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NATIONAL COMMISSION ON LABOUR

Record of discussions of the Seventeenth Meeting
of the Commission held at New Delhi from
March 27-30, 1969.

The Seventeenth Meeting of the National Commission on Labour was held in the Vigyan Bhawan, New Delhi on March 27, 1969 and in Federation House, New Delhi on March 28-30, 1969.

The following were present:-

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| 1. | Dr. P.B. Gajendragadkar, | Chairman |
| 2. | Dr. Baljit Singh, | Member |
| 3. | Dr. Bharat Ram, | Member |
| 4. | Shri Ramananda Das, | Member |
| 5. | Shri B.C. Ganguli, | Member |
| 6. | Shri Manohar Kotwal, | Member |
| 7. | Shri R.K. Malviya, | Member |
| 8. | Shri P.R. Ramakrishnan, | Member |
| 9. | Shri G. Ramanujam, | Member |
| 10. | Shri Raja Ram Shastri, | Member |
| 11. | Shri Naval H. Tata, | Member |
| 12. | Shri S.R. Vasavada, | Member |
| 13. | Shri B.N. Datar, | Member Secretary. |

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Item No.1: Programme of future meetings:

The programme of meetings of the Commission as given in Annexure was approved.

Item No.2: Discussions on the Draft Chapters.

Record of discussions on the draft chapters is enclosed.

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Draft Chapter 14

REMUNERATION FOR WORK

II. WAGE POLICY - ASSESSMENT AND ISSUES

Revised Draft of Section "Our Approach"

Date : 27.3.1969

Time : 3.00 P.M. to 6.00 P.M.

Page 25, Para 11 : The sentences 'The reportthese minutes' should be redrafted as follows :-

"The report it presented has two minutes of dissent and a note by the Chairman".

Page 25, Para 11.1 : Add 'and its economy' after 'society' and substitute 'economic' for 'public' in the second sentence.

Page 25, 7th line from bottom : Add 'among other factors' after 'influence'.

Page 25, 5th line from bottom : Add 'factor' after 'these'.

Page 26, Para 11.2 : Last sentence 'Limitsetc.' should be recast as follows:

"The tasks of wage policy are thus set by the requirements of social justice, the price level which can be sustained, employment level to be aimed at, and capital formation required for future growth".

Page 27, Para 11.5 : The sentence 'Clearlysupply' should be recast as follows:

"Clearly, therefore, wage rates cannot be left to be determined solely by free play of the forces of demand and supply".

(Dr. Baljit Singh will give a revised draft of the later half of this para).

Page 28, 7th line from bottom : Add 'to the 1955 level' after 'workers'.

Mr. S.R. Vasavada suggested that it should be brought out somewhere that without resort to savings there can be no capital formation.

Page 29, Para 11.7 : The following should be added before concluding the last sentence of this paragraph:

"on the one hand and investment in human capital on the other".

Page 29, Para 11.8 : The sentence 'We have...enterprises' may be recast as follows:

"We have for instance the modern economic capital intensive large scale sector where economic rewards will be more attractive, both to capital and labour, existing side by side with small enterprises and other traditional labour intensive sectors including agriculture".

The term 'dualism' referred to in this paragraph should be explained.

Page 30, 2nd line from top : For 'notions' substitute 'concepts'.

The last sentence of para 11.9 should be recast and the idea brought out more clearly.

Page 30, 2nd line from bottom : The words 'tempered with' should be replaced by 'conditioned by'.

Page 31, 11th line from top : The sentence 'It cannot.....

..potential' should be recast as follows:

"It is possible that this practice of adjustment of wage levels may conceivably lead to inflation".

Page 31, 13th line from top: Substitute 'true' by 'also conceivable'.

Page 31, 13th line from bottom: Substitute 'may entail' for 'entails'.

Page 31, 7th line from bottom: Substitute 'has' by 'may have'.

Page 31, 3rd line from bottom: Delete 'a major portion of the'.

Page 31, last line: Add the following at the end of para No.11.11 :

"Beyond this there may not be an equal compulsion to continue it any further if our recommendation to merge the dearness allowance admissible at present with the basic pay is implemented. We are, of course, assuming that the current price line would be held and attach the highest importance to all measures necessary for the purpose. In case this assumption does not hold good we have to consider alternative measures to safeguard the real earnings of workers. These have been discussed by us while dealing in detail with this issue in a subsequent chapter".

Page 32, 6th line from top: (iii) 'the extent..possible' should be recast as follows:

"the extent of payment in kind".

Page 32, Para 11.12: Last sentence 'Bonus payments allowances' should be recast as follows:

"Bonus payments beyond the minimum would in effect represent the share in relation to

the overall working results of an undertaking.

Benefits and privileges in kind partake the nature of substitutes for cash compensatory allowances".

Page 33, 7th line from top: The words 'dangers inherent' should be substituted by some other suitable phrase.

Page 33, 13th line from bottom: For 'of' substitute 'for'.

Page 34, Para 1 2: This paragraph should be deleted.

Summing up is not necessary.

General Decision

Date : 28.3.1969

Time : 2.30 P.M.

Commission decided to discuss only the main conclusions/recommendations contained in the draft chapters. The Secretariat will revise the draft chapters suitably in the light of the Commission's decisions and put up the revised drafts for Commission's final approval. The revised drafts will be seen by Dr. Baljit Singh before being circulated to members of the Commission.

Draft Chapter 15

REMUNERATION FOR WORK

III. MINIMUM WAGES

Date : (i) 28.3.1969
(ii) 29.3.1969

Time : (i) 2.30 P.M. to 6.30 P.M.
(ii) 9.30 A.M. to 12.30 P.M.
3.00 P.M. to 6.00 P.M.

A. Statutory Minimum

The following recommendations should be made in the chapter in regard to the Statutory Minimum Wage:

- (1) A provision should be made in the Minimum Wages Act, 1948 making it obligatory on the appropriate Government to revise at least once every three years the minimum wages prescribed under the provisions of the Act.
- (2) Modification should be made in Section 3(1-4) so that the employment limit for purposes of exempting a particular employment from being included in the schedule to the Act is reduced from 1000 to 500 in a State.
- (3) Provision should be made in the Act for periodical revision of the schedules of employments so that employment(s) which

cease to employ sweated labour are deleted and such employments as employ sweated labour can be added to the schedule.

- (4) The Committee method should be followed for fixing minimum wages and a time limit of three months should be fixed for a Committee to fix the minimum wage.
- (5) There should be a common Chairman and a common Secretariat to assist the Committees set up for fixing minimum wages under the Act.

B. Need Based Minimum - Chairman's summing up.

In dealing with the problem of wages, it is necessary to be clear about the denotation of certain terms which are in vogue in industrial discussion in relation to the levels of the wages. Since we are not writing on a clean slate, it would be unreasonable to ignore the said terms while recording our recommendations in respect of this problem.

The terms which have acquired currency in discussing the wage problems ever since 1948 are: the statutory minimum wage; the bare or basic minimum wage or subsistence wage; the minimum wage, the fair wage and the living wage; and the need based minimum wage.

The first term owes its origin to the provisions of the Minimum Wages Act which was passed in 1948. The second term is used in awards and judicial pronouncements. The next set of three terms have been introduced in the Report of the Fair Wages Committee; and the last in the Resolution of the 15th Indian Labour Conference.

The statutory minimum wage is the wage determined according to the procedure prescribed by the relevant provisions of the Minimum Wages Act, 1948. This applies to the industries that are included in Parts I and II of the schedule. The authority to include any industry in the schedules and to take the necessary steps for getting the minimum rates of wages fixed or revised vests in the appropriate government under Section 3(1). Once the

minimum rates of wages are fixed under the relevant provisions of this Act, it is the obligation of the employer to pay the said wages.

The Fair Wages Committee referred to several words used in relation to the different levels of wages; but we are concerned with the three terms used in the Report. They are: the minimum wage, the fair wage and the living wage. The general scheme of the F.W.C. appears to be that the minimum wage, represented the lower limit of the fair wage. Beyond it was the level of the fair wage and beyond the fair wage was the living wage. These levels naturally do not represent a static, inflexible concept; they would vary and expand according to the economic development and progress of the country and in accordance with the compulsions of social justice. // According to the Report, "A minimum wage must provide not merely for the bare subsistence of life, but for the preservation of the efficiency of the worker. For this purpose minimum wage must also provide for some measure of education, medical requirements and amenities." The Report categorically stated that "the minimum wage should have no regard to the capacity of an industry to pay and should be based solely on the requirements of the

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worker and his family". On the other hand, the upper limit of the fair wage, ^{according to} the Committee, "is equally set by what may be broadly called the capacity of the industry to pay." In other words, though the Committee recognised that the minimum wage as described by it formed part of the fair wage, though at its lower level, the Committee did not think it necessary to stipulate that the obligation to pay the minimum wage as described by it should be imposed on the employer only if it is shown by the employee that he has the capacity to pay. In regard to the wage levels above the minimum wage, which would fall under the category of fair wage, the Committee made the capacity to pay a condition precedent for the prescription of such a wage.

The living wage, according to the Committee, represented the highest level of the wage and naturally it would include all amenities which a citizen living in a modern civilised society is entitled to expect when the economy of the country is sufficiently advanced and the capacity of the employer is able to meet the expanding aspirations of the employees in that behalf.

The 15th I.L.C. considered this problem and in clause (2) of its Resolution it attempted to concretise the contents of what it described as 'the need-based minimum wage'. According to this clause, "it was agreed that the minimum wage was 'need based' and should ensure the

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minimum human needs of the industrial worker irrespective of any other consideration. To calculate the minimum wage the Committee accepted the following norms and recommended that they should guide all wage fixing authorities, including minimum wage committees, wage boards, adjudicators, etc." Then followed the enumeration of the norms under subclauses (i) to (v). Paragraph (3) then proceeded to add that "while agreeing to these guide lines for fixation of the minimum wage/for industrial workers throughout the country, the Committee recognised the existence of instances where difficulties might be experienced in implementing these recommendations"; and so it laid down a proviso that wherever the minimum wage fixed went below the recommendations it would be incumbent on the authorities concerned to justify the circumstances which prevented them from adherence to the norms laid down. Paragraph (5) then dealt with the question of fair wages and provided that as regards fair wages it was agreed that the wage boards should go into the details in respect of each industry on the basis of the recommendations contained in the Report of the Committee on Fair Wages. These recommendations of the Fair Wages Committee should also be made applicable to employees in the public sector. It is in the light of these observations that we must first endeavour to understand the exact implication of the views of the Fair Wages Committee

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and those
expressed in the 15th I.L.C. Resolution.

Reading the latter Resolution with the observations of the Fair Wages Committee it seems to us that the need based minimum wage, the contents of which were concretely enumerated by the Resolution by clauses (i) to (v) of paragraph (2), is in substance the same as the minimum wage described by the Fair Wages Committee's Report. It appears that the tripartite conference which passed the Resolution on the need based minimum wage recognised the infirmity in the observations made in the Fair Wage Committee's Report, when it postulated that the minimum wage as prescribed by it, though it fell under the concept of fair wage, at its lower level, had no relevance to the capacity to pay. In other words, the tripartite Resolution took the view that the minimum wage as described by the Committee's Report and as concretised by the Resolution itself is the lower level of the Fair Wage and the principle that in fixing a fair wage the capacity to pay must be considered was applied to it. However, the Resolution took the precaution to say that if any employer pleads lack of capacity to pay the need based minimum wage, the onus would be on him to prove the fact of his inability. In other words, it is not for the employees who ask for the need-based minimum wage to prove that

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the employer has/capacity to pay; it is the other way about. With this clarification made by paragraph (3), paragraph (5) proceeds to observe that the recommendations made by the Fair Wages Committee's Report in respect of fair wages should be applied not only to the private sector but also to the public sector. Thus it seems to us that the minimum wage stands above the bare or subsistence wage and it takes into account several factors enumerated by sub-clauses (i) to (v) of paragraph (2) of the Resolution and which have also been mentioned in the Fair Wages Committee's Report in substance. For prescribing such a minimum wage, the capacity to pay has to be taken into account. In substance ^{therefore,} we agree with the conclusions as embodied in this Resolution.

If that be so, the question still remains, what should be the bare minimum which employers concerned with non-scheduled establishments must pay to their employees. We have already pointed out in respect of scheduled establishments, ^{that} the Minimum Wages Act ^{1948,} has made specific provisions for prescribing statutory minimum wages. Where the establishments do not fall under the schedules to the said Act, the employees' right to get a bare minimum wage cannot be denied. This minimum wage would naturally be higher than the statutory minimum wage and somewhat lower than the need-based minimum wage of the

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Resolution of the 15th I.L.C. or the minimum wage as described by the Fair Wage Committee's Report; but how much lower will depend upon several factors. It is obvious it cannot be very much lower.// In the course of our discussions a view was expressed that under certain circumstances, if a wage floor was fixed at too high a level it may induce instability, restrict employment as well as development and could be sustained perhaps at the cost of less protected sections ^{of the society.} As a remedy to such a situation a rule of the thumb was suggested that the minimum wage should not exceed four times the per capita income, less 20 per cent to be left out for public expenditure. It was also pointed out in support of this view that in other countries national minimum wages or minimum wages applicable to state employees are generally lower than the amount arrived at as indicated above. The need for such an approach was suggested in our case also because of the existing stresses and strains on our economy. As against this we find that it would be unwise to go by the standards of per capita income considering that there are several millions of unemployed and underemployed persons in our country and with improvement in the employment situation, the per capita income is bound to go up. Without going, however, into the

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merits of this
/controversy we feel that the per capita income may provide a guideline for the fixation of the minimum wages yet at the same time the minimum wage cannot be very much out of step with the per capita income. In particular, a rise in per capita income should be reflected more in the periodical revision of these minimum wage earners than in others and the period of such ^{revision} should not be longer than five years. In prescribing this minimum wage for establishments to which the Minimum Wages Act, ^{1948,} does not apply, the capacity of the industry to pay the same is irrelevant. That task should be left to be attempted by boards or by authorities which are called upon to decide this question by evaluating these factors with reference to local conditions. We recommend the immediate appointment of the necessary boards or other authorities for the purpose.

(C) Dearness Allowance

The following recommendations should be made in the section on Dearness Allowance.

1. On principle, those employees who get bare minimum or subsistence wages as defined by us, will be entitled to have full neutralisation against the rise in the cost of living. There are, however, certain imponderable factors which have to be taken into account in deciding what allowance should be made for them

in working out full neutralisation. Having taken into account all those factors, 95 per cent of neutralisation should be guaranteed against the rise in cost of living to those at the bare minimum.

2. In regard to the payment of this dearness allowance, capacity to pay ^{of} the employer is not a relevant factor.

3. The amount which is payable under the above recommendation to the lowest wage-earners shall be paid to all those who are entitled to dearness allowance.

4. In establishments where full neutralisation is allowed to the wage-earners at the lowest level, that practice will not be affected by the Commission's recommendations.

5. Points 1 to 4 above will be reconsidered at the next meeting of the Commission.

6. The question of dearness allowance to be paid to Government servants would be dealt with separately when the Commission discusses the chapter on Government employees.

*It is not intended that
~~Provided~~ The merger will not
by itself lead to the should lead*

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