uses and about 7 per cent for irrigation. The remaining about 8 per cent of the sales represent other uses such as public lightening and public works and sewage pumping, etc. In recent years, the pattern of electricity consumption has shown little change except for the fact that over 52,000 villages had been electrified at the end of Third Plan as against 3677 in the beginning of First Plan and more and more of electrical energy is being used for agricultural operations.

32. Industrial base of the economy could now be considered as fairly well-developed; the industrial structure has been greatly diversified and strengthened. In addition to the traditional large-scale industries e.g. the cotton and jute textile, sugar, tea, paper and paper board, and cement, a number of new industries including heavy electricals, heavy chemicals, fertilizers, machine tools, automobiles and mechanical engineering industries have been established. The production of iron and steel has been substantially raised. Refineries have been set up. Aircraft production has been commenced at the Hindustan Aeronautics Ltd. The Locomotive Factory at Chittaranjan, the Diesel Locomotive Works at Varanasi, the TELCO in Jamshedpur and the Integral Coach Factory at Perambur (Madras) between them take care of the expanding requirements of the Railway rolling stock.

33. In the sphere of external economic relations also there have been noteworthy developments. Before the out-break of the Second World War India's foreign trade followed the pattern of a colonial country. Major portion of trade was with the United Kingdom and other Commonwealth countries. The value of exports more or less balanced (or were made to balance) with the value of imports. In the balance of payments there was an occasional and small surplus. Due to the special conditions of the war and the post-war years Independent India emerged as a substantial creditor country with a comfortable foreign exchange reserve. In 1950-51 total imports amounted to about Rs. 6510 million and export to about Rs. 6010 million. By 1955-56 the level of imports rose to about Rs. 7740 millions but the exports remained more or less stationary at Rs. 6090 million. The adverse trade balance which amounted to only about Rs. 500 million in 1950-51 went on increasing to about Rs. 1650 million in 1965-66. Thus the overall balance of payments deficit has grown and in the process highlighted the problems of financing external obligations through negotiated foreign aid and loans and increasing export earnings. For promotion of trade relations India has concluded a number of trade agreements. In the last few years the process of establishing joint industrial enterprises abroad with Indian collaboration has also gathered momentum.

34. In the country's transport system the railways have a pride of place. India's railway system with a route kilometreage of 59,100 is the second largest single railway net-work in the world. It is also the biggest nationalised undertaking in the country. The 37 railway systems which existed in India in 1949 have been grouped into

9 zones. In 1965-66 the Indian railways handled 204 million tonnes of goods traffic and 2120 million passengers compared to 93 million tonnes of goods traffic and 1284 million passengers in 1950-51. Since 1947 there has also been considerable progress in the construction of roads. As against 0.4 million kilometres of road length in 1947 the country reached almost a million mark by 1967. Compared to 0.2 million motor vehicles in March 1947 over a million were plying on Indian roads by the end of March 1965.

35. India has now eight major ports namely Calcutta, Bombay, Madras, Mormugoa, Cochin, Visakhapatnam, Kandla and Paradeep. The traffic handled by these eight major ports during 1966-67 amounted to 536 lakh tonnes as compared to 169 lakh tonnes handled by the (five)major ports in 1947-48. The Indian coastline is also served by a large number of minor ports which together handle a coastal and overseas traffic of about 98 lakh tonnes. Major ports are administered by statutory Port Trusts subject to the overall control of the Central Government. The administration of minor ports is the responsibility of the Governments of the State in which they are located. Civil air transport operates through a network of 85 aerodromes and carried 16.6 lakhs passengers in 1966-67 as compared to 5.2 lakhs in 1954-55, an increase of 220%; similarly the Δ Tkm increased from 113 million in 1954-55 to 518 million in 1966-67, a 359% increase. The number of post offices has crossed 100,000. In certain urban areas mobile post offices are also functioning. The overseas communication service is responsible for the management of India's external tele-communication service. Besides two sub-marine telephone cables, there are now 29 direct wireless telephone links, 35 direct radio telephone links, 7 radio photo services and 6 direct international telex services. Most of this is a development since Independence.

36. At the beginning of the First Plan, 4 out of every 10 children in the age group 6-11 years went to schools. Today the ratio has almost been doubled. Facilities for higher education, especially technical education have been enlarged in a striking manner. The following table shows the progress made so far:

	<u>Unit</u>	<u>1950-51</u>	<u>1965-66</u>
1. <u>School-going children as percent of children in the respective age-groups:</u>			
i) Primary stage (6-11 years)	Per cent	42.6	77.8
ii) Middle stage (11-14 years)	" "	12.7	31.6
iii) Secondary stage (14-17 years)	" "	5.3	17.8

2. Technical Education:

i) Annual admission capacity -

Diploma level	'000 Nos	5.9	50.7
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ii) Annual Admission Capacity -

Degree level	'000 Nos	4.1	27.2
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37. Substantial progress has been made in controlling diseases and in spreading health facilities. This is reflected in the falling death rate and rising life expectancy. Death rate per thousand of population declined sharply from 27 in 1951 to 18 in 1961. The average life expectancy at birth rose from 32 years in the forties to 41 years in the fifties. Indications are that it has continued to rise in the current decade also. Expectation of life at age 21 which is more relevant for the Commission's work has improved from 32.0 during the decade 1941-1951 to 35.5 in 1951-1961. The increase in the availability of doctors and hospital beds in the country is shown below:

	<u>1950-51</u>	<u>1965-66</u>
1. Number of doctors per million of population (at the end of period)	155	172
2. Number of hospital beds per million of population (at the end of the period)	313	485

38. There has been progress also in the field of social welfare and generally the welfare of backward communities including scheduled castes and scheduled tribes.

39. To provide an indication of the developments so far in some sectors a table has been annexed. (Annexure I).

40. During the last 20 years the process of socio-economic change and industrialization have sought to erode caste structure, though caste element is often played up and has an appeal in the democratic institutions. A major change in the social scene is the Hindu Code in its two important components; the Hindu Succession Act (1955) and the Hindu Marriage Act (1956); the first gave women equal rights with men in the matter of succession to and holding of property, the second struck at the root of polygamy and provided for divorce with alimony and maintenance. The joint family system has suffered a change whether for the better or for the worse, we cannot say. Scheduled tribes and Scheduled Castes constitute major social segments of Indian population and a major portion of the working class, industrial and agricultural, come from these groups. The emergence of peasant castes in different parts of the country with a tradition of land ownership, personal cultivation or at least personal supervision over

such operations, is another prominent feature of the Indian scene. Bhumihars and Rajputs, Kammas and Reddis, Lingayats and Vokkaligas, Nayars and Tilyans, Jats and Aheers and Kallans and Nadars have been acquiring their place in shaping the new society. These provide in most cases local leadership; they control rural institutions which have been set up after Independence. All this means a constant upward mobility of social classes right from the lower rungs of the ladder and 'westernization' and 'secularisation' of social life and culture .

VII

41. The foregoing account of India's development raises hopes and aspirations as much as it creates fears and apprehensions. The fact that in spite of the difficulties of the last twenty years: (i) bad agricultural years, (ii) difficulties in setting up industries and revamping of those already set up, (iii) shortages of industrial raw materials resulting in increased unutilised capacity, (iv) widening foreign exchange gap, (v) distractions on account of international tensions which required latterly, a major portion of resources that would have been normally used for development to be diverted to defence, (vi) increased population pressure, (vii) despondency in the younger generation because of inadequate employment openings, (viii) shortages of scientific and technical skills, (ix) difficulties introduced by rising prices etc., a growth rate of the order of 3.5% compound has been achieved over a long period certainly goes to the credit of the country. Also when one moves round the country, one sees signs of increasing self reliance, whether it is in agriculture or in small industry or in the ^{more} sophisticated areas of industrial development or producing rolling stock for transportation; whether it is in complicated areas of ship building or enlarging port facilities or in building up institutes of higher learning and scientific or technological research. This is not to suggest that the areas which cause despondency among young, and their number is increasing fast, who have not seen the miseries and humiliations of dependence, should be glossed over. There have been admitted failures on the distributional side. Tall structures, which are changing the metropolitan sky-line, looking down upon increasing slums in the vicinity, bottlenecks still left in equitable distribution of bare necessities, the depressing rural scene and introduction of a new privileged class there; all these and many similar contrasts require a closer look. But even here one could say that the achievements within the constraints

of a developing economy have been overshadowed by what the people had expected to happen or were made to believe will happen. There is certainly a growing consciousness because of Independence and the adult franchise bestowed by the Constitution. The more these democratic institutions reach the newly awakened, the stronger will be their urges to share the fruits of development. Whether all this would mean, according to traditional thinking, a slower tempo of development or greater urge to productivity and efficient management of affairs of all sectors of the economy, including the self-employed or of the hundred million households which constitute the nation, time alone will show.

42. We do not propose to discuss the implications of these developments in the economy to the tasks of enquiry assigned to the Commission. We would rather they unfold themselves in the pages to follow.

INDIA : PROGRESS UNDER THE THREE FIVE YEAR AND ANNUAL PLANS
1950-51 to 1967-68

Annexure I

	Unit	1950-51	1955-56	1960-61	1965-66	1966-67	1967-68 (Estimates)
1.	2.	3.	4.	5.	6.	7.	8.
<u>General</u>							
1. Population	Million	361	392	439	495	502	514
2. Per capita income	Rupees (1960-61 prices)	284	306	326	315	313	334
3. Index of national income	base 1950-51	100	118.4	143.8	178*	NA@@	NA@@
4. Index of agricultural production	-do-	100	122.2	146.1	160*	NA@@	NA@@
5. Index of industrial production	-do-	100	133.8	189.5	275*	NA@@	NA@@
6. Investment as per cent of national income		5.0	8.0	11.0	14-15*	NA	NA
7. Domestic savings as per cent of national income		5.0	7.0	8.5	11-12*	8@@@	NA
8. Tax revenue as per cent of national income		6.6	7.7	9.6	14*	NA	NA
<u>Agriculture</u>							
1. Foodgrains	Million tonnes	51.0	67.0	81.0	72.03	75.0	95.0
2. Oilseeds	-do-	5.2	5.7	6.6	8.03	6.5	9.0
3. Sugarcane (in terms of gur)	-do-	5.7	6.1	10.6	12.1	9.5	9.9
4. Cotton	Million bales@	2.9	4.0	5.4	4.76	4.9	6.0
5. Jute	-do-	3.3	4.2	4.0	4.5	5.4	6.4
6. Tea	Million Kgs	273	285	321	373	369	380
7. Nitrogenous fertilizers consumed	Thousand tonnes of N	56	107	210	600	840	1150
8. Phosphatic fertilizer consumed	Thousand tonnes of P ₂ O ₅	7	13	70	132	250	400

	1.	2.	3.	4.	5.	6.	7.	8.
<u>Irrigation** and Power</u>								
1. Potential - at outlets - gross	Million acres	23.8**	6.5	11.7	17.3	18.9	20.9	
2. Potential utilised - gross	-do-	23.8**	3.1	8.3	13.6	15.2	17.5	
3. Electricity generated	billion Kwh	6.6	10.8	20.1	38.0	35.0	-	
4. Electricity capacity	Million Kw	2.3	3.4	5.6	10.2	11.4	13.09***	
<u>Minerals</u>								
1. Iron Ore	Million tonnes	3.0	4.3	11.0	23.0	26.3	27.0	
2. Coal	-do-	32.8	39.0	55.5	70.3	71.0	72.5	
3. Petroleum refining capacity	-do-	0.2	3.4	5.8	9.9	12.7	15.5	
4. Crude Oil	Thousand tonnes	260	340	450	3500	4800	5800	
<u>Industry</u>								
1. Cotton cloth	Million metres	4215	6260	6738	7440	7382	7385	
2. Rayon yarn	Thousand tonnes	2.1	13.5	43.8	75.6	92.2	100.0	
3. Paper and paper board	-do-	116	190	350	558	580	620	
4. Sugar	-do-	1134	1890	3029	3510	2150	2220	
5. Nitrogenous fertilizers(in terms of N)	-do-	9	80	99	232	293	350	
6. Phosphatic fertilizers	-do- of P ₂ O ₅	9	12	54	122	144	200	
7. Sulphuric acid	Thousand tonnes	101	167	368	662	702	775	
8. Caustic soda	-do-	12	36	101	218	233	260	
9. Cement	Million tonnes	2.73	4.67	7.97	10.8	11.1	11.5	
10. Steel ingots	-do-	1.47	1.74	3.48	6.5	6.6	6.35	
11. Aluminium (virgin metal)	Thousand tonnes	4.0	7.4	18.3	62.1	74.2	99.5	
12. Machine tools	Rs. million	3	8	70	294	300	240.0	
13. Cotton textile machinery	-do-	NA	40	104	216	180	150	
14. Sugar mill machinery	-do-	-	2	44	77	94	100	
15. Mining machinery	-do-	-	-	0.6	55*	NA	NA	
16. Diesel engines	Thousand Nos.	5.5	10.4	44.7	93	112	125	
17. Metallurgical equipment	Thousand tonnes	-	-	-	11	14.3	18	
18. Power driven pump	Thousand Nos.	35	37	109	244	311	350	

1.	2.	3.	4.	5.	6.	7.	8.
19. Electric motors	Thousand hp.	99	272	728	1753	2140	2280
20. Aluminium conductors	Thousand tonnes	-	9.4	23.7	40.6	52	74
21. Bare copper conductors	-do-	5.0	8.7	10.1	3.1	1.7	-
22. Automobiles	Thousand nos.	16.5	25.3	55.0	70.7	75.2	64.2
23. Railway wagons	-do-	-	15.3	8.2	23.5	21.21	19.3
24. Locomotives:							
Steam	Nos.	7	179	272	203*	180	153
Electrical	Nos.	-	-	-	64*	59	37
Diesel	Nos.	-	-	-	58*	55	126
25. Bicycles	Thousand Nos.	99	513	1071	1574	1719	1750
26. Electric fans	Thousand Nos.	199	287	1059	1358	1340	1350
27. Sewing machines	Thousand Nos.	33	111	303	430	400	360
28. Radio receivers	Thousand Nos.	54	102	282	606	760	850

Transport and Communications

1. Railways: Freight carried	Million tonnes	93	116	156	204	202	199.6
2. Commercial vehicles on road	Thousand Nos.	116	166	228	324	342	NA
3. Roads(surfaced)	Thousand KM	157	196	233	284	292	NA
4. Shipping	Million GRT	0.4	0.5	0.9	1.5	1.82	1.89
5. Post Offices	Thousand Nos.	36	55	77	98	-	-
6. Telephones	Thousand Nos.	168	280	463	873	-	-

Education

1. Students in schools	Million Nos.	23.5	31.3	44.7	67.8	71.74	75.22
2. School going children as per cent of children in the respective age-groups							
(a) Primary stage: 6-11 years		42.6	52.9	62.2	78.5*	79.9	79.2
(b) Middle stage: 11-14 years		12.7	16.5	22.5	32.2*	33.9	34.2
(c) High/Higher Secondary stage:14-17 yrs.		5.8	7.8	11.7	17.8*	19.0	19.0
3. Annual intake of engineering ins- titutions:	Thousand Nos.	10	16.4	39.6	78	79	NA
of which : degree level:	Thousand Nos.	4.1	5.9	13.8	27	28	25
diploma level	Thousand Nos.	5.9	10.5	25.8	51	51	NA
4. Admission to medical colleges	Thousand Nos.	2.5	3.5	5.8	11.5*	-	-

1.	2.	3.	4.	5.	6.	7.	8.
<u>Health</u>							
1. Expectation of life at birth	Years	35.3	41.3	45.8	50.3*	51.9	51.9
2. Hospital beds	Thousand Nos.	113	125	186	240	247	250
3. Doctors (Registered)	Thousand Nos.	56	65	70	88	90	96
4. Nurses (Registered)	Thousand Nos.	15	18.5	27.0	45.0*	50.0	55
5. Family Planning Centres	Numbers	-	147	1649	12138	19694	24523
6. Primary Health Centres	Numbers	-	730	2800	5223	5368	4928
Villages covered by National Extension Services							
	Thousand Nos.	-	143	364	565*	-	-
Towns and villages electrified							
	Thousand Nos.	3.7	10.4	26.0	43.0*	55.2	61.2

@ - Bale = 180 Kgs.

@@ - Not available on 1950-51 base

@@@ - As given in the Approach to the Fourth Five-Year Plan.

* - Estimated figures

** - Position before the commencement of the Plan.

Subsequent figures represent progressive totals.

*** - After allowing for Obsolete plants.

CHAPTER III

ECONOMIC TRENDS SINCE INDEPENDENCE

The overall growth and expansion of the Indian economy since Independence reviewed in the last chapter could have affected the working class in more ways than one. Firstly it would have its effect on employment, some facets of which find a place elsewhere in the report. To the extent this has meant less of dependency per earner it may turn out to be a gain. The larger availability of goods and services per capita would help raise living standards provided worker's wage enables him to buy them. This in turn will depend upon another factor: the cost at which the required goods and services are produced and made available to the community, both of which would require an analysis of the general price movements, behaviour of the consumer price index numbers, the state of monetary and fiscal discipline and balance of payments in the system. We propose to view these trends together to provide a better understanding of the changes in the Indian economic situation.

2. Table 1 below sets out the index numbers of agricultural production as well as production of foodgrains for the years since Independence.

Table: 1

Indices of Foodgrains/ Agricultural Production

<u>Year</u>	<u>Production of Foodgrains</u>	<u>Agricultural Production</u>
	(1949-50 = 100)	
	July - June	
1947	98.1	99.2
1948	95.3	93.5
1949	100.0	100.0
1950	90.5	95.6
1951	91.1	97.5
1952	101.1	102.0
1953	112.1	114.3
1954	115.0	117.0
1955	115.3	116.8
1956	120.8	124.3
1957	109.2	115.9
1958	130.6	133.5
1959	127.9	130.3
1960	137.1	142.2
1961	140.3	144.8
1962	133.6	139.0
1963	130.5	143.1
1964	150.2	158.5
1965	120.9	132.7
1966	124.6	132.4
1967	155.2*	NA*

*Provisional figures

3. The aggregates of agricultural production as well as the output of foodgrains have been subject to sharp fluctuations due to climatic factors, significant among them being rainfall together with all the vagaries it is known for. In the years immediately after Independence the variations in annual agricultural and foodgrains output were of a moderate order. This was also the period when the statistical tools available at Government's disposal were less refined as compared to the later years. The period of the First Plan (1951-56) turned out to be one of sustained improvement resulting in a fair measure of optimism about the country's goal of self sufficiency. Since the beginning of the Second Plan production trends have been erratic in spite of increase in area under irrigation and other steps to improve production. The years 1965-67 were indeed adverse agricultural years and these witnessed a sharp decline in the production of foodgrains. The difficulties created by shortage of foodgrains are too well known to be narrated. It has been only with the expectation of a high level of foodgrains production in 1967-68 that currently the outlook on the food front has improved.

4. To have a better idea of the secular change and to eliminate to the extent possible the fluctuations due to climatic factors, we should look at the five yearly moving averages of foodgrain production presented in the table below.

Table: 2
Trends in Foodgrains Production (Agricultural Years)
(Five-Year Moving Averages)

(Figures in million tons)

<u>Years</u>	<u>Output</u>	<u>Years</u>	<u>Output</u>	<u>Years</u>	<u>Output</u>
1950-54 (i.e. 1949-50 to 1953-54)	56.4	1955-59	70.7	1960-64	80.4
1951-55	59.0	1956-60	72.7	1961-65	82.9
1952-56	62.2	1957-61	75.2	1962-66	80.9
1953-57	66.4	1958-62	77.3	1963-67	79.4
1954-58	67.3	1959-63	80.1	1964-68	82.3

5. The rising secular trend in the level of foodgrains production has not made the imports of foodgrains less important. We started with a shortage situation right on the eve of Independence and have not caught up with the production required for our growing numbers since. Whenever there has been a decline in foodgrains production the pressures on marketable supplies have mounted both because of the desire in rural areas to meet its own growing needs first as also to secure better prices for the supplies for which more institutional assistance is now

available than in the past. The impact of these factors has varied according to the intensity of crop failures. But shortfalls in domestic supplies were by and large made good by imports in such a way that the overall availability of foodgrains was maintained if not improved over the entire period from 1947 to 1965. It was only in 1966 and 1967 that the net availability of foodgrains per head of the population was, despite the record levels of food imports in these years, lower than the level reached in the preceding years.

6. Changes in the level of industrial production have been shown in table below.

Table : 3

Indices of industrial production 1951-67*
(1956 = 100)

<u>Year</u>	<u>Index</u>	<u>Year</u>	<u>Index</u>	<u>Year</u>	<u>Index</u>
1951	73.4	1957	104.1	1963	167.3(129.6)
1952	75.6	1958	107.5	1964	177.8(140.8)
1953	77.7	1959	116.8	1965	188.1(150.9)
1954	83.0	1960	130.2(100.0)**	1966	192.6(152.4)
1955	91.9	1961	141.0(109.1)	1967†	196.0(156.1)
1956	100.00	1962	152.9(119.7)		

+ Provisional

*Indices for the years 1947 to 1950 are available but with a different base year.

** Figures within brackets are in respect of the new series of the index of industrial production with 1960 as base. This series is based on production of 324 items as against 201 items in the old series and has thus a much wider coverage especially in respect of the products of new industries. The new series (1960=100) shows a better rate of industrial growth but does not affect the argument.

7. The data given above would show that whereas industrial production has been rising from year to year the rate of increase has been disappointing in some years. This is indicative of a stable and in fact of a rising level of employment in the industrial sector. If in certain periods the level of industrial production registered a rate of increase which has been small in the aggregate, the primary causes of it have been dislocation in the supplies of imported raw materials and components, etc., and/or shortages of agricultural raw materials which depend on domestic output. Taking the period as a whole, the influence of such factors as power shortages, disturbances due to industrial relations, transport bottlenecks, market demand etc. in general has been relatively minor and confined only to particular industries or regions.

8. The trends in industrial and agricultural production reflect the rate of growth of the real national and per capita incomes. In the main the fluctuations in the levels of agricultural output have affected national income. Notwithstanding these fluctuations, the real national income has risen by about 73 per cent between 1947 and 1966 and the per capita income by about 19.5 per cent. The quick estimates of national income for 1967-68 indicate a rise of the order of 9 per cent in the real national income and of over 6 per cent in per capita income.

Table: 4

Indices of National Income & Per capita Income					
Year	National Income at 1948-49 prices (1948-49 =100) Fiscal Year	Per capita income at 1948-49 prices. (1948-49 =100) Fiscal Year	Year	National Income at 1948-49 prices. (1948-49 =100) Fiscal Year	Per capita income at 1948-49 prices. (1948-49 =100) Fiscal Year
1947-48	-	-	1956-57	127.2	110.4
1948-49	100.0	100.0	1957-58	125.9	107.1
1949-50	102.0	100.4	1958-59	134.7	112.2
1950-51	102.3	99.2	1959-60	137.1	111.9
1951-52	105.2	100.3	1960-61	147.2	117.5
1952-53	109.4	102.4	1961-62	151.0	117.8
1953-54	116.0	106.7	1962-63	153.9	116.9
1954-55	118.8	107.3	1963-64	161.5	119.9
1955-56	121.2	107.3	1964-65	173.4	125.7
			1965-66	169.5	120.0
			1966-67	172.8	119.4
			1967-68	180.0*	128.0*

* Provisional figures.

N.B.: The indices of national and per capita income given in this table are based on the figures given in the conventional series of national income estimates. As from 1960-61 onwards the revised series of national income estimates is available. This gives figures in respect of the gross national product in addition to those of net national income.

9. If the key role of agricultural output in determining the size and growth of our national product is considered in relation to the fact that the bulk of the agricultural produce consists of foodgrains, the influence of fluctuations in domestic supplies of foodgrains on prices and the economic situation in general becomes clear. The experience of the last twenty years shows that the level of food production determines also the general level of prices in the economy as reflected in the index of whole sale prices. There have been heavy imports of foodgrains in particularly bad years, but if these did not help in

bringing down prices the reason is that the internal output of foodgrains has been continuously short of requirements and imports have merely made good the decline in domestic availability. The price of foodgrains affects even more the indices which are more known to the working class, the consumer price index numbers (working class) because foodgrains form a substantial portion of the workers' consumption basket.

10. The trends as regards the movement of the general price level as well as the price index for food articles and the working class cost of living over the period 1947 to 1967 are shown in the tables below in terms of the available series of index numbers.

Table: 5(A)

Movement of Prices and Consumer Prices (1947- 1952)

Year	<u>Index of Wholesale Prices</u>		<u>Working Class Consumer Price</u>
	<u>General</u> (Base Year ended August) 1939 =100	<u>Food Articles</u> 1939 =100	<u>Index.</u> Base 1949 =100
(1)	(2)	(3)	(4)
1947	297	292	87
1948	367	374	97
1949	381	389	100
1950	401	410	101
1951	439	413	105
1952	387	360	103

Table: 5(B)

Movement of Prices and Consumer Prices (1953-1967)

(1)	(Base 1952-53 = 100)		(4)
	(2)	(3)	
1953	105.6	109	105
1954	100	98	101
1955	92	85	96
1956	103	99	105
1957	109	107	111
1958	111	112	116
1959	116	118	121
1960	123	120	124
1961	126	120	126
1962	127	125	130
1963	133	133	134
1964	148	155	152
1965	161	166	166
1966	184	189	184
1967	212	238	209

11. It will be observed from these tables that the tendency towards a rise in prices and cost of living has been in evidence right since Independence except in the year 1952-1955. The period of planned development in India in terms of price changes has thus two distinct phases (i) prior to 1956, and (ii) 1956 and after. In the first there was a distinct decline in prices whereas in the second, prices showed a disconcerting increase. The increase is so marked that an attempt to understand the secular change through moving averages with any time span will not change the picture.

12. It would be seen from table 5(A) that during 1947-1952 the index for food article rose by 23 per cent but this rise was lower by seven points than the rise in the general index. To a considerable extent the price rise in this period was conditioned by the raw materials inventory boom, the effect of Korean war. It did not materially affect the prices of consumer goods with the result that over the period 1947-1956, the consumer price index numbers oscillated within fairly narrow limits. After the abatement of the tension there was a decline in prices of industrial raw materials. The growth of industrial and agricultural output over the First Plan was more than matched by corresponding monetary expansion. Money supply increased by just about Rs . 200 crores or by 10 per cent compared to a rise of about 18.5 per cent in the real national income. External accounts were in fine balance and the foreign exchange reserves comfortable.

13. Since 1956 (Table 5B) there has been a continuous rise in prices. The general index of whole-sale prices moved up from 103 in 1956 to 212 in 1967 that is by 106 per cent. Similarly the consumer price index went up by nearly 100 per cent over the same period. This period can again be divided into two phases 1956-62 and 1962-67. In the former, price increase was there but it could be considered mild. A large part of price rise took place over the years 1962 to 1967, the general index of wholesale prices having moved up from 126 in 1961 to 212 in 1967. This increase was principally the result of heavy and continued upward pressure on prices of food grains and other food articles. Compared to a rise of 70 per cent in the general index of wholesale prices, the index for food articles rose by about 98 per cent during 1961 to 1967. The same applies to the rise in the consumer price index which rose from 126 in 1961 to 209 in 1967. Here again the rise in the case of food items was larger and the index for 'food' moved up by 76 per cent.

14. A closer analysis of the rise in the food component of the consumer price index numbers over the last six years has shown that apart from the cereals which have a larger weightage in the total food group, components which are comparatively less important in terms of expenditure

on them in the base year, have risen in prices very much more than cereals and have contributed in the aggregate to a rise in the index. Items like chillies, garlic, vegetables and fruits, could be cited as instances on the point. In respect of these items it could be said however that 'consumer resistance' will operate in a significant manner in their case than in the case of staple items like rice, wheat, jowar, pulses, etc. The efficacy of food administration or otherwise could be a reason for the movement of prices in controlled commodities. But food administration can be nowhere in the picture in other items which no one can think of controlling and which have also contributed to the rise in the price indices.

15. The disparate movement of prices of food articles and prices in general over the period since 1961 stands out in sharp contrast to the trends experienced in the earlier phases of price rise. Hitherto price changes, though substantial during certain periods had not materially altered the relative structure of prices in the system. The level of the price index for food articles had in general remained below the level of the general price index. To the extent the price variations in certain periods brought about shifts in price parities, these were largely if not entirely adjusted by subsequent trends. This has not been the case with the price movements since 1961. The data given in the following table will bring out this aspect. They also indicate that the extent and character of price rise in recent years signifies a definite and distinct change in the relative structure of prices and consequently in the commodity terms of trade between the agricultural and non-agricultural sectors.

Table: 6

Relative Movements of Prices (1961-62 to 1967-68)
(Index Numbers)

Year	All Commodities (Apr.-March)	Agricultural Commodities (Nov.-May)	Food-grains.	Manufactures (Nov.-May)	Ratio of 3 to 5
1	2	3	4	5	6
1961-62	125	100	100.4	100	100
1962-63	128	102	105.5	102	100
1963-64	135	113	116.1	104	108
1964-65	153	132	144.0	112	118
1965-66	165	148	150.5	122	121
1966-67	191	175	178.5	132	133
1967-68	212	177	222.8	129	137

NOTE: The price indices for agricultural commodities and manufactures are for the time period Nov.-May each year so as to take into account the harvest season prices of agricultural products as per the procedure followed by the Agricultural Prices Commission in their Annual Report. Recent investigations have shown that because of the staying power acquired by rural areas there is no special merit in watching price trends in particular months. Even when the respective indices are examined over the whole year the conclusions in the paragraph below are not materially affected.

16. In broad terms the relatively greater rise in prices of foodgrains compared to manufactures as well as other agricultural commodities is a symptom of imbalance as between available supplies of foodgrains and the demand for these whatsoever the reasons. This imbalance has indeed been the main factor responsible for the price rise in the recent years. There have also been other contributory factors such as the shortages of agriculture-based industrial products and of manufactured goods dependent on imported supplies of raw materials and intermediates.

17. The overall impact of monetary factors on the economic situation and on the behaviour of prices could be gauged with reference to the growth of plan outlays and the ex poste pattern of financing the outlays. Table below shows the realised levels of plan outlay for each of the three plans and their broad pattern of financing.

Table: 7

Pattern of Financing Plan Outlays (Rupees in crores)

	First Plan 1951-56	Second Plan 1956-61	Third Plan 1961-66
1. Total Plan Outlay	1,960	4,672	8,631
2. Financed through:			
(i) Domestic Budgetary Resources	1,438	2,669	5,026
(ii) External Assistance	189	1,049	2,455
(iii) Deficit Financing	333	954	1,150

18. As already indicated the period of the First Plan was characterised by conditions of all-round stability. Unlike the plans to follow, the First Plan had to be expanded in certain sectors at a time when the price level was below what prevailed at the time the plan was framed. As from the beginning of the Second Plan the Indian economy started showing signs of 'stretching' and perhaps of uneven expansion. The money supply with the public rose from a level of about Rs. 2217 crores at the end of 1955-56 to about Rs. 2869 crores at the end of 1960-61 i.e. by about 30 per cent. The rate of growth of real national income in this period was, however, maintained at about 4 per cent per annum on an average. Excepting in 1957-58 when the national income declined slightly due to a shortfall in agricultural production, the growth of aggregate output in the economy was by and large on the up-grade and reasonably smooth. As compared with what happened in the first plan, the early years of the second witnessed a heavy drawing down of the foreign exchange reserves. This contributed towards moderating the internal inflationary pressures. Plan outlays were no doubt progressively stepped up from year to year and over the

entire five-year period this stepping up entailed, in the absence of adequate resource mobilisation, deficit financing of the order of Rs. 950 crores but in face of the counter-balancing deflationary forces the price rise was moderate.

19. : Since the early years of the Second Plan, foreign exchange reserves have been at a low level and, given the nature and scale of external assistance received from year to year, this has precluded the possibility of mitigating or working off the internal inflationary pressures through manoeuvres on the balance of payments front. The financing of the necessary developmental and 'maintenance' imports has, coupled with the increasing burdens of external debt servicing and repayment, imposed strain on the foreign exchange resources. Import policies have, therefore, been continuously restrictive and have in fact been tightened further from time to time. As a result of the devaluation of the rupee in June 1966 the prices of imported goods have gone up substantially and this has further affected industrial costs. This set of circumstances has coincided with somewhat growing imbalance as between the overall monetary expansion and the growth of aggregate output in the economy. The expansionary consequence of fiscal operations is indeed traceable to the combined effect of developmental and non-developmental outlays. However, the burden of financing defence outlays has had the indirect effect of restricting the scale of new productive investments and their possible impact on the price line. In brief, therefore, the exceptionally heavy pressure on prices in recent years has been the result of the combined impact of non-monetary as well as monetary causes.

20. In the period of the Third Plan there was a distinct deceleration in the momentum of the growth of the economy. While the plan outlay exceeded the projected levels, the growth of national income fell short of the stipulated targets and the average annual rate of growth came to only 2.9 per cent compound. Under the circumstances, despite renewed efforts for further resources mobilisation, deficit financing to the tune of Rs. 1150 crores became inevitable with its consequence on the price level. There was in addition a substantial expansionary impact of the growth of bank credit. Altogether, therefore, money supply with the public rose by as much as Rs. 1660 crores during 1961-66, much beyond the level which could have been absorbed by the growth of output.

21. This brings us to the period of the three annual plans preceding the formulation of the Fourth Plan. The following table shows the financing of the annual plan outlays in 1966-67 and 1967-68 as also the pattern of financing the plan outlay for 1968-69, as budgeted.

Table: 8
Financing of the Annual Plan Outlays (Rs. crores)

	<u>1966-67</u>	<u>1967-68</u>	<u>1968-69</u>
1. <u>Total Plan Outlay</u>	<u>2,137</u>	<u>2,205</u>	<u>2,337</u>
2. <u>Financed through:</u>			
(i) Domestic Budgetary Resources	1,155	855	1,154
(ii) External Assistance.	793	991	876
(iii) Deficit Financing.	189	359	307

22. In general, the period of the annual plans has in terms of financial and monetary influences on the system turned out to be a continuation of the phase which marked the closing years of the Third Plan. Due to the inescapable commitments of financial policy to both defence and development, financial stringency has persisted. The sharp decline in the level of agricultural production and the effect this had on levels of industrial production affected in turn the buoyancy of Government revenues, thus inhibiting resource mobilisation, but also raised difficult problems of distribution and the management of the monetary system. In the aggregate, therefore, the stresses and strains on the economy have been severe.

23. A major relief has, however, come with the bigger harvest of 1967-68. The output of foodgrains is estimated at around 95 million tons. Besides, the production of non-food crops is also expected to be higher. With improved expectations as regards agricultural production and a more assured supply of agricultural raw materials, industrial production has also started picking up as from the second quarter of 1967-68. These trends coupled with the hopes of further successes on the agricultural front due to the break-through achieved by the new agricultural strategy give ground for optimism in regard to the economic conditions in the ensuing period. To quote the Economic Survey for 1967-68:-

"Altogether, the short-term economic outlook is one of easing of the economic strains of the last two years. Continued attention in agriculture, will be necessary in order that these gains are consolidated. Promotion

of exports is a major task facing the economy. Capacity available in the capital goods industries will need to be deployed to contribute to industrial expansion while avoiding undue imports. With a sustained tempo of agricultural production, the stage will be set for the Fourth Five Year Plan and significant progress in the coming years towards raising national income, improving the prospects for further growth and strengthening the balance of payments".

24. As against this optimism regarding the general economic conditions in the ensuing period it has to be conceded that the foreign exchange and financial position in general continues to be one of acute stringency. The trend towards monetary expansion has continued almost unabated. The money supply with the public has increased by over 17 per cent during 1966-67 and 1967-68 and in the light of available information it seems unlikely that this order of monetary expansion has been counter-balanced by growth in output of any equivalent order. There are again uncertainties as to the extent of response which the economic and financial policies of the Government will be able to evoke. On this assessment, therefore, a view as to the general economic conditions in the coming years as also the behaviour of prices warrants a necessary measure of caution. Given a continued and favourable trend of production, an adequate order of resource mobilisation and necessary fiscal discipline, an abatement of the current inflationary pressures and an elimination of the distortions in relative price structure are the likely outcome. In such a situation the prospects of prices and cost of living stabilising at their present level cannot be ruled out though that level itself is not such as would give comfort to the community.

C H A P T E R IV

THE DIRECTIVE PRINCIPLES

- achievements and failures

In interpreting the scope of "the existing legislative and other provisions intended to protect the interests of labour, to assess their working and to advise how far these provisions serve to implement the Directive Principles of State Policy in the Constitution on labour matters"* it is necessary to take a broader view of what is required of us. The attempt in this chapter will, therefore, be to depict a picture of changes which have been lived through by the people as a whole against the background of the Directive Principles (referred to hereafter as 'the Principles' for the sake of brevity). A judicious choice from amongst these Principles has to be made for this discussion in view of the limitations of space which any Commission has to observe in framing its report. Excepting those whose implications for our terms of reference are obvious it is proposed to state the reasons why discussion on others may have a relevance to our findings. For the sake of convenience Part IV of the Constitution which contains the Principles is reproduced in Annexure II.

2. Article 38 of the Constitution provides the general setting for the specific lines of policy in the Articles to follow. Articles 39, 41, 42 and 43 have a familiar ring in any discussion on labour problems. The relevance of article 40, organisation of village panchayats, has to be considered in the light of suggestions which have reached the Commission about transferring the responsibility for supervision of conditions of work of rural labour to Panchayats. Though article 44, uniform civil code for the citizens, could be said to have implications for the life of a worker, the content of this directive appears to be so personal that a discussion on it would be out of place. Article 45, provision of free and compulsory education for children, has a direct relevance to our inquiry for more reasons than one. If made effective in all its implications, it will have significance for the working masses since education of a worker himself and his dependents is an important ingredient of his standard of living. If, in the process, he is able to take advantage of it personally, it is a necessary component for productivity improvement. But even more important is the significance of the directive in terms of future labour force. Articles 46 and 47 could be taken as applicable to the community as a whole though their relevance to labour is obvious. A part of Article 48 is in the same category as article 40; the remaining is irrelevant to our inquiry. A separate Commission is examining this issue. We do not propose to examine

* Reproduced from the Commission's terms of reference.

Articles 49, 50 and 51 though Article 50 may have to be referred incidentally, later in the report, in view of the suggestions reaching the Commission in the course of evidence.

II

3. The implications of the Principles and the nature of their enforceability are covered by Article 37 which states:

"The provisions contained in this Part shall not be enforceable by any court, but the principles therein laid down are nevertheless fundamental in the governance of the country and it shall be the duty of the State to apply these principles in making laws."

In view of this clear statement it is not necessary to look for judicial pronouncements of how the Principles have to be treated. Notwithstanding the non-justiciability of the Principles, the ambit, relevance and applicability of these provisions have come up for judicial considerations by the highest court in India in a few cases. Such references as there may be in the decisions could be in the nature of 'obiter dicta' but would evoke respect because of the source from which they emerge. An analysis of some of the pronouncements is relevant in understanding what the Government has achieved or failed to achieve in relation to these Principles.

4. It has been said that the core of commitment to social evolution proclaimed in the Constitution lies in Parts III and IV of the Constitution i.e. the provisions relating to the Fundamental Rights and the Directive Principles of State Policy. In the words of Supreme Court, "the constitutional philosophy of law is reflected in these Parts." According to a known authority on Constitutional Law 'they form the conscience of the Constitution'. It is no doubt true that the former are protected but the latter are not. The former represent the limits of State action as much as the latter become obligations and duties of Government which, if fulfilled, according to public conscience at a given period of time, will entitle the nation the satisfaction of having collectively acted according to the spirit of the Constitution.

5. The trend of judicial decisions is that the Principles must be taken to lay down the routes of State action to a predetermined goal but the general caution is that the route should avoid restrictions imposed by the Constitution. Howsoever carefully the caution is exercised there were, and there will be, occasions when the Principles had to stand the test of immutability in the Supreme Court. In the very nature of judicial pronouncements dynamics of law requires that there should not be any finality in them

and this is evident if decisions are studied over a period of time. When the courts are seized of the conflict it has been found that "the Fundamental Rights prevail. But directives of State policy are also fundamental in the governance of the country and the people may wish to give effect to those directives even if they collide with Fundamental Rights". The fact however remains that in India the Principles have remained unchanged* so far and the Constitution has undergone amendments to accomodate the Principles.

6. This aspect of our national life becomes clear when we consider the facts and the aftermath of certain judicial pronouncements. In *Champakam Dorairajan v. State of Madras*, the validity of the Madras Government's Communal Order was challenged. This Order had allowed the State educational institutions to allocate seats in certain proportions according to communities, and the challenge to the validity of the Order proceeded on the ground that the said allocation contravened the Constitutional rights guaranteed by Article 15(1) and Article 29(2). Article 15(1) prohibits discrimination on grounds of religion, race, caste, or place of birth, whereas Article 29(2) provides that no citizen shall be denied admission into any educational institution maintained by the State or receiving aid out of State funds on grounds only of religion, race, caste, language or any of them. The Madras High Court struck down the Order as being unconstitutional and the same view was taken by the Supreme Court in appeal. One of the objects of the impugned Order clearly was to afford preferential treatment and special facilities for the educational advancement of socially and educationally backward classes such as Scheduled Castes and Scheduled Tribes. But it was realised that since Article 15(1) was absolute in terms and provided for no exception whatever, the fundamental object of the Constitution to assist the economic, social and educational progress and development of these backward communities would be frustrated. Though this need not be posed as a case of collision between the Principles (Article 46) and Part III, the Parliament amended Article 15 by adding a specific clause which lays down that nothing in the said Article or clause (2) of Article 29 shall prevent the State from making any special provision for the advancement of any socially and educationally backward classes of citizens or for the Scheduled Castes and the Scheduled Tribes.

7. While the amendment of Article 15 of the Constitution could be considered as bringing the Constitution more in line with promoting the interests of the weaker sections of the society, the successive amendments of

* Except that the time limit in Article 45 now stands revised.

Article 31 of the Constitution during the fifties would seem to have a greater economic content. What are broadly termed the 'Zemindari Abolition' statutes would have imposed an unduly heavy financial burden on the State if the interpretation placed on them by the courts had to be honoured both in the letter and spirit of the Acts. To implement the Acts, and these Acts were in line with the Principles, the financial resources of the States would have been strained beyond repair; not only that, but the spirit of the Principles would have been violated. Realising this and the adverse consequences it would have on the State action to provide adequate succour to persons at the lowest rung of the ladder, Article 31 of the Constitution was amended. Also since the amendment could have protected only the prospective legislation, an article was inserted in the Constitution immunising the pieces of the land reforms legislation (reproduced in the Ninth Schedule) retrospectively against any challenge in respect of their constitutionality on the ground that they contravene any of the Fundamental Rights.

8. This arid controversy over the primacy of Fundamental Rights over the Directive Principles of State Policy need not be pursued further. The current climate of opinion, which is largely influenced by the terms of Article 37, is that the Principles cannot be thought of as superior to Fundamental Rights although Courts have derived considerable help from the Principles for upholding the validity of some enactments for formulating the criteria for deciding public interest. For the purposes of the Commission it would be enough to state that the one area where the Principles have had a fair amount of influence in India is industrial jurisprudence. There is ample evidence in the decisions of the Supreme Court in labour matters, particularly when the validity of certain enactments is questioned, of the reliance of the Courts on the Principles. Whether it is the right of the State to write into the law the minimum emoluments to be paid or to provide ordinary amenities of life to workers or to accelerate productive activity or for sharing fruits of development to which labour had contributed or even in matters of public policies regarding the fixation of emoluments of workers in public undertakings, Part IV of the Constitution has been repeatedly invoked. The supreme hold that Directive Principles have over the citizens of India, being their hopes and aspirations as enshrined in the Preamble to the Constitution, cannot be underestimated.

III

9. For convenience of discussion, the various elements of the Principles could be grouped under separate heads. Articles 39(a), part of Article 41 and part of Article 46 have a direct relationship to problems of employment and unemployment. Article 39(a) suggests a possible

discrimination between men and women. This is more directly referred to in Article 39(d) also. Guarding against exploitation is covered under Article 39(b),(c),(e) and (f) though shades of it are discernible in Articles 42, 43 and 46. Articles 40, 48 and part of 46 could be discussed together and so can Articles 43 and 47. It is, however, important to recognise that the Principles read as a whole have in them the running thread which also binds various elements that are often cited as objectives of a socialist society. Since 39(b) and (c) stand in this category and in a way form, or ought to form, the core of Governmental policies in their desire to reach the socialist objective they have been discussed separately and at some length.

10. A fuller discussion of the employment problem appears elsewhere in the report. It would, therefore, be adequate to state only the conclusions, disturbing though they may seem, namely, the developmental effort so far has not been adequate to contain within limits the volume of unemployment in the country. And what is more, if a view of the future is taken on the basis of past experience, the economy does not hold a brighter prospect in this regard. If the requirements of Article 39(a) were to be read with the obligations cast on the State by Article 46, the effect would be to add more gloom. Since Independence the trends of employment among women are reported to be discouraging, though there is evidence to suggest that new avenues of employment are opening up for them. What irks a woman in the present environment in India is to be told that she will not be needed for employment because of the change in processes which necessitates her replacement by a ^{hand} male; changes in the social climate which will prohibit her working at certain hours of the day; or worse still, because her employment would mean uneconomic working for her employer. One or the other has been stated as a reason for women's ouster from some of the important traditional and large scale employment openings for them. Of course the bulk of employment of women traditionally has been in agriculture, and this has continued. Same is the case with cottage and small industries; but in both these sectors, there is a large measure of self employment in the sense that woman contributes to the 'industrial' chores of the family. In small scale units also, because of the change in their orientation from mere consumption goods to components for manufacture of such goods or for intermediate goods, forecast of employment of women is difficult. One would hesitate at this stage to examine the implications of mechanisation on the employment of women, and indeed agricultural employment if and when that stage is reached. Mainly because these avenues are still open to women, and they absorb a large majority of female working force, the total picture is likely to show a rise in employment of women but even this rise may not

be commensurate with the increase in female labour force. In such matters public opinion as reflected among the beneficiaries of the Principles will not look to the performance of the economy as a whole even if it were satisfactory. The demand will always be, and rightly so, to understand what women have achieved in securing employments which carry more prestige with them i.e. employment in Government and in other organised industrial and commercial undertakings. In the former, judging from governmental instructions there will continue to be no discrimination but in the larger sector of employment, i.e. employment in organised but non-governmental sectors, representation of women continues to be inadequate. Also over the period of years it would appear that there has been no systematic effort to raise the levels of skills of women by providing suitable training facilities for them in trades in which they can develop expertise. From the data which have reached the Commission, this seems to be a valid complaint; the effort in the direction of complying with this part of Article 46 of the Constitution could thus be considered inadequate. In this view of the matter the representatives of the All-India Women's Conference urged before us that the right of a woman to employment should in no way be considered subordinate or secondary to that of man. This seems to be a well founded grievance, the remedies for which will be discussed later in the report.

11. Article 39(d) suggests a move in the direction of equal pay for men and women for work of equal value. The progress in the implementation of this Principle could be described in the words of the Memorandum of the All India Women's Conference:

"Legally, there is a slow and sure march towards non-discrimination in pay. The Government of India has ratified the ILO Convention on Equal Remuneration for Men and Women workers for work of equal value. Earlier still, this principle of non-discrimination was incorporated in the Constitution of India as a Directive Principle of State Policy. The States, accordingly, have made some headway in this direction."

The said memorandum has also made a reference to the progress in this direction even in the industrial sector. While stating fairly what has been achieved, it brought to our notice piognantly cases of different wage rates fixed for men and women for the same type of work, though such differences, as there are, cannot be accounted for fully on the basis of the amount of work involved. Other evidence which has been placed before us corroborates the statement of the A.I.W.C. Also in the larger sector where women are employed i.e. agriculture and small industries, evidence shows that in fixing wage rates some State Governments also have not been free from discrimination against women. By and large, therefore, we conclude

that the position in this respect could have been more satisfactory. Our concern in this regard is all the more since of those who suffer more, even among women as a group, are ignorant un-skilled and semi-skilled workers belonging to communities which convention recognises as belonging to lower social strata and for protecting whom Article 46 has presumably been designed. In a way women belonging to these communities are intended to be doubly protected (i) because they are the 'weaker section' and (ii) because of the communities to which they belong; and it is here that the protection is the least.

12. We now come to the next set of Principles which are covered by Articles 39(b), (c), (e) and (f) and also Articles 42, 43 and 46. As indicated earlier, discussion in this regard requires to be in two parts (i) which implies exploitation as specifically brought out by Articles 39(e) and (f) and Article 42 and (ii) in which we cover the concentration of wealth and means of production and the general problems connected with financial control of economic and industrial activity.

13. Articles 39(e) and (f) and Articles 42, 43 and 46 could be discussed together though the 'abuse' indicated in Article 39(e) and 'exploitation' in Article 39(f) could be wider, in their social content, than Articles 42 and 43 which have specific relevance only to the working class and Article 46 which specifies certain sections of the community only. In fact in dealing with item.(3) of our terms of reference the progress made in the implementation of Article 42 will necessarily be reviewed. Article 39(e) again could partly be covered in sections on Labour Legislation and Labour Administration but this will not cover cases where there is no wage paid employment and where a self-employed man uses his family because of economic necessity. The real solution in this case will emerge only with a faster rate of economic growth and with social justice as an equally important aspect of growth.

14. In discussing the educational and economic interests of the weaker sections and in particular the Scheduled Castes and Scheduled Tribes, we rely mainly on the conclusions of a Seminar organised by the Planning Commission in 1964 to understand the situation regarding education, training and employment aspects of these groups. Conclusions were reached in that Seminar on the basis of the information as of 1963. There have been some changes since then, but, by and large, the situation may have altered if only marginally in favour of these communities. The Seminar emphasised that the problem of these communities is mainly economic. There is also the social side to it but if the former is tackled effectively, the latter could be sorted out in due course. On the economic side again it is both inadequacy of equipment among those belonging to these communities to avail

themselves of the reservations made on their favour; and for this again the causes are both economic and social. We will have, however, occasions to refer to the problems of this group elsewhere in the report.

15. A part of Article 39(f) is covered by the central legislation for the Suppression of Immoral Traffic Act, 1956, which started running its course in 1958. The Act is intended to be a supplement to the Indian Penal Code and provides punishment for (a) keeping a brothel, (b) living on the earnings of prostitution, (c) procuring, inducing or taking women or girls in premises where prostitution is carried on, and so on. The Act does not render prostitution per se a criminal offence and cannot have the effect of stopping the profession or trade altogether. Judged in the light of its limited purpose the measure may have made an impact and what is more it has provided organised resources of the community to social workers and a better climate to work against prostitution. At the same time according to the Central Bureau of Correctional Services (Department of Social Welfare) "with the implementation of this legislation the problem has assumed a new form of clandestine commercialised vice and the way it is organised by the criminals and racketeers, it circumvents every practicable legal definition of prostitution and brothels."

16. The Association for Moral and Social Hygiene in India has been providing for voluntary organisations for the success of this programme which requires social adjustments both on behalf of the victims who are required to be guarded as also the community which is responsible for their rehabilitation. It must be, however, recognised that this is essentially a slow process.

17. As to the Principles embodied in Articles 40 and 48 significant progress seems to have been made through legislation about organisation of village panchayats and, through them, implementation programmes for promotion of animal husbandry and development of agriculture. Since a part of the effect of these Principles on the directive constituting Article 46 is referred to earlier, one could state that a mere provision of Article 40 does not necessarily give relief of the type required under Article 46 if the experience so far is any guide.

18. Article 45 stands on a separate footing. Deep shades of it are seen in Article 46 but its lighter ones are discernible, as pointed out earlier, in many other Principles also. Since this has been a subject on which another Commission has recently reported, we do not propose to comment on the subject.

19. Since the Commission will have an opportunity to discuss Articles 43 and 47 at various places in its report we do not propose to cover them at this stage.

IV

20. We now turn to Articles 39(b) and 39(c). To comment on the progress achieved, we rely on: the Report of the Committee on Distribution of Incomes and Levels of Living (Part I - Distribution of Incomes and Wealth and Concentration of Economic Power, 1964), (ii) the Report of the Monopolies Commission, (iii) the Report of Managing Agency Inquiry Committee, and other literature which has developed round the subject. The concern of all these inquiries has been with the more organised sectors. In its broader sweep, however, the discussion should bring in developments in the unorganised sectors like agriculture, small industries. But before coming to these specific areas, the steps taken by Government in the three plan periods (1951-66) to see that (a) the fruits of economic development are widely distributed and (b) the problem of concentration of economic power is tackled, may be recounted. By way of preface, four developments during the period 1951-1956 require a mention (i) control over industries through the Industries Development and Regulations Act, 1951, (ii) conversion of the Imperial Bank into the State Bank of India, (iii) nationalisation of life insurance, and (iv) detailed regulation of managerial behaviour of persons incharge of companies through the Company's Act, 1956. The change in emphasis in the Industrial Policy Resolution 1956 as compared to the 1948 Resolution also requires to be noted. The development of the public sector in consequence of the two resolutions on industrial policy and its growth since 1951, perhaps more particularly since 1956, was expected to be another important instrument used for avoiding concentration of economic power. But apart from the growth of the public sector, important industries which are privately owned are subjected to State regulations through control of production, prices, distribution policies and even in terms of industrial location. In the laying down of policies and creating instrumentalities in fulfilment of 39(b) and (c), therefore, the country seems to have made some progress. It is the unsatisfactory working of these instrumentalities that has caused a measure of public concern.

21. Such regulations, particularly those which govern the location of industry, often tend to be negative in character; they prevent the location of a unit at a place chosen by the entrepreneur but do not necessarily succeed in taking it to the place where the unit is required. In a mixed economy of the Indian vintage, where capital is scarce, and so are entrepreneurs, there is a certain element of providing inducements/concessions to capital perhaps in the interests of regional development.

There is at times a competition in securing industrial units as between different States or even regions in a State. Possibly these mitigate to some extent the negative strains referred to above. But with these measures also go the more positive inducements given to small industries through the State Finance Corporations, the National Small Scale Industries Corporation, the technical facilities made available through Small Industries Service Institute and various boards set up for small industries. However inadequate these may seem, they are expected to restore a balance in economic power over a period of years. In terms of resource availabilities, the financial institutions which can be utilised by the bigger entrepreneurs are incomparably richer than those which help the small man. Even within a rich institution, the allocations for helping the larger units are more than those which could be availed of by others. Another measure in the same direction is the progressive tax system developed over the years since Independence. Personal taxation has reached a limit which entrepreneurs consider to be a disincentive to capital. Corporate taxation also has shown a steady increase. But here also the popular complaint seems to be that implementation of measures is inversely proportional to their progressive character.

22. In spite of the operation of these measures and others less significant, the Mahalanobis Committee came to the conclusion:

"Concentration of economic power in the private sector is more than what could be justified as necessary on functional grounds, and it exists both in generalised and specific forms."*

The Monopolies Commission went into somewhat greater details of this aspect and concluded on the basis of such data as were available for its analysis that in terms of what is called 'product concentration' high concentration** existed in 65 per cent of the products chosen for study. Only in respect

* The Committee on Distribution of Incomes and Levels of Living, page.53

** Where the share of the three top producers is 75 per cent or more the concentration is considered to be reasonably high. Where the share of the three top producers is more than 60 per cent but less than 75 per cent it is regarded as medium; where it is more than 50 per cent but less than 60 per cent it is regarded as low. Where the share of the three top enterprises is less than 50 per cent concentration is considered to be nil.

of 17 per cent of the products there was no evidence of concentration in terms of the criteria adopted by it. The Commission also discovered many instances to show that attempts by the monopolists or near monopolists to keep out or crush competitors in various ways are by no means rare in India. The report then goes on to discuss the economic and social consequence of such concentration and to set out its recommendations. The minute of dissent to the Commission's report by one of its members is even harsher on the monopolists.

23. The Managing Agency Committee, after examining the various aspects of the work done by the managing agents, concluded that 'discouragement of the managing agency system is a desirable long-term reform'. The Committee however, recognised at the same time:

"in the short run, the discontinuance of this system in any industry will lead to some transitional difficulties."

The cautious approach of the Committee is seen in its specific recommendations:

"We favour the discontinuance of the managing agency system in the sugar, cotton textile and cement industries. However, in keeping with our general conclusion that it would be desirable to hasten slowly in a matter like this so as to minimise disturbance to the industries concerned and the economy in general, we would like to recommend that the Government should take a liberal attitude in giving these industries a reasonable period of time over which the change-over from the managing agency system should be made."

24. The Committee in coming to a conclusion about the alternative forms of management pithly states:

"the gradual elimination of the managing agency system..... will transform the nature and modus operandi of the leading business houses in the country..... It is in the nature of economic power to seek to perpetuate and extend itself in one way or another Substitutes for the present form of control, however, will also be sought in many other ways unknown or unfamiliar today such as amalgamations, holdings companies and the like so that the lineaments of new but equally pervasive and inbred managerial alignments will have to be defined and dealt with continuously. We mention this only to underline that in matters such as concentration of economic power or perpetuation of economic privilege, there is no such thing as the end of the road in a growing and mixed economy."

As a commentary on what has happened in the economy, we endorse these conclusions. This is as much appropriate in the field of industry where institutions like these have an appeal as it is in agriculture as we will presently show.

25. As we part with the essentially urban component of concentration,

and that too in its relation to employing interests, it would be only fair to state that in the last twenty years there have been some occasions when sections of workers, because of their organised strength, have exercised their will in naming the price of their effort at which alone a bargain could be struck. Frequency of such happenings has fluctuated with low amplitude over the years under review, but in the more proximate years their occurrence has had the same effect on the economy as the operation of concentration of power in other sectors. Such incidents as have taken place have attracted public notice because some of them affected public utilities. This point has been mentioned more because of what it may hold for the future of industrial relations in the country.

26. Agricultural labour constitutes about 27 per cent of the rural working population. During the last 15 to 20 years the numbers are growing. This is partly due to rise in population, and partly to the growing pressure on land following eviction of share croppers after the enactment of land reforms and the growing practice of cultivation by owners through hired labour. Unemployment is therefore becoming more acute in the country-side. The scope for employment in the agricultural sector is restricted. Irrigation canals in many areas are not perennial and field channels have not been constructed on a scale large enough to utilise the waters. Where both these have been made available, there are problems of credit and other inputs required in agriculture. But where all these are provided by the State, or by other institutions at the instance of the State, the benefit is reported to have gone to a select few. In many areas new influences in rural social structure have appeared consisting of profiteers and hoarders. This class perfected the art of hoarding; and by hoarding for three to four months they can hold, and at times are reported to have held, the entire village community to ransom. The old landlord class lived on realisation of rent. When this rent collecting landlord class was abolished by land reforms, direct cultivators held the centre of the stage. They consisted of members of the old zamindar families, money-lenders, and their type. Unlike zamindars the new class practised money lending in various forms, particularly advancing money for the crops. In a comparatively short period it has managed to control all rural institutions, panchayats and cooperatives* of all types.

* Cooperatives in general have now become largely a means for the well-to-do to appropriate to themselves all the facilities provided by the development programmes at subsidized rates, and this has brought into disrepute a form of organization which in a more favourable political setting could have played a very useful role.

The extent of hold this class has on the rural economy will be evident from the fact that it manages to buy and hoard surplus food produced in the countryside and release it for sale at high price during three or four months before the monsoon, which are the recognised hungry months. This places share-croppers and landless agricultural labour at their mercy. They go into debt arrangements with this class to obtain their daily needs and these debts somehow perpetuate. Thus the old phenomenon acquires a new garb and, as reported in some areas, the new class does not have the saving graces of the old either.

27. This is only one side of the change in the rural profile. Agricultural labour which, indeed, is not homogeneous in its composition reveals regional variations depending on demographic, ecological and other factors. Agricultural labour is not a pure type; it is mixed with other occupational categories such as share-croppers, cultivators, construction workers and other unskilled rural labour. Socially it is a mixed group comprising scheduled castes and scheduled tribes. Process of commercialisation of agriculture, agrarian reforms and availability of employment outside agriculture have transformed the traditional type of relationship between master and servant into contractual bonds between employers and employees. They are a mixed blessing in the sense that they deprive agricultural labour of the customary privileges and of some measure of security but at the same time take them into a higher occupational category.

28. But of greater significance is the involvement of such labour in political processes of elections for Panchayats and the highest elected bodies in the country and participation in development programmes. The worker is politically conscious. His children have benefited from the provision of primary education, and he is keen about educating them further. Diseases and epidemics have in some measure been on the down turn. An agricultural worker today is relatively healthy though in certain pockets there are difficulties in reaching medical relief. His aspirations are high and he is responsive to the opportunities for change and development. In intensive agricultural development districts, where the new farm strategy has brought about significant changes by doubling the yield per acre through the practice of multiple cropping and sowing of improved varieties of seeds supported by heavy consumption of inputs and by irrigation, his wages both in kind and cash have shown an increase. He is assured of fuller employment in areas where double or tripple cropping is practised. Agriculture is being organised as an industry and agricultural operations are becoming sophisticated. Raising of more than one crop, construction of field channels, levelling of lands have not only mitigated under-employment in these areas but have opened

up avenues for further employment. The snag, however, is that the capacity of agricultural labour for taking advantage of the new opportunities to increase ^{its} wage or to get more employment is limited by its bargaining power which in many cases is certainly restricted even in such progressive rural areas.

29. Bonded agriculture labour or traditional debt slavery is also showing some signs of disintegration with the growing monetisation of rural economy. But a large majority of agricultural workers without land are still in debt; they are not in possession of the lands on which their houses stand; they have not been able to benefit from cooperative credit or improved seeds and fertilizers for their uneconomic holdings because they are not 'credit-worthy'. Evictions from land are common. There are also reports of decline in efficiency of agricultural labour because of an inter-play of many factors, such as, rise in prices, malnutrition and worsening agrarian situation. Last two years' droughts and steep rise in prices of foodgrains have hit the rural areas the hardest. The rural scene thus presents a mixed picture. The promise which the emphasis on agriculture in the years to come holds and the experience of improvement in the conditions of agricultural labour albeit limited provide a ray of hope. The extent to which this ray penetrates the more distant areas, will depend on a variety of factors, among which social consciousness will have a high place.

V

30. The above is an evaluation of effectiveness of the steps and measures taken in respect of some of the Principles. If, however, the entire set of Articles contained in Part IV of the Constitution are considered together a major step towards their implementation has been the advent of planning and the developmental policy which has guided the country's successive Five-Year Plans. The motivation behind Indian planning has essentially derived itself from the motivation to implement the Principles since they form a charter on which the Planning Commission works*.

31. Notwithstanding the deficiencies in effort and short-falls in performance, the basic aim of development policy has been to raise the levels of output and employment in different sectors of the economy. The processes

* The link between the initiation of the planning process and the Directive Principles will be clear from the terms of reference of the Planning Commission. Article 38 of the Constitution and parts (a), (b) and (c) of Article 39 form the Preamble of the terms of reference of the Planning Commission.

of planning have by and large been devised keeping in view specifically 'that the ownership and control of the material resources of the community are so distributed as best to subserve the common good'. This has equally been the intention in evolving the infra-structure and the institutional set up for the benefit of the community. To the extent possible the accent has been on the simultaneous development of large scale industries and medium and small-scale industries as well as agriculture and allied activities. The recognised purpose of policy and the instrumentalities developed therefore in regard to the small-scale sector and agriculture has been to provide an increasing volume of institutional, financial and other assistance to the operating units in the sector and also to provide them with direct assistance from the State. If it is that in terms of financial magnitudes the outlays on the unorganised sectors like small-scale industry and agriculture do not compare favourably with those on large scale activities, this is because the capital requirements in these sectors are relatively lower due to their limited capacity to absorb usefully the resource provisions. Further the organisational problems involved are greater. Considering this aspect, the mode of providing assistance to these sectors has to be and been different. The development programmes have attempted to provide for technical assistance and extension service in addition to direct financial assistance.

32. In brief while the developmental effort has been directed at improving the existing levels of incomes in the community the fiscal policies of the Government, their many short-comings notwithstanding, have been operating in the direction of reduction in the disparity in incomes after tax. Within the urban sector the tax structure is expected to show the earnestness of the community in its egalitarian urges. In the urban rural equation agricultural income, as is well known, is not subject to the Central income tax and wherever taxed is subject to much lower rates. This policy has in it the elements of a progressive restoration of rural urban balance.

33. Irrespective of the qualitative aspects of the working of these arrangements, and they have indeed a significant place in any assessment, it could be said that, in a considerable measure, the process of planned development and the fiscal policies pursued concurrently with this process have constituted a definite move towards reaching the objectives set by the Principles. If the progress has not been adequate or achievements substantial, one impediment at least has been that a simultaneous pursuit of various Principles laid down have impinged upon the economic capacity and have strained the institutional arrangements. New organisations within and outside Government are taking time to develop. Inevitably it is only when

sufficient progress in regard to these could be made and when the country's economic capacity is itself augmented and developed, that further progress will be possible. In the meanwhile the role of new policies and their implementation will have to be such that gains achieved are consolidated and further progress made possible.

PART IV¹

DIRECTIVE PRINCIPLES OF STATE POLICY

Definition

36. In this Part, unless the context otherwise requires, "the State" has the same meaning as in Part III.

Application of the principles contained in this part.

37. The provisions contained in this Part shall not be enforceable by any court, but the principles therein laid down are nevertheless fundamental in the governance of the country and it shall be the duty of the State to apply these principles in making laws.

State to secure a social order for the promotion of welfare of the people.

38. The State shall strive to promote the welfare of the people by securing and protecting as effectively as it may a social order in which justice, social, economic and political, shall inform all the institutions of the national life.

Certain principles of policy to be followed by the State.

39. The State shall, in particular, direct its policy towards securing -

- (a) that the citizens, men and women equally have the right to an adequate means of livelihood;
- (b) that the ownership and control of the material resources of the community are so distributed as best to subserve the common good;
- (c) that the operation of the economic system does not result in the concentration of wealth and means of production to the common detriment;
- (d) that there is equal pay for equal work for both men and women;
- (e) that the health and strength of workers, men and women, and the tender age of children are not abused and that citizens are not forced by economic necessity to enter avocations unsuited to their age or strength;
- (f) that childhood and youth are protected against exploitation and against moral and material abandonment.

¹Not applicable to the State of Jammu and Kashmir.

Organisation of village panchayats.

40. The State shall take steps to organise village panchayats and endow them with such powers and authority as may be necessary to enable them to function as units of self-government.

Right to work, to education and to public assistance in certain cases.

41. The State shall, within the limits of its economic capacity and development, make effective provision for securing the right to work, to education and to public assistance in cases of unemployment, old age, sickness and disablement, and in other cases of undeserved want.

Provision for just and humane conditions of work and maternity relief.

42. The State shall make provision for securing just and humane conditions of work and for maternity relief.

Living wage, etc., for workers

43. The State shall endeavour to secure, by suitable legislation or economic organisation or in any other way, to all workers, agricultural, industrial or otherwise, work, a living wage, conditions of work ensuring a decent standard of life and full enjoyment of leisure and social and cultural opportunities and, in particular, the State shall endeavour to promote cottage industries on an individual or co-operative basis in rural areas.

Uniform civil code for the citizens.

44. The State shall endeavour to secure for the citizens a uniform civil code throughout the territory of India.

Provision for free and compulsory education for children.

45. The State shall endeavour to provide, within a period of ten years from the commencement of this Constitution, for free and compulsory education for all children until they complete the age of fourteen years.

Promotion of educational and economic interests of Scheduled Castes, Scheduled Tribes and other weaker sections.

46. The State shall promote with special care the educational and economic interests of the weaker sections of the people, and, in particular, of the Scheduled Castes and the Scheduled Tribes, and shall protect them from social injustice and all forms of exploitation.

Duty of the State to raise the level of nutrition and the standard of living and to improve public health.

47. The State shall regard the raising of the level of nutrition and the standard of living of its people and the improvement of public health as among its primary duties and, in particular, the State shall endeavour to bring about prohibition of the consumption except for medicinal purposes of intoxicating drinks and of drugs which are injurious to health.

Organisation of agriculture and animal husbandry.

48. The State shall endeavour to organise agriculture and animal husbandry on modern and scientific lines and shall, in particular, take steps for preserving and improving the breeds, and prohibiting the slaughter, of cows and calves and other milch and draught cattle.

Protection of monuments and places and objects of national importance.

49. It shall be the obligation of the State to protect every monument or place or object of artistic or historic interest, ¹declared by or under law made by Parliament to be of national importance, from spoliation, disfigurement, destruction, removal, disposal or export, as the case may be.

Separation of judiciary from executive.

50. The State shall take steps to separate the judiciary from the executive in the public services of the State.

Promotion of international peace and security.

51. The State shall endeavour to -

- (a) promote international peace and security;
- (b) maintain just and honourable relations between nations;
- (c) foster respect for international law and treaty obligations in the dealings of organised peoples with one another; and
- (d) encourage settlement of international disputes by arbitration.

1 Subs. by the Constitution (Seventh Amendment) Act, 1956, s.27, for "declared by Parliament by law"

CHAPTER VEMPLOYMENT-WAGE RELATIONSHIP: A REVIEW

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We now propose to examine some facets of the post-war employment situation in India in our endeavour to understand the impact of unemployment on 'conditions of labour'. In this context it would be appropriate (a) to review the operation of employment policies and programmes so far, and (b) to discern such relationship as may have developed between (i) the state of employment and (ii) labour policy evolved from time to time. Together these will provide a background against which our recommendations will be framed. In presenting this analysis, a broader connotation to the word 'employment' is proposed so that employment and manpower policies could be discussed together. Only one important aspect of 'conditions of labour' viz. wages/salaries has been selected for analysis. We recognise that the structure and pattern of employment in different industries have changed since Independence and will continue to change; but these changes, it is felt, do not materially affect the conclusions.

II: 1945-1951

2. The period of the Second World War was one of expanding employment opportunities. With the close of hostilities, the arrangements made for transfer of the armed forces personnel to civilian employment did not encounter serious difficulties. The Labour Investigation Committee which reported in 1946, though it referred to the level of employment in different industries investigated by it, did not discuss the problem of unemployment as a whole. In showing an awareness of it the Committee stated-

" At a moment like this, the numerous issues raised in this report as also in the ad hoc Survey reports pale into insignificance as compared to the spectre of mass unemployment which looms ahead".*

This apprehension of the Committee was based more on popular belief than on firm data; it did not come true. The early years of Independence even showed a certain measure of further ease in the employment market. This was partly due to the expansion of Governmental activities immediately prior and after Independence and partly also to the multiplier effect of this expansion on the employment market. The general exuberance in the country following Independence was an additional factor though on a psychological plane. The hardships attendant on Partition were indeed there. Special arrangements had to

*Labour Investigation Committee - Main Report p.10

be made to provide a favoured treatment to displaced persons. But these did not create any sense of resentment in the rest of the population because of the proximity of tragedies which these persons had to go through and perhaps because unemployment as a problem did not have an edge which it developed in later years. Apart from the difficulties which unemployment creates in fact, public opinion has to take notice of these difficulties. Public was more exercised then over various other pressing problems but unemployment was certainly not one of them. While this was the global situation, as could be ascertained from the information available for that period, there could have been regional variations in this total picture. Some regions could have experienced difficulties but these were not such as to make a special impact either on the State or the Centre. In the more skilled categories of personnel, including educated and technical categories, many enjoyed the advantages which were the result of overall or regional shortages. In professions and liberal arts, however, there could have been a more even balance between supply and demand.

3. With the setting up of the Development Department by the Central Government in the closing years of the Second World War hopes of forward thinking were raised but these received a temporary set back with its winding up within one year. Every Provincial (State) Government had drawn up its own schemes for post-War development. Even in the midst of difficulties created by Partition, these schemes were brought out with a measure of enthusiasm to implement them, but practical difficulties came to the surface in the field of manpower, particularly, scientific manpower. The Government's decision to get the supply and demand equation examined through the Scientific Manpower Committee was, in fact, one of the earliest Governmental peace time efforts anywhere to understand the manpower situation and project the requirements for the future. The Committee in the absence of 'norms' for the technical personnel in a developing situation and lack of other statistical information for the process of development itself, evolved its own rough and ready methods and brought out a report which served as a blue-print for the earlier post-Independence expansions in the capacity of institutions which produced scientific and technical personnel.

4. We notice that the parallel development at lower levels of skill was not taken note of in the process. Supply of such personnel was left to the development of skills through family traditions and more so by the equally inadequate arrangements of learning on the

job. The Directorate General of Employment and Training (Directorate General of Resettlement and Employment as it was then called) had its hands full with the problems of resettlement for reasons mentioned earlier. Its formal role of providing a proper re-deployment of trained persons at lower level in industrial establishments was extended only for training of craftsmen. It is in this situation of employment and supply of technical personnel that the Five-Year Plan for labour was drawn up in 1946 by the Interim National Government. One of the elements of this plan was:

"Organisation of industrial training and apprenticeship scheme on a large scale with a view to improving the productive and earning capacity of workers and enabling them to qualify for promotions to higher grades".*

In the early years of Independence institutions run by the D.G.E.&T. gave formal training in selected crafts to about 10,000 students in the country as a whole and even in the case of these trainees the traditional arguments of the unsuitability of this training were being heard from different quarters.

5. The Central Pay Commission had also been set up in 1946. As was expected, the programme for labour and the recommendations made by the Central Pay Commission were not influenced by the state of unemployment in the country. They were concerned more with improving the terms and conditions of labour already in employment. However, the Pay Commission in its discussions with Provincial representatives referred to the applicability of "market value basis" for the possible recommendations it could make. The increasing difficulties to find recruits for lower grades of public service at rates which Government was able to offer, was mentioned by only one Provincial representative. But, by and large, since minimum wage legislation was then on the anvil, the feeling in the Pay Commission was to leave it to the good sense of the committees under the Minimum Wages Act to take into account the relationship between employment and wages.**

6. It is in this situation, though not consciously, that certain policies in regard to labour started their career in the early years of Independence. The minimum wages legislation, legislation for social security and for effective arrangements for working conditions and

*Indian Labour Gazette - April 1947 -pp.461.

**Report of the Central Pay Commission (1946-47) p.386-90

for settlement of disputes were the result. It is against this background again that two important tripartite committees, the Committee on Fair Wages and the Committee on Profit Sharing made their recommendations which provided guidelines for settlement of disputes for a long time. Apart from the urge which prevailed in those years to do something for labour, Government had even a stronger ground to come to its help. Between 1939 and 1946, the real wage had suffered substantially. The 1939 standard itself was not such as workers could be satisfied with. Apart from the mounting industrial discontent immediately after the cessation of hostilities the fall much below the 1939 level could have certainly provided a basis for Governmental action. Industrial tribunals was the answer to the difficulties and liberal use was made by the Central and Provincial Governments of this instrument to provide a deal for labour.

III - 1951-56

7. Even as the country entered the formal stage of planning in 1951, the problem of unemployment did not tax the energies of the planners. The situation still was one where with marginal effort, it was possible to silence criticism as was voiced about growing unemployment. The First Five Year Plan was conditioned by this approach. The tentative character of what was said about employment in that Report could be seen from the following extract:

"About unemployment, practically no data are available. It is also necessary to have estimates of the man-power requirements in all branches of economic activity. The absence of all these statistics makes it difficult to assess with any degree of accuracy the results of the plan on the employment situation. But this does not mean that attempts should not be made in the direction of estimating future employment trends, however imperfect such attempts may be. These imperfections have to be viewed against the background of physical and organisational difficulties and will help to build a clearer picture for future work of this kind." *

By about the middle of 1953, unemployment demanded national attention.. Indications of the comparative worsening of the employment market were available through the Registers of Employment Exchanges which, with all their limitations, were then considered as fair indicators of changes in the state of unemployment. Within one year of the publication of the First Plan, its size had to be enlarged to accommodate schemes which

* The First Five Year Plan p. 653.

were designed to generate additional employment.* Some ancillary suggestions like encouraging products of labour-intensive processes in the scheme of Governmental purchases also formed part of the Planning Commission's recommendations to State Governments. Simultaneously, with these concessions to mitigate the rigours of unemployment as it were, attempts were directed to seek better and reliable indicators to comprehend the nature and extent of unemployment, in time for remedial measures to be taken. In the state of knowledge that existed then, even this was a tall order.

8. The approach of the First Plan to wage problems/was broadly as follows:-

" On the side of wages any upward movement at this juncture will further jeopardise the economic stability of the country if it is reflected in cost of production and consequently raises the price of the product -...Such an increase in wages should therefore be avoided. Workers can be expected to agree to such a course only if restrictions are also placed on the distribution of profitsSubject to this wage increases should be granted under the following circumstances:-

- (i) to remove anomalies or where the existing rates are abnormally low, and
- (ii) to restore the pre-War real wage, as a first step towards a living wage through increased productivity resulting from rationalisation and the renewal or modernisation of plant.**

This shows how the problems of the day cast their long shadow on the future.

9. It is difficult to establish a causal connection between this recommendation about wages and the state of employment market. For obvious reasons, one cannot think of analysing the wage and employment movement in the country as a whole on the basis of such inadequate statistics as existed then. To be meaningful such an analysis may have to be confined to different areas or different sections of the working class. The overall paucity of statistics becomes all the more glaring when they are examined for yielding regional/sectoral policy indicators. Taking the bulk of persons engaged in wage-employment, agricultural labour, its conditions at the beginning of planning in India, have been described in detail in the reports of the First Agricultural Labour Enquiry - a conscious and systematic effort made for the first time in India to understand conditions of agricultural labour. The enquiry

* In the history of Indian planning so far, that was the only occasion when the Plan was expanded in a real sense.

** First Five Year Plan - p. 583.

reflected the conditions of agricultural labour and analysed in a fair manner the reasons therefor. The facts which the enquiry revealed, underlined more forcibly what was already known: the reason for the wretched standard of living was low income, which, in turn was the result of serious under-employment prevailing among those engaged in agriculture. These conclusions were also true for other rural labour.

10. Independently of what happened in the field of employment, achievements of the First Plan in improving wage levels require a reference. The Minimum Wages Act, 1948, became applicable to sweated industries named in the Schedule to the Act and to such other industries which the States would have liked to add to the Schedule. The Act was also to be made applicable to agriculture. The First Plan stated:

"The enforcement of Minimum Wages for agricultural workers in low wage pockets, for the larger farms and in areas selected for intensive development should be regarded as an important aspect of the programme for improving the conditions of agricultural workers and should receive high priority".*

The procedure suggested for wage fixation in the Act was an enquiry by a tripartite body with specific reference to the industry concerned and fixing wages on the basis of the recommendations emerging out of the enquiry. From such reports of the Committees appointed for this purpose, as are available, it would appear that considerations of employment situation have not been considered relevant in these enquiries except to the extent that the prevailing wage rates in the locality had a bearing on the Committee's recommendations and to the extent the prevailing wage rates have a relationship with the employment market, the Committees' work could be considered to have been influenced by employment market considerations. Some employers challenged the right of the State as offending Fundamental Rights but the Supreme Court settled the matter by not allowing the spirit of the Minimum Wages Act to be disregarded. Thus the principle that unemployment could not come in the way of fixing minimum wage whether in agriculture or industry, organised or otherwise, became established. In practice, what seems to have happened is that though wages did get fixed in this manner and were notified by Government, the notified wage rates may or may not have reached the beneficiaries in areas where labour competed for work. In other areas, where labour was in short supply, the minimum wage became meaningless and the prevailing rates of wages remained higher than those fixed by Government.

* First Five Year Plan p.206

11. In the case of more organised industries, the situation was different. Policy Statements were made from time to time in support of the recommendations of the Fair Wages Committee and also in favour of fixing minimum wages without relevance to the capacity of a unit to pay. These did influence the wage fixing authorities in coming to their decision. But whether the wage ultimately fixed could be considered as fair is an area of controversy which need not be entered into at this stage. For organised industries the effect of the operation of the First Plan on workers' earnings could be considered somewhat fortuitous. But in regard to agricultural labour, the conclusions of the Second Agricultural Labour Enquiry which came in hand about the middle of the Second Plan period showed almost a static picture as compared with that at the beginning of the First Plan. The fortuitous part in the case of non-agricultural workers was mainly because of prices smiling on the consumers. Real incomes showed an improvement beyond what the Plan had contemplated. It needs to be stressed, however, that such improvement as did result, showed in content a somewhat better standard of life than what the workers enjoyed in 1939. While this was the position of an average worker, it could be said that for skilled employees, because of recognised shortages, the advantages in real terms were somewhat higher. This was not merely because of better emoluments for skilled work but also due to vertical movement of such workers as a result of shortages in skilled categories. Differentials in total wages perhaps did not improve in favour of skilled workers, since in industrial employment, dearness allowance is a major partner in the pay-packet. And this is fixed in many employments without reference to the basic wage. Together these factors operated in favour of narrowing the differentials.

12. With the attention drawn to problems of unemployment in the report of the First Plan and subsequent developments, a stage was set for a fuller discussion on employment and unemployment problems on the eve of the Second Plan. In fact, employment became one of the main objectives of the Second Plan. It postulated that a way to provide distributional justice particularly to agricultural labour would be through augmentation of opportunities for employment in rural areas. On the national plane a more systematic assessment of unemployment situation was undertaken than was possible earlier. Estimates of unemployed backlog, additions to labour force and the impact of plan projects on total employment became some of the many exercises required for plan formulation. A seemingly neat

summing up of these exercises was presented in the Second Plan, though at this distant date neatness appears to have been its main virtue. The operations on the employment front turned out to be more complex than what could be envisaged at that time.

13. A related area in which attention got concentrated in the latter half of the First Plan was technical personnel. The logic for this was that if technical personnel was not available in adequate numbers, some of the plans may have to be deferred and deferring of plans would have an effect on employment levels. Since construction was an important area of plan programmes, attention was concentrated on assessment of engineering manpower. The Committee appointed for this purpose reported in time for plan formulation. Since the picture beyond the Second Plan was not available for the Committee's work, its recommendations provided more the guidelines for numbers required for the Second Plan and how they were to be met. The Committee's recommendations about the need for a continuous review of manpower requirements as a significant element of the developmental process and the machinery that should be established for this purpose have been of enduring value. However, in terms of the institutions to be set up for meeting additional requirements, the Committee's recommendations turned out to be conservative.

14. A study of educated unemployed was another exercise undertaken during the First Plan to provide a firmer basis for the Second. A Study Group constituted for this purpose assessed the level of unemployment likely to be reached among the educated by the end of the First Plan by defining the term "educated" as persons who had successfully completed their High School education. It sought to establish a ratio in the total employment opportunities generated as between the educated persons of its definition and the rest. Even below the level of education arbitrarily accepted by the Group, there would be large numbers who could be considered educated but in the absence of any statistical base the extent of that part of the problem was not assessed.

15. As another point which received a welcome recognition - we notice that the need for augmenting pre-employment training programme received a welcome recognition from planners. Capacity for craftsman training which remained pegged upto the end of the First Plan at 10,000 seats was planned to be expanded to 40,000 seats. It was possible, because of the short duration of the programme, to receive benefits of the scheme towards the latter half of the Second Plan but the bulk of the additional trainees from this expanded programme sought employment openings only after the completion of the Second Plan.

IV : 1956-61

16. Apart from a somewhat better base for working out employment estimates, the Second Plan spelt out considerations which should govern the formulation of employment policy. To provide a logic for the co-existence of large and small industries, from the employment point of view, a plea was made for (i) permitting modern capital intensive techniques in certain lines of production, (ii) not disturbing the level of technology reached in others, and (iii) fostering labour-intensity generally to reach the employment targets of the Plan. Even in this last area, the significance of improving productivity was recognised. Thus, what was sought to be achieved through employment policy was to provide a remedy for absorbing the growing numbers in labour force at suitable levels of income, but without necessarily jeopardising the building up a wider base for gainful employment in future.*

17. The Second Plan recommended the evolution of 'a wage policy which aims at a structure with rising real wages'. It recognised the drag exercised by marginal units in determining the wage structure when industry-wise wage bargains were to be settled and suggested the basing of wages not with a view to keep the marginal units in business but on the capacity of average units to pay. In its desire to overcome the effect of this recommendation on marginal units, i.e. possible closure and consequent unemployment, amalgamation of such units to make them viable was recommended.* The emphasis of the First Plan on improving productivity was also retained with recommendations as to how productivity could be improved.

18. The employment situation as it developed during the Second Plan presented a picture which was clear in parts but hazy in others. It was clear, for instance, that in many areas shortages persisted on the technical side. It was also clear that the development which was taking place in many areas resulted in migration of unskilled labour, also an indication of shortages reaching unskilled categories. The haziness persisted, however, over the employment picture in different States or even in the country as a whole and to understand which Schemes were formulated in the Directorate General of Employment and Training for collection of employment market information on an intensive basis. The picture was also hazy in regard to the utility of skills acquired in institutional training for purposes of development.

* Second Five Year Plan pp. 112-114

* * Second Five Year Plan pp. 578-579

Studies were sponsored in some Universities to understand how the products of those Universities fitted into the requirements of a developing economy. Some test-programmes were planned for understanding situations in local employment markets by providing employment opportunities at a bare level of wages. The poor response to these programmes raised a presumption that employment situation was perhaps easier than what the figures made it out to be. It was on this note, that the Second Plan ended.

19. There was one interlude in the Second Plan when unemployment problems of a different type demanded the attention of planners. Industrial expansion was taking place; but in some industries, particularly engineering, shortages of raw material came to the surface. The comfortable foreign exchange situation of the First Plan had started showing signs of strain. The pressure exerted on foreign exchange by more essential imports made it difficult for the engineering industry to secure adequate raw materials to keep the plants going; thus affecting employment of those who were already in employment. For altogether different reasons the cotton textile industry was also suffering. In the midst of drawing up plans for augmenting employment, therefore, schemes which would give relief to workers in cases where involuntary employment was forced on them had also to be considered.

20. The effect on workers' earnings during this period was somewhat disappointing. This is with reference to industrial workers as a group. There were certain industries where workers did achieve important gains. Coal miners are an instance on the point. Taking the ten year period as a whole, however, as against the deteriorating employment situation as revealed by the unemployment data, real wages did show an improvement as at the end of the Second Plan though between 1955 and 1960, they suffered a fall. Taking another sector of employment, and a major one, the Commission of Inquiry on the Emoluments and Conditions of Service of Central Government Employees (the Second Pay Commission) made its recommendations during the Second Plan period. Referring to the minimum remuneration of the Central Government Employees it says:

"If the test of sufficiency to attract recruits of the right type is applied, this rate of remuneration will, undoubtedly, be considered reasonable. It is common experience that for every vacancy in the grade, for instance, of Peon or in any category of unskilled staff, there are numerous candidates who possess the requisite physical and literacy qualifications. This is not surprising, with the present magnitude of unemployment and under-employment in the country, the low level of agricultural wages, the small incomes of self-employed persons in many occupations, and the level of wages and salaries in outside employments generally."*

*Report of the Second Pay Commission p. 59.

However, in reaching its recommendations the approach adopted was based not on the availability of persons at the minimum level of wages but on what was required for a person drawing that minimum to keep him and his family in the desired state of health and efficiency. The Pay Commission modified the recommendations of the 15th Indian Labour Conference regarding nutritional level, in their application to Government employees. It fixed the minimum by an independent assessment of human nutritional requirements consistent with possible availabilities. The approach adopted by that Commission indicates clearly the inter-relation between wages and salaries at different levels of skills in different sectors of employment. The recommendations of the Commission, after some dissatisfaction among its beneficiaries which expressed itself in direct action and considerable public controversy, appear to have had a grudging acceptance. In the industrial field, wage boards were the novelty of the Second Plan. Three of them had reported when the Third Plan was in the offing and many more were at work. After some initial hesitation it was possible for the Government to get the unanimous recommendations of wage boards accepted by employers' and workers' organisations on a voluntary basis. This set a pattern for the Third Plan in the matter of industry-wise settlement of wage disputes.

Para 20A

21. A recommendation in the Second Plan, namely, that a way of improving the conditions of agricultural labour was to provide a larger measure of employment for it rather than attempting the fixation of minimum wages with its ineffective implementation, attracted attention with the debate on the results of the Second Agricultural Labour Enquiry. The Planning Commission announced its programme of rural works. A pilot scheme was drawn up in the final stages of the Second Plan as a supplement to schemes formerly included in it. The justification for the programme was sought on two grounds: (i) Second Agricultural Labour Enquiry had shown no improvement in the conditions of agricultural labour, and (ii) the mid-term appraisal of the Second Plan by the National Development Council had emphasised the need for giving more attention to schemes which should improve agricultural production. While (i) provided an argument for including extra programmes, the (ii) helped in determining its content. The State Governments were requested to select areas most in need of rural employment relief. Though the criteria for selection were set out, the actual selection even for the pilot programme turned out to be unsatisfactory from the point of view of deriving lessons from the pilot schemes for a more extended programme. To the States, the

programme was merely an addition to the plan effort. The progress on the pilot schemes did throw up administrative difficulties in its implementation which provided guidance for firming it up in the plan to follow.

V: 1961-66

22. It is in this atmosphere that thinking on the Third Plan began. Work on better assessment of employment and unemployment situation and on understanding the mechanism of employment generation had, in the meanwhile, made some progress. Unemployment estimates, though still unsatisfactory, were a shade better than those on which reliance was placed in framing the Second Plan. Institutional arrangements were made for a better understanding, at least in the urban areas, of changes in the volume of wage-employment. The National Sample Survey, after experimenting with different ways of measuring unemployment, standardised its methods for measuring the level of employment and unemployment/under-employment in rural areas. In the absence of any better information, Employment Exchange registers continued to be the guide for understanding the changes in urban areas.

23. The disturbing part of the appraisal of unemployment as at the beginning of the Third Plan, as revealed in the 1961 Census, was the underestimates of additions to labour force which were considered acceptable at the time of the formulation of the Second Plan, as indeed underestimation of population increases during the decade 1951-1961, a period covered by the first two Plans. Figures of unemployment, as calculated at the beginning of the Third Plan, showed underestimation because of (a) short-fall in physical terms in every area of Plan activity, and (b) a larger influx in the labour force than originally estimated. The Second Plan had accepted, as one of its objectives, that the unemployment situation should not deteriorate. The Third Plan had to depart from this approach even against the background of a more distressing picture of unemployment. The economic situation, as could be assessed to prevail in the Third Plan period, made it impossible for planners to recommend to Government the acceptance of the responsibility that unemployment will not worsen during the operation of the Plan.*

24. While the situation with regard to unemployment as a whole was viewed in this manner, Planning Commission's assessment on employment of technical personnel appeared to be more optimistic as also generally its approach to the problems of educated categories as

* The Third Five Year Plan pp. 158-161.

a whole. In regard to lower class of personnel, i.e. industrial craftsmen, Planning Commission recommended a substantial expansion in the then existing capacity of 40,000 seats to about 1,00,000 by the end of the Third Plan. And even this increased institutional capacity would not, according to the Commission's estimates, reduce the burden on non-institutional training. As the industrial expansion was likely to be more diversified in the Third Plan, it was expected that the training courses will be designed to meet this need also. Estimates were made with regard to higher categories of personnel on the basis of investment-employment relationship for various categories, as revealed in the Second Plan and on some assumptions about the future. These higher categories also needed substantial expansion in educational facilities. A welcome departure from the earlier work of estimation in this regard, that of the Engineering Personnel Committee, was that the Working Group specially set up for this purpose felt the need of a much longer perspective for the planning of senior categories of technical personnel. It placed before it, and rightly so, a perspective not of 1966 or 1971 but of 1976.* Its conclusions about expanding technical education facilities were reached at a time when there were certain regions in the country and certain categories of technical personnel where surpluses were making their existence felt. The Third Plan had no special suggestions to offer for other educated categories.

25. On questions of wage policy, the earlier approach both in regard to principles of wage fixation and also in regard to the instruments which will fix them, no change was contemplated.** The emphasis on productivity, however, was in stronger terms than in the earlier Plans. This was partly because during the Second Plan certain agreements were reached in the tripartite on rationalisation, about the implementation of which neither the employers nor the workers were satisfied. Also the difficulties introduced by a continuous pressure *** on foreign exchange made such emphasis on productivity almost imperative.

26. The Third Plan had a chequered career. Its implementation was seriously affected by the happenings on India's frontiers when it was realised that, tall as they were, the Himalayas were not tall enough to offer the security that was needed for peaceful development at a time when science and technology were making rapid progress. In

* Third Five Year Plan p. 170

** Third Five Year Plan pp.256-258

*** Third Five Year Plan pp. 261-263

terms of employment the armed conflict that the country had to face did provide a measure of relief though, as it then seemed, its effect could not be widespread. The defence expenditure consequent on these happenings, raised the prospects of employment and this new level of public spending made it possible for a time to divert the country's attention away from problems of unemployment; and so did public preoccupations on other matters. Pressures began developing in other directions. Partly as a result of heavy defence spending and partly also because of a slower rate of growth elsewhere, prices continued to rise. In fact, since the beginning of the Second Plan prices had been rising. But during the period 1956-61, this rise did not cause any serious problems for the economy though real wage levels did suffer. The five years of the Third Plan, however, created difficulties in every area starting from unemployment among technical personnel as well as among those with general education, and heavy pressure on balance of payments. Towards the end of the Third Plan these pressures got aggravated because of another external conflict and drought in several parts of the country. It is common experience that a fall in real wage can be tolerated if employment situation is easy. In some years it could be said to have been easy. But when, as towards the end of the Third Plan, there was erosion of real wage coupled with unfavourable employment market, dissatisfaction in the working class assumed new dimensions.

VI: 1966-69

27. The postponement of the Fourth Plan and the conversion of the planning process in the last three years into an arrangement by which development programmes are drawn up from year to year, normally should not have affected the employment situation if in framing the annual plans, adequate concern for employment had been shown. Instead, planning in each of these three years has been confined to allocating resources for different sectors of development and to different regions on the basis of levels of expenditure reached in the previous year, irrespective of the price level. This has in effect meant a curtailment of development in physical terms. A fair share of expenditure in the first 15 years of planning had gone into construction activity, allocations for which increased from year to year; and so did employment as a consequence. With the annual planning now in fashion, further increase in tempo of this activity, it is apprehended, may not have materialised. Part of the difficulties which engineers have been

finding in getting employment is due to this factor. The logic, which required assessment of technical personnel mentioned earlier, applied in reverse would mean that constructional employment which has been almost 20-25% of the total non-agricultural employment generated in the Second and Third Plans must have suffered. This lack of activity coupled with the pressure of new entrants to labour force explains some of the difficulties which one finds in the employment market today. In the years 1966-68, these difficulties have been further aggravated by recession which has made it difficult in some industrial employments even the continuance of their normal labour force let alone generating fresh opportunities for employment. We realise that we should not, merely on the basis of overall outlays, reach conclusions about the state of employment market. Sectoral distribution of such outlays could be more important for the purpose and even within a sector the manner in which these outlays are utilised, the choice of techniques within a sector/sub-sector etc. Sectoral outlays for 1966-69 (including budget 1968-69) give no indications to employment seekers from which they can derive comfort.

28. At this stage it would be useful if we take a view of what happened since Independence in the three inter-related areas of employment, technical personnel and real wages, to establish relationship if any between them in the Indian context. From a relatively comfortable position upto 1953, the employment market started showing signs of strains with minor variations right upto somewhere around 1962. For reasons explained earlier, employment picked up between 1962 and 1965 for a short time and though in relation to additions to labour force which have been increasing as years roll by, the opportunities were inadequate the period of the Third Plan seemed to be somewhat tolerable. Technical personnel was in short supply in the early years of Independence. Such efforts at expansion, as could be made then, appeared to be inadequate even in the context of planned development. Some imbalances were coming to the surface towards the end of the First Plan and dilution of cadres was in evidence in a wide area of economic activity where technical personnel was required. Supply continued to pick up though imbalance inter-se was noticed in the Second Plan and right through the first half of the Third Plan. After the middle of 1964, sectoral imbalances showed up more vividly as also overall surpluses, the main reason being that the economic activity in the later years was at an ebb and personnel on the basis of expansions sanctioned was already coming out of the pipe-line. The supply market

became even fuller towards the end of the Third Plan. Adjustment in future supply is now in sight through the regulation of entries for technical education. At least in the near future, therefore, taking the country as a whole one need not be apprehensive of a situation where employment is likely to suffer for want of technical personnel. On the side of earnings, real wages picked up fairly fast in the years since Independence upto the end of the First Plan both as a result of increase in money earnings and later in that period because price situation was favourable. In the last 10 years, real wages have been showing an overall downward trend. The result has been that the major gains secured between 1952 and 1955 were nullified in the years after 1955. On balance it would appear that as a result of the operation of instrumentalities created since 1947, wage trends in organised and even in sweated industries were not allowed to be influenced unduly by vagaries of the employment market. It is also true that a worker whether in agricultural or non-agricultural occupations, whatever his difficulties, will not offer his labour below a certain rate. He will prefer to remain in voluntary unemployment. How he manages to live is, indeed, another matter !!

CHAPTER VI

A PERSPECTIVE FOR LABOUR

Economic development on a continuing and sustained basis is the objective of every country and so is progress towards social justice. There can, indeed, be no difference in this objective between nations, democracies or dictatorships; whether they are rich or poor; whether they subscribe to the theory of capitalism or ultra-socialism or any other hue in between; whether they believe in Governmental planning or leave a major part of decisions to market mechanism. Economic development, as in India, may be through a number of inter-linked programmes consciously drawn up by Government to provide a steady rate of growth in the aggregate, keeping in mind the distributional aspects of the growth achieved; or economic forces themselves may provide for both. The task of formulating these programmes to achieve the desired rate of growth raises certain fundamental questions: Should the objective be merely to increase the rate of growth of per capita income and leave the distributional aspects to market forces? If market forces are not to be trusted for securing equitable distribution, how does one weave the two objectives together in framing policies? If there are inherent conflicts in the process, how are they to be resolved? Answers to these and many similar questions have to be sought in the context of the social and political situation in a country and an assessment of how these will change, or be consciously moulded, over a period of time.

2. While 'economic development and social justice' could be a short title of what is sought to be achieved, there is a wide range of components to be pursued to reach the stated goals within a stated time span. In India, these components have, over the first three plans (1951-1966) included, inter alia, a fair rate of growth of national income, an equitable distribution of this income, fuller employment, development of basic industries, regional balance, a move in the direction of self-reliance and so on - an assortment of both economic and social aims. It is possible to view these as inter-related objectives. For instance, without a substantial increase in production and investment, national income will not increase, nor can there be a marked improvement in living standards. Building up of the economic and social overheads will be vital to this process though their immediate results would be somewhat intangible. A simultaneous advance on

these lines may mean a better utilisation of the abundant man-power in the country and provision of adequate employment opportunities becomes an objective by itself; the link of this employment objective with social justice may not need an elaborate explanation.

3. It is also possible to view the objectives as if they are in conflict. A more equitable distribution of incomes may slow down the rate of growth of savings under certain conditions and consequently the overall rate of growth. Development of relatively backward regions may involve the use of resources in a manner where returns to national investment could be less attractive. An important element of conflict is stated to arise even within the same objective if the time-horizon, over which one plans, changes. Some are found to argue that a fair rate of savings is required in order to build up for the future. This means a lower basic minimum for the present generation in order to provide a higher basic minimum for those to come. Such arguments obviously cannot be carried too far; the present has to live to produce the future. Also there has to be a recognition that the present generation too has certain rights, certain inheritances of the past and these cannot be staked for the all-devouring claims of the future. An individual should be trusted albeit to a limited extent to use his prudence. Whatever the way one looks at the problem, planning would require a judicious mixture of the two, the composition of the mixture depending upon what the political traffic can carry.

4. We have mentioned elsewhere what has been achieved over a period of years in spite of the handicaps with which India started its developmental journey recognising that her basic fight is against poverty, ignorance and disease; that her aspirations are to achieve economic development in a manner that buttresses federal democracy. To these quantitative measures of growth have to be added the qualitative changes in the society since Independence. Indian society today is vastly different from what it was twenty years ago with new values and new institutions which help in realising them. In spite of the problems which she had to face, India has gained an inherent strength; in many areas these achievements cannot be gainsaid or belittled. It is on this note that we discuss some aspects of the perspective for the working masses in the sections to follow; first the numbers, then the possible avenues which will convert the numbers into workers and finally attitudes which workers and employers may develop, together with the causes of such attitudes.

II

5. To begin with then, the employment market: its size and nature. This will comprise the current unemployed and additions to labour force,

* "The basic problem thus became one of how in an under-developed and poverty-stricken country, surpluses could be created for investment and greater production. Every such attempt meant a greater burden on the masses. And yet, those very masses claimed relief from their existing burdens." (India-Today & Tomorrow by Pt. Jawaharlal Nehru -p.11)

and the distribution of the total in agricultural and non-agricultural sectors at the end of the perspective, taking the year 1980-81 as the year upto which one can look forward. It may not be necessary to go beyond that stage to emphasise difficulties in the employment market. Leaving the current level of unemployed for the present, projections for additions to labour force look somewhat as follows:

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

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

The data upto 1976 have been accepted as a basis of calculations by technical experts in the line. These also may be debated but for illustrating the magnitude a refinement in numbers will not help. For the year 1981, it is only a linear extension of figures upto 1976, and though increase in labour force between 1976 and 1981 appears to be reasonable on this basis, it has not yet been authenticated by experts. Even if a margin on either side is allowed on the estimated increase in labour force between 1961 and 1981, the employment opportunities to be created in this period will exceed 100 millions. The difficulties in the task have to be viewed on this basis.

6. It is possible that in coming to this conclusion, adequate notice has not been taken of the effect of family planning programmes on the future rate of growth of population. The growth of labour force between 1961 and 1981 presented in the table above is likely to be affected marginally on this account since a major portion of persons to be added to labour force by 1981 are already born.

7. The Third Five-Year Plan had worked out certain estimates of additions to labour force in agriculture on the assumption that by 1976 labour force dependent on agriculture for employment would be 60 per cent

of the country's total labour-force as compared to the 1961 percentage (roughly 70 per cent)*. The magnitude of this task could be seen from the table below which is self-explanatory.

Year	Total workers (millions)	Primary sector (%) (I-III)	Secondary sector (%) (IV-VI)	Tertiary sector (%) (VII-IX)
1901	111.3	71.8	12.6	15.6
1911	121.4	74.9	11.1	14.0
1921	117.9	76.0	10.4	13.6
1931	120.6	74.8	10.2	15.0
1951	139.5	72.1	10.6	17.3
1961	188.4 **	72.3	11.7	16.0

Source: Census of India, 1961 - Paper No.I of 1962(p.298)

** Excludes Goa, Daman and Diu and some portions of NEFA.

One can understand that upto 1951, occupational structure in the three broad categories did not show any change. But the fact that even between 1951-61 when formal planning was introduced in the country, except in the secondary sector where there is a small rise, the percentage change which has taken place in the primary sector is somewhat for the worse and in this context the achieving of percentage fall in agricultural employment as suggested in the Third Five-Year Plan by 1976 seems to be full of difficulties.

8. The tables presented in paragraphs 5 and 7 necessarily reflect the global situation. For a better understanding of the position, as will emerge in different States, similar analysis will have to be worked out State-wise. Except in two or three States, the employment task to be achieved will be colossal and so will be the difficulties in changing the occupational structure in its broad pattern since the net migration between different States will not be much of a disturbing factor. The analysis of the possible changes in the future is incomplete in another sense also. It does not provide an indication of how these numbers are to be equipped for future employment. The educational facilities will be expanded, we presume, on the basis of the recommendations of the Education Commission which reported in 1966. Since one of its recommendations is that education has to be more purposive and has to take into account the needs of development[@] it is hoped that there will be a better balance between employment

* Third Five-Year Plan pp.156-57

@ Report of the Education Commission pp.6-7

opportunities and outturn of educated personnel. With this hope, however, it is possible to speculate that with the spread of education, literate groups will form the bulk of employment seekers though in the case of agricultural labour, this change, or for that matter any other, will be harder to come by.

9. Whatsoever the assumptions, regarding the relative dependence on agriculture for employment, the fact remains that between now and 1981, roughly a third of the additional labour force may have to seek employment in agriculture, a part of whom will be self-employed and others with wage employment. Over 70 per cent of holdings are less than 5 acres in size. With agriculture turning out to be a more paying proposition and the conditions of agricultural development being made easier than in the past, it is possible that the present trend of farmers having small holdings getting interested in personal cultivation will strengthen. They will expect from labour engaged by them a better standard of efficiency. If trends in intensive agricultural districts are any pointer, indications are that agriculture will be organised as an industry; its employment potential requires to be reassessed as such. Agricultural operations are becoming both sophisticated and labour intensive. Raising of more than one crop, construction of field-channels, levelling of lands etc. will not only mitigate under-employment but may also open up avenues for further employment. An increase in yield per acre or per unit of land will have its impact on rural processing, transport and marketing.

10. A perspective about absorption of labour force into intensive agriculture operations will have to be built up over a wider time horizon. It is, however, safe to assume on the basis of experience so far that additional labour force will be employed on agriculture in future in many areas. The agricultural revolution may throw up many challenges which have a close bearing on rural industrialisation programme. Harvesting, storage, transport, repair and construction of agricultural implements and such allied agricultural activities as development of poultry and piggery are only some of the aspects of the industrialisation of the country-side. This provides ample justification for the reassessment referred to. But whatever the assessment, it is extremely unlikely that agriculture will absorb at a suitable level of wage, additions to working force of the size indicated above.

11. Land reforms could be another way of providing employment in agriculture. But availability of land for distribution is somewhat limited in areas where the number of persons dependent on agriculture is sizeable. Also the experience of the last 15 years has shown that possibilities of evasion of this reform are many and have been fully exploited. Twenty years ago, the country-side did not present a sharp contrast; except for a few, the rest were content to remain at the subsistence level and for the

affluence of these few there appeared to be traditional sanctions or for which the rural areas had a grudging feeling of inevitability. With rural development and successful pressures exercised by certain sections in the rural areas to derive benefits from this development, village population could now be seen to be divided in groups which could be considered affluent and others in which there has been no change. The contrast between the opulence of the former and the poverty of the latter is being increasingly taken note of in rural areas even with the modicum of education which has reached them so far. As the years go by, the poorer sections in the village community will learn to operate levers which will give them a better deal.

12. The pressure of unemployment, as will develop in future, will affect the unorganised sections of non-agricultural labour. The owners of small-scale industries are always reported to be on the margin of survival in business in the face of stiff competition from the bigger employers, a phrase which they seem to have borrowed from seniors in the profession. In many cases they may not be able to meet the workers' demands though in themselves these latter may be reasonable. A genuine small employer has risen from the working class itself and he expects in his workers the qualities which have made him an entrepreneur, namely, disciplined, hard and intelligent work. In a way he is a hard task-master. While one cannot deny a small measure of good living for him, to a worker who has become conscious, this is what is likely to irk when his claims for a life reasonably comparable to that of a worker in a bigger establishment are denied. There are indications that workers belonging to this group are getting organised.

III

13. At this stage of thinking on the economic development of the country it may not be possible to take a view beyond the next ten years; even a ten year view seems to have its own uncertainties. The Fourth Plan is not yet on the scene. Enquiries reveal that by the end of the year an indication of what is proposed to be achieved in the next five years 1969-74 may be available. It is possible that though the pace of planning will be dictated by the resources available as assessed from time to time, the total process will involve a fair rate of development, the capability of which has been assumed at the rate of 5 to 6 per cent per year. It would appear that this rate has been based on recent calculations of progress made in the past and resource availability in future. It is claimed that, given the determination, well directed and fully coordinated internal effort, it would be possible to achieve this rate.

14. The current discussions in the country on planning have started on the basis of the document considered in May this year by the National

Development Council, the ~~forward~~ to which states:

"Attention has been concentrated chiefly on three areas. First, feasible rates of growth have been indicated as also possible progress in the direction of becoming free from dependence on foreign aid. These objectives have been related to policies regarding imports and efforts at increasing exports and to additional resources required to be raised in the public sector for attaining given rates of growth. Second, proximate objectives in the major sectors of activity have been defined, areas in which special effort is required or a shift of emphasis is needed have been identified, and some specific programmes of action which are proposed to be undertaken, indicated. Third, attention has been drawn to measures needed to maintain stability in the economy and to a set of consistent economic policies which could direct the operation of the mixed economy so as to lead to the fulfilment of Plan objectives. In integrating the various policies, measures and programmes of action in the approach, attempt has been made to resolve possible conflicts between the claims of production and distribution, of development and employment."

15. We presume that what has been said in presenting the document to the National Development Council in so far as the Fourth Plan is concerned also applies mutatis mutandis to the future plans. We, therefore, proceed on the assumption that the rate of growth stated earlier will be achieved though the specific sectoral rates by which the overall rate has to be achieved will vary, within limits, according to changes which may take place in the economy from plan to plan.

16. In viewing the growth of the economy in different sectors we start on the basis of the document 'Draft Fourth Plan Material and Financial Balances 1964-65, 1970-71, 1975-76' released by the Planning Commission in September, 1966 and proceed to incorporate in it the directions of changes in the thinking since then. At the outset it would appear that in view of the capacity reached in machine building industries the rate of growth of that industry in terms of building up of new capacity, will be lower than envisaged earlier; the capacity built up will be used more fully than has been possible in the past. Since agriculture will demand better attention, industrial inputs in agriculture will acquire somewhat greater importance. Thus chemicals and fertilizers for which there was already greater priority in the thinking as of 1966 may retain the rate of growth as then envisaged. With the emphasis on agriculture and the consequent desire to give rural areas a better deal, rural incomes will improve. Assuming that policy for mopping up rural surpluses continues what it is today i.e. 'soft pedalling in raising resources from rural areas', rural consumption will improve and its pattern will be diversified. To meet the needs of such diversification, we presume consumer goods industries also will be allowed to have a better rate of growth. The effect of this will

be, subject to availabilities of raw material, a more continuous employment in consumer goods industries. At the same time there will be a greater urge to improve efficiency; and this may not lead to commensurate increase in employment. On the whole, therefore, the industrial structure will show, productwise, a better balance between traditional and new industries. In terms of employment also increase in traditional industries will be considerably less than in the new ones. It will also have its effect on the infrastructure of development, transport and social services, but how these will ultimately develop will again depend upon the final balances that will evolve. However, beyond stating the possible directions of change at this stage it would be unwise to speculate on quantitative changes. Estimates of possible rates of growth for certain sectors as indicated in the document "Material Balances" are given in Annexure III.

IV

17. We proceed on the assumption that labour policy of the future will be evolved as in the past by a tripartite concensus. Pressures are likely to develop for adding a wing or two to represent consumer/academics/professional interests and the like but the responsibility for shaping decisions will lie mainly with the traditional wings of tripartite. In terms of the perspective, therefore, it will be essential to understand the changes which will take place in each of these wings.

18. For the political component of the Government side we should assume that we operate within a federal structure; and, as the overwhelming evidence before us indicates, 'Labour' will continue to be in the 'Concurrent List' though a small minority wanted its transfer to the 'Union List' and a smaller minority still to the 'State List'. Further the federal structure as it obtains currently i.e. a multi-party democratic complex with the Centre and the States owing allegiance to different political groups will be more the rule rather than an exception. To run such a complex, there has to be an adequate measure of tolerance on all sides about the aspirations which a political group seeking power creates in the public and the instruments of policy which this group proposes to adopt, within the constitutional framework to reach these aspirations. On these premises we recognise that labour policy, or legislative and other arrangements in pursuance of it should not be such as would make the constituents of the Federation feel that they cannot operate within the confines of 'Concurrent' jurisdiction.

19. Fortunately certain healthy conventions have been established in the country by which Ministerial consultations take place frequently between the Centre and States and particularly when a new line of policy is proposed by either. Many disputed points get ironed out in the process, The Centre and the States have shown foresight and capacity to accommodate in reaching common conclusions and the manner they are to be made effective. This asset, we presume, will not be frittered away.

20. In regard to the permanent part of the executive a basic quality which has been very often underlined is the political neutrality of the permanent civil service and its far flung administrative reaches. The traditions of public service and its corporate and personal integrity require deliberate nursing. We note that in the evidence before us, while general accusations against the executive are not uncommon, statements in support of these accusations lack in specificity in a majority of cases. The evidence also shows that barring few instances the non-political arm of the executive has not allowed itself to be unduly oppressed by political consequences of implementation of Governmental decisions or personal inconvenience for tendering advice which led to the decisions. Barring exceptions, about the seriousness of which there could be a debate, the political wing has not sought to interfere in the normal running of labour administration. This also is an asset which, we hope, will be deliberately fostered.

21. The employer wing of the tripartite has been undergoing a change over the last fifteen years. A reason for the change is the entry of the public sector where levers of management are operated mainly by persons whose entrepreneurial skills are in the process of being tested. In the private sector also management is, in some cases, getting more professionalised. The combined effect of these factors will be the introduction of a greater measure of managerial, and not entrepreneurial talent within the employer group for framing labour policies. This has its psychological effect inasmuch as workers realise that the interest of the employer-manager is not in increasing personal wealth; he will be subject to certain disciplines, conduct, remuneration etc. in the same manner as workers on the shop floor.

22. There is even a more basic aspect of this change. Professional management at the plant level barring professional jealousies will encourage persons within the organisation who have displayed a capacity to grow to assume positions of authority. It is true that this change is coming over in the more enlightened family managements too, though in a limited way. The social bearing of the juniors at technical and supervisory levels who reach senior decision making positions in an establishment and that of union leadership may not show disparities which one noticed in the past.* This is expected to be a cohesive element between labour and management. Such difficulties which a personnel manager may be experiencing in a unit of a traditional entrepreneur will, to some extent, be less serious in the new type of management where a personnel manager may come from a professional

* In this respect there is evidence that in urban areas in the community as a whole a perceptible social change is taking place.

group to which other technical cadres in management including the top man and persons on the shop floor may belong.

23. In the case of workers as a group, certain changes will take place. Firstly, a worker of the future is bound to be more educated. He will be more amenable to getting organised particularly when he has seen the advantages which organisation can bring to him. In the areas where white-collar employment predominates a distinct change has taken place. Secondly, in a situation where a union or a federation consists of educated workers, the line of communication between the rank and file of union members and union organisers, whether insiders or outsiders, is expected to be free from chokes in either direction. And this in turn will have its own implications in reaching policy conclusions. This situation might have prevailed even in the past in some well-organised unions, and there is evidence in support of it. The public image however is still one of union members meekly accepting the decisions of the leaders or of the rank and file having no say in the union deliberations. Thirdly, he will be more conscious of what is going on around him in the regional and national context. Events taking place within a community are likely to have a stronger appeal on him than they had on his counterpart, the worker of the days gone by.

24. Equally important are changes in attitude and aspirations of persons concerned in the making of a policy. If the urges flowing from the egalitarian forces referred to above have their play in the making of decisions and their implementation, traditional positions taken by different groups notwithstanding, work is expected to be smoother. However some important consequences on others of actions taken individually by different groups require to be noted.

- (i) Almost the first of these will be between the political section of Government on the one hand and the entrepreneurial group on the other as to the relative share of public and private sectors in economic development. Socialist pressures in the system will continue their fight against concentration as also against a greater share to the private sector at least in the non-agricultural sector. Inefficient financial operations of public sector units, their ineffective personnel policies will be brought to public attention by sections of public opinion as also by labour organisations. Such criticism notwithstanding, both sectors will indeed grow; their rate of growth will be even, though because of the bigger base of the public sector, investments in it will be more than in the

private sector. As hinted by the Prime Minister in June 1966, in another twenty years public sector activities may be larger than the activities of Government - both in terms of budget and personnel.

- (ii) The pace of social transformation cannot be ignored by employers, whether they belong to one sector or the other nor can the rising aspirations of workers. Differences in facilities given to^a worker and those available for managerial or supervisory, or clerical cadres are now being noticed and talked about whatever be the justification for such differentiation in the past. The egalitarian urges will operate more effectively in the non-agricultural sectors of employment, the urban social milieu being what it is and will continue to be. Public sector management has to be more cautious in this regard. Workers are inclined to view the generosity of a private employer to his managerial staff with an attitude of indifference (or resignation) particularly when they can, with some struggle, get a reasonable satisfaction over what they should get; but not so in the public sector, where in spite of the declared intentions of the sponsors of the public sector that it will have to generate adequate resources for planning, workers will continue to be under the impression that profitability is a minor consideration in such employment.
- (iii) In many cases, experience has shown that the attitude of management as also of labour is influenced by extraneous considerations. Managements tend to equate generally the concessions which are given to labour, except through collective bargaining, as imposition by Government on them in the same manner as changes in tax levels, in tariffs, in import entitlements, in incentive for export and in levels at which prices are controlled, and so on. In all these matters management do have and will continue to have differences with Government. If managements are helpless in changing the course of Governmental decisions in other areas, they will seek to expose vulnerable points in the administration of labour policy. And in a democratic set up it is not difficult to spot out such vulnerabilities howsoever carefully the policies are designed and implemented. The same will apply to labour. Occasions when the employer's attitude to labour or vice versa gets affected for non-labour reasons, are likely to be more in the years to come. While it is not the intention to draw a contrast between the two sectors all the time, it is necessary to do so here. Considerations extraneous to the pure industrial relations field are more likely to create dissatisfaction among

public sector employees than their counterparts in the private sector. In the public sector every management decision at least in the eyes of workers and their organisations has an added political dimension.

- (iv) With the shortening of distance and better facilities for communication of ideas, national and international events will have stronger influence both on employers and workers. National events need not be recounted since they are well known and so is their influence on both labour and management. The strong advocacy of automation is an illustration which could be cited as an instance of how employers' mind will be working in future under pressure of international competition. One could envisage on the side of workers a get together between students and younger elements in the working class. The events in western democracies during the last twelve months cannot be considered too remote for India to take note of. At the same time the solutions which are likely to be evolved in the more affluent societies will not work in India.

25. We have indicated in brief some facets of the likely changes in environment, in which future labour management problems have to be viewed, more in the spirit of our late Prime Minister's analysis of India today and tomorrow when he said in his Azad Memorial Lecture "to endeavour to understand and describe the India of today would be the task of a brave man, to say anything about tomorrow's India would verge on rashness."* There will be other facets of the perspective which we will discuss under the respective subject chapters.

-3-
Annexure III

Indices of possible growth.

<u>Items (Domestic Production)</u>	<u>1970-71</u>	<u>1975-76</u>
Foodgrains (1964-65) (88.4 Million tonnes=100)	131.4	171.7
Oil seeds (1964-65) (8474 Million Rs =100)	124.5	186.9
Vegetable Oils (1964-65) (5300 Million Rs. =100)	132.1	199.2
Sugarcane (1964-65) (122.1 Million Rs. =100)	128.6	187.8
Raw Cotton (1964-65) (5407 Million Rs. =100)	160.4	226.7
Cotton Yarn (1964-65) (5711 Million Rs. =100)	125.3	175.3
Cotton Cloth (1964-65) (8458 Million Rs. =100)	126.9	174.7
Raw Tobacco (1964-65) (369.7 Thousand tonnes=100)	141.0	180.0
Coal (1965-66) (68 Million tonnes =100)	155.9	232.4
Petroleum Products (1965) (9.4 Million tonnes =100)	226.8	372.1
Electricity (1965-66) (35340 Million kw =100)	220.9	357.3
Iron Ore (1965-66) (24.5 Million tonnes =100)	220.4	342.9
Lime-stone (1965-66) (20 Million tonnes =100)	205.0	320.0
Bauxite (1965-66) (680 thousand tonnes=100)	382.4	536.8
Manganese Ore (1965-66) (1.56 Million tonnes =100)	204.9	281.7
Cement (1965-66) (108 Million tonnes =100)	175.9	268.5
Mild steel (1965-66) (4.4 Million tonnes =100)	198.6	349.9
Special steel	300*	600*
Aluminium (1965-66) (61.3 thousand tonnes =100)	440.5	734.1
Sulphuric Acid (1965-66) (654 thousand tonnes =100)	367.0	688.1
Caustic soda (1965-66) (218 thousand tonnes =100)	229.4	367.0
Soda Ash (1965-66) (331 thousand tonnes)	181.3	271.9
Chlorine (1965-66) (125 thousand tonnes =100)	256.8	448.8

Contd.....2/-

<u>Items (Domestic Production)</u>	<u>1970-71</u>	<u>1975-76</u>
Rubber (1965-66) (74.9 thousand tonnes =100)	169.6	347.1
Paper Pulp (1965-66) (650 thousand tonnes =100)	177.7	338.5
Rayon Pulp (1965-66) (48 thousand tonnes =100)	229.2	416.7
Electric Motors (1965-66) (1.31 Million kw =100)	343.5	480.9
Transformers (1965-66) (4.4 Million kva =100)	272.7	477.3
Ball & Roller bearings (1965-66) (9 Million nos =100)	333.3	666.7
Railway Transport		
(i) Goods traffic (1965-66) (205.3 Million tonnes origina- ting =100)	150.0	221.6
(ii) Passenger traffic (1965-66) (98 Billion passenger kms=100)	124.5	156.1
Motor transport		
(i) Goods traffic (1965-66) (33 Billion tonne-kms =100)	181.8	348.5
(ii) Passenger traffic (1965-66) (80 Billion passenger-kms =100)	150.0	243.8

*Actual production, thousand tonnes.
