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*Labour Problems in a Mixed Economy**

Economic development in India means essentially using idle hands and natural resources in the most effective manner for productive purposes. Labour economics in this country must, therefore, be oriented towards national planning. India can learn much from the highly developed economies in both capitalist and socialist countries. But India has adopted a planned economy with both the public and the private sectors working side by side. Conditions in India are therefore different in some important respects. It is accordingly essential that India should evolve its own policy in economic affairs.

The highly developed capitalist countries have (virtually) full employment with appreciable unemployment occurring only during depressions: a rate of net investment of 10 to 15 per cent with a rate of growth of 2 to 3 per cent per year. Labour enjoys excellent social securities and a generally rising level of living. Both employers and employees being well organised, there are highly developed institutional methods of deciding labour problems and disputes.

In socialist countries, in principle, there is no basic conflict of class interests between employers and employees as all or most of the means of production are nationalised. The full authority of Government is behind planning for rapid economic development; the rate of investment is around 25 per cent, the rate of growth about 9 to 10 per cent per year; the level of living is steadily increasing without unemployment.

In India planning is being used to promote rapid industrial progress. The rate of investment has increased from about 5 per cent, seven or eight years ago, to about 10 or 11 per cent, and there has been some industrial growth. Both public and private sectors are working side by side. Labour is not well organised and Government is trying to give it increasing legislative and administrative protection. The trade union movement and Government policy have been both broadly on the same lines as in the highly developed capitalist countries.

It is most desirable that labour should enjoy a high level of social security and should be free from fears of unemployment. It is, however, pertinent to enquire whether imitation of highly developed capitalist economies is the most effective means to this end, or whether new methods require to be developed to suit Indian conditions. My object is to raise some questions to stimulate further thinking and research in the field of labour economics and not to answer them.

It is instructive to examine the level of earnings of factory workers during

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the last twenty years. One approach is to use the index number of real earnings with 100 as the base in 1939, just before the war. There was some improvement in the first two years of the war with a value of 103.7 in 1941. Real earnings then decreased to 67 in 1943, and varied between 73 and 78 upto 1947. Then there was a slow recovery to 101.8 in 1952. Owing primarily to the very low price of foodgrains, the index rose to 114.4 in 1955, but came down to 105.7 and 104.0 in 1956 and 1957 respectively.

It is also possible to make a direct comparison of family budgets of factory workers in the rapidly growing Asansol industrial area in West Bengal based on two sample surveys carried out respectively in 1941 and 1958-59. The family structure had changed appreciably, and the proportion of single-person households had increased from 11 per cent in 1941 to 33 per cent in 1958-59 indicating the advent of new labourers from outside the area; the average size of the household in consequence decreased from 5.22 in 1941 to 3.67 in 1958-59. The consumer expenditure per person per month at prices of 1941 was Rs. 7.35 for the households surveyed in 1941 and Rs. 7.81 for the households in 1958-59. Making the comparison the other way round, the expenditure at 1958-59 prices for the two sets of households was Rs. 32.71 in 1941 and Rs. 32.51 in 1958-59. The per capita consumer expenditure has remained practically the same during the last 18 years. The pattern had changed to some extent, and expenditure on foodgrains, sugar and clothing was higher in 1958-59. Personal savings also had remained at the same level of six per cent per year. The rupee value for both income and expenditure was about 4.4 times higher in 1941.

Changes in real earnings of factory workers can also be compared with the per capita income and consumption expenditure of the country as a whole. Starting with a base of 100 in 1952 (the year in which real earnings had recovered to the pre-war level) the index of real earnings was 103.8 in 1956 and 102.2 in 1957 compared with an index of per capita consumption expenditure of 106.2 and 103.6 and an index of per capita income of 110.5 and 107.4 respectively in the same two years. The gain in real earnings of factory workers seems to have been somewhat less than the general increase in the per capita income or consumption expenditure during the period of five years from 1952 to 1957.

The broad picture which emerges is fairly clear. The gain in real earnings was only about four or five per cent in the 18 years up to 1957. A direct comparison of family budgets in 1941 and 1958-59 in the Asansol area also shows that the per capita consumption expenditure of factory workers in 1958-59 was about the same as that in 1941. Statistics of the national income of India are, unfortunately, not sufficiently reliable or sensitive. But it is generally agreed that there has been an appreciable expansion of the national economy since 1952. The available evidence, however, suggests that the real earnings of factory workers may have been slightly lagging behind the general increase in per capita income or consumption.

There has been a good deal of labour legislation in recent years; this, however, apparently has not led to any substantial gains in real earnings of factory workers. This raises important questions.

Mere imitation of advanced capitalist countries may not be enough in a mixed economy in an underdeveloped country. The lack of development itself gives rise to a timid outlook and uneasy feelings about the very idea of a rapid economic progress. Four years ago the Second Five Year Plan was considered to be too ambitious. Last year there was much talk of a safe Third Five Year Plan of a small size of five or six thousand crores of rupees. Recently there has been a welcome change and an investment programme of ten thousand crores of rupees in the Third Plan is now receiving serious attention.

There remains, however, a good deal of opposition; it found expression, for example, in the recent discussions on the target of steel for the Third Plan. The Perspective Planning Division of the Planning Commission has suggested a target of ten million tons of steel ingots. Some would have only six or eight million tons. It is argued that the demand for steel would not justify the production of ten million tons; and that there would be an unexportable surplus. It is pointed out that the intensity of capital investment is very high in steel, and considerable resources would unnecessarily be locked up instead of being deployed for more productive purposes. Bottlenecks in transport and in the supply of coking coal and raw materials, and shortage of trained personnel would prevent the fulfilment of the Plan. Labour inefficiency and restrictive practices would hamper progress and lead to increasing costs.

This is a typical dilemma in a mixed economy; it deserves consideration. Those who are in favour of a target of ten million tons hold that in a planned economy the demand must be created simultaneously with the supply. There need not be any uncertainty in absorbing ten million tons of steel if the outlets—engineering and other industries consuming steel—are developed at the same time. In a planned economy, the target depends only on the limits of possibilities of physical realisation and of the mobilisation of the required financial resources. Market demand is scarcely relevant. Yet the proposal to install a second million ton steel plant had been dropped in the First Five Year Plan because of the lack of market demand.

In a planned economy it is much better to have a surplus capacity for steel than to face a serious shortage of supply. In about four years up to 1958, India imported about 4.7 million tons of steel at a cost of about Rs. 380 crores. For two million tons additional capacity of steel in the

Third Five Year Plan, the foreign exchange requirements would be only about Rs. 150 crores, or if some auxiliary facilities for transport, mining etc. are included, then would come, at the most, to about Rs. 250 crores. The actual expenditure in four years in importing steel was much greater. Long-term credit for the expansion of steel production can be secured more easily than for current imports of steel. Also, the surplus, if any, can be easily exported as long as Indian costs are lower (or if they are not lower, by giving, if necessary, an export subsidy). It may be also mentioned that the U.S.A., the U.K., etc. all have surplus capacity in steel.

Finally, without ten million tons of steel at the end of the Third Five Year Plan the economy would not become self-reliant; the volume of unemployment would increase and would have disastrous consequences. The decision has to be made in advance and now. Labour economists have a vested interest in pressing for a rapidly expanding economy; and that means pressing for a ten million ton target of steel in the Third Five Year Plan.

The points regarding bottlenecks of transport, coking coal and raw materials or shortage of technical personnel are entirely relevant. The only remedy is to have more and better planning and more efficient implementation.

The point about restrictive practices of labour is most important. This is the crux of the problem. It is essential that Indian labour should appreciate the need of increasing labour productivity.

It is generally agreed that labour productivity is stagnant and may be even decreasing. There is general opposition to piece-rate wages or remuneration by results. This is the most difficult and yet the most urgent problem of labour economics in India. There is a good deal of general slackness and disinclination for hard work. There is distrust of the employers, and fears that piece-rate wages would not be equitable and would be used for unfair exploitation of labour in a market of chronic unemployment. There is a sense of security in appointments by time or in time scales. Trade Unions in India are generally imitative of the methods of the highly developed countries without proper appreciation of the real interests of labour.

It is also open to question whether, in the same way, the Government policy and labour legislation have not been too imitative of the highly developed countries, without proper appreciation of Indian conditions.

There can be no difference of opinion regarding the need of social security; minimum or fair wages; reasonable hours and conditions of work; accident, sickness, invalidity, maternity and old-age benefits; health care, educational and cultural facilities; and finally full employment and unemployment insurance. All this, however, depends entirely on increasing the national product as fast as possible. This is the real issue. So labour policy and legislation in India must promote the maximum rate of economic growth and the maximum utilisation of unemployed or underemployed labour.

Now, under conditions of chronic unemployment and underemployment, there is a tendency to overstaff, that is, to use two or three men to do the work of one. It is sometimes argued that in an underdeveloped country with much unemployment or underemployment, it is justifiable to spread out the employment in this way.

Is this argument valid ? Slack and careless work and inefficiency in performance often necessitate the same piece of job having to be done over again or calls for additional raw materials or unnecessary repairs and replacements with much waste of resources. The total labour cost per unit of end-product may indeed be as high as or even higher than other countries, and this would hamper exports.

In an underdeveloped country like India there is an urgent need to make the whole social organisation more alert and efficient. In starting an army drill there is the well known procedure of "numbering" the only purpose of which is to make the men alert; this is the object of training in all kinds of sports and games, or of rehearsals for dance and drama, or of practice for musicians. In the same way, efficiency of performance is an essential step for national progress. From this point of view it would seem better to try to attain the highest possible efficiency of labour and increasing productivity; and use the additional value obtained in this way to create more employment rather than lower the industrial efficiency by slack or restrictive practices through overstaffing.

There is no readymade solution to copy. The attempt to introduce institutional forms well suited to advanced capitalist countries may sometimes defeat its own purpose. It is also often difficult or impossible to introduce methods in operation in socialist countries for lack of necessary political sanctions. Familiarity with economic theories suited to advanced Western countries had acted as a thought barrier to economic progress in India; fortunately this has been broken through, and India has developed a basic strategy of development and is already in the process of "taking off" on the way to a self-reliant economy. It seems equally essential to evolve a labour policy suited to Indian needs and conditions.

There may be great advantages, for example, in a Government organisation of Labour Reserve Service. A proposal for a National Service for students is already under consideration. I should suggest that a similar Labour Reserve service (LR) be set up to absorb such industrial workers as may be considered surplus and be "laid off" by existing industrial enterprises at their discretion, and also to serve as a pool for other enterprises to draw upon, again, at their own discretion. The Labour Reserve service (LR) would then act as a buffer against unemployment and would serve as a (perhaps socially more useful and psychologically more preferable) form of or substitute for unemployment insurance limited, however, in the first instance, to persons who are already factory workers. The responsibility would rest on Government to make the best use of the Labour Reserve. The workers admitted into the Labour Reserve would receive, not the full, but a suitable part (say, between a half and three-quarters) of the emoluments they were receiving in their original posts; they would also be bound to take up whatever work they were offered by the LR authorities and if they refused they would have to leave the LR. It should be possible to recover an increasing part of the expenses out of productive work taken up by the LR. The balance of the cost may be met partly by a comparatively small (LR or unemployment insurance) levy on enterprises, partly by a direct contribution for each worker sent to LR by an enterprise, and partly by Government out of its general income. An enterprise would send an employee to the LR only when the benefits accruing would be considered to be commensurate with the direct contribution. The LR would provide training of various kinds and would continually try to use the men for productive purposes. Workers in the LR would have an incentive to find better jobs at the earliest opportunity. In this way, conditions in at least an important part of the labour market, that is, among the factory workers, would approximate to labour conditions in the more advanced economies in both capitalist and socialist countries.

I have raised a question and suggested the Labour Reserve as a possible solution. I leave it to the labour economists to examine whether a Labour Reserve is feasible; and if not, to find a better solution.

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APPENDIX

The following table gives certain data on expenditure in rupees per person for working class households in Asansol. The data relate to two sets of households relating to 1941 and 1958-59; the expenditure figures have been given at prices of both the periods.

Data of two family living surveys conducted at Asansol with a gap of 18 years form the basis of certain figures given earlier in this paper. The first survey was conducted by the Bengal Board of Economic Enquiry in 1941 under the technical guidance and with the active collaboration of the Indian Statistical Institute. The survey covered both factory and mining labourers. The second survey was conducted by the Indian Statistical Institute on behalf of the Government of India (in 1958-59) in connection with the working class cost of living indices. This survey at Asansol centre covered only factory workers and excluded miners. From a total of about 1,500 households of the 1941 survey 280 households were selected in the form of two equal sub-samples, *ss* 1 and *ss* 2, and tabulated. Since the 1958-59 survey did not cover mining labourers, miners were also excluded from the 1941 sample households. For 1958-59, 160 households (*ss* 1 = 80; *ss* 2 = 80) were selected and tabulated.

Data in the table are presented by two sub-samples. The degree of sub-sample agreement provides a broad measure of the margin of uncertainty of the estimates. Price relatives of certain groups of items have been used to calculate the consumer expenditure of 1941 households at 1958 prices or of 1958 households at 1941 prices. As an example, let E be expenditure per person on edible oil of 1941 households at 1941 prices. Then the consumer expenditure of 1941 households on edible oil at 1958 prices has been obtained as $E \times \frac{p\,58}{p\,41}$ where $p41$ and $p58$ are respectively the retail prices of mustard oil in 1941 and 1958. Data on retail prices have been derived from the schedules as both value and quantity data were collected in the surveys.

CONSUMER EXPENDITURE PER PERSON FOR 1941 AND 1958-59 SAMPLE WORKING CLASS HOUSEHOLDS 1941 AND 1958 PRICES

(in rupees)

Srl. No.	*Item*	1941 *Households*			1958-59 *Households*		
		ss 1	*ss* 2	*Combined*	*Combined*	*ss* 1	*ss* 2
(0)	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	(*i*) AT 1941 PRICES (RS. PER PERSON)						
1.	Foodgrains	2.21	2.23	2.22	2.46	2.33	2.58
2.	Milk and milk products	0.52	0.50	0.51	0.46	0.54	0.39
3.	Edible oil	0.20	0.19	0.20	0.24	0.27	0.21
4.	Meat, eggs and fish	0.35	0.36	0.35	0.43	0.51	0.32
5.	Sugar	0.19	0.18	0.19	0.26	0.29	0.22
6.	Other food items	0.84	0.99	0.92	1.68	1.73	1.60
(*i*)	Food total	4.31	4.45	4.39	5.53	5.67	5.32
7.	Clothing and footwear	0.55	0.57	0.56	0.71	0.61	0.81
8.	Fuel and light	0.33	0.30	0.31	0.21	0.22	0.20
9.	Other non-food items	2.04	2.13	2.09	1.36	1.49	1.19
(*ii*)	Non-food total	2.92	3.00	2.96	2.28	2.32	2.20
(*iii*)	Total expenditure	7.23	7.45	7.35	7.81	7.99	7.52

Srl. No.	Item	1941 *Households*			1958-59 *Households*		
		ss 1	*ss* 2	*Combined*	*Combined*	*ss* 1	*ss* 2
(0)	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	(*ii*) AT 1958-59 PRICES (RS. PER PERSON)						
1.	Foodgrains	9.25	9.34	9.30	10.27	9.75	10.80
2.	Milk and milk products	2.32	2.24	2.28	2.09	2.42	1.75
3.	Edible oil	1.06	0.99	1.02	1.24	1.38	1.10
4.	Meat, eggs and fish	1.78	1.84	1.81	2.14	2.62	1.65
5.	Sugar	0.66	0.63	0.64	0.88	0.99	0.76
6.	Other food items	2.64	2.98	2.81	5.03	5.24	4.83
(*i*)	Food total	17.71	18.02	17.86	21.65	22.40	20.89
7.	Clothing and footwear	2.27	2.37	2.32	2.94	2.54	3.35
8.	Fuel and light	2.06	1.87	1.96	1.33	1.37	1.28
9.	Other non-food items	10.64	10.50	10.57	6.59	7.70	5.47
(*ii*)	Non-food total	14.97	14.74	14.85	10.86	11.61	10.10
(*iii*)	Total expenditure	32.68	32.76	32.71	32.51	34.01	30.99