CHAPTER 8

STANDARD OF LIVING AND EFFICIENCY OF LABOUR
Fixation of wage structure, striking a proper balance between the demands of social justice and the need for maintaining the general level of national economy, is the most difficult task in industrial adjudication. Securing industrial peace by providing economic justice will promote rational productivity.\(^1\)

This is possible because satisfaction of a worker means the economic satisfaction which he enjoys by the weight of the pay packet.\(^2\) For better living conditions workmen have to be paid a living wage. However,

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1. Chief Justice Subba Rao in Hindustan Antibiotics Ltd. v. Their Workmen, A.I.R.1967 S.C.948 at p.954, observed that social and economic uplift of labour is important for securing industrial peace which is essential to increase national productivity.

2. Justice Vaidialingam observed in Unichem Laboratories Ltd. v. The Workmen, A.I.R.1972 S.C.2332: "The worker is interested in his pay packet and given reasonable wages, he can be expected to be a satisfied worker" Id., p.2343.
such a measure should not make unreasonable inroads into legitimate profits of the employer. Upward trends in wages and prices should not be allowed to threaten the general economic conditions of the nation. Fixing of wages is a difficult task, which cannot therefore be accomplished in the absence of definite principles. But the executive as well as the legislature failed miserably in evolving a set of principles to be followed in wage fixation.

Wage structure being the determinant of the shares of rival claimants of the product of industry and national dividend, in formulating the principles for wage determination concrete facts existing in society at the particular time are to be looked into. Industrial


"The relative status of workmen in the society, their commitment to industry and their attitude towards the management, their motivation towards productivity and their standard and way of life, are all conditioned by wages .... A wage structure should serve to promote, a fair remuneration to labour ensuring due social dignity, personality and security, a fair return to capital and strengthen incentives to efficiency, without being unmindful of the legitimate interest and expectation of the consumer in the matter of prices".

adjudication or other wage fixing agencies have to follow a pragmatic approach. The process of wage fixation cannot, however, work in a vacuum. There have to be theoretical generalisations or principles that may provide guidelines for framing a wage policy.

No hard and fast rule or principle can be followed, for all times, in wage fixation. A principle may be inappropriate in an environment different from the one in which it was evolved. What is required is adoption of standards which will bring about industrial harmony. The demands of individual workers and the aspirations of the employers act and counteract with each other. The wage fixing authority has to effect a compromise. Hence wage fixation cannot reach the point of perfection. However, the judiciary has

5. Ibid.

6. Hindustan Antibiotics Ltd. v. Their Workmen, A.I.R. 1967 S.C.948 per Subba Rao C.J. pp.962, 963. The observation was made in the light of the arguments of the company that the tribunal departed from the accepted norms in fixing wages and therefore the direction by the tribunal to raise the wages should be set aside. The company expressed dissatisfaction in the comparison made by the tribunal of the Company and other concerns in the locality. However, the Supreme Court upheld the wage structure fixed by the tribunal on the ground that they did not find any abnormal variation of wages from those obtaining in other companies.
evolved certain principles. The financial position of the employer, the state of national economy and the requirements of the workmen living in a civilised and progressive society were recognised by the judiciary as relevant considerations in deciding the questions of wages.  

**Standard of living**

Human wants are unlimited. It may be practically impossible to satisfy all those wants. So priorities have to be made. Such preferences influence the ways in which families spend their income. Standard of living therefore, refers to the consumption patterns, namely the necessities, comforts and luxuries which a person consumes. In other words, the articles of necessities, comforts and luxuries, to which a man becomes habituated constitute his standard of living. However, the patterns are bound to vary from person to person and from place to place.

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8. *International Encyclopaedia of Social Sciences*, Vol. 3 and 4 (1968), on consumption levels and standards, pp. 335-337. See also the discussions in Chapter 3.

Factors governing standard of living

The basic constituent of every society is the human being. So the standard of a society is only the reflection of the standard of its members. An individual is influenced by his environment to a great extent. His outlooks will therefore be influenced by the outlook of the group to which he belongs. But his income plays an important part in the determination of the standard of living. Hence there arises a standard of life 'actually found' and a standard of life 'desirable'. The purchasing capacity limits the desired standards. Hence, the standard of living of a group drawing more or less equal wages will be the same. As the income changes, there will be a change in the standard of living. In other words the aspirations of human beings are such that they wish to get more when they see more.\textsuperscript{10}

As civilisation advances, more and more things are produced for consumption. The limit of 'desirable'

\textsuperscript{10} Quoting Dr. Marshall, Saxena observes,

"The higher he climbs on the ladder of success, the wider is his view; the more he sees, the more he seeks".

\textit{Id.}, p.663.
standard of living is thus pushed up. Individuals are the constituents of society. The general standard of living of a society is bound to change along with the changes in the standard of living of its members.

A man's outlook on life affects his standard of living. The style of life of a man believing in material progress will be different from that of a man believing in spiritual achievement. There are people who believe in simple living and deny pleasures to themselves. There are also others who want to procure pleasure and comforts at any cost.

A person's demand for goods will depend also on the style of life to which he is accustomed by the customs and fashions prevalent in his society.

All these factors are to be considered when the standard of living of a person or of a group is discussed.

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11. The life of sages is an example. Whatever be the financial resources, they may use only hard beds, eat only leaves and drink only water in order to attain spiritual satisfaction.

12. A doctor and an ordinary business man may receive the same income every month. But their expenditure pattern will differ. While the doctor may spend more on good clothes, food, furniture and other luxuries, the business man may be inclined to reinvest a major portion in the business. Again, there are people who lead a poor life but spend lavishly to celebrate marriages or religious festivals.
One method to find this standard of living is to analyse the family budgets. In order to have a clear picture of the family budget, surveys and enquiries will become necessary. The majority of workers in India are ignorant and illiterate. The answers given by them may not, therefore, be cent percent correct. There is cultural, social and other differences among workers. So a definite picture for the whole of India may not be obtained.

Index numbers

A term which attracts much attention in connection with the study of standard of living is 'consumer price index number'. It is a device by which changes in the level of any economic phenomena is measured. Index numbers can serve as a measure of the rise or fall in the cost of living of a locality or class. Such index numbers give an idea of the effect of price changes on the standard of living. Wages may be related to index numbers and may be made to raise or fall with them. At times the price of an article may be high and at some other time it may be low. Index numbers will help to

13. This was earlier referred to as cost of living index. See *Report of the National Commission on Labour* (1969), p.462. See also Table X. See also Chapter 3.
arrive at an average of these price changes. The index numbers thus act as an economic barometer and help adjust the wage rates. An year in which the price are not very high or very low is selected as the base year. This year forms the standard for comparison in subsequent years. The index number of the base year is taken as 100. For example, if we take 1970 as a base year and fix the index at 100 for rice and in 1980 the price of rice is three times as that in 1970, we represent the index for rice in 1980 as 300. An important element in this calculation is that, the base year

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14. The true nature and scope of index numbers were given by the Supreme Court in Ahmedabad Mill Owners Association v. Textile Labour Association, in the following words,

"This index number is intended to show over a period of time the average percentage change in the prices paid by the consumers belonging to the population group proposed to be covered by the index for a fixed list of goods and services consumed by them. The average percentage change, measured by the index, is calculated month after month with reference to a fixed period. This fixed period is known as the 'base period of the index and since the object of the index is to measure the effect of price changes only, the price changes have to be determined with reference to a fixed list of goods and services of consumption which is known as a fixed 'basket' of goods and services."

A.I.R.1966 S.C.497, at p.512 per Gajendragadkar, C.J.

15. Owing to the compulsion from various employers' and workers' organisations, the Government of India set up an organisation called the Directorate of Cost of Living Index Numbers. Family budget enquiries were conducted at various centres during the 1944-45 period. This marked the start of a big step of collecting family budget information with more or less uniform technique.
must be correctly chosen. For the next base year one may have to wait for very long periods because the price may be abnormally high or low.

The index does not purport to measure the absolute level of prices but measures only the average percentage of change in the price of a fixed basket of goods and services. There are certain preliminary considerations of consumer price index numbers. The first consideration is the purpose which the index is intended to serve. This necessarily involves identification of the group of consumers to which the index is intended to relate. Then it is necessary to determine the consumption level and pattern, of that population group, at a period of time which generally becomes the base period of the index numbers. For that purpose, a list of commodities and services has to be made. It is the combined total of the items of commodities and services that constitutes the basket. To determine its composition a family budget inquiry in the working

17. The National Commission on Labour recommended that the family budget inquiries which form the basis of determining the basket for an index should be undertaken once in ten years. See Report of the National Commission on Labour (1969), pp.462-465.
class localities is undertaken. The next task is to arrange for regular collection of price data for various qualities of commodities and services which enter the basket. With this material, the consumer price index has to be compiled from month to month subsequent to the base period. The main responsibility for compiling the series of indices rests with the Labour Bureau.

The standard of living of workers in India is very low. The reasons are many. The most important one is the relatively low income and high cost of living.

The Need to raise Standard of Living

Generally, an Indian worker is considered to be less efficient than their counterpart elsewhere. There may be several causes for the low efficiency of the Indian

18. As a token, the monthly expenses of workers in selected industries in Ernakulam may be taken. In the income wise classification one will find that the 'savings' in all the cases is nil. See Table XX See also Chapter 3, Table I.

worker. Physical inefficiency plays a vital role in this regard. Owing to this, they produce less.\(^\text{20}\) Even though the worker is efficient,\(^\text{21}\) factors like bad working conditions, poor food habits and lack of sufficient money to possess adequate articles of consumption so as to maintain the efficiency, deteriorate his efficiency.

Deterioration of efficiency is catalysed by the indebtedness of the workers. The wages they earn are mainly utilised for repayment of their debts. The inability to save makes him disinterested in the work he performs. No human being is born inefficient, unless there is a physical defect. It is the environment that makes him inefficient.\(^\text{22}\)

\(^{20}\) Apart from the physical inefficiency, the reasons for low productivity may be defects in machinery idleness and frequent strikes.

\(^{21}\) Indian Workers, surprisingly have shown a higher productivity rate, at times inspite of adverse working conditions, compared to their western counterparts.

"... Indian workers earning 65 cents a day in poorly lighted factories were turning out excellent machine tools, and that productivity per man in Tata works was as high as the productivity of American workers in similar Mills in Pittsburg." M. Straight, *Make This The Last War* (1943), pp.131,132

\(^{22}\) See *infra*, n.24.
Of the various causes\textsuperscript{23} of low efficiency, poverty and low standard of living are vital. Poverty, to a great extent, is responsible for the poor eating habits of workers. Most of the workers consume less than what is required for the maintenance of efficiency. Their food does not contain the required quantity of vitamins and essential minerals. The power of resistance from diseases weakens. Consequently the efficiency suffers. Low wages may be the result. The employer may say that he pays less because the worker is inefficient. The worker may say that he is inefficient because he is illpaid. Low wage is thus both the cause\textsuperscript{24} and the result of inefficiency. The process

\[\text{23. Unhealthy working conditions, long working hours, low wages which contribute to low standard of living and problems arising from residence in an unhealthy area affect workers efficiency.}\]

\[\text{24. Though, low income appears to be at the top of the reasons for low efficiency of workers, there are other reasons also. Working conditions, machinery, raw materials, and efficient management bear important places in productivity. If all the factors are taken into consideration an Indian worker is less efficient than that in U.S.A., U.K. and Japan. See D.H. Buchanan, Development of Capitalistic Enterprise in India (1934), p.386. The Labour Investigation Committee appointed in 1944 under the Chairmanship of D.V. Rege usually referred to as the Rege Commission observed,}

"To sum up, considering that in this country hours of work are longer, rest pauses fewer, contd..."
is cyclic.\textsuperscript{25} However, whether more production will result if the payment of wages is increased, is a doubtful question.\textsuperscript{26} Payment of higher wages alone may not be a remedy for inefficiency of workers. If the worker is provided with sufficient and proper food, his efficiency may improve and he may produce more.\textsuperscript{27}

\begin{footnotesize}
\begin{itemize}
\item facilities for apprenticeship and training rarer, standard of nutrition and welfare amenities for poorer and the level of wages much lower than in other countries, the so called inefficiency cannot be attributed to any lack of negative intelligence or aptitude on the part of workers but to the environmental conditions."
\item Prof. Taussig observes, "... the class of underfed labourers presents a distressing problem. They are ill-paid because they are inefficient, they are inefficient for one reason that they are ill-paid."
\item F.W. Taussig, "Principles of Economics",\textit{Industry and Society 94} (1933)
\item The learned Professor further observes, "Yet they are easily demoralised, too often they still remain inefficient if better paid from charitable funds. Neither physically nor morally do they respond radically to possibilities of improvement. Often the adults are hopeless, children alone can be taken in hand with prospects of success."
\item Ibid.
\end{itemize}
\end{footnotesize}
An average family is understood as one with three consumption units; with two adults and two young persons. The number of persons earning wages varies in different cases. From the income, workers have to clear debts and to meet expenses incidental to employment. What remains is utilised for food, clothing and other requirements. mere payment of increased wages alone will not solve the riddle. Improvement in efficiency of labour may follow by guaranteeing a living wage to them with appropriate programmes to ensure that the wages are wisely spent. Steps should be taken to change the workers' outlook on life. Constant propaganda must be undertaken by the Government, the employers and the labour leaders with a view to removing the labourers' lack of responsibility and educating them.

Poverty leads to inefficiency and inefficiency to poverty. An escape from this vicious circle is necessary.

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f.n.contd...

proportion to what he consumes. The more is turned over to him, the stronger he will be and the more he will produce, just as power got from the steam engine depends on the fuel burned in the fire-box."

Ibid.

28. See tables XX and XXI showing total monthly expenditure of employees in selected establishments in Ernakulam.
Efforts have to be made at all levels to remove the basic causes of poverty and the resultant low standard of living.

**Measures to raise standard of living**

Until the worker is given a sufficient income, we cannot raise his standard of living. The wage structure should be suitable for the economic welfare of the working class. It should not upset the price equilibrium. It should not impede industrial development of the country. Keeping all those factors in mind an appropriate wage structure has to be adopted and implemented.

Another measure to raise the standard of living of the worker is to provide welfare activities to a greater extent. Labour welfare activities must never be rigid. It must be elastic and must suit various social and physical circumstances.\(^{29}\)

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\(^{29}\) As pointed out by the Royal Commission on Labour, "Labour welfare is one which must necessarily be elastic, bearing somewhat different interpretation in one country from another, according to the different social customs, the degree of industrialisation and the educational development of the worker." *Report of the Royal Commission on Labour* (1931), p.261.
Though different interpretations are given by different people, workers' welfare may be understood as meaning such services, facilities and amenities, which may be established in, or in the vicinity of the undertakings to enable the persons employed in them to perform their work in a healthy environment. They must also be provided with amenities, conducive to good health and high morale.  

30. Report of the I.L.O. Second Asian Conference (1960), p.3. The scope of the welfare activities according to the Labour Investigation Committee included activities done for the intellectual, physical, moral and economic betterment of the workers. The Committee observed,  

"For our part we prefer to include under welfare activities anything done for the intellectual, physical, moral and economic betterment of the workers, whether by employer, by Government or by other agencies, over and above what is laid down by law or what is normally expected as part of the contractual benefits for which the workers may have bargained. Thus under this definition we may include housing, medical and educational facilities, nutrition (including provision of canteens), facilities for rest and recreation, co-operative societies, day nurseries and creches, provision of sanitary accommodation, holidays with pay, social insurance measures undertaken voluntarily by employers, alone or jointly with workers, including sickness and maternity benefit schemes, provident funds, gratuities and pensions etc."

The very nature of activity suggested by 'welfare' demands that it should be considered as a joint responsibility of the employers, employees and the State. In India, steps in this direction are being made, but a lot of improvement is yet to be made.

Social security like welfare is a dynamic concept. This is characterised as an indispensable element in the national programme to strike at the root of poverty, unemployment and disease.

31. Government of India, in 1947, decided to amend the Factories Act 1934, so as to authorise appropriate Governments to make rules to set up canteens in factories employing more than 250 workers. The Factories Act 1948, provided for washing facilities, seats for workers at the work spots, shelters, lunch rooms, drinking water and creches. The Act also provided for appointment of welfare officers in appropriate establishments.

32. Apart from the trade unions, voluntary organisations must come forward and do research and propaganda in the field of industrial welfare. Workers' education must be made compulsory. This education must give more stress on the 'duties' of workmen towards himself, towards his family, towards society and towards the nation, than on his 'rights'. Such education will improve the national economy and the standard of living of the workers.

33. "Social security envisages that the members of a community shall be protected by collective action against social risks causing undue hardship and privation to individuals whose private resources can seldom be adequate to meet them. It covers, through an appropriate organisation, certain risks to which a person is exposed." Report of the National Commission on Labour (1969), p.162.

Social security measures should cover all contingencies against which the individual of small means or a 'fixed wage' earner cannot effectively provide for by his own ability. In the modern, industrial era, social security is a sine qua non of the economic system. Basically the idea is to guarantee security of income whenever normal income ceases and in addition to provide medical care and financial help to wage earners' families.\(^{35}\)

Another measure to improve the standard of living of workers is to encourage avoidance of waste. Uneconomic use of food and other articles of consumption may result in wasting the resources otherwise available for improving the standard of living. Similarly certain customs prevalent in societies induce extravagant spending of hard earned money.\(^{36}\)

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35. Apart from the general medical help afforded by the hospitals, E.S.I. facility must be extended to all workers. The E.S.I. Act is not applicable to all workers. In case of sickness, a person not covered by the E.S.I. Act may have to shell out his hard earned savings, or he may be compelled to borrow money and to spend it for treatment. This substantially affects the income which could have been utilised for a decent life and will end up in a poor life style.

36. Celebration of marriages and festivals in which a person may be compelled, by custom, to spend even beyond his means, is an example. Similarly, the 'Gondalu Pooja' performed by Naiks and Kharada Brahmins contd...
For wage fixing the size of the family is treated to include three consumption units only. Large families will therefore, find it difficult to cope with the cost of living. Family planning can limit a family's size. Family budgeting is equally important. A proper expenditure plan has to be formulated for each family and strictly adhered to. This will render possible wise spending of the money and help improving the standard of life.

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f.n.contd...

is another example. Whenever they fall on bad times they take a vow to perform this 'Pooja' if their wishes come to pass. The expenditure in this connection will range from Rs.1500-2500 which in most cases will be a burden on the people who perform it. See, The Sun, Vol.VIII, No.42, May 25, 1985, pp.10,11.

37. A model family budget is given in Appendix III. This was drawn up in the light of the survey conducted in Ernakulam. A majority of the workers expressed satisfaction over the scheme. Ten families were asked to spend according to the pattern. A majority of those families expressed satisfaction over the proposed budget. All the families were asked to purchase food articles, except perishable items, as a lot. Most of them were advised to buy vegetables according to their availability in different seasons. All of them were advised to minimize waste of every kind. A characteristic of this budget is that it has a specific provision for savings other than compulsory deposits.
<table>
<thead>
<tr>
<th>Income Range</th>
<th>House Rent</th>
<th>Food</th>
<th>Education of Children</th>
<th>Medical</th>
<th>Travel</th>
<th>Toilets</th>
<th>News Paper &amp; Publications</th>
<th>Servants</th>
<th>Entertaining</th>
<th>Personal</th>
<th>Savings</th>
</tr>
</thead>
<tbody>
<tr>
<td>500 - 750</td>
<td>50 - 100</td>
<td>400 - 550</td>
<td>15 - 50</td>
<td>10 - 35</td>
<td>10-40</td>
<td>5 - 15</td>
<td>0 - 5</td>
<td>0</td>
<td>5 - 15</td>
<td>25 - 40</td>
<td>0</td>
</tr>
<tr>
<td>751 - 1000</td>
<td>90 - 100</td>
<td>500 - 750</td>
<td>15 - 50</td>
<td>70 - 100</td>
<td>50-120</td>
<td>15-25</td>
<td>5 - 20</td>
<td>0</td>
<td>10 - 25</td>
<td>40 - 60</td>
<td>0</td>
</tr>
<tr>
<td>1001 - 1500</td>
<td>150 - 300</td>
<td>700 - 850</td>
<td>50-100</td>
<td>60-120</td>
<td>20-45</td>
<td>20-35</td>
<td>20 - 60</td>
<td>20 - 35</td>
<td>15 - 50</td>
<td>60 - 80</td>
<td>0</td>
</tr>
</tbody>
</table>

All the figures are corrected to the nearest 5's

* Source: From the study conducted by the researcher in Ernakulam
### TABLE XXI

**Total monthly expenditure of employees in Rupees**

(Average of an year)*

<table>
<thead>
<tr>
<th>Name of Company</th>
<th>Code</th>
<th>Income</th>
<th>Food</th>
<th>Clothing</th>
<th>Housing</th>
<th>Fuel</th>
<th>Loan repayment/ Deposits</th>
<th>Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tata Oil Mills, Ernakulam</td>
<td>A</td>
<td>1260</td>
<td>800</td>
<td>50</td>
<td>200</td>
<td>60</td>
<td>50</td>
<td>100</td>
</tr>
<tr>
<td>I.A.C., Alupuram</td>
<td>B</td>
<td>1470</td>
<td>925</td>
<td>70</td>
<td>100</td>
<td>75</td>
<td>100</td>
<td>200</td>
</tr>
<tr>
<td>FACT, Udyogamandal</td>
<td>C₁</td>
<td>1300</td>
<td>800</td>
<td>100</td>
<td>200</td>
<td>75</td>
<td>50</td>
<td>75</td>
</tr>
<tr>
<td>Residing outside</td>
<td>C₂</td>
<td>1300</td>
<td>770</td>
<td>100</td>
<td>100</td>
<td>60</td>
<td>100</td>
<td>170</td>
</tr>
<tr>
<td>Residing in quarters</td>
<td>D₁</td>
<td>1250</td>
<td>775</td>
<td>75</td>
<td>200</td>
<td>65</td>
<td>50</td>
<td>85</td>
</tr>
<tr>
<td>H.M.T., Kalamassery</td>
<td>D₂</td>
<td>1250</td>
<td>725</td>
<td>80</td>
<td>100</td>
<td>65</td>
<td>50</td>
<td>230</td>
</tr>
</tbody>
</table>

* All the figures are rounded after taking the average of the expenses of different employees

† This includes payments to kuries and banks. When more than one person earns, this amount is more. However, this amount will not come as real saving because most of the workers were taking loans from different agencies.

* Source: From the study conducted by the researcher in Ernakulam