Chapter - 3

THE CONCEPT OF DEVELOPING ECONOMY AND THE ROLE OF LABOUR WELFARE IN ECONOMIC DEVELOPMENT

Having analysed in the previous chapter the relationship between labour welfare and some allied concepts of welfare, we shall now examine in this chapter the role of labour welfare in economic development of India. For this purpose, first, the concept and characteristics of developing economy of India will be examined in the context of India's development efforts particularly in relation to labour welfare.

The Concept and Characteristics of Developing Economy of India in the Context of Development Efforts

Rostow, the famous author on economic growth, has identified five historical stages of economic development, viz., (i) the traditional society, (ii) the preconditions for take off, (iii) the take-off, (iv) the drive to maturity, and (v) the age of high mass-consumption.¹ According to Rostow India is now placed in the third stage of economic growth, i.e., take off. This will be clear from the following table 3.1 which deals with the problem historically.

According to this interpretation of economic growth, India's take-off stage has started from 1952. In other words, India's developing economy has synchronised with the First Five Year Plan. The main characteristics of developing economy of India at this take-off stage are the following: (1) Economic breakthrough is reached when the traditional barriers to progress and growth are overcome through planning and the economy is ready for self-sustaining growth, (2) Beginning of the economic development is stimulated either by economic outburst or political stimulus, (3) net
investment to national income is presumed to rise from 5% to over 10% outstripping the pressure of population, (4) rapid increase in industrial production and capital formation through domestic savings, (5) increase in capital import, (6) pressure of population to the extent 2% per annum, (7) increase in supply of and demand for loanable funds.

The pioneering role of state in productive activities is a leading factor in Indian economy. The developing economy of India is a mixed economy where both private sector and public sector co-exist. The most important characteristic of Indian economy is that, though poverty is widespread, there are a few pockets of affluence which appear incongruous in such an environment. The planning has been evolved as an instrument of economic development in India. The socialist pattern of society is the ultimate goal where increased production, equal distribution of national income and raising of standard of living are to be achieved by democratic planning. In this respect Indian planning method is different from authoritarian planning method as found in U.S.S.R. and China. Another special characteristic of Indian economy is continuing pressure of population and the dominance of agriculture in the gross national product. This trait has led to serious underemployment and unemployment problem in the country.
The execution of the First Plan was expected to increase national income by only 11 per cent. By contrast the Second Plan aimed at increasing the national income by 25 per cent. The Third Plan wanted to raise national income by 31 per cent. However, the broad features of Indian economy during the First Four Plans may be briefly analysed which will give an idea about India's development efforts.

During the First Five Year Plan (1951-1956) the leading principle that governed the priorities was the relevance of a scheme to food supply and agricultural development. A comparatively low priority was given to industrial development. In the second Plan period (1956-1961) major emphasis was on heavy industry and transport. In the Third Plan period (1961-1966) a balance between food production and heavy industrialization was struck for rapid economic breakthrough. Therefore the following table is given to indicate planned development outlay of the Second and Third Plan in order to highlight implications of industrial development relevant for labour welfare.

At constant (1948-49) prices, the national income in the first year of the First Plan (1951-52) was ₹ 9,100 crores, while in 1958-59 the latest year for which figures are available, the national income was ₹ 11,690 crores. The per capita income increased over this eight-year period of planned development from ₹ 250.1 to ₹ 293.6. All this means
Table - 3.2

Aggregate Public Development Outlay
During the Second and Third Plan

<table>
<thead>
<tr>
<th>Heads of Expenditure</th>
<th>Second Plan (1956-61)</th>
<th>Third Plan (1961-65)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(Rs. in Crores)</td>
<td>(Rs. in Crores)</td>
</tr>
<tr>
<td>(1) Agriculture (including forestry, animal husbandry, fisheries and minor irrigation) and Community Development:</td>
<td>568</td>
<td>11</td>
</tr>
<tr>
<td>(2) Major and medium Irrigation and Power</td>
<td>913</td>
<td>9</td>
</tr>
<tr>
<td>(3) Organised Industry and Mining</td>
<td>890</td>
<td>20</td>
</tr>
<tr>
<td>(4) Village and Small Industry</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>(5) Transport and Communication</td>
<td>1385</td>
<td>28</td>
</tr>
<tr>
<td>(6) Social Services</td>
<td>945</td>
<td>18</td>
</tr>
<tr>
<td>(7) Miscellaneous</td>
<td>99</td>
<td>-</td>
</tr>
</tbody>
</table>

| Total | 4800 | 100 |

**Source:** Second and Third Five Year Plan.
that the rate of progress is a little over 4 per cent in total national income and about \(2\frac{1}{2}\) per cent in per capita income. Considering all the handicaps with which we started our process of planned development, it would appear legitimate to conclude that our efforts at increasing the national income, both in the aggregate and in per capita terms, have been reasonably successful.

An analysis of available statistics show a rise in national income in real terms of 11.5 per cent during the first three years of the Second Plan period, 1956-57 to 1958-59, as against a rise of 18.4 per cent in national income over the First plan period, 1951-52 to 1955-56. This is, of course, not too encouraging from the point of view of our growth success indicator especially when we remember that during the first three years of the Second plan the total expenditure undertaken for development purposes was nearly \(\frac{3}{2}\) times the amount spent during the entire First Plan period.

The planned process of economic development, however, automatically produces both structural changes in income distribution.

In contrast to much of the recent literature on "growth economics, Harrod's "Essay Towards a Dynamic Economics" has the main attributes of a truly dynamic theory.\footnote{R.F.Harrod - "Towards a Dynamic Economics", 1956.}
Harrod's main purpose is to explain secular trends; he emphasizes that it is precisely these explanation of trends that is the chief characteristic of dynamic. Comparative statistics, Harrod argues, are still statistics; more than imperfect foresight of mere change of expectations, or lags and frictions or dating of variables is required to take us into the domain of economic dynamics. Harrod's theory is mainly directed an explanation of the secular causes of unemployment and inflation and of the factors determining the optimum and the actual rate of capital accumulation. His work provides a strong foundation upon which it should ultimately be possible to build, brick by brick, and imposing and useful structure of dynamic analysis.

Harrod himself did not apply his system to the problems of underdeveloped countries, but that does not mean that this cannot be done.

It is important to emphasize here that during the second plan period on an average, the Indian population increased at the rate of 8 million per annum. The employment situation appears to be still more alarming. According to the planning Commission's calculations, the number of new entrants into the country's labour force, during the Third Plan will be 14 to 15 millions to which must be added a backlog of about 7 to 8 millions unemployed at the end of the Second plan. This of course gives a grim picture whereas
the Second Plan was confronted with the problem of creating a little over 15 million new jobs, the unemployment figure during the Third Plan is expected to jump up to a figure which will be somewhere between 21 and 23 millions. With the bogey of unemployment continuously pressing on us and population increasing at tremendous speed, we cannot possible hope for better fortunes during the next decade of planning without greater sacrifices.

Evidently, a number of strands run through the plan period which begins with the fifties. First, there is the rapid increase in population from about 340 million in 1947 to 548 million in 1971. Of this increase of 208 million, 21 million occurred before 1951, about 78 million between 1951 and 1961, and about 109 million between 1961 and 1971. Secondly, there is the steady effort in support of economic potentials, an effort also aided actively since the mid-fifties from a variety of external sources. Thirdly, in each phase, there have been important gaps in internal and external resources needed for development. There were also lags between different sectors, both in absolute terms and as judged by shortfall in relation to planned targets. These led to pressures on supplies and other imbalances, which indicated varying degrees of economic instability, and were reflected in persistent increases in prices and in costs of living. Finally, alongside these interacting tendencies, a wide-ranging process of economic transformation has been
under way. This includes growth of social and other infrastructures and of new institutions and skills, new linkages between the modern and the household sectors of the economy, and varying degrees of development in different regions and areas in the country.

Whatever their limitations, India's plans of development embodied a view, in each phase, of the volume and range of the effort the country could and should make in the pursuit of rapid economic and social development. They sought to enlarge the country's capacity for achieving economic growth and solving the problems of poverty. The means and the performance fell short, but their explicit goal was always to raise the economic and social level of the people as a whole. The scale of the developmental effort has to be judged against the resources and capacities available at each stage as well as in relation to the size of the population and the working force. Population and its rates of growth (2.16 per cent per annum between 1951 and 1961 and 2.48 per cent between 1961 and 1971) have affected every aspect of development and of the effort to lift the economy to higher levels.

The two principal ingredients of the measure most commonly used to express the scale of development effort, namely, total investment as a proportion of national income, are open to serious criticism on the score of concepts as well as the data employed. While there may be some limited
value in the rough comparison which statistics of aggregate investment provide over a period of years, they are not to be taken to literally. For purposes of record, it is sufficient to note here that for 1950-51 the annual rate of investment (and savings) was taken to be 5-5 per cent. Investment was reckoned as having increased to 8 per cent per annum by 1955-56 and to 11 per cent by 1960-61. The highest level yet reached, around 13.5 per cent, was in 1965-66. Of this about 11 per cent represented domestic savings. In subsequent years, domestic saving declined and have reckoned at around 8 per cent of the national income or little above, with external resources bringing the aggregate investment to the range of 9-10 per cent of the national income. Such a rate of domestic saving is obviously much below the present savings potential of the Indian economy.

It should be noted, in this connection that process of Industrialization in India, developed in a monovalent manner with a narrow structure of variation. It was mainly oriented to the manufacture of textiles, iron and steel and the production of raw material. This structure of industrial production continued to be followed for several decades, and began to change only after 1947. The successive Five Year Plans laid stress not merely on the industrial development of the country but also on the broadening and diversification of production activities. This resulted in inevitable changes in the relative strength of workers employed in different
industries as well as in their skill levels. In 1954, the textile industry accounted for 41.29 per cent of the total factory employment. In 1964, this figure fell to 29 per cent while that for engineering industries rose to 27.63 per cent. New manufacturing activities showed a rapid growth. During the period 1951-1964, the production of electrical machinery increased by 371 per cent. These data illustrate the obvious trend that in its future industrial development the country will heavily utilize more complex production processes and science-based technology, thereby requiring a much sophisticated work force. Inevitably, the new work force recruited to man these industries will be characterized by higher levels of skill and education, many years of pre-employment training, higher wage levels, and such social characteristics and aspiration levels as are generally identified with the educated middle class. To the extent that the labour welfare services will have to cater to the needs of this new work force, it will have to undergo a basic change in its concept.

Another likely important influence on the concept of labour welfare in the future is the possible economic conditions and the standard of living of workers in the

1 G.D.Sane, The Indian Working Class, New Delhi, All India Trade Union Congress, 1966, pp.16-17.
2 Ibid, p.11.
country. The economic conditions of workers are determined by the wages that they are able to earn. The real earnings are the only form of their economic existence. But real earnings are phenomenally low in comparison to the cost of living. In 1961, the wages of only 45 to 49 per cent of workers in Tata Iron and Steel Company were such as to meet their minimum needs. The All India Trade Union Congress (AITUC) calculated this figure to be only 29 to 31 per cent. 1 There has been no appreciable difference in the real earnings of workers. In 1953, workers had the same level of real earnings as in 1938. 2 In 1964, the real earnings stood at 102 with reference to the 1951 index. 3 It is unlikely that major inroads would be made to reverse the trend in the rising prices in the near future.

Real earnings, very often, are an arbitrary measure for defining the economic position of an individual. One need to consider several other aspects to understand the situation. First, the structure of consumption of the Indian worker is very low. It is geared mainly to the needs of biological existence. During 1958-59, of the average monthly expenditure of a working family in Bombay, 59.5 per cent was spent on food, beverages, etc., 48 per cent on fuel and lighting,

1 A.I.T. U.C., Replies to the Questionnaire issued by the Committee on Labour Welfare, Government of India, New Delhi, 1969, p.14.
2 Charles A. Myers, Industrial Relations in India, Bombay, Asia Publishing House, 1960, p.10.
5.3 per cent on housing, 12.6 per cent on clothing, and the remaining 17.8 per cent on miscellaneous items. The picture becomes more dismal when we note that during the same year in Bombay, there were 14.5 per cent families with monthly earnings up to 90 rupees only, and 55.1 per cent with monthly earnings ranging from 91 to 150 rupees. During the same year in Calcutta, 53.1 per cent of families had earnings up to 90 rupees only. Second, the ratio between earnings and productivity does not show the same proportion in growth. The indices of industrial production and productivity have grown faster than the index of real earnings. Though closely comparable data are not available yet, it should be possible to make approximate comparisons. The index of industrial production in 1964 was 170 (1956=100), and the index of productivity was 132 (1953=100). Further, the index of workers' real earnings was 108.9 in 1963 (1951=100). This shows that the surplus was increasingly being alienated from workers.

Again, the distribution ratio of the produced material value is reflected in the disparity of economic situation of the people. The standard of living of working class families is remarkably different from that of the non-working class families as shown in Table 3.3.


Finally, several studies have indicated other strains on the income of workers. Most workers have the traditional obligation to spend a part of their income for helping their relatives; in the process they worsen their own existence. The low economic standard is more often accompanied by indebtedness. Many studies have indicated miserable conditions in which workers live without having access to the minimum of hygienic and sanitary facilities. Looking into the future, the situation seems to be paradoxical. On the one hand, the new enterprises and complex technologies will require higher levels of skills, abilities and efforts on
the part of workers; on the other, forces which tend to keep workers physically and economically depressed and at low levels, might continue to exist; in fact they may increase. In such a situation labour welfare measures are likely to assume greater importance than had been the case hitherto. The new concept of labour welfare has to take these factors into consideration.

In so far as the social and political situation in the country is concerned, there are a few changes which need to be taken into account in our discussions. First, a large number of labour welfare services have been provided through statutes thereby creating rights for workers. Most of these measures were brought into existence in the late forties and the early fifties. They were considered the maximum or optimum at that point of time. However, their continued existence and usage over the past two decades has now rendered them to be the minimum. The workers and their organizations today take these measures for granted and are looking for more. This is a natural development. Further, the changing political power structure in the country is also likely to set in motion certain forces which will tend to create new demands in the field of labour welfare. Different political parties must tie with one another to assume power in different States as well as at the Centre. It will not be unexpected if in their attempts at wooing the labour they make promises for increased welfare services and
subsequently try to honour the same on entering government. At any rate, the fact that more promises for higher level of services are likely to be made would mean a continuous rise in workers' expectations. This development will exercise strong pressures and changes the concept of labour welfare.

The Fourth Five Year Plan whose operation was normally expected to begin in 1966-67 actually started on its career in 1969-70. As given in table 3.4 the public sector plan outlay in Fourth Plan over 1969-74 was projected to Rs.15902 crores, while the private sector is expected to undertake over the same period an aggregate investment of Rs.10,000 crores.

Table - 3.4

Fourth Plan (Public Sector Outlay)
(1969-1974)

<table>
<thead>
<tr>
<th>Head of Expenditure</th>
<th>Total Outlay (in Crores)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) Agriculture and Allied Section</td>
<td>2,728</td>
</tr>
<tr>
<td>2) Irrigation &amp; Flood Control</td>
<td>1,987</td>
</tr>
<tr>
<td>3) Power</td>
<td>2,448</td>
</tr>
<tr>
<td>4) Village and Small Industries</td>
<td>2,93</td>
</tr>
<tr>
<td>5) Industry and Minerals</td>
<td>3,338</td>
</tr>
<tr>
<td>6) Transport &amp; Communications</td>
<td>3,237</td>
</tr>
<tr>
<td>7) Education</td>
<td>823</td>
</tr>
<tr>
<td>8) Scientific Research</td>
<td>140</td>
</tr>
<tr>
<td>9) Health</td>
<td>434</td>
</tr>
<tr>
<td>10) Family Planning</td>
<td>316</td>
</tr>
<tr>
<td>11) Water Supply and Sanitations</td>
<td>407</td>
</tr>
<tr>
<td>12) Housing urban</td>
<td>237</td>
</tr>
<tr>
<td>13) Welfare of Backward Classes</td>
<td>142</td>
</tr>
<tr>
<td>14) Social Welfare</td>
<td>41</td>
</tr>
<tr>
<td>15) Labour Welfare and Training</td>
<td>40</td>
</tr>
<tr>
<td>16) Other Programmes</td>
<td>192</td>
</tr>
<tr>
<td>Total</td>
<td>15,902</td>
</tr>
</tbody>
</table>
It was estimated that if the anticipated levels of public and private investment could be attained, national income will grow at about 5.5 per cent per annum. But the population growth rate during the Fourth Plan period rose by nearly 2.5 per cent per annum.

And serious dislocation in the Plan caused by Bangladesh War and consequent refugee influx from Bangladesh inhibited the normal functioning of the Plan. This dislocation in the Plan gave rise to serious inflation and shortages in industrial sector of the economy. Hence per capita income could not grow even at 3 per cent per annum. However, the estimated levels of investment in the Fourth Plan imply that by the end of the Fourth Plan the share of investment in national income should be 13.8 per cent and by that year domestic saving should reach a level of 12.6 per cent of the national income. But at the end of the Fourth Plan and in the beginning of the Fifth Plan the economy is confronted with an abnormal situation arising out the declaration of National emergency. For the time being, during national emergency the Fifth Plan was for all practical purposes converted into annual plans. During 1974-75 the economy was under strong governmental control and the process of economic development was directed towards stability than growth. In 1975 when the Fifth Plan was officially launched inflation was well under control, artificial shortages in food front were cleared and industrial stability returned
to normalcy.

Comparing with the past Plans, the Fourth and the Fifth Plan appear to be similar in general form. There is no significant departure in the Fifth Plan from the accepted norms of the past plans.

The distribution of total outlay in the Fifth Plan (Public Sector) is given in table 3.5. Altogether b 37,250 crores has been earmarked for public sector expenditure in the Fifth Plan.

Larger allocation of fund in Social Welfare and Labour Welfare is in recognition of the increasing importance of the role of labour welfare that it is now playing in the national economy. It is hoped, this renewed emphasis on labour welfare will accelerate the growth process of Indian economy still further in the Sixth Plan period.
## Table - 3.5

**Distribution of Public Sector Outlay in the Fifth Plan (1974-1979)**

<table>
<thead>
<tr>
<th>Heads of Development</th>
<th>Plan Outlay</th>
<th>Percentage of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Agriculture</td>
<td>4,730</td>
<td>20.1</td>
</tr>
<tr>
<td>(2) Irrigation</td>
<td>2,681</td>
<td>16.3</td>
</tr>
<tr>
<td>(3) Power</td>
<td>6,190</td>
<td>24.0</td>
</tr>
<tr>
<td>(4) Mining &amp; Manufacturing</td>
<td>8,039</td>
<td>34.0</td>
</tr>
<tr>
<td>(5) Construction</td>
<td>25</td>
<td>0.1</td>
</tr>
<tr>
<td>(6) Transport &amp; Communications</td>
<td>7,115</td>
<td>20.2</td>
</tr>
<tr>
<td>(7) Trade &amp; Storage</td>
<td>205</td>
<td>0.6</td>
</tr>
<tr>
<td>(8) Housing &amp; Real Estate</td>
<td>600</td>
<td>1.6</td>
</tr>
<tr>
<td>(9) Banking &amp; Insurance</td>
<td>90</td>
<td>0.2</td>
</tr>
<tr>
<td>(10) Public Administration &amp; Defence</td>
<td>98</td>
<td>0.3</td>
</tr>
<tr>
<td>(11) Other Services:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(i) Education</td>
<td>1,726</td>
<td>4.6</td>
</tr>
<tr>
<td>(ii) Scientific Research</td>
<td>419</td>
<td>1.1</td>
</tr>
<tr>
<td>(iii) Health</td>
<td>796</td>
<td>2.1</td>
</tr>
<tr>
<td>(iv) Family Planning</td>
<td>516</td>
<td>1.4</td>
</tr>
<tr>
<td>(v) Nutrition</td>
<td>400</td>
<td>1.1</td>
</tr>
<tr>
<td>(vi) Urban Development</td>
<td>543</td>
<td>1.5</td>
</tr>
<tr>
<td>(vii) Water Supply</td>
<td>1,022</td>
<td>2.8</td>
</tr>
<tr>
<td>(viii) Social Welfare</td>
<td>229</td>
<td>0.6</td>
</tr>
<tr>
<td>(ix) Welfare of Backward Classes</td>
<td>226</td>
<td>0.6</td>
</tr>
<tr>
<td>(x) Labour Welfare</td>
<td>57</td>
<td>0.1</td>
</tr>
<tr>
<td>(xi) Miscellaneous</td>
<td>275</td>
<td>0.7</td>
</tr>
<tr>
<td>(12) Hill and Tribal Areas</td>
<td>500</td>
<td>1.3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>37,250</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>
PLANNING AND LABOUR WELFARE POLICY

It is now relevant to discuss the state policy on labour welfare vis-a-vis planning in order to explore the role of labour welfare in economic development.

The First Five Year Plan suggested that labour problems should be approached from two angles, namely, the welfare of the working class and the country's economic stability and progress. It recommended that the basic needs of workers for food, clothing, and shelter must be satisfied. The worker should enjoy improved health services, wider provisions of social security, better educational opportunities, and increased recreational and cultural facilities. The conditions of work should be such as to safeguard his health and protect him against occupational and other hazards. The Plan suggested that employees in shops and commercial establishments should enjoy statutory benefits at par with those in factories and plantations.

In the Second Five Year Plan it was admitted that much remained to be done in various matters including industrial housing, and that progress could be only gradual. The Second Plan recommended that due attention should be paid to the provision of welfare amenities to improve the working conditions of workers, and more importantly to the effective implementation of the amenities that had already been provided under various statutes. Realizing the achievements of the
Coal and Mica Mines Labour Welfare Funds, it suggested an institution of a similar fund for the manganese industry. The plan also discussed the administration of welfare funds and stated that wherever feasible unified administration of such funds was necessary in the interest of economy and for providing better welfare amenities. While suggesting the creation of these welfare funds, the Plan did not undermine the responsibility of the individual employer in providing welfare amenities to his workers. It observed: "The provision of welfare facilities is the responsibility of an individual employer and as far as possible these activities should be run with the assistance of local committees on which workers are represented."

An important suggestion was made by the Second Five Year Plan for providing welfare measures to workers employed in smaller establishments. It stated, "In the case of smaller establishments facilities may be provided jointly." The establishment of an adequate number of welfare centres was also considered necessary to provide the much needed diversion to the workers and training facilities to their family members. It also recommended legislation to regulate working conditions for workers employed in the construction industry and transport services.

The Second Plan touched also upon the problem of providing ameliorative measures to agricultural labour. It,
however, did not suggest any welfare measures as such because in its opinion the first and foremost task was to provide greater employment opportunities and fixation of a minimum wage for this section of the labour. The Plan also dwelt in detail on the welfare measures for women workers and stressed that greater attention should be paid to them for protection against injurious work, for provision of maternity benefits, and for opening of creches for children.

The Third Plan stressed the need for a more effective implementation of statutory welfare provisions and highlighted the need for taking preventive steps and for conducting regular surveys against exposures to occupational diseases. Regarding the welfare funds, the Plan observed: "special welfare funds have been constituted for financing welfare measures for workers in the coal and mica mining industries. They are meeting very real needs. Similar funds are proposed to be created for workers in the manganese and iron ore mines."

The Third Plan Report noted the progress made by the industrial co-operative housing societies but expressed dissatisfaction on their slow pace. It recommended that a regular campaign should be undertaken for setting up co-operative credit societies and co-operative consumers' stores in industrial establishments. It felt that trade unions and voluntary organization should evince greater interest and
initiative in running such co-operatives. The report also touched upon the Subsidized Industrial Housing Scheme. It stated, "The present approach to the problems has been found to be wholly inadequate and new ways will have to be devised immediately so that the workers may be assured of minimum standards in respect of living conditions within a reasonable period in the interest of their health and efficiency. Towards to be greatly enlarged for all sections of workers."

The Third Plan highlighted also the need for providing better living and working conditions in the case of agricultural labour and workers in unorganized industry. To quote the Third Plan Report, "While considerable improvement has occurred in the living and working conditions of employees in large and organized industries, owing both to state activity and trade union action, a great deal of leeway remains to be made up in respect of the workers engaged in agriculture and unorganized industries. Their conditions should become a matter of special concern to the Government as well as to the organizations of labour."

The Draft Fourth Five Year Plan (1969-1974), presented to Parliament in April 1969, provides for the expansion of the Employees' State Insurance (E.S.I.) activities to provide for hospitalization to families of all insured workers, to cover shops and commercial establishments in selected centres as also non-power factories employing ten or more persons.
The Fourth Plan also mentions that programmes for welfare centres, holiday homes, and recreational centres have been included in State plans. Stress is also to be laid on strengthening labour administration for better enforcement of labour laws. A provision of ₨ 371.1 million has been made in the Fourth Plan for labour welfare programmes, a notable feature indeed. The fifth Plan is the logical culmination of the increasingly strategic importance of labour welfare and social welfare in which total ₨ 286 crores have been allotted.

Having reviewed the labour welfare policy as it unfolded itself in the past, it is relevant to raise the question in regard to the future policy on the subject. In our opinion, the labour welfare policy should be based on the following four pillars: - promote economic development; - be in harmony with other areas of overall social policy; have administrative feasibility; and - reflect the dynamics of social change and value structure in the country and give direction to it.

Role and Implications of Welfare in Economic Development

Broadly speaking, India's Plans were drawn up within the framework of political democracy, economic development, and social change. Together these pointed to three closely related objectives; the pursuit of welfare, the search for equality, and the desire for more even distribution of economic power.
The circumstances in which the objectives of welfare, quality and diffused economic power have to be translated into practical measures in an under-developed economy such as India's can be stated briefly. First, economic development is still in its early phases. The productive capacities and the infra-structures needed for sustained growth are just becoming available. There are still large gaps to be filled. The present rates of population growth are a formidable barrier; there is no knowing how soon this will be overcome. Secondly, starting with extremely low levels of output and productivity, the gains in both aggregate and per capita production, specially over the past decade, have not been of an order, nor have they been continuous enough, to promote significant increase in general welfare.

In the third place, the major thrust of the development effort is towards the building up of a modern sector in the economy. The influence of this sector on welfare, equality and equitable distribution of economic power is far greater than its present absolute size may warrant. It claims resources that might otherwise add to current welfare. The greater part of it is private and corporate in nature. Taken by themselves, these features are associated with potentially greater inequality and greater differences in economic power.

In this context mention may be made of an important publication of the International Labour Organization (ILO)
in which the authors explore - the contribution of human and capital factors to the economic development of 52 countries. The authors find that the degree of correlation between the growth rate of output and investment ratio is low, and furthermore that some countries achieve higher growth rates than others even though they invest the same proportion of their national income. There may be several reasons that account for this phenomenon. One of them is the quality of the labour force.

The authors of the book were beset with serious problems of measuring the contribution of labour force because all known measures are purely quantitative. They make several simplifying assumptions and carry out a statistical exercise. Their results are tentative, but nevertheless they support the intuitive reasoning that accords higher priority to human resources as a factor in economic development. According to them, four human factors, namely, (i) calories, (ii) education, (iii) dwelling, and (iv) social security, seem to be associated with economic growth.

The basic proposition that is relevant to public policy on labour welfare may be stated thus: As a factor of production the contribution of labour to the production process is directly determined by physical, environmental, 

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motivational, and sociological factors. The physical and environmental factors may be collectively defined as labour standard. Labour productivity can be raised to the extent that these factors are upgraded and their advantages secured through more efficient management of labour. It is, however, evident that improvements in labour standard have an economic cost to the employers as well as to the country.

Naturally, the employers as well as the workers would like to know how much these programmes will cost, the manner of financing them, and the extent of benefits that will accrue to workers. In that regard three important questions will have to be answered. They are: (i) What is the proportion of these costs to unit cost of production? (ii) What is the extent and coverage of benefits? (iii) How are these costs to be allocated?

It is apparent that the lower the proportion of wage cost to value added, ceteris paribus, the greater will be the ability of industry to absorb additional cost of labour welfare and vice versa. Moreover, the greater the scope of passing the higher cost to consumers, or alternatively, the greater the case with which labour saving devices can be introduced, the more smoothly can industry be persuaded to take on added labour costs.

A large number of small firms, which make out a marginal existence, would find significant additions to their
unit costs of production more burdensome than industries where the situation is healthier. On the other hand, it will not be sufficient to formulate schemes with coverage limited to the efficient industries.

This is partly because workers employed therein may be receiving above average wages and may, therefore, have lesser claim on government-sponsored benefits and partly because by leaving out a very large proportion of workers from the coverage the public purpose will not be served.

Again, if the industry receives direct or indirect protection from foreign competition, there is a presumption that the costs are too high and it is on probation, so to say, to reduce costs, improve efficiency, and generally strengthen its competitive ability. In such cases it will be necessary to be particularly careful that legislated welfare measures are not such as will, on balance, unduly extend the probationary period or otherwise weaken the industry's resolve to stand on its own feet in the shortest period of time. The same argument holds true for industries facing keen competition in foreign markets. While advancing this argument in moderate excessive zeal, it is, however, also necessary to warn against undue caution. In assessing the financial implications of new welfare measures it is important to keep in view that (i) part of the burden is absorbed by the exchequer, (ii) higher labour costs may actuate managements to
save on other costs such as material, fuel, scrap, and marketing, and (iii) labour productivity may go up, particularly, if industrial relations are satisfactory.

It will be readily seen that the proportion of labour welfare cost to unit costs, assuming equal incidence among all workers covered by the scheme, will vary from industry to industry with the ratio of wage bill to cost of production. It then follows that the larger the number of workers on the payroll and the higher the ratio of wage bill to cost of production the greater will be the impact of a given programme of labour welfare on unit costs. Accordingly, employers should be expected to counter higher cost by economizing on labour.

The implicit logic of this statement is that unless the increase in labour welfare leads to higher productivity, there is real danger that the number of available jobs will shrink, and that managements will revise their strategies, scale down manning charts, reduce sanctioned posts, leave vacancies unfilled, and retrench temporary hands.

Process of implicit role of labour welfare in economic growth: A study of cost implications of Social Security and finance of welfare programmes as index of welfare benefit affecting economic growth

As a logical corollary to the foregoing analysis of cost implications of labour welfare indirectly affecting the process of economic development we may now turn to a study
of financial implications of labour welfare programmes more specifically. This study will identify the implicit role of labour welfare in economic development from standpoint of cost-benefit analysis. This may be done by two well known methods: (1) First, by studying social security cost as percentage of total national income as index of welfare benefit; and (2) second, by studying financing methods of welfare programmes.

Dealing with the first method, it is the general pattern of global comparison that there exists a functional relationship between social security costs and economic growth in every country as index of economic development identifying the specific role of labour welfare in economic growth process. This will be evident in the table 3.4. This trend tends to establish an important universal law which postulates that higher the per capita national income, the higher will be the "social load" rate and that social security outlay increases pari passu with the growth of GNP or even falser.

In this connection, India's position is to be noted. As compared with other countries. Table 3.6 shows the receipts and expenditures of Social Security as percentage of GNP of different countries in the world including India. It will be seen in the table that India's progress in social security activities is about the lowest, as compared with other countries. It means there is a vast scope and unutilized sphere
of social security as welfare activity in India having regard to the fact that India is proclaimed to be an avowed welfare state.

However, the need for increasing development and comprehensive social security system as social welfare function has been recognized by the Government of India. A new department known as the department of social welfare was created in 1964 remodelling the former department of social security. It is hoped, in future, larger allocation of national income will be made to make social security more widespread and comprehensive which will also hasten the process of savings mobilization for speedier capital formation and economic growth. For this purpose, however, it is necessary to enable organized labour force to participate more increasingly in social security system in our country.

In a very real sense, social security cost as percentage of gross national product is reinvestment for perspective economic growth. Even from costing point of view, social security is a social mechanism by which existing costs are distributed more equitably for the well being of the community. Thus the cost conscious criticism of social security system is based on unsound judgement of the basic nature of social welfare policy. The philosophy of solidarism is not only inter personal but also inter temporal.
Table - 3.6

Statement of the Receipts and Expenditure of Social Security Schemes as Percentage of Gross National Product at Market Prices

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Country</th>
<th>Year</th>
<th>Receipts</th>
<th>Expenditure</th>
<th>Total Expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Australia</td>
<td>1959-60</td>
<td>8.5</td>
<td>7.9</td>
<td>7.7</td>
</tr>
<tr>
<td>2.</td>
<td>Canada</td>
<td>1959-60</td>
<td>9.5</td>
<td>8.9</td>
<td>8.7</td>
</tr>
<tr>
<td>3.</td>
<td>France</td>
<td>1960</td>
<td>14.9</td>
<td>13.9</td>
<td>13.2</td>
</tr>
<tr>
<td>4.</td>
<td>Germany (F.R)</td>
<td>1960</td>
<td>17.9</td>
<td>16.1</td>
<td>15.4</td>
</tr>
<tr>
<td>5.</td>
<td>Ghana</td>
<td>1960</td>
<td>1.4</td>
<td>1.3</td>
<td>1.3</td>
</tr>
<tr>
<td>6.</td>
<td>India</td>
<td>1959-60</td>
<td>1.9</td>
<td>1.4</td>
<td>1.4</td>
</tr>
<tr>
<td>7.</td>
<td>Israel</td>
<td>1960-61</td>
<td>8.1</td>
<td>7.1</td>
<td>6.2</td>
</tr>
<tr>
<td>8.</td>
<td>Japan</td>
<td>1960-61</td>
<td>6.6</td>
<td>5.2</td>
<td>4.7</td>
</tr>
<tr>
<td>9.</td>
<td>New Zealand</td>
<td>1959-60</td>
<td>13.3</td>
<td>13.0</td>
<td>12.6</td>
</tr>
<tr>
<td>10.</td>
<td>Sweden</td>
<td>1960</td>
<td>12.6</td>
<td>12.4</td>
<td>12.2</td>
</tr>
<tr>
<td>11.</td>
<td>Switzerland</td>
<td>1960</td>
<td>10.2</td>
<td>7.7</td>
<td>7.2</td>
</tr>
<tr>
<td>12.</td>
<td>U.A.R.</td>
<td>1958</td>
<td>2.5</td>
<td>1.1</td>
<td>1.1</td>
</tr>
<tr>
<td>13.</td>
<td>U.K.</td>
<td>1960-61</td>
<td>11.1</td>
<td>11.0</td>
<td>10.4</td>
</tr>
<tr>
<td>14.</td>
<td>U.S.A.</td>
<td>1959-60</td>
<td>1.0</td>
<td>6.3</td>
<td>6.0</td>
</tr>
<tr>
<td>15.</td>
<td>Yugoslavia</td>
<td>1960</td>
<td>11.2</td>
<td>11.0</td>
<td>10.2</td>
</tr>
</tbody>
</table>

Source: The Cost of Social Security 1953-60, ILO
In future, the development of social security in relation to national income is likely to be determined by two factors. First, economic potential and second, political principle. While economic potential makes it imperative, at least logically and conceptually, to redistribute social welfare much more largely, there is no guarantee that this must happen unless there is political will to do so. This prospect is based on the study of both American system and Russian system. But without solemnly proclaiming any particular political belief, economic potential should make it possible to redistribute social security loads for the economic wellbeing of the various categories of employees in larger perspective.

The divergent development in social security systems all over the world indicates, at least, two most important underlying trends in the sphere of labour welfare.

In the first place, an extension of social protection to the whole population on the basis of citizenship rights, in the form of at least minimum coverage of every social risk liable to threaten the individual member of society is an immediate possibility. This idea is based on the assumption that social protection is to be made available to an individual as a member of society, not as an individual in any particular working group. This new pattern of social welfare may replace the prevailing concept of labour welfare in a narrow sense, under which we mean welfare benefits only for employed people.
In the second place, endeavour will be made in new directions to transcend general levels of minimum social protection and to enable the individual to maintain during his enforced unemployment, disability or even after his retirement, the standard of living he had attained while he was earning.

Both these trends are visible in many European countries. Especially in the U.K. and in the Scandinavian Countries, where the introduction of supplementary wage related benefit scheme on the basis of flat rate systems can be witnessed. In Netherlands, National insurance schemes with uniform benefits based on wage-related schemes have been introduced. In Netherlands, when the national insurance schemes were introduced, the pension schemes based on occupational associations were also maintained, augmenting the quite already high level of flat-rate benefit under wage related schemes.

India stands as a striking example where social security loads and national income growth rates are extremely low in view of her poverty of the people. One way of solving this acute welfare problem may be integration of social security costs on global basis. This international approach to social welfare arises out of competing demands for scarce and inadequate resources in developing countries.

An international resource mobilisation organisation on the model of I.M.F. may make an endeavour for pooling
together financial resources from richer countries, on quota basis, for the purpose of distribution of welfare funds to the backward countries.

A specific variant of this approach is to be found in I.L.O. attempt to promote social security to its background members through international administrative co-operation. The I.L.O. at its conference held in 1944 passed resolution for making available technical assistance particularly to its backward and new members for development of social security in the context of world War-II.

According to the resolution a member who would like to introduce new social security measures would be advised to take loan of experts from another member country with similar experience. In this venture the I.L.O. shall take initiative to select experts.

Furthermore, to facilitate this international co-operation specific suggestions have been given by the I.L.O. relating to collection and exchange of statistics and arrangements for higher studies in the subject.

The emergence of welfare state and its growing power may be further accounted for by the fact that with growing specialization of individual professionalism, man is becoming more socially dependent. To meet this contingency, as already

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explained, growing importance of social welfare services are strengthening the re-emergence of various social security systems. Family allowance, retirement pensions, direct cash payments are now increasingly being made in discharging collective responsibilities for particular dependencies. And these are now treated as social service expenditure as they represent flows of payments through central government account.

Since World War I, all over the world along with social services expenditure a great expansion in occupational welfare benefits in cash and in kind has reached formidable and widespread proportions.¹ This is purported to supplement social service benefits. Among well known benefits, they include pensions for wives and dependents, child allowances, death benefits, health and welfare services, personal expenses for travel, entertainment, dress and equipment, meal vouchers, motor car and season tickets, residential accommodation, holiday expenses, children's school fees, education and training grants, cheap meals and large variety of other benefits.

Umistakably, this trend leads to a transition from labour welfare era to social welfare era under which the concept of labour welfare is undergoing a gradual transformation. This development also recognizes the growing state

¹ H.V. Potter - Chemistry and Industry, September, 1955.
of social dependencies like widowhood, childhood, sickness etc. In the context of such a development significance of income may diminish. For example, in Britain, occupational pension schemes have covered one-half of the total male labour force.¹

It is conceivable that during transition from labour welfare to social welfare, one important purpose of providing such wider variety of social service benefits by employer is to forge a better image of "ideal employer" and to create good industrial relations climate in industry. But in such a process this may come into conflict with proclaimed aims and objectives of a social policy which is based on equity and social justice. This development has tended to divide loyalties and a fundamental question has arisen to what extent state of social dependency is related to occupational and income achievement.

This newer development has led the social scientist to explore the role of social psychology in workers' motivation and morale with regard to what is called money illusion. For last three decades, a perennial conflict between occupational status symbol and income achievement in advanced countries especially in the U.S., has given rise to serious questioning about wage as the motivating force to work.

¹ Report of the Committee on the Economic and Financial Problems of the Provision for Old Age - 1954, Ch.3.
Despite wage rise, workers do not feel like to work more, resulting in serious problems of motivation, morale and productivity. In such a situation increasing compensation to social welfare benefits is being provided to win workers' loyalties with a view to plugging up their disillusionment of high income concept.

However, with growing provision for social welfare benefits ideal labour behaviour is taken for granted by management inside the factory. But little attention is paid about labour behaviour outside the plant where a different social loyalty is demanded by his family. Notwithstanding, rapid progress of behavioural sciences and some outstanding socio-psychological studies like Hawthorne studies regarding job behaviour, very little research is being done to explore the role of family in work motivation inside the factory, where a worker spends major part of his working day. This problem, and probably similar social problems are likely to be associated with the postulation of social welfare concept as the epilogue of labour welfare, for which we shall reserve the last chapter.

The second method may be studied by examining financing methods of welfare. There are five known methods of financing welfare programmes in industry, namely, (i) levy on production, (ii) allocation of a fixed percentage of wage bill by employers, (iii) bipartite contributions, (iv) tripartite...
contributions, and (v) government contributions.

The method of raising finances for welfare programmes by levying a cess on production is used in mica, coal, manganese, and gold mines. The Coal Mines Labour Welfare Fund Act, 1947, provides for the levy of a cess at the rate of 49.21 paise per metric ton coal and coke despatched far from the collieries.

The Mica Mines Labour Welfare Fund Act, 1946, provides for financing of welfare facilities out of the proceeds of an ad valorem customs duty on all mica exports that can be levied up to 6½ per cent. Under the method of raising finances for welfare expenditure by allocating a proportion of the wage bill only the employers are required to contribute towards the financing of welfare facilities which may be administered by the employer or by the joint committees consisting of labour and management representatives. For example, in Brazil the law requires all employers to contribute an amount equal to two per cent of their total wage and salary bill of a plant. The method of raising finances by mutual contribution by both employers and employees is followed in the case of Defence Funds at plant level or the Employees' State Insurance Scheme (E.S.I.S.). The method of financing the welfare facilities by tripartite contributions, viz., employer, employees, and state, is used by some State governments in India. The Labour Welfare Fund Acts
in Maharashtra, Gujarat, U.P., etc., some of the examples of this kind. The finances are raised by fines imposed on employees, unpaid emoluments, and the grants by the government. The amount is spent on community and social education centres, games and sports, tours and holiday homes, entertainment and other forms of recreation, corporate activities of a social nature.

It is conceivable, though not generally practised, that a welfare programme may be entirely financed out of government funds. It may be noted that in public sector enterprises the government as a model employer provides many benefits to workers, including housing, hospital, and educational facilities which in the first instance are financed through the state budget. For housing purposes, the Government of India also makes loans to State Governments, co-operative societies, and private employers under the Subsidized Industrial Housing Scheme. Apart from this sphere, the government has avoided undertaking welfare programmes as its own fiscal responsibility.

Among the various methods of financing welfare measures there is none that can be considered unequivocally superior to all others regardless of the nature and the scope of the scheme. The method of financing should be governed by the nature, extent, and scope of benefits. On general considerations, the following principles as guidelines for state policy may be considered.
(i) Where there is a direct relationship between the service rendered and the benefit received and the scope of the scheme is limited to a particular group of workmen, such as provision of subsidized transport and educational facilities for workmen's dependents, the financing and administration should be the bilateral responsibility of management and unions at the enterprise level. In such cases the entire cost of service rendered including the overheads should be divided between the two parties. The role of the government should be limited to providing loans for the purchase of capital equipment and the construction of buildings, etc. The fees charges for these services should be high enough to prevent waste of resources and abuse of facilities but at the same time it should be within the means of the workers. The difference between the fees paid by workers and the actual cost of managing these services should be borne by employers. If the schools are managed by institutions other than employers, the latter should undertake to largely or wholly subsidize children's fees and the cost of textbooks, etc.

(ii) If the welfare facilities are such that they do not require significant capital cost but their magnitude varies directly with the number of workers,
it may be desirable to set up special funds for the purpose. These may be games, sport, entertainment, cultural activities, and the special needs of workers which are expected to occur generally, such as marriages of daughters, and widow rehabilitation. These may be created out of special contributions made by employers on a per capita basis and to which may also be credited fines, unspent balances and ad hoc moneys from time to time. These funds should be jointly administered by management's and workers' representatives. Wherever possible, the executive responsibility should vest with the workers' representatives, and the employers' representatives should play the advisory role.

(iii) In planning welfare amenities which border on social of generalizing the risk while giving particular benefits, all medical benefits and disability compensations which are over and above the levels provided by the Employees' State Insurance Act, and under the Workmen's Compensation Act should be planned by pooling the risk of as large number of workers as may be administratively feasible. This can be done at the initiative of the government on an industry-cum-region basis or even on all India basis depending upon the range of benefits and the coverage of workers. For small- and medium-sized
industries it may be desirable to create special funds for areas where substantial concentration of industry occurs. For the country as a whole, there may be, let us say, 8 to 10 funds covering among themselves roughly two-thirds to three-fourths of all workers employed.

Following the principle of bilateral contributions, as in the Employees' State Insurance Corporation (E.S.I.C.), these funds can be created and maintained on a continuous basis. The government may provide the initial grants for acquiring land, premises and other capital expenditures and a loan to meet the recurring expenses in the earlier stages. Gradually, the funds should become entirely self-financing and grow with the expansion in the industrial base. The administration of such funds should be on a tripartite basis although, by their very nature, the government will have to supervise them more closely.

(iv) In addition to the above kinds of welfare programmes it is possible to develop schemes mainly for selected industries and occupations. As has been noted earlier, there is a case for providing recuperative and rest facilities for workers engaged in fatiguing, strenuous, and hazardous work. It will be necessary to prepare a schedule of such occupations and industries and estimate their numbers. The government may then select a number of places all over India that are known for saluperation centres can be set up in these places.
There is a possibility of extending the system of financing and administering coal and mica welfare funds. This method of financing welfare facilities has certain advantages over other methods. First, the country has accumulated some experience of mica and coal welfare funds which may prove very useful in managing other schemes of similar nature. Second, the argument for raising finances through a fixed levy is to ensure the continuance of facilities on an ongoing basis. The money paid into a fund is invested and can only serve the sole purpose of welfare programmes. Third, neither the workers nor the employers feel the pinch of contributing to these funds since the cost is mainly borne by consumers. Even from the larger industry's point of view the cost for providing such facilities would not be excessive since a part of it may be recovered through increase in labour productivity. The feasibility of launching new schemes along the lines of coal and mica mines welfare funds should be explored. It appears that similar welfare funds can be set up in such industries as cement, quarries, tea, coffee, rubber, and other industries that are close to agriculture, local in character and produce a homogeneous product. Many seasonal industries, such as rice mills, oil crushing units, gaining and baling factories, brick kilns, etc., may be viewed as possibilities for the introduction of such funds.

As already said, the case of each industry should
be decided after a careful examination of its capacity to bear additional cost. One can no doubt anticipate the clamour, that usually precedes the introduction of welfare schemes, that the industry will be adversely affected. The government judgement should, however, be reserved until industry produces solid evidence to back up such a case. Where conclusive evidence is wanting, the government may advisedly make a beginning with a few industries and enlarge their scope gradually. It should be remembered that a sizable proportion of total industrial work force is engaged in industries which do not provide even rudimentary welfare facilities to workers. Their need for more amenities and welfare is beyond question. Their case for governmental intervention is also obvious. Yet economic and administrative considerations should be given due weight.

In India, welfare programmes are generally administered by either the employers or the government. The exclusion of employees from administrative responsibilities has produced the unfortunate result that among them true appreciation of the value of welfare programmes in their business and human aspects has been lacking. Indeed there is much discontentment among workers on the quantum of benefits as well as on the alleged administrative inequities and lapses. This has been noticed in the public sector enterprises no less than in the private sector. As such, it is a matter of concern. While recognizing the importance of employees' participation
in the management of funds the fact has to be faced that the responsibility of administering welfare programmes cannot be left entirely to trade unions either. The problem of inter-union rivalry and the lack of trained leaders in many unions are obvious hurdles. But where unions are strong and are recognized by managements and the government, they should be given opportunities of shouldering executive responsibility and not merely of acting as watchdogs in the interest of workers. This will not only involve unions in the administration of funds and thereby reduce complaints but will also ensure business-like performance. Labour welfare provides a suitable area for labour's participation in management.

In conclusion, one may refer to the goals assigned to the welfare policy in the First Five Year Plan (page 613). It stated that "the objective of social welfare is the attainment of social health which implies the realization of such objectives as adequate standard of living, the assurance of social justice, opportunities for cultural development through individual and group self-expression, and readjustment of human relations leading to social harmony." It further said that "it is now essential to maintain vigilance over weakness and strains in the social structure and to provide against them by organizing social services."
Specific role of labour welfare in increasing labour efficiency and quality as concomitant of economic development

We have analysed so far functional role of labour welfare and economic development at macro level, i.e., from the standpoint of Indian economy as a whole. But labour welfare also has specific role to play at micro level, i.e., in increasing individual labour efficiency at the plant level. We shall now therefore analyse role of labour welfare at micro level of labour efficiency and quality which are contributory to economic development.

Generally speaking, welfare increases with the increase in size of national income at macro level provided the welfare proposed to be accrued to the workers does not diminish. In the context of such a correlation the consumption of a particular commodity especially beneficial for the poor should be regarded as very important, and should be encouraged. For example some specific welfare programmes such as, easy accessibility to libraries is likely to stimulate taste for literature and to that extent tends to diminish the tendencies of gambling and drinking habits among the workers. It is thus aptly said that, "free libraries are engines for creating the habitual power of enjoying high class literature" and a savings bank if confined to the poor, is an "engine for teaching thrift."  

1 Jevons - Methods of Social Reform, 1918, p.32.
Therefore, a subsidised educational policy that encourages free reading facilities and concessional opera shows should constitute the basis factor in a welfare policy to be adopted for employees. But, it must be noted, as Marshall pointed out "these demands, which show high elasticity in the long run, show a high elasticity almost at once, so that subject to a few exceptions, we may speak of the demand for a commodity as being of high or low elasticity without specifying how far we are looking ahead.\[1\]

This indicates that in a Welfare policy, demand for a special commodity conducive to welfare is subject to elasticity. It is to be further noted that, broadly speaking, increase in taste for one thing is associated with the decrease in taste for other things that fulfil the same purpose. In this connection, it is to be investigated to what extent economic welfare of a community "consists in the balance of satisfactions derived from the use of the national dividend over the dissatisfactions involved in the making of it." This raises the important question of working hours of workers which involve the basic question of welfare in a personal policy. If the workers are compelled by law to work extra hours for increase in the amount of gross national product (GNP), the increase in dissatisfaction for working extra hours may as well ultimately diminish their welfare. But in

a country like India, workers would like to work for longer hours if their wages are increased. This general tendency for positive supply curve of labour in a poor country is a complicated question in a welfare programme. The fear of loss of earnings constitutes a real deterrent to ultimate labour welfare in India.

Longer working hours, prima facie, may lead to quantitative expansion of output which may increase national income. But the main question is productive value of output which depends on intensification of work efforts. Longer working hours without adequate rest pause or intervals tend to increase fatigue resulting in absenteeism and go-slow and other irregularities. This phenomenon gives rise to serious personnel management problems.

But, it seems, the controversy over working hours as the main welfare issue is relative. For instance, longer working hours with frequent intervals may be conducive for better productivity in hot countries where labourers are incapable of working intensely even for shorter hours. Whereas, in cold climate shorter working hours with more intensification of work efforts may involve more labour welfare. But the technique of production function has an important bearing on working hours. Capital intensive and labour intensive methods of production must have different type of working hours. Moreover, piece-rate and time-rate systems have different working hours too.
However, some empirical conclusions may be possible which are based on observed job behaviour.

(i) Workers tend to slacken their normal work efforts and demand shorter hours more in peace time rather in war time.¹

(ii) On the basis of an experiment it is found that "at three-quarters of all industrial workers, a greater absolute product - not merely a greater product per hour - may be expected from regular work of between eight and nine hours a day than from regular work of any longer period."²

(iii) In the above experiment it is also found that "in 253, different kinds of work, a 4 percent larger output was obtained in nine hours than in ten using exactly the same machinery."³

But these empirical conclusions might prove misleading unless the following factors are taken into consideration.

(a) extra output per hour may be obtained by specific incentives and not by labour efficiency,

(b) reduction of hours may be accompanied by superior business management methods,

¹ International Association for Social Progress - 1927. 'Report on hours of work and their relation to output.'


(c) reduction of hours may attract more competent and qualified labourer and therefore output may improve.

The crux of the problem is that most of the employers are concerned with immediate and limited objective of their output rather than ultimate objective of business. Average employer is more interested in easy supply of labour and he is unable to think in advance of others. Hence it is true to say that, "in so far as he represents immediate and limited, rather than ultimate and general interests, his economic outlook must stand in marked contrast to that of the nation as a whole." 1

Employers' inclination to force workers to work for longer hours emanates, in large majority of cases in India particularly, from imperfect mobility of labour and trade unionism. The weaker bargaining position of Trade Unions is particularly responsible for such unfair labour practices. In such a situation, there is prima facie case for state intervention.

Thus, as we have already shown in our exploration of labour welfare, the role of welfare state assumes a matter of greatest importance and protective welfare legislations become increasingly important to maintain and to ensure minimum labour welfare.

But the fundamental issue is the distribution of

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national income and consumption goods, which are likely to increase real welfare. Prima facie, the transference of purchasing power from the rich to the poor may be considered as the first approximation to optimum national income distribution.

While theoretically such a transference may make out a case for increased welfare for the poor, the actual process of such transference may defeat the purpose of welfare state and may give rise to an authoritarian regime.

However, from the standpoint of consumption function, such a transference of purchasing power from the rich to the poor is certainly to increase the aggregate demand and, therefore, GNP, according to Keynesian Theory of Employment. According to Pigou, any cause which increases the absolute share of real income in the hands of the poor, provided that it does not lead to a contraction in the size of national dividend from any point of view, will, in general, increase economic welfare. This contention is further corroborated by Mill when he says "Men do not desire to be rich, but to be richer than other men. The avaricious or covetous men would find little or no satisfaction in the possession of any amount of wealth, if he were the poorest amongst all his neighbours or fellow country-men."

1 Pigou - Economics of Welfare, Ch. VIII.
But a larger proportion of the satisfaction yielded by the incomes of rich people comes from their relative, rather than from their absolute amount. This part of it will not be destroyed if the incomes of all rich people are diminished together. The loss of economic welfare suffered by the rich when their purchasing power is transferred to the poor will, therefore, be substantially smaller relatively to the gain of economic welfare to the poor than a consideration of the law of diminishing utility taken by itself suggests.

Notwithstanding a definite relationship, it is not always possible to conclude that welfare of working class people will be increased by anything that renders the distribution of national income less unequal.

Some Comments on the Components of labour Welfare and their roles in planned economy

Planning involves an increase in national income together with the satisfaction of a set of other social objectives which may not be realised in the absence of deliberate planning towards the achievement of these goals. These objectives, besides the growth of national income, are no less important as ends of social policy in a democratic set up than a mere increase in national income. This means that the social welfare function that we wish to maximise contains variables other than the mere increase in national income. Even as regards this increase in national income, society, would have
something to say and that would be included in the social welfare function. People have preference orders for the different commodities and depending on the marginal rate of substitution obtaining between different commodities, a commodity composition would have to be set which would obtain for the society maximum utility, which is a function of the supply of commodities alone. This preference order may also extend temporarily so that this would entail not only a choice about the present pattern of composition but also a choice for a future pattern of commodity composition so that this would require a particular pattern of allocation of resources over time.

The social welfare function being so rigidly defined, planning becomes a necessity for all countries, and more so for underdeveloped countries like India. The objectives that are set forth in our plans also contain a number of elements besides the simple increase in national income. We have a reference to a commodity composition which would satisfy our aspirations both at present and over time. Besides these, maximization of employment and minimization of social inequality have also been accepted as ends of economic planning.

Given the social welfare function, the planning problem lies in maximizing this function subject to a set of constraints imposed on the technical transformation functions relating to the different inputs and outputs of the system.
So long as these factors which are included in the social-welfare function are contradictory, it is not difficult to realize all the objects simultaneously, though in varying degrees depending on the transformation functions, some of these factors may be broken down to some sociological conditions which are even though immeasurable, may be somehow amenable to adjustment. This may require only changes in the legal framework of the society or may be achieved only by enlarging the scope of education. However, difficulty arises when the factors are inversely related. While we would like to increase both we face a problem. In this case, we have to make a choice as between the amount of sacrifice in one particular objective and the consequent gain in the other objective. This is what we have faced in the execution of our plans. We wish to maximize the rate of growth of national income, and at the same time we wish to obtain as much equality in the distribution of income. But these two ends are contradictory. A greater rate of growth of national income requires for its sustenance a higher rate of saving and given the marginal propensity of the different income classes, a redistribution towards greater equality would be conducive to it since empirically it has been found marginal propensity to save in the higher income classes is larger relatively to the lower income classes. Accordingly both these objectives cannot be realized simultaneously. Of course, the degree of sacrifice that shall be made would depend upon the marginal gains from such sacrifices.
The experience of developed market economics as well as socialist economics has value for India, but the differences should be marked. The main components of welfare are much the same in both groups of developed economies; a network of basic social services available equally to all opportunities of employment at rising levels of income and productivity, and measures of social security covering sickness, unemployment, old age, and other periods of need. Similarly, both groups of economies strive to provide equal economic opportunities to the various segments of their population, but different groups do not start at a level of equality. In larger or smaller degree, the differences continue, though on a diminishing scale. The major distinction between the two groups of developed countries pertains to their approach to the distribution of economic power.

In welfare economics, they go first to entrepreneurs, business executives, shareholders, and organized workers. The two groups of economics differ fundamentally in the scheme of ownership of means of production. They also differ in their use of the market mechanism. For socialist economics, the market is at the most a more efficient way of allocating resources without, however, affecting their ultimate ownership, which remains with the community. It is fair to add that while socialist economics are able to resolve the social problems of concentration of economic power, they have been less successful in avoiding problems of concentration of administrative turn,
has its own impact on the efficient use of resources and therefore, on the conditionse of welfare.

An implicit assumption in the First and the Second Five Year Plan was that, except in the long run, the really productive investments, which took the economy forward, were those which created physical assets and the related infrastructures. Investments, aimed at improving the living and working conditions and the capabilities of the mass of the population were viewed as 'welfare' and placed in the 'social' sector of development. The expression 'welfare' was taken to refer to education, health and other social services. The Third Five Year Plan visualized, as a first step towards 'equality of opportunity for every citizen' provision of the basic necessities in particular, of food, work, opportunity for education, reasonable conditions of health and sanitation improvement in conditions of housing and a minimum level of income which, in the given circumstances, could ensure 'tolerable living standards'. No attempt was made, however, to translate the basic necessities either into consumption standards and levels of living, or into a concept of minimum income.

It is obvious that the main concepts to be used in welfare policy have yet to be clarified. The Committee on Distribution of Income and Levels of Living brought together available information on social services as well as on
consumption, but did not go so far as to consider the concept of a Minimum,¹ for all households in the country.² This has led recently to the poor being described as 'those living below a basic minimum standard of consumption'.³ A careful consideration of available consumer expenditure data leaves little doubt that, however desirable such an approach may appear to be in principle, in terms of the information at hand or its use in implementing practical measures, the time is not yet ripe for it.⁴ Data on consumer spending in the national community as a whole or even for different states do not help identify the specific measures which are needed or may be feasible. Nor do they throw much light on changes that might have already taken place, the factors which account

3 Planning Commission Towards An Approach to the Fifth Plan (May 1972) which observes: "Poverty is both an absolute and relative concept ... what we have in mind ... is a definition of what could reasonably be considered as an absolute level of poverty. This poverty line has to be defined in terms of a minimum level of consumption. Available estimates show that at 1960-61 prices, private consumption of Rs.20 per capita per mensem would be needed to assure a reasonable minimum level. In present day prices, these figures will have to be multiplied by a factor of about 1.86. At present 220 million people are estimated to be living below this level." The paper on Approach to the Fifth Plan (1974-79)(January 1973) puts the minimum at Rs.40 per mensem at the prices of October 1972.
4 V.N. Dandekar and N. Rath, Poverty in India (Indian School of Political Economy, Poona, 1971) pp.8-17.
for them, the existing deficiencies in consumption, and
effects of shortfalls in consumption on health and produc-
tivity. While macro-economic studies and consumer expenditure
surveys are being gradually refined so as to assist policy
and action, there will be advantage in promoting empirical
investigations into living and working conditions of different
groups in the population in various regions. Practical mea-
sures and policies based on precise knowledge of each situa-
tion will need to be pursued on a sufficient scale before
the approach of a national minimum income or poverty line can
become anything like an operational tool.

Expansion of education or health or other elementary
social services for the community as a whole could be dis-
tinguished from measures designed to enlarge welfare for
particular sections of the population. The former might be
regarded as part of the general obligations of the State; the
expression 'welfare policy' could then be restricted to special
or supplementary measures taken over and above the general pro-
vision of social services. Social services in their broader
aspect and welfare defined specifically are of course mutually
related in as much as, with expansion in the scope of social
services, welfare policy can be extended to new fields, while
its earlier concerns come to be merged within the basic scheme
of social services.

In the sense in which the expression is employed
here, lack of welfare can be traced, in the final analysis, to conditions which make for prolonged poverty, for low incomes and low levels of productivity, and for inability to withstand the strains of adversity of every kind. When such circumstances affect large numbers of persons, they point to serious shortcomings, both in production and in distribution. The role of social services and of policies designed to augment welfare is thus ancillary to the choice of patterns of development and economic organization made by a community.

In the light of past experience, there is reason to stress that in the short run as in the long term, economic development will contribute to welfare in the measure in which it devotes resources to outputs in the creation of which large numbers can participate and whose benefits can flow to large numbers.

When the pattern of development bears directly on the problems of poverty and low productivity and begins to draw out the potential reserves for economic growth which exist within a community, it is likely to develop the required economic means as well as the social concern to resolve the problems of welfare. Reduced to essentials, for groups as for individuals, the critical components of welfare (in its wider meaning) would include —

a) availability of productive work (including self-employment) for everyone able and willing to work.
b) measures to raise the level of productivity and thereby the ability to reach a higher level of income,

c) Security against want, sickness, physical inability, and periods of lack of work,

d) the practice of family planning as an essential ingredient in family welfare.

The level of income and earning capacity of every group and of every household, can be raised through systematic social action. Given a design of development which utilizes human resources as assets and management of the economy to put these assets to good purpose, it is possible to impart higher skills to workers and to raise their level of productivity. Studies of income and saving among rural and urban households bring out the decisive role of education in the level of economic activity and the skills involved, and of the number of earners in the household in relation to earning capacity. These and similar conclusions have the greatest significance for welfare policy, especially in a society in which an overwhelming proportion of workers are self-employed. The implications of this approach have

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1 Useful data can be cited on these points from investigation undertaken by the National Council of Applied Economic Research into rural and urban savings. In the rural sample 50 per cent of households were self-employed farmers and 10-1 per cent were self-employed business men. In turn, the wage earners (agricultural 27.3 per cent and non-agricultural 8.4 per cent) depended on the viability of economic activities undertaken by these self employed persons. The urban sample included 34 per cent self-employed households 38 per cent employed in non-government establishments, and 18 per cent employed by government.
to be followed through not only in relation to adults but also comprehensively for children and youth. They extend to health, education and indeed to all aspects of economic and social life.

Evaluation of State Policy on the role of Labour Welfare

We should now make an estimate of the state policy on the role of labour welfare. The First Five Year Plan, in recognition of the fact that Factories Act 1948 was a comprehensive measure, stressed on effective implementation of the Act. The Plan made similar suggestions in respect of plantations. No special mention was made about mines in view of the legislation which was passed in the Year Plan was published. The policy spelt out in the First Plan continued to be followed during the Second Plan. To understand the changes which had taken place in different aspects of labour welfare, a scheme for a comprehensive survey of labour conditions was recommended in the Plan. The survey, apart from serving the specific purpose, was expected to provide a "benchmark" for any future assessment of this nature. In view of the close association between efficiency and welfare, Government at one time thought of securing voluntary acceptance of a 'Code of Efficiency and Welfare' which was drawn up by a Committee appointed by it. The Code as drafted went through various stages of discussion in the Indian Labour Conference and the National Productivity Council. Trying it out voluntarily on a pilot basis was
decided, but even this limited idea had to be dropped. Some elements of the Code were subsequently included in the Industrial Truce Resolution, 1962. The Third Plan reiterated the proposition made in the earlier Plans that legislation enacted for the protection, safety and welfare of workers was adequate and better enforcement was all that needed.

But specifically, not much emphasis was laid on the role of labour welfare under the First Plan. The welfare needs of urban workers were assumed to be adequately met by the then prevailing state government schemes and of workers in mines statutory arrangements. As for plantation labour, the Plan sought to lay down priorities in welfare. It put health, housing and education in one group and recommended that when one or the other of these was adequate on any estate, attention should be concentrated on other items which were below standard. In the case of small plantations, welfare facilities, according to the Plan, were to be the responsibility of a group of plantations. The Second Plan made a significant statement on the principles which should govern labour welfare. It suggested the constitution of a welfare fund for manganese mining similar to the Coal and Mica Mines Welfare Funds and the creation of similar funds, either by the appropriate Government or the employers, for other industries. The employers' responsibility in this regard was emphasized and suggestion made in the earlier Plan for pooling of the resources of small planters was made applicable to all small
employers.

At the initial stage of the First Five Year Plan, organisations of workers, particularly trade union leaders, and also different employers' organisations have not devoted any noteworthy time and energy for highlighting the implications of Planning and its success in Indian economy. Nor are they very keen on focussing labour's strategic role in the economic development of the country. During the formative period of the Planning there was a plethora of statements, discussions, and resolutions from individual entrepreneurs, firms, chambers of Commerce mainly about the role and importance of private capital in the economy and about managerial and entrepreneurial problems. But on the side of organised and unorganised industrial workers there does not seem to be any such activity. The inevitable result of such non-representation of worker's interest has been the absence of noticeable impact of labour on the objectives of the Plan. This apathy is still prevailing during the end of the Fourth Plan and at the formative stage of the Fifth Plan. This loophole can be remedied if trade unions and their leaders take initiative in formulating proposals and putting special endeavour for labour oriented planning policy.

It is also to be recognised that the Planning Commission's approach and attitude in this matter should be more realistic and enlightened. When the First Plan was formulated,
the Planning Commission had an Advisory Board which included representatives or organised labour movement. Thereafter, the Commission dropped this approach and arrangement and set up specialist panels to advise them on the different sectors of the economy and development programmes. A labour panel was set up, and the problems discussed were mainly those that related to labour welfare. This was a highly commendable and significant development. But, unfortunately no attention was paid to the role of labour welfare in economic development. For the Third Plan, even a separate panel was not set up for labour, and only the Ministry's Standing Committee on Labour was used for this purpose by co-opting some experts on the same. Here again discussion centred mainly on Labour Welfare and not on productivity or on labour's role in development.

To understand the significance of the role of labour welfare in economic development, it is necessary to remember that provisions of some funds for labour welfare in Five Year Plans will not automatically pave the way for its role in economic development. To hasten the process of such role it is important also to represent labour in the Planning Commission itself. Some sort of labour participation in planning is necessary for quicker economic development in the Country. This is also likely to help social transformation of society more democratically.

It is equally regrettable that the organised labour has also not evinced much interest in this matter of participation. From the present state of industrial relations in the country, it appears that industrial worker does not have this sense of partnership or participation or identification even in industrial enterprises in the public sector, let alone the private sector. And it is apparent that he will not have it unless deliberate steps are taken to bring it about.

There might be different approaches to labour participation in planning and its forms may assume different character. One interesting suggestion in this regard has been offered by Dr. V.K.R.V. Rao in the sphere of labour welfare which merits experimentation by the Planning Commission. This is also a commendable approach to the rate of labour welfare in economic development. Dr. Rao's suggestion might be put forward in the following way. According to current practice of workers' provident fund system, a worker's own contribution together with that of the employer forms a sizeable amount of saving. For example, by the end of the Third Plan period the worker's provident fund have accumulated to about ₹ 700 crores. On the assumption that about 80 per cent of industrial workers will be contributing at the rate of 8 per cent and the rest at 6% per cent, additional accruals to the Fund are likely to be of the order of ₹ 600 crores. These calculations do not include the extension of the

1 Ibid
Provident Fund Act, currently under contemplation, to new sectors in industry. On the other hand, there is an expected withdrawal of about ₹ 300 crores by way of withdrawals during the Fourth Plan period. Taking all this into account, a reasonable estimate of net Provident Fund Accumulation at the end of the Fourth Plan would be of the order of ₹ 1000 crores. At present, provident fund accumulations are invested with government and form a part of the capital of public sector undertakings. It is fair and just that these funds should be treated as the worker's share in industrial capital in both the public and private sector undertakings and the worker given the right of ownership in the concern to that extent. Instead of getting an interest, of about 4 per cent, a worker then becomes entitled to a share in the profits of the concern in which he is working. Thus his interests get identified with the efficiency and profitability of the concern and he also becomes a partner with his employer in the fortunes of the concern and the industry. In this way, a worker's interest in his own welfare may be identified with the welfare of industry to which he belongs. This suggestion, if experimented, at the industry level, might pave the way for active role of labour welfare in economic development more positively and concretely.

However, the Third Plan also made no specific reference to welfare, but stressed that for improving work efficiency welfare within the establishment should be ensured.
This was in line with the emphasis in that Plan on reorientation of labour policy with accent on efficiency. As a part of this reoriented policy, co-operative activity was to be intensified as a labour welfare measure. The Fourth and the Fifth Plan endeavoured to develop more realistic outlook on labour welfare by allocating larger amount of fund for the purpose. In pursuance of policies initiated in the Plans, a welfare fund for manganese mines was sought to be created. Several attempts were made to select industries in the Central sphere for constituting welfare funds, but no progress was possible because of other stresses and strains on the economy. Some states passed legislation for constituting a welfare fund out of the fines imposed by employers, unclaimed wages and the like. These attempts were successfully challenged in the Court by the employers, and for some time, alternative arrangements had to be made for running the welfare activities. Several State Plans made provisions for labour welfare, but all these did not amount to much even as the Plan schemes were formulated. Their content was diluted further during the course of implementation.