



GOVERNMENT OF GUJARAT

EDUCATION AND LABOUR DEPARTMENT

**REPORT**  
**of**  
**THE EXPERT COMMITTEE**

on

Readjustment in Existing Series of  
Consumer Price Index Number for  
Working Class for Ahmedabad and  
Linking it with the New Series

Ahmedabad, January 22, 1964

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## CONTENTS

	PAGE No.
Chapter I—Introduction .. .. .	1
Chapter II—Existing and New Series .. .. .	3
Chapter III—The Views .. .. .	6
Chapter IV—The Linking .. .. .	10
Chapter V—Conclusions and Recommendations .. .. .	17
Appendix I .. .. .	21
Appendix II .. .. .	23
Appendix III .. .. .	30
Appendix IV .. .. .	32

## CHAPTER I

### INTRODUCTION

1.1 It was represented to the State Government that the present series of Consumer Price Index Number for the Working Class for Ahmedabad published by the State Government did not adequately reflect the existing pattern of consumption and variations in prices for various reasons. The period of family budget enquiry on which the new series of Consumer Price Index Numbers for Industrial Workers published by the Labour Bureau, Simla, is based is different from the base period for the said new series. There has been variation in prices during the two periods and, therefore, the conversion factor of 2.98 suggested for linking the new series with the existing series has not been correctly determined. As a consequence the Government of Gujarat set up an Expert Committee under their Resolution No. MIS/1063/59602-I, dated 9th September, 1963 in the Education and Labour Department with the following terms of reference :

(1) to examine the validity of the submissions and representations made to Government and to make recommendations as to whether any readjustment is necessary in the existing series for Ahmedabad published by the State Government, and if so, what readjustment should be made;

(2) to consider how the new series of Consumer Price Index Numbers for Ahmedabad should be linked with the existing series, so readjusted if found necessary; and in so considering, to take into consideration the factor that the period of family budget enquiry on which the new series for Ahmedabad is based is different from the base period for the said new series.

1.2 It was further laid down in the same Government Resolution that the Committee may hear the representatives of All India Organisations of employers and workers.

1.3 The Committee consisted of the following members :

Dr. M. B. Desai, Professor of Agricultural Economics, M.S. University of Baroda, Baroda.	Chairman.
Shri J. L. Dholakia, Reader in Economics Gujarat University, Ahmedabad.	Member.
Shri V. V. Divetia, Director of Bureau of Economics and Statistics, Government of Gujarat, Ahmedabad.	Member.
Shri A. V. Vyas, Deputy Commissioner of Labour, Ahmedabad.	Secretary..

1.4 The All India Organisations of employers and workers were requested to submit their views on the subject. The representatives of the All India Organisations of the employers and workers who submitted their memoranda in writing also appeared before the Committee to give oral evidence on 11th and 12th December, 1963. The representatives of the Millowners' Association, the INTUC and the AITUC appeared before the Committee and placed their views

and discussed the issues pertaining to the Consumer Price Index Numbers. The Federation of Gujarat Mills and Industries represented to the Committee in writing but conveyed their inability to appear before the Committee.

1.5 The Committee was required to submit their report to the Government within two months from the date of the resolution. However, since most of the representatives of the employers and workers had not been able to submit their representations to the Committee within the time given, *i.e.*, November 9, 1963, the period for submission of the report was extended by two months more on a request made to the Government by the Committee. The Committee could not complete the work even within this extended time limit for reasons beyond their control and had to spend some more time on the work. The Committee in all held fifteen sittings.

1.6 We have adopted the following scheme of analysis and presentation. Chapter II of the report briefly examines the main features of the existing and the new series of the working class consumers' price indices. The idea in offering a comparative account of the two series is to bring out not merely the difference the new series makes over the existing, but also to establish the areas of the work of the Committee so that the account offered here would pave the way for arriving at the content and the possible lines of adjustment that would be necessary to complete the linking. In Chapter III a brief summary of the written representations and oral evidences given before the Committee has been attempted. An endeavour has been made to briefly elucidate or answer the points raised by the various recognized organisations of the employers and the labour. In Chapter IV the Committee comes to brass tacks with the problem. They have examined all the *pros* and *cons* of the possible lines of solution and given the Committee's own findings from the various alternatives suggested or available to them. The last chapter which contains the conclusions and recommendations serves as the gist of the solution to the linking factor that has emerged from the possible switch over from the existing to the new series.

1.7 The Committee is thankful to the All India Organisations of employers and workers for the co-operation extended by them to help the body to reach necessary decisions. We would specially mention our appreciation of the help we received from Shri H. M. Joshi, I.A.S., the Commissioner of Labour who took great interest in the progress of the work of the Committee at all stages. We would also place on record the valuable work Shri A. V. Vyas, the Secretary of the Committee did throughout the deliberations and work of the Committee. Our thanks are also due to the staff of the Office of the Commissioner of Labour, but especially to Shri G. R. Shaikh, the Research Officer and Shri D. T. Khakhkhar on whom devolved a good deal of the work of collecting and computing the statistical data. We would also like to mention the valuable assistance we received from the Bureau of Economics and Statistics, Government of Gujarat, who very willingly carried out calculations and computations on behalf of the Committee. The Committee was also helped greatly in their work by the Director, Labour Bureau, Simla by his willing assistance and co-operation in placing all the relevant data at their disposal. The Committee received ready co-operation from every one it approached for help. We would specially acknowledge with thanks the assistance we received from the Municipal Commissioner, Ahmedabad and the Calico and the Ambica Mills. Shri L. R. Timani, the stenographer attached to the Committee, put in hard and efficient work and contributed in disposing of heavy work that the Committee had to do within the limited time.

## CHAPTER II

## EXISTING AND NEW SERIES

2:1 In this chapter, we will attempt a brief description of the existing and the new series and the arrangement for price collection under both.

**Existing Series.**

2.2 The present series of consumer price index numbers for Ahmedabad centre is being compiled on the basis of the weighting diagram constructed from working class family budget enquiry conducted at Ahmedabad during February-August, 1926, with the average price for August 1926 to July 1927 equated to 100 as base year. This series would thus reflect the consumption pattern of working class as it existed as far back as 1926. This series of index numbers is composed of five groups, viz., (1) Food (2) Fuel and lighting (3) Clothing (4) House rent and (5) Miscellaneous. The food group in its turn consists of 16 items namely rice, wheat, bajri, mungdal, turdal, sugar (refined), gur (raw sugar), tea, salt, mutton, milk, ghee, potatoes, dry chillies, sweet oil and sweetmeat (chavana). The fuel and lighting group consists of four items, namely, firewood, kerosene oil, castor oil and matches. The clothing group consists of 7 items, namely, dhoties, coating, shirting, cloth for trousers, sarees, cloth for skirts and khans for choli. The house rent group consists of the item house rent. The miscellaneous group consists of two items, namely, bidis and soap. In all 30 items have been included. The total number of items included in this group represents 82.20 per cent of average monthly expenditure. These groups respectively are assigned 58, 7, 10, 12, and 4 weights which together aggregate to 91.

2.3 The above weights were based on the percentages of expenditure on them as arrived at from the family budget enquiry done in 1926 except in the case of the miscellaneous group which carries a weight of 4 as against the expenditure of about 13 per cent. Within each group the weights assigned to different items add up to 100 and are in proportion to the average family expenditure on these items within the group. In the case of miscellaneous group, the expenditure on hukka, tobacco and gadaku was imputed to bidi and that on dhobi was imputed to the expenditure on washing soap. The other items under miscellaneous group were dropped because of the difficulty in arriving at correct expenditure on them.

**Price Collection and Computation.**

2.4 The retail prices of the selected commodities are collected weekly by the Office of the Commissioner of Labour, Ahmedabad from 8 representative retailers from 4 localities in the city. The prices so collected are then scrutinised. In case the prices fluctuate considerably the reasons for such variations are examined. These weekly quotations are then averaged every month and are utilized for the compilation of the consumer price index numbers. The monthly prices are then related to the prices in the base year in order to arrive at the relative changes in them in the intervening period. The price relative of each item is multiplied by its weight within its given group and the sum of the products or all the items in the given group is divided by the sum of the weights of the items within the group, i.e., 100 to give the group index. The group indices in turn are multiplied by their respective weights and the sum of the products is divided by the total of group weights, namely, 91 to give the composite consumer price index.

2.5 There are a few items in which this procedure could not be uniformly followed. For instance, in the case of house rent the index has remained constant at 107 since 1930. No special enquiry into the levels of rent of the working class could be conducted since then. A family budget enquiry was conducted in 1944-45, but the results could not be used partly because they were not acceptable and partly because they related to abnormal conditions of World War II. Similarly, in respect of the items of clothing, the index number has remained constant since

1952-53. The quotations in respect of the prices of the various items that compose this group of clothing have been repeated since October 1952 except for coating which has been repeated since January 1953 and shirting since May, 1953. It is true that in respect of some articles which went out of use a procedure of substitution has been adopted. But here again the revised price relatives at both the base and the current period could not be established for the new commodities substituted and the price relatives can only be worked out after this has been done.

2.6 This brief analysis enables us to arrive at the major limitations of the existing index series. The miscellaneous group carries a weight of 4, whereas actually it should have a weight of 13. The house rent index has remained constant since 1930. Further, the prices of articles constituting the clothing group has remained constant for some items since October 1952, and since January and May 1953 for others.

#### New Series.

2.7 The new series for the working class consumer price index is based on an enquiry into 722 working class families conducted by the Government of India during September 1958 to August 1959. The weighting diagram for the new series is based on 110 articles divided into the main groups of food, fuel and lighting, housing, clothing and miscellaneous. The important groups carry respectively weights of 64.41, 6.22, 5.05, 9.08 and 15.24 which aggregate to 100. The food group has been broken up into two: one of the sub-groups includes all the articles of food except pan, tobacco, supari and intoxicants which form a distinct sub-group under the main group. The details with regard to the items covered by the various groups and sub-groups along with the weights they carry are given separately in the appendix II. The year 1960 constitutes the base year so far as the average prices are concerned so that the new series is composed of the weights relating to the enquiry during the year 1958-59 and the price data which relates to the calendar year 1960. The methodology of price collection more or less remains unchanged except for the increase in the number of shops from which prices are collected, and the localities to which these shops relate. The above brief description would show that the new series is more comprehensive than the old in terms of the groups that it constitutes, the number of articles that it encompasses in the budget and the coverage about prices. It has an added feature in that the prices are collected for more qualities of some items so that in respect of these at least the possibility of substitution is simplified. Further, under the new series arrangement exists for the collection of prices of seasonal articles as also of rent at frequent intervals. Thus the new series carries a few more features which did not exist in the existing one though it would not eliminate all the problems of the collection of prices and their computation. For instance, on the question of clothing the same defects are likely to persist. Another objection that has been commonly raised against the series is the lag between the year of family budget enquiry which serves as the basis for the weights and the year for instituting the new series. It has been argued that this gap would tantamount to applying the data relating to the past to the current situation which thus lends an element of unreality. Actually however, a certain time inevitably goes into tabulation and analysis of the data that is collected and the relevant price quotations in order to determine appropriate weights for different groups and sub-groups. From this point of view a time lag would appear to be inevitable. Further, it would be difficult to argue that in a brief period of two years the consumption pattern of the given population would so fundamentally change as would render the weights that a certain enquiry yields to become out of date in, say, a couple of years.

2.8 A brief review of the existing and new series attempted above bring out a few innovations in the subject of consumer price index series. The new series is based on the family budget enquiry which reflects the more current levels of consumption and relates to a much larger number of items of consumption. The price collection data similarly also is more realistic in the sense that it attempts to include the seasonality in prices and consumption changes as well as more frequent evaluation of changes in certain costs such as house rent. There are, however,

certain features which remain more or less similar. For instance, the weighting pattern in both the series very much compare, with the exception of the sub-group under food. The system of price collection remains more or less the same except for the increase in the number of shops and the localities to which they relate. Thus though the new series might give one an idea of a more realistic picture of the current pattern of consumption among the working class, operationally its use to better purpose may really require more time as the system of the family budget studies and the computation of indices based on them should be regarded as an evolutionary process.

## CHAPTER III

## THE VIEWS

3.1 In the second chapter we examined the features of the existing and the new series. An important point that has emerged out of our analysis is that there were certain difficulties about the collection of prices relating to certain items. These were cloth and house rent. Complaints about price collection of certain other commodities have been referred to in the last chapter in passing. It was, for instance, argued that in respect of commodities such as potatoes open market prices were collected in 1950 when the prices were controlled, which gave unduly high pricing to that group. This, however, is not relevant as even if such a situation prevailed, it was only temporary. The Committee examined in detail the arrangement of price collection and their use to compute the indices. We found that except for the two items enumerated above the system of price collection was both continuous and satisfactory and, therefore, there was not much ground for any complaint on that account. Complaints have been made about the defective system of collection of prices. The Committee, however, could not convince themselves from the available data about any significant validity of this complaint. After all, when one looks at the feasibility and ideal in a given situation, operationally it is very difficult to reach absolute perfection. The presumption, therefore, would be that the entire arrangement about this worked more or less satisfactorily. The problem thus boils down to the items of cloth and rent, prices of which have been repeated over a long period. Objections were also raised about the group of miscellaneous items. Although the miscellaneous group constituted 13 per cent of the total expenditure, prices relating to only 4 per cent of the total expenditure are collected and utilised for compilation of consumer price index number. Having thus delineated the major issues, we would now proceed to examine the views of the representatives of the employers and labour on these questions.

3.2 The representatives expressed themselves on a variety of problems which directly or indirectly related to the construction of the series and the collection of prices to compute the consumer price indices. It was difficult to do justice to them within the limited time and space at the disposal of the Committee. We have, therefore, thought fit to append copies of the memoranda submitted by them. We would group these views in a few broad categories. We are inclined to attach considerable significance to the views that have a direct bearing on the issues that we have delineated and on which we would be required to give a positive answer. Under another category we would classify views which have no direct bearing on the terms of reference of the Committee but which are useful to the subject of consumer price indices generally. We have thought it useful to go into them briefly because such an examination might be useful towards collection and computation of data and more especially towards the improvement of the series. We are inclined to overlook a third set of arguments not so much because they are not useful, but because they are not relevant to the terms of reference of the Committee.

3.3 Before going into the major relevant issues it would be useful to deal in passing with a couple of objections raised, especially by the employers with regard to the task with which the Government entrusted this Committee. It was argued generally against raising the dearness allowance of workers but more especially against linking and adjustment which is a more immediate problem with the Committee, that in view of certain decisions in the past it is not necessary to open this question at this moment. It was pointed out that when the Textile Wage Board, 1960, gave award it was agreed that the question of revision of pay or dearness allowance would not be raised for 5 years from the year 1960. It was further argued that the award of the Wage Board relating to textile industry which meant an aggregate increase of Rs. 10/- in the emoluments to the workers was based on the consideration of the total emoluments of the workers that they were receiving as wage packet. This award of *ad hoc* increase of Rs. 10/- also included in part an increase on account of dearness allowance. If, therefore, for any reason



the Committee thought it necessary to adjust the existing to the new series and on that account an increase in dearness allowance occurs, a constituent of the *ad hoc* award should be taken into account in arriving at the linking which would have the effect of raising the level of dearness allowance. It was further argued that under the prevailing system of price collection there has occurred in the past over-pricing of certain commodities especially when it was necessary to substitute some commodities for others in view of the non-availability of the latter. This over-pricing in respect of some commodities should be treated as a compensating factor for the repetition of prices of certain other commodities in a few groups. In this way, there is no need for any adjustment in the existing series. In other words, there has been a process at work by which there was an automatic adjustment and, therefore, there is no special occasion now to attempt the same again when switching over to the new series.

3.4 We will not spend much time in answering these arguments; only a few broad facts would show that the ideas have not been very soundly conceived. The Committee went carefully through the report of the Textile Wage Board. In a number of references they have clearly indicated that the *ad hoc* increase should in no way affect the existing arrangements for arriving at the levels of consumer prices and relating them to the dearness allowance. Similarly in respect of argument about over-pricing of some items when a substitution takes place, it is necessary to remember the important facts about substitution. When a commodity is substituted for another for the purpose of pricing it is clearly understood and practised that both the basic and the current prices of the new commodity are substituted for those of the old. Further, this substitution of prices as well as commodities is solely for the purposes of determining price relatives or percentage increase in prices at two points of time. Over-pricing in such an arrangement would be, if at all, insignificant and only in relation to price range over a period of time. This again has to be considered in the context of the fact that the substituted commodity is more or less comparable in which case this contingency also would not arise. It would thus be clear that there is really no element of compensation in this procedure that would permit overlooking completely the element of adjustment necessitated as a result of the repetition of prices, especially when it is over long periods. It is also argued, especially by the representatives of the labour, that the new series carries a basic defect which is likely to work against the interests of the workers because of its use in determining the quantum of dearness allowance. They argued that, whereas the enquiry on which the new series is based relates to 1958-59, the base year is the year 1960. It should, however, be remembered that the results of the enquiry go into the determination of relative weights of groups, sub-groups and items, whereas only the price data for the relevant commodities relate to the base year which is 1960. It will be agreed that some time is necessary after the enquiry is completed to compute the results and complete the arrangements for obtaining price quotations. Any one acquainted with the problem of research and statistical tabulation would concede that a lapse of a little over a year is really a very short period, especially when it is realised that the programme relates to as many as 50 centres in the country. Besides, unless we are living in highly unsettled conditions a year or two would not change the consumption pattern of a certain group of families. Thus the weights in 1958 would be the same in 1960 which alone precisely has been the use or purpose in the new series of the data of the enquiry of 1958-59. Even over a period of more than 30 years between the two enquiries, it will be found that the consumption pattern and therefore the weights of groups and commodities changed only but slowly. These arrangements have actually been corroborated by the views expressed by another labour organisation.

3.5 The Committee, however, has been fortified by a large measure of unanimity of opinions expressed by the organisations of employers and labour on the necessity of going into the clothing group which has been repeated since 1952-53, though some were naturally chary to offer detailed solutions. On the question of house rent, however, there were differences of opinion. The representatives of labour argued that this item is being repeated for roughly 30 years. During this period house rents have gone up considerably partly because taxes have gone up but mainly because of the high cost of new tenements which are occupied by new entrants to the labour force. The situation is further made distressing on account of the acute scarcity of housing

which also send up the levels of rent. Some of them produced rudimentary data to prove the extent of increase in rentals though the question of actual assessment is different matter. It would be pertinent to point out that the data to be acceptable for this purpose has to be scientific and must relate to a scientifically chosen sample. The employers, on the other hand, pointed out that rents have not risen at all. The new taxes that might have been imposed both by the Government and the local authority have also not been transferred to the tenants. Reference was also made to the housing provided by the employers to the workers though it was readily conceded that it would not constitute a sizeable sector.

3.6 While on the subject it would be pertinent to refer to the remarks of labour organisations on the new technique which they think would bring about an effective or realistic linkage. It was suggested that the family budget enquiries should be more frequent but only after a certain time lag to enable the workers to absorb the increase in their wages as a result of higher dearness allowance that occur consequent on the revision of a series. If this is done then the workers would adjust and stabilize to their new consumption pattern and the way of living after the rise in emoluments. Only if an enquiry to evaluate consumption and construct weights is conducted after things have settled down it would truly reflect the correct levels of living of the workers. It is difficult to follow this argument clearly. In the first place, the consumption pattern and the weights are a dynamic phenomenon, more so, in changing times like ours. In view of this, with the best will in the world one would be chasing a mirage when searching for stable conditions. But importantly these changes are reflected from time to time in a continuing way which the existing arrangements provide. At any rate, every one will concede that no useful purpose will be served by creating conditions under which the problem of linking becomes a permanent feature of our set up.

3.7 Lastly, we will deal with a few general issues raised by the various organisations of employers and labour which, as we indicated earlier, are not relevant to our terms of reference but which might be useful in the future scheme of things. One of the arguments which has a lot of force relates to the need for conducting working class family budget enquiries in as many industrial centres in the country as possible and to arrive at a uniform system of linking up the consumer price index with dearness allowance. It was pointed out that such a system will not leave the more organised and progressive centres at a disadvantage by imposing a disproportionate burden on the competitiveness of the industry concerned as a result of the incidence of higher wage packet due to regular and increasing dearness allowance on the cost of production of a commodity. This argument has already been answered by the fact that the system of workers' family budget enquiries and the consumer price indices worked out on their basis today cover about 50 centres. Perhaps in due course of time the coverage would go up, but even within these 50 centres the bulk of the industrial structure of the country would be covered. Therefore, the arrangement of paying dearness allowance on the basis of consumer price index is not likely to give an unequal advantage so as to handicap some centres as against others. Further, the question of competitiveness would appear to be hypothetical in view of certain limitations involved in the inter-regional comparisons necessary to reach accurate conclusions.

3.8 Some of the other arguments relate to defects in grouping the commodities in the new series, while constituting groups to assign weights. Especially this has been so with reference to grouping of onions which is an item of vegetable with condiments and spices which is a distinct group. This should be avoided, as under conditions where prices fluctuate violently this would significantly affect the levels of indices. Of course, no harm by such wrong grouping would occur if no imputation at group level is involved. Obviously imputations with such wrong grouping would lead to unrealistic results. It was also pointed out that along with the private shops in a locality fair price shops should also be included for the purpose of collecting price quotations. This is relevant in view of the fact that a large number of fair price shops are being opened to offer relief to the low income and working class families under conditions of rapidly rising prices. There is considerable significance in this argument. This, however, is different

from the suggestion that the list of shops from which prices are collected for the purpose of the indices should be published. The price collection arrangement should carry a high degree of objectivity and any suggestion to reveal the list of shops from which such data is obtained or to associate representatives of labour and employer in this system of price collection would be throwing an arrangement which is designed to be impartial and free from any pressures to the tender mercies of controversies and pulls.

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## CHAPTER IV

## THE LINKING

4.1 We have examined the important features of the two series. We have also gone into the important views of the representatives of the employers and labour. A number of them have been treated in detail for the validity or otherwise. A few others have been clarified or explained as the Committee thought that they were based on inadequate information or mistaken analysis. We thus clearly demarcated the two groups of Clothing and Rent which needed close attention for linking or adjustment. In this chapter we shall, therefore, examine the issues in great details, and search for a solution from the various alternatives that are available.

4.2 As already pointed out, so long as the payment of dearness allowance is related to the existing consumer price index number, the need for linking the new index number with the existing one remains. The problem, therefore, is of arriving at the linking factor so that when the new series is adopted and the existing series is discontinued, the dearness allowance on the present scale can be computed even on the basis of the new series. For this purpose, the Government of India has indicated 2.98 as the linking factor. This figure is arrived at by taking the annual average of the monthly index numbers of the existing series, for the year 1960 which then stood at 298. The base year (1960) figure of the new series obviously equals to 100. The linking factor is then worked out by dividing 298 by 100. However, before deciding on the linking factor, it has not been considered whether any adjustment in the series of the existing and/or the new index numbers are necessary.

4.3 The limitations of the existing series have been discussed earlier. Having regard to these limitations, the Committee went into this question of adjustments carefully. They also considered the views expressed by the various Associations, both written and oral. It has come to the conclusion that certain adjustments in the existing series are necessary before the linking factor is determined. As pointed out in previous chapters, the main limitations of the present series are :

- (i) the prices of cloth have been kept fixed since 1952-53;
- (ii) the house rent index has been kept constant since 1930; and
- (iii) the weight of the miscellaneous group has been kept at 4 although it constitutes 13 per cent expenditure. Items such as hair-cut, medicine and medical fees, *Bhang*, *Ganja* and *opium*, *pan supari*, travelling to and from the native place, remittances to dependants and others are omitted from the computation of the index.

4.4 While the Committee have thought fit to make adjustment for the first two items, we have decided that no adjustment for the third item need be made. The main reason for not making any adjustment for the miscellaneous group is that the linking of dearness allowance was fixed in relation to the existing index number in which all the factors except the price variations must remain constant. Having once agreed to a certain weighting diagram for the existing index number, it is not feasible to change the same, as it would mean not merely changing the weight for the miscellaneous group but would mean distorting the entire diagram. For instance, if an additional weight of 9 is given to the miscellaneous group now, the total of all group weights will be 100 instead of 91 and the weight of food group would become 58 out of 100 and not 58 out of 91 as at present. Changing the weight of the miscellaneous group would mean remodelling the weighting diagram as a whole. Thus the possible gain under miscellaneous group when its weight is put up would be offset to the same, or perhaps, greater extent by the losses under other groups both in weight and price indices. *This will be aside from the serious*

*difficulties involved in reshuffling the weighting diagram and price computations afresh.* Some representatives of labour argued at the hearing by the Committee that the omitted weight of 9 should be added to the miscellaneous group on the assumption that these omitted items will have the same price trends as that exhibited by the two already included for pricing in the miscellaneous group of the existing series and the index be computed afresh. However, the assumption on which this argument rests does not appear to be sound inasmuch as items included under this group are extremely heterogeneous and would in all probability move erratically.

4.5 The items of clothing and house rent, on the other hand, have been frozen or repeated over long periods. We will begin our analysis with the examination of the clothing group. The varieties covered by the clothing group, the weights assigned to them within the group and the months and years from which their prices have been kept constant are given below:

Commodities		Description	unit	Weight	Month from which prices kept constant
1		2	3	4	5
Dhoties	Tno 2801	Ashok Mills, Medium, 1704 46"x8 Yds. 19/24	Pair	16	October, '52
Coating	51194	Ambica Mills, Fine 40066 28"x 24 yds. 2/44/2/44	Yard	13	January, '53
Shirting	51133	Jaybharat Mills, Fine, 310 45 30"x 24 yards, 36/42	,,	24	May, '53
Cloth for Trousers	51001	Calico Mills, Coarse Drill (bld) 281023/28"x 40 yards 12/12.	,,	7	October, '52
Sarees		Calico Mills, Superfine 471058 47"x5 yards 60/80	Each	17	October, '52
Cloth for skirts		New Commercial Printed Doria 13441/20 (fine) 35/40/96/52	Yard	13	October, '52
Khans for cholis		New Commercial Printed Cr. 15151/3 (fine) 35/40/80/52	Yard	10	October, '52
			Total	100	

4.6 It will be seen that the prices have been kept constant since 1952 and 1953. This had to be resorted to because the specified varieties disappeared from the market and it was not possible to determine substitute qualities which would be available for a reasonably long time. Everybody will agree that prices of cloth have risen significantly since 1952-53 and there is no reason why the rise in prices should not be reflected in the existing index number. The problem before the Committee is, therefore, what price relatives should be used for the different articles included in the clothing group which would reflect as accurately as possible the increase in prices over these years. The old varieties have disappeared for a long time. The choice of new varieties is difficult because of the changing production pattern under which a variety is in vogue for a short time and further it would be impossible to find the base year prices for the new varieties. A link with the old and the possible new varieties on which we might lay our hand by way of comparability in quality and prices is still more difficult. Under the circum-

tances, the Committee asked the mills concerned to furnish the price projections for the same as well as for comparable varieties in the group. The Calico and the Ambica Mills were good enough to attempt to work out these projections on the basis of qualities which, in their opinion, were comparable. The other mills whose varieties were included in the group did not respond. In a few cases the projections could not be worked out as recently as 1960. This attempt did not yield satisfactory results. The price projections were unsatisfactory, probably because of changing inputs and costs. Even these data could not be obtained for comparable varieties also as the qualities could hardly be indentical or near identical. An attempt to work out price relatives for comparable qualities produced absurd results. For instance, the 1960 retail price of a variety was itself lower than the last quoted price of the specified variety in the group with which it compared. We are narrating the experiences only to highlight the futility of the approach to yield tangible results.

4.7 In the absence of retail prices of the same or corresponding varieties, two alternatives seem possible. One is to make use of the trends in the Wholesale Price Index Series of Government of India, for the Clothing Group. Of the wholesale cloth prices available for a number of categories of manufacture, the relevant class for the purpose of calculations here is that relating to the Mill cloth. The detailed reasoning about this will be gone into a little later. Only in a few cases where the categories of items are not comparable that the overall wholesale index will have to be employed. For this purpose the Committee ascertained whether it would be possible to use quotations for individual articles or it would only be feasible to use some overall group index of wholesale prices of cloth. If the latter were to be the case, the question was which overall group index to use. The Weekly Bulletins entitled Index Number of Wholesale Prices in India, issued by the Economic Adviser to the Government of India gives detailed price quotations of specified varieties, the price relatives, the source of price quotations, etc. For mill cloth, these details cover the items of dhoties, sarees, shirting, drills, etc. No quotations are separately available for coating, cloth for trousers, cloth for skirts and khans for cholis which are some of the varieties in the existing series. Thus, separate price quotations are not available for 4 out of 7 articles. In the case of dhoties, sarees and shirting also, separate price quotations are not available for any of the mills in Ahmedabad which were manufacturing them. The nearest centre for which the quotations are available is Bombay. Thus, Bombay price quotations are available for three of the seven articles of clothing. For the remaining four articles a slightly different approach becomes inevitable. For coating and cloth for trousers, Bombay price quotations of drill have been used as the last quotation available in this category was for this variety. For cloth for skirts and khans for cholis, the overall wholesale price index for mill cloth has to be used in the absence of any other alternative. It should be mentioned that khans for cholis used in Ahmedabad was a variety made by textile mills. Since the base year of the wholesale price index is 1952-53, the price relatives worked out on these price quotations are also on the base prices of 1952-53. For arriving at the annual average, the weekly price relatives have been averaged out for the year 1960. The individual price index numbers of different clothing items in the existing series have been raised in proportion to the wholesale price index numbers for 1960. These revised individual index numbers have been adjusted with their respective weights specified in the clothing group to give the revised clothing group index for 1960. The statement showing weekly price relatives (1952-53=100) for mill cloth, dhoties, sarees, shirting and drill, and their averages for 1960 are given in the Appendix III. Appendix IV shows in a separate table the computations for revision of clothing index of the existing series. According to this method of computation the index number for cloth comes to 438 which is 99 points above 339 which is the constant clothing group index since 1952-53. Since the weight of the clothing group is 10 in the total of 91, the effect of this increase on the composite index will be to raise it by 10.88 or 11 points.

4.8 The other method is to apply the overall wholesale price index number for the cloth group as a whole, ascertain the increase over 1952-53 and then adjust the clothing index in the existing series proportionately to the increase as reflected in the wholesale cloth price index. Since the group "Textiles" which carries a weight of 859 out of 1000 in the 'manufactures' group

of the general wholesale price index includes other textiles besides cotton textiles, this procedure is not quite appropriate as long as more representative group or sub-group can be found. Textiles include, as one of the sub-groups, the 'cotton manufactures' which has a weight of 313 out of 1000 in the 'manufacture' group but this too is not fully representative since this sub-group contains handloom goods and hosiery items. On this score, the most representative sub-group appears to be "cloth (mill)" which has a weight of 214 out of 1000 in the 'manufacture' group, or 214 out of 859 in the 'textiles' sub-group. As can be seen from Appendix III, the average for 1960 for this sub-group comes to 131.621, with 1952-53 as the base. The clothing group index figure of 339 therefore, will rise in the same proportion as to yield an adjusted index number for the clothing group in the Ahmedabad Consumer Price Index Number. The adjusted index comes to 446, which is 107 points above the base figure of 339. The effect of this increase on the composite index will be to increase it by 11.76 or 12 points.

4.9 The Committee gave full consideration to these two alternative methods to determine which of them would reflect realistically the price trends in the clothing group and, therefore, satisfactory for adjustment. Both the methods assume that the retail prices of cloth in 1960 have increased over those in 1952-53 in the same proportion as the wholesale prices. However, the second method assumes that retail prices of each of the articles have increased by the same proportion as the wholesale prices for 'cloth(mill)' sub-group, whereas the first method assumes that the prices of dhoties, sarees and shirting have increased in the same proportion as the wholesale prices of the corresponding items, the retail prices for coating and cloth for trousers have gone up in the same proportion as the wholesale prices of drill and the retail prices of cloth for skirts and khans for cholis have increased in the same proportion as the wholesale prices for the 'cloth(mill)' sub-group as a whole. It has also been noted that the total weight of the three articles, dhoties, sarees and shirting for which separate wholesale price quotations are available comes to 57 out of 100. If we also assume that the increase in the wholesale prices of drills reflects correctly the increase in the retail prices of coating and cloth for trousers, the total weightage of all these 5 items aggregates to 77. Thus for a total weightage of 23 only, viz., khans for cholis and cloth for skirts, assumption has to be made that the retail prices have increased in the same proportion as the wholesale prices of the mill cloth sub-group index as a whole. It would appear, therefore, that although this method involves more detailed calculations, the assumption in the first method appear to be more realistic and also less restrictive than in the case of the second. The Committee, therefore, is of the opinion that the first method is less unsatisfactory than the second to employ to adjust the price index of the clothing group in the existing series.

4.10 Some representatives of the labour have also suggested adjustment of the index number for clothing group in the existing series by the use of increase in the wholesale price index of cloth manufactures group plus the broadening of the margin between wholesale and retail prices of 14 per cent in 1952-53, to 18 per cent in 1960. To the extent that the wholesale prices are used for the correction of index number as described above, the point raised by the representative of labour will be met. However, our method does not take into account any broadening of the retail margin between the two years, 1952-53 and 1960 for the simple reason that information in this regard for 1952-53 and subsequent years is not available and the retail margins are likely to differ from article to article and among different varieties for the same article. Different margins may also be charged by different retailers for the same articles at any point of time. Moreover, it is felt that broadening of the margin claimed by the representatives of the labour are not such that the trend indicated by the wholesale prices will be vitiated considerably if this factor is not taken into account. We are, therefore, inclined to reject the suggestion about the margins.

#### **House rent.**

4.11 The index for house rent was last revised in 1930 at 107. Since then it has remained unchanged in the existing series. The representatives of the Millowners' Association argued that since there has been control on house rent under the provisions of the Rent Control Act, and further, since workers are provided with accommodation in the chawls by the employers,

where also there has been no increase in rent, the house rent does not require any revision while linking the current series with the new one. The representatives of the labour, on the other hand, strongly urged that since there has been considerable shortage of accommodation, especially when the textile labour force has tremendously increased over the last 30 years or so, the workers have been forced to occupy high rent tenements, and the increase in the average house rent per family must be reflected in the existing series. It was also pointed out by them, by way of illustration, that several workers have occupied tenements constructed by the Gujarat State Housing Board and others in the co-operative housing societies for which the rents very often are as high as Rs. 28 per tenement per month. Even the ground rent of land for putting up a hut is quoted at around as high as Rs. 12 per month. They have also contended that although the Rent Act is in force it is common knowledge that the new occupants of even the old tenements can hardly get them at the rents prescribed by the Rent Act. The Committee have felt that house rents in Ahmedabad have been ever on the increase. A priori this has been corroborated by the data furnished by the official enquiries and even by the rudimentary data furnished by unofficial studies and observations. The Committee, therefore, thought it proper to examine carefully the subject of the levels of house rent which has remained fixed since 1930 and adjust the relevant index as pointed out before. In this connection the question was considered whether house rent should be taken for only such types of tenements which were existing in 1926 since in the fixed basket of commodities which is the basis of the existing index, it would be desirable to keep the quality of the commodity constant as far as possible. For a variety of reasons stated subsequently the Committee have, however, come to the conclusion that it would not be possible to work out the increase in the rent since 1930 only for such types of tenements which existed in 1926. The quality of tenements has undergone considerable change since 1926. Even the 1926 tenements must have suffered in quality and workers staying in them would be deriving less satisfaction than in 1926. It is also a fact that due to the acute shortage of housing and rapidly growing numbers of industrial workers in the city the workers have been forced to occupy premises carrying higher rents. There is also considerable force in the argument that unless the base of enquiry to ascertain levels of rent revolves periodically, but as often as possible, it would not reflect the operative levels of rent paid by the workers. The measurements should relate to a basket which would progressively cover the new entrants to labour force and the new tenements. Although, therefore, it may be desirable to keep the quality of the commodity consumed unchanged as far as possible, in this situation it is reasonable to account for the factors of both the price and the quality changes and not merely the former in arriving at a satisfactory and workable conclusion.

4.12 Having thus come to the conclusion that the average house rent expenditure per family being paid in 1960 should be taken into account for working out the change since 1930 the next question to be tackled is to arrive at such an average level of rent paid by a worker's family in 1960. On a fuller scrutiny, the family budget enquiry for industrial workers conducted in 1958-59 and which forms the basis of the weighting pattern for the new series, appears to be the only comprehensive official enquiry which can be relied upon for determining the family expenditure on house rent. According to this enquiry, the average house rent for workers works out at Rs. 6.87. This figure excludes such items of recurrent costs as repairs, white-washing charges, etc. When these items are included the average rent works out at Rs. 7.29. Having obtained an idea about the levels of rents of workers' housing prevalent in 1958-59, the next essential step is to ascertain the increase in it over the years 1958-59—1960 the latter being the base period for the new series. The house rent enquiry conducted for a small sample of about 120 families by the Labour Bureau Simla among other things, provides data on the average

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\* Shri A. Basu, Deputy Director of Labour Bureau, Ministry of Labour and Employment, Government of India and at present ILO Expert in Nigeria (November 1963), corroborated this line of thinking in his book 'Consumer Price Index' as follows :

"In cases of enforced quality change, *i.e.*, if the consumer is left with no choice but to take the more expensive article, there being no close substitute, the difference in prices might well be counted as price change and not as a payment for higher quality even if there is utility differential."



level of rent per family of Rs. 7.78 in 1960. This includes some minor repairs to sustain the quality of housing, but the two were so inter-mingled that it was difficult to separate them to keep to the uniformity in the calculations. The experience would show that the latter component is meagre, and in quite a number of instances would be borne by the workers in view of the prevalent attitude of the landlords. Besides, the 1958-59 enquiry categorized major repairs, whereas the 1960 shows only small item of minor repairs. We have, therefore accepted the data on rent provided by the 1960 enquiry for the purpose of adjustment or linking.

4.13 A few criticisms about the data relating to the levels of rent may be made. One of them presumably would be about the size of the sample, especially that relating to the 1960 data. Actually, though the sample size for the 1958-59 enquiry is large in comparison, in the context of the size of the work force it might also be regarded as inadequate. A larger sample would have been welcome, but in absence of data, the Committee could not do anything else except depending on the enquiries relating to 1958-59 and 1960 to arrive at the levels of rent. Thus it could be found that the average rent per family which was Rs. 4.62 in 1926, and Rs. 4.94 in 1930 rose to Rs. 6.87 in 1958-59 and Rs. 7.78 in 1960, giving an overall increase of Rs. 3.16 over 1926-60 the house rent index as adjusted for this increase works out to 168, or an increase of 61 points over 107 in the existing series, under the group House Rent. The levels of rent with repairs, etc., for 1958-59 and 1960 have been mentioned for the sake of uniformity and comparability. They would constitute a charge on the workers under house rent on account of the landlords' passive role.

#### The Adjusted Composite Index

4.14 On the basis of the revised clothing group index of 438 which has a weight of 10 out of 91 and the revised house rent index of 168 which has a weight of 12 out of 91 in the existing series, the composite consumer price index number of Working Class for Ahmedabad City comes to 317 for 1960, as may be seen in the table below :—

TABLE

*Adjusted Consumer Price Index Number Average for 1960.*

Group	weights	Group index
Food	58	322
Fuel and Lighting	7	337
Clothing	10	438
House-rent	12	168
Miscellaneous	4	349
Adjusted Consumer Price Index :—	91	317

Thus after adjustment there will be an increase of 19 points over the average figure of 298 worked out on the basis of the prevalent practice of computing the existing index.

4.15 Before linking the existing index with the new, it is also necessary to see whether the new index would have to be revised in any direction. In fact, in the second term of reference in the resolution of the Education and Labour Department, constituting the Expert Committee, it has been specifically mentioned that the Committee while considering the question of linking the existing series with the new series would also take into consideration the fact that the period of family budget enquiry on which the new series for Ahmedabad is based is different from the base period for the new series. The Committee have gone into this question and considered the points raised by the representatives of the labour and employers in this regard.

In addition, the Committee also considered other related questions for readjustment of the new series itself, if found necessary. Arguments have been put forward both by the representatives of the employers and the labour that the sample size of the family budget enquiry in the new series is very small, viz., 722 families, which according to the Millowners' Association, constitute roughly 0.48 per cent of the total industrial working class families, as against a much larger sample in 1926 enquiry with a much smaller total population of industrial workers in the city. It should be appreciated that the smaller sample in terms of small percentage coverage is in itself not a handicap when the total universe from which sampling is done is large. It is the absolute size of the sample that becomes important when we are dealing with a universe as large as the number of industrial workers in the city, whether in 1926 or in 1960. And although the Committee had no data to judge the sampling errors in respect of individual items included in the family budget, statistically speaking, the size of 722 families may not be so very inadequate as to vitiate the weighting diagram for the new index. In any case the Committee has not gone behind the consideration which led the Government of India's Labour Bureau to fix a certain sample size and to include one particular item or to exclude some other from their scheme of things in their programme of family budget enquiries freshly initiated by them. It is the considered opinion of the Committee that if the representatives of the millowners, the labour or both feel dissatisfied with the new family budget enquiries and their procedure or results, it is for them to approach the Government of India in the Ministry of Labour for a fresh inquiry. The Committee feels that such enquiries must be done once every ten years. So far as the 1958-59 enquiry is concerned, there is no doubt that it is a great improvement over the 1926 enquiry. The reasons offered by the representatives of millowners and labour are not such as to merit continuance of the existing series till a fresh enquiry is again held, with methods, procedures and results satisfactory to both the parties. One of the organisations of labour argued that since the dearness allowance has been lower than was actually due for past several years by virtue of fixity of clothing and house rent indices, the consumer expenditure pattern reflected in the Family Budget Enquiry of 1958-59 and hence the results of this enquiry are not the proper basis for the weighting diagram of the new index. The Committee thinks that even if more dearness allowance were payable, the consumer expenditure pattern would not have been so totally different as to vitiate overwhelmingly the weighting pattern that has been arrived at for the new series. A fruitful approach to the question to reach as realistic a weighting diagram as possible lies in attempting frequent family budget enquiries, say at the interval of ten years or so as indicated above.

4.17. The Committee has also not considered several objections raised by the representatives of the millowners regarding inclusion of such items as pet animals, in the enquiry and in the weighting diagram. In any case the weights earned by such minor items are so insignificant as would hardly make any notable difference to the index through change in prices unless the price changes are violent, which is hardly likely to be the case. Mistakes were also pointed out in the classification of a few items under wrong heads, such as for example, onions which should legitimately belong to vegetable but has been included under "condiments and spices". Such wrong grouping, it was argued would tend to give a higher weight to a group and impart the advantages of large price changes. It should be agreed that there is considerable force in the argument about the error in grouping of items. But this would lead to mistaken emphasis about prices only if there is an imputation process involved. If the price quotations separately obtained for the items for imputation of price indices, there is no scope for the results being vitiated to the disadvantage of some and benefit of others. The Committee closely scrutinized the grouping and the arrangements for obtaining and computation of price quotations and are satisfied that no such errors would creep into the computation of indices.

## CHAPTER V

## CONCLUSIONS AND RECOMMENDATIONS

5.1 In the previous chapters the Committee have gone over the whole ground of the existing and the new series of the working class consumer price indices. We have brought out the defects of the existing series as also the merits and inadequacies of the new series. We have also examined the nature and extent of price collection under both the series and the machinery that is being employed for the purpose. The analysis has brought out how the existing series failed to reflect the true conditions and the reasons which contributed to the inadequacies. The most important of them have been the constancy or the repeat element in prices of certain groups and commodities. We have also gone into the arguments of the base year for the series, including the suggestion of shifting it back by several years, on account of the supposed advantage that it would yield to the workers. Having done all these, we are in a position to clearly say that no advantages are involved in keeping to the existing series or adhering to the base year as far back in the past as possible. Our close analysis has convinced us that the new series is a distinct improvement over the existing one and have, therefore, no hesitation in recommending its adoption. The conversion factor which we would be suggesting corrects the disadvantage to a very large extent so that when allowance is made of this conversion factor before switching over to the new series, the change over would reflect in a significantly better and effective way the price changes and therefore the consumer price index as mirroring the levels more faithfully. The very large number of items covered by the new series for price collection and computation would be a distinct technical advantage. The scope which the new series provides for more effective substitution in the event of the disappearance of commodities chosen for price collection and for neutralisation of seasonal fluctuation in the indices constitute advance in the field hitherto unknown. We would, however, point out that care should be taken in the two groups of clothing and rent which have been the bone of contention in the existing series to prevent the problem from repeating. In respect of rent we would favour more frequent enquiries in the levels of rent of workers' housing to reflect periodically the changing index under the group. We feel that a revolving sample from the frame would more faithfully reflect the prevalent levels of rent in the ever expanding universe of the industrial work force and, therefore, the conditions and levels of cost under this head than a static or fixed sample which we feel would hardly do adequate justice. We are also inclined to feel that it is absolutely imperative that some arrangement should be worked out by which the items of the clothing group could be quickly and effectively replaced in the event of the disappearance of the varieties to avoid price repetition of the group. We specially emphasize this because of the quickly changing pattern of production and, therefore, of consumption of cloth including the trends towards the use of readymade garments which would ever threaten to freeze the group price index. We feel that a carefully and continuously maintained sets of prices of relatively larger number of comparable varieties would be an effective countervailing force to the contingency of repeat prices from making its appearance again and soon. We have felt that to achieve these and similar other objectives the Central Labour Bureau, Simla could see its way to collaborate with the State Labour Department in frankly exchanging information and ideas and work towards these ends in greater co-ordination. A time does not appear to be far when it would become almost inevitable that the agencies concerned with this task will have to own up the responsibilities for all that happens or does not happen in this field.

5.2 We have examined in detail the groups and items and their pricing in the existing series with a view to locating the areas where it would be necessary to work out the linking factor as a result of the prices repeating or remaining constant. We have devoted also full thought to the possibilities of inequity or injustice either way arising from the defective price collection or on account of the adoption of the process of substitution when the commodity or commodities disappeared from the market. We have to confess that at the end of this close search we have not been able to conclude that any such anomalies occurred which worked un-

justly to one or the other party directly affected by the methods and procedures adopted as above. Only in respect of the three important groups of clothing, house rent and miscellaneous we found the need for a further probe. We would first deal with the miscellaneous group summarily. The choice of the few items for pricing which constitute only 4 per cent of the total expenditure instead of 13 per cent which the group carries in the overall expenditure pattern has been the cause of serious contention by the representatives of labour. It should, however, be realised that the arrangement has been mutually agreed upon and has gone into the determination of the weighting pattern in the existing series. Any attempt to review it at this stage would tantamount to unilaterally taking a second look at it and as a consequence, disturbing the entire weighting pattern which would be both undesirable and difficult at this stage. Miscellaneous group, besides, comprises of highly heterogeneous articles for which prices are not available; nor is it possible to impute them to the priced items due to their erratic and divergent price movements. The Committee, therefore, after full consideration decided against such a review.

5.3 This leaves the Committee to concentrate on the two important groups of clothing and house rent both of which have been repeated; the former from 1952-53 and the latter from as far back as 1930. On both these counts, therefore, the absence of pricing or evaluation has meant that the rise in the price or cost under them has not been reflected into the consumer price index under the existing series. The Committee, therefore, thought it fit to correct the index to the extent that the price has been repeated here before suggesting a switch over from the existing to the new series. It is thus necessary to arrive by careful calculations the measure of correction that is necessary in the existing index under these two groups.

5.4 The report contains an exhaustive account of the method followed, the data employed and the results reached in correcting the group and the overall indices. It is not necessary to go over the ground already covered. We would, however, mention that we do not claim for the methods and procedures followed unqualified merits; nor is it intended to be argued that they would constitute the final word on the subject. It would be appreciated that the Committee had to charter the unknown sea, as it were, because if the material for the purpose was readily available the constancy in the calculations of the group values would not have occurred which necessitated the bringing into existence of an expert group to work on the problem. In the absence of more satisfactory data the Committee inevitably had to fall on the method and the data as it did. We also satisfied ourselves over and over again that no other more satisfactory operative formula were at hand and that what it did was by far the only available solution on the subject at the moment.

5.5 In the previous chapter we have provided detailed reasons for the choice of the procedure and the nature of the data employed for correcting the factor of price constancy in respect of clothing and house rent. The retail prices of cloth are not available. It is precisely for this reason that the prices of the items under this group have been repeated for several years. We were, therefore, obliged to fall on the wholesale prices. Even here the Committee had to use the relevant wholesale price series relating to Bombay, that being the data relating to a centre nearest to Ahmedabad. From the data on wholesale prices we selected wholesale prices of mill cloth which are directly relevant to the items in the clothing group among many categories in the wider group of "Cotton manufactures and Textiles" for which wholesale prices are given. To ascertain the price trend for the items in the group which would be as accurate as possible and which would be nearest to the retail prices movements, the items were further categorised into shirting, dhoties and sarees and the wholesale prices of the corresponding varieties were related to them. In respect of coating and cloth for trousers we took the wholesale prices of drill, they being the nearest in comparability and presumably their prices would more or less move in unison. Only in respect of cloth for skirts and khans for cholis where no such comparability could be established with the existing varieties in the wholesale price indices, we had to fall back on the general wholesale price index relating to the whole group of mill cloth. These category-wise prices were then integrated according to their weights in the clothing group to arrive at the overall change in the value of points over the years of 1952-53 and 1960 for the group as a whole.

5.6 It was argued that the retail margins had varied in the past and over the period they have widened. The wholesale prices, therefore, would not reflect these changes. We have not been able to determine the validity or otherwise of the truth of this contention for want of data. There is indeed a basic assumption involved in these calculations that the trends in the wholesale and retail prices would be similar. This would be generally true, though under abnormal conditions this pattern would to some extent be vitiated. It should, however, be realised that abnormal trade conditions would be a temporary phenomenon and that the two sets of prices would return to their normal stream of relationship. Moreover, as has been repeatedly emphasized the Committee had no alternative but to inevitably fall on the choice they did after satisfying that if at all the results varied, they would be so only to an insignificant extent, especially in terms of the difference it would make to the overall price index in the series. Thus, even if we were to assume the validity of this argument, we have come to the conclusion after due calculations that in the group price index and much less in the overall price index they would make a very insignificant impact and the difference it would make in terms of points can, therefore, be safely ignored.

5.7 Our calculations have shown that when worked out on the basis of the method given above, the price index of clothing group would rise by 99 points, and in turn would bring about a difference of 11 points in the upward revision of the overall price index in the existing series.

5.8 The item of house rent proved even more intractable than the other group of cloth for the purpose of adjustment. No data on the subject are available over such a long period. A family budget enquiry was made in 1944-45. Partly because it did not provide acceptable data for adjustment, and partly on account of abnormal conditions of World War II, the adjustment was not made. Even if the data were acceptable, the problem of correction over the period of 1945 and 1960 would have remained. The Committee had to concentrate its scrutiny to reach as satisfactory a conclusion as possible on the data on rent provided by the enquiries conducted by the Labour Bureau, Simla in 1958-59 and 1960. It is true that the sample in the 1958-59 enquiry has been small which has further shrunk in the subsequent enquiry of 1960. Even so, we have decided to use the figure for 1960 since that is the only available figure for that year. At the same time it also carries the virtue of a rotating sample and, therefore, would more faithfully reflect the changing levels of rents arising from both the inclusion of new tenements and those occupied by new entrants to work force at a higher rentals. Such a choice of samples would further reflect the growing scarcity of housing and the consequent mounting costs under it, on the other hand, and the fall in the standards and quality of housing on the other. An added reason which weighed with the Committee in using the data relating to 1960 rent enquiry, was the fact that presumably they are also utilized in adjusting the rent index in the new series. Thus this would mean that in the switch over from the existing to the new series, an element of continuity, which is probably established, would be preserved.

5.9 Similarly, for want of comparability with regard to both the per capita floor space of housing as well as the different categories of tenements, we had to finally resort to the only criteria that was open to us of working out the average levels of monthly rents per family in 1958-59 and 1960. On the basis of this we arrived at the levels of per family rent of Rs. 6.87 in 1958-59 and Rs. 7.78 in 1960, as against the level of Rs. 4.94 in 1930. This would involve a rise of 61 points in the house rent group index and consequently an upward revision of the overall price index in the existing series by 8 points.

5.10 We have also examined carefully the new series with a view to suggesting modifications therein, if any, before the linking factor between the existing and the new series is worked out. The main criticisms of the new series are that (1) the sample size is small, (2) the base period chosen and the period of enquiry differ and (3) certain items like 'pet animals', etc., should not be included in the family budget enquiry. These points of criticism have been adequately answered in the earlier chapters and we do not wish to reiterate them here. What we wish to state here is that no adjustment in the new series appears to be necessary to us.

5.11 The calculations and the conclusions of the Committee would thus mean that the index under clothing would move to 438 from 339 where it remained constant since 1952-53. The corresponding house rent index would rise from 107 to 168 over the period 1930-60. This would involve an addition of 19 points in the overall price index in the existing series and fix it at 317 instead of 298 as it stood when the new series and its base period were decided upon. The conversion or linking factor after revision would thus work out at 3.17 as against 2.98 per point in the new series as was worked out without correcting the old series for the constancy or repetition of prices for the two important groups, clothing and house rent.

M. B. DESAI,  
Chairman.

J. L. DHOLAKIA,  
Member.

V. V. DIVETIA,  
Member.

A. V. VYAS,  
Secretary.

Ahmedabad, 22nd January, 1964.

## APPENDIX I

*Expert Committee to advise Government in readjustment in the existing series of Consumer Price Index Numbers for Working Class for Ahmedabad and linking with new series published by the Labour Bureau, Simla.*

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Constitution of —

## GOVERNMENT OF GUJARAT

## EDUCATION AND LABOUR DEPARTMENT

Resolution No. MIS-1063/59602-I,

Sachivalaya, Ahmedabad, dated the 9th September 1963.

**RESOLUTION.**—It has been represented to the State Government that the present series of Consumer Price Index Numbers for Working Class for Ahmedabad published by the State Government does not adequately reflect the existing pattern of consumption and variation in prices for the following reasons, *viz.* :—

(i) the price collection in respect of certain items does not take place at all in view of the items having been frozen, such as certain varieties of cloth;

(ii) the price collection is faulty or inadequate and not in line with reality such as house-rent or selection of shops for purposes of pricing;

(iii) wrong basis has been taken in price collection as in the case of travel to and from the native place;

(iv) certain items of expenditure have practically gone out of existence due to compulsory change effected by law in the items of expenditure.

It has also been represented to the Government that the period of family budget enquiry on which the new series of Consumer Price Index Numbers for Industrial Workers published by the Labour Bureau, Simla, is based, is different from the base period for the said new series and there has been variation in prices during the two periods and that the linking factor of 2.98 suggested for linking the new series with the existing series has not been correctly determined.

2. In pursuance of these representations, the Government has decided to appoint an Expert Committee to consider these and other relevant matters. The Government is accordingly pleased to appoint an Expert Committee consisting of the following persons :—

Chairman — (1) Dr. M. B. Desai, Professor of Agricultural Economics,  
M. S. University, Baroda.

Members — (2) Shri J. L. Dholakia, Reader in Economics,  
Gujarat University, Ahmedabad.

(3) Shri V. V. Divetia, Director of Bureau of  
Economics and Statistics, Ahmedabad.

3. Shri A. V. Vyas, Deputy Commissioner of Labour, Ahmedabad should be appointed as Secretary to the Committee in addition to his own duties.

4. The terms of reference of the Committee should be as follows :—

(i) to examine validity of the submissions and representations made to Government and to make recommendations as to whether any readjustment is necessary in the existing series for Ahmedabad published by the State Government and if so, what readjustment should be made;

(ii) to consider how the new series of Consumer Price Index Numbers for Ahmedabad should be linked with the existing series, so readjusted if found necessary; and in so considering, to take into consideration the factor that the period of family budget enquiry on which the new series for Ahmedabad is based is different from the base period for the said new series.

5. The Head Quarter of the Committee should be at Ahmedabad.

6. The Committee may hear the representatives of the All India Organisation's of employers and workers.

7. The Committee should submit its detailed report to the Government within two months from the date of this Resolution. In case it is not possible for the Committee to submit its full report within this time limit, it should submit an interim report on the question of readjustment of the existing series within two months.

8. For the purposes of Travelling Allowance and Daily Allowance the Committee should be treated as State Committee and the Chairman and the non-official member of the Committee should be paid travelling allowance and daily allowance for any journey performed by them in connection with the work of the Committee in accordance with the Scale I specified in rule 1(I)(b) of Appendix XLIIA—Section I to Bombay Civil Service Rules. The local members of the Committee should be entitled to draw the actual expenditure on conveyance subject to a maximum of Rs. 3 per day. The travelling allowance should be drawn from the concerned District Treasury and the Deputy Commissioner of Labour, Ahmedabad should be Controlling Officer for the purpose.

9. The expenditure should be debited to the budget head "38-Labour and Employment-B-10 Socio Economic Survey" and met from the sanctioned grants for the current year.

10. This issues with the concurrence of the Financial Adviser dated 9th September, 1963 on this Department file No. MIS 1063/59802-I.

By order and in the name of the Governor of Gujarat,

B. B. BRAHMBHATT,  
Deputy Secretary to the Government of Gujarat,  
Education and Labour Department.

To,

The Commissioner of Labour, Ahmedabad,  
The Accountant General, Gujarat, Ahmedabad,  
The Accountant General, Gujarat, Rajkot Branch, Rajkot,  
The Pay and Accounts Officer, Ahmedabad,  
The Directorate of Accounts and Treasuries, Ahmedabad,  
The Finance Department (K Branch, in Education and Labour Department),  
Dr. M. B. Desai, Professor of Agricultural Economics, M. S. University, Baroda,  
Shri J. L. Dholakia, Reader in Economics, Gujarat University, Ahmedabad,  
Shri V. V. Divetia, Director, Bureau of Economics and Statistics, Ahmedabad,  
Shri A. V. Vyas, Deputy Commissioner of Labour, Ahmedabad,  
The Registrar, M. S. University, Baroda and Gujarat University, Ahmedabad.  
The Director of Information, Ahmedabad (with a request to issue a suitable Press Note).



## APPENDIX II

ITEM				WEIGHT
<b>I-A FOOD</b>				
<b>(a) Cereals and Product.</b>				
i) Rice	...	...	...	30.37
ii) Wheat	...	...	...	54.45
iii) Jower	...	...	...	2.13
iv) Bajra	...	...	...	10.27
v) Grinding charges	...	...	...	2.78
Total	...	...	...	100.00
<b>(b) Pulses and Product.</b>				
i) Arhar dal	...	...	...	54.72
ii) Gramdal	...	...	...	7.71
iii) Moong dal	...	...	...	30.45
iv) Masur dal	...	...	...	1.54
v) Urd dal	...	...	...	5.78
Total	...	...	...	100.00
<b>(c) Oilseeds, Oils and Fats.</b>				
i) Mustard Oil	...	...	...	17.52
ii) Groundnut Oil	...	...	...	76.77
iii) Vanaspati	...	...	...	5.71
Total	...	...	...	100.00
<b>(d) Meat, Fish and Egg.</b>				
i) Goat meat, mutton	...	...	...	72.97
ii) Other meat (Buffallow's)	...	...	...	15.20
iii) Fresh fish	...	...	...	9.46
iv) Egg (hen)	...	...	...	2.37
Total	...	...	...	100.00
<b>(e) Milk and Product.</b>				
i) Milk	...	...	...	43.54
ii) Curd (Milk product)	...	...	...	3.95
iii) Ghee	...	...	...	52.51
Total	...	...	...	100.00

ITEM				WEIGHT
<b>(f) Condiments and Spices.</b>				
i) Salt	...	...	...	3.67
ii) Turmeric	...	...	...	7.34
iii) Chillies dry	...	...	...	34.25
iv) Tamarind	...	...	...	2.45
v) Garlic	...	...	...	8.87
vi) Corriander	...	...	...	4.28
vii) Ginger	...	...	...	2.75
viii) Pepper	...	...	...	1.83
ix) Zeera	...	...	...	7.95
x) Chillies (green)	...	...	...	5.81
xi) Onion	...	...	...	20.80
Total	...	...	...	100.00
<b>(g) Fruits and Vegetables (as per separate sheet).</b>				
				100.00
<b>(h) Other food.</b>				
i) Sugar	...	...	...	24.85
ii) Gur	...	...	...	12.65
iii) Tea leaf	...	...	...	13.56
iv) Snack saltish (Ganthia)	...	...	...	7.42
v) Snack sweet (Jalebi)	...	...	...	2.20
vi) Ready made tew	...	...	...	39.32
Total	...	...	...	100.00
<b>FOOD</b>				
(a) Cereals and product	...	...	...	37.03
(b) Pulses and product	...	...	...	6.36
(c) Oilseeds, oils and fats	...	...	...	6.41
(d) Meat, fish and egg	...	...	...	3.58
(e) Milk and product	...	...	...	18.89
(f) Condiments and spices	...	...	...	5.22
(g) Vegetables and Fruits	...	...	...	6.46
(h) Other food	...	...	...	16.05
Total	...	...	...	100.00
<b>I-B PAN, TOBACCO, SUPARI AND INTOXICANT.</b>				
i) Pan finished	...	...	...	26.87
ii) Pan leaf	...	...	...	2.65
iii) Supari	...	...	...	2.65
iv) Bidi	...	...	...	50.44
v) Cigarettes	...	...	...	5.00
vi) Chewing tobacco (Zarda)	...	...	...	2.94
vii) Hukka Tobacco	...	...	...	6.03
viii) Snuff	...	...	...	1.62
Total	...	...	...	100.00

ITEM	WEIGHT
<b>II-FUEL AND LIGHT.</b>	
i) Firewood	38.63
ii) Kerosene Oil	15.90
iii) Charcoal (coal)	19.55
iv) Match box	22.97
v) Electricity (lighting)	2.95
<b>Total</b>	<b>100.00</b>
<b>III-HOUSING.</b>	
Rent for residential house	100.00
<b>Total</b>	<b>100.00</b>
<b>IV-CLOTHING, BEDDING AND FOOTWEAR.</b>	
i) Dhoti	14.19
ii) Sarée	20.21
iii) Trousers Cloth..(Khaki drill).	3.20
iv) Shirting	25.17
v) Long Cloth	12.28
vi) Mulmul	1.45
vii) Readymade Baniyan	0.92
viii) Bed-sheet (chorsa)	2.06
ix) Other cloth	9.69
x) Shoes (Gents)	7.25
xi) Chappals	3.58
<b>Total</b>	<b>100.00</b>
<b>V-MISCELLANEOUS.</b>	
<b>(a) Medical Care.</b>	
i) Doctor's fee	60.43
ii) Medicine	39.57
<b>Total</b>	<b>100.00</b>
<b>(b) Education, recreation and amusement.</b>	
i) School fees	14.35
ii) Books (school)	16.09
iii) Stationery	3.48
iv) Newspaper	2.17
v) Cinema	63.91
<b>Total</b>	<b>100.00</b>
<b>(c) Transport and Communication.</b>	
i) Railway fare	48.00
ii) Bus	46.13
iii) Postage (Post card)	5.87
<b>Total</b>	<b>100.00</b>

ITEM	WEIGHT
<b>(d) Personal care and effects.</b>	
i) Hair oil	31.13
ii) Barber Charges	39.84
iii) Toilet Soap	7.65
iv) Comb Hair brush	1.32
v) Toothpaste	12.14
vi) Ornaments (Other than precious)	6.07
vii) Umbrella	1.85
<b>Total</b>	<b>100.00</b>
<b>(e) Others.</b>	
i) Bedstead cot	3.51
ii) Mat, Mattress (Durria)	1.12
iii) Box Trunk	0.64
iv) Earthenware	0.64
v) Utensil Bellmetal	5.42
vi) Utensil Brass	5.90
vii) Bucket	1.44
viii) Laundry charges	14.19
ix) Washing soap	36.68
x) Tailoring	30.46
<b>Total</b>	<b>100.00</b>
<b>MISCELLANEOUS.</b>	
(a) Medical care	22.46
(b) Education, recreation	10.69
(c) Transport and Communication	17.85
(d) Personal care and effects	19.85
(e) Others	29.15
<b>Total</b>	<b>100.00</b>
<b>GENERAL</b>	
I-A Food	59.67
I-B Pan, Supari, Tobacco et.	4.74
II Fuel and Light	6.22
III Housing	5.05
IV Clothing, Bedding, Footwear	9.08
V Miscellaneous	15.24
<b>Total</b>	<b>100.00</b>

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**APPENDIX II** *contd.*

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## APPENDIX

*Monthly varying weights for 'Fruits and Vegetables*

A-Items weights			January'60	February'60	March'60	April'60
Potato	..	..	31.99	30.20	24.70	39.85
Muli Turnip Redish			1.24	..	..	..
Bringles	..	..	13.98	14.61	13.78	18.01
Cauli-flower	..	..	11.49	14.61	5.22	..
Cabbage	..	..	11.80	12.01	5.46	2.30
Lady's Finger	..	..	..	..	..	..
Tomato	..	..	8.07	7.79	8.31	..
Cucumber	..	..	..	..	..	..
Gourd	..	..	3.11	3.90	7.36	11.49
Karela	..	..	..	..	..	..
Other non-leafy vegetable-Tindora	..	..	5.28	5.19	8.79	12.26
Menthi	..	..	1.86	1.95	4.99	..
Other leafy vegetables Tandarja	..	..	1.55	..	4.75	..
Banana Plaintain	..	..	3.42	3.25	0.48	1.15
Orange	..	..	1.86	4.87	3.09	4.98
Lemon	..	..	1.55	1.62	0.48	1.15
Mango	..	..	..	..	..	..
Water melon	..	..	..	..	9.50	8.81
Coconut	..	..	..	..	..	..
Papaiya	..	..	..	..	..	..
Other fruits Jamphal	..	..	2.80	..	3.90	..
Total			100.00	100.00	100.00	100.00

II—*contd.**and the coverage of monthly baskets.*

May '60	June '60	July '60	Aug. '60	Sept. '60	October '60	Nov. '60	December '60
18.73	24.00	26.60	31.31	38.26	41.17	35.95	27.64
..	..	..	..	..	..	1.15	4.02
6.61	11.62	9.89	8.59	14.61	9.26	14.52	10.30
..	..	..	..	..	7.89	7.37	13.06
..	..	..	..	..	4.45	5.76	9.55
1.79	3.24	9.33	10.27	11.13	1.20	2.07	..
..	..	..	..	1.39	6.35	5.30	6.78
..	2.86	0.98	..	..	..	..	..
5.65	11.04	5.71	5.89	4.52	4.12	5.76	5.28
4.13	7.62	7.94	8.42	4.00	..	..	..
6.75	20.19	14.34	13.97	12.70	6.86	4.15	3.77
..	..	..	..	..	2.23	2.77	3.01
2.20	..	..	..	..	..	1.38	1.51
..	..	12.95	11.78	9.76	7.89	5.99	3.52
..	..	2.37	3.20	2.96	1.20	..	2.01
..	..	8.22	5.39	0.67	4.80	1.84	3.27
53.31	19.43	..	..	..	..	..	..
0.83	..	..	..	..	..	..	..
..	..	..	..	..	1.71	2.77	1.00
..	..	1.67	1.18	..	0.86	1.84	1.76
..	..	..	..	..	..	1.38	3.52
100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

## APPENDIX III

Statement showing weekly wholesale prices, 1960.

Sr. No.	Week ended	Cotton cloth (mills)	Shirting	Dhoties		Sarees	Drill
			(Bombay Dyeing grey standard shirting 35'' × 38 yds.)	(i) Grey Indu 6243 Chakker 44'' × 10/2 yds.	(ii) Bld Mysore Spg. 5038 Two birds 48/9'' × 8 yds.	Grey sarees Indu Rising Rose big six 43'' × 10/2 yds.	Kohinoor bld 398-27/ 28'' × 48 yds.
1	2	3	4	5	6	7	8
1	2- 1-60	124.3	134.9	138.3	141.5	118.2	109.5
2	9- 1-60	124.3	134.9	138.3	141.5	118.2	109.5
3	16- 1-60	129.1	134.9	148.1	143.5	120.1	109.5
4	23- 1-60	129.1	134.9	148.1	143.5	120.1	109.5
5	30- 1-60	129.1	134.9	148.1	143.5	120.1	109.5
6	6- 2-60	128.8	134.9	148.1	143.5	120.1	109.5
7	13- 2-60	128.8	134.9	148.1	143.5	120.1	109.5
8	20- 2-60	129.8	134.9	148.1	149.2	120.1	109.5
9	27- 2-60	129.8	134.9	148.1	149.2	120.1	109.5
10	5- 3-60	128.7	134.9	148.1	149.2	120.1	109.5
11	12- 3-60	128.7	134.9	148.1	149.2	120.1	109.5
12	19- 3-60	128.3	134.9	144.8	149.2	116.5	109.5
13	26- 3-60	129.0	134.9	144.8	149.2	116.5	109.5
14	2- 4-60	129.0	134.9	144.8	149.2	116.5	109.5
15	9- 4-60	129.0	134.9	144.8	149.2	116.5	109.5
16	16- 4-60	127.9	134.9	144.8	149.2	120.9	109.5
17	23- 4-60	128.3	134.9	144.8	149.2	120.9	109.5
18	30- 4-60	128.3	134.9	144.8	149.2	120.9	109.5
19	7- 5-60	128.3	134.9	144.8	149.2	120.9	109.5
20	14- 5-60	128.3	134.9	144.8	149.2	120.9	109.5
21	21- 5-60	128.8	134.9	147.0	149.2	122.8	109.5
22	28- 5-60	128.8	134.9	147.0	149.2	122.8	109.5
23	4- 6-60	129.2	134.9	147.0	149.2	122.8	109.5
24	11- 6-60	129.2	134.9	147.0	149.2	122.8	109.5
25	18- 6-60	130.4	134.9	147.0	149.2	128.1	109.5
26	25- 6-60	130.4	134.9	147.0	149.2	128.1	109.5
27	2- 7-60	130.4	134.9	147.0	149.2	128.1	109.5
28	9- 7-60	132.8	163.5	147.0	149.2	128.1	109.5



1	2	3	4	5	6	7	8
29	16- 7-60	134.5	163.5	155.8	149.2	128.1	109.5
30	23- 7-60	134.7	163.5	155.8	149.2	128.5	109.5
31	30- 7-60	134.7	163.5	155.8	149.2	128.1	109.5
32	6- 8-60	135.5	163.5	155.8	149.2	128.1	109.5
33	13- 8-60	135.5	163.5	155.8	149.2	128.1	109.5
34	20- 8-60	136.6	163.5	160.1	149.2	128.1	109.5
35	27- 8-60	136.8	163.5	160.1	149.2	128.1	109.5
36	3- 9-60	136.8	..	160.1	149.2	128.1	109.5
37	10- 9-60	136.8	..	160.1	149.2	128.1	109.5
38	17- 9-60	136.3	..	160.1	149.2	128.1	109.5
39	24- 9-60	136.3	..	160.1	149.2	128.1	..
40	1-10-60	136.3	..	160.1	149.2	128.1	..
41	8-10-60	136.3	..	160.1	149.2	128.1	..
42	15-10-60	136.3	..	160.1	149.2	128.1	..
43	22-10-60	133.3	..	148.4	149.2	..	..
44	29-10-60	133.3	..	148.4	149.2	..	..
45	5-11-60	133.3	..	148.4	149.2	..	..
46	12-11-60	133.3	..	148.4	149.2	..	..
47	19-11-60	133.3	..	148.4	149.2	..	..
48	26-11-60	133.3	..	148.4	149.2	..	..
49	3-12-60	133.4	..	148.4	149.2	124.5	108.5
50	10-12-60	133.4	..	148.4	149.2	124.5	108.5
51	17-12-60	133.0	..	148.4	149.2	124.5	108.5
52	24-12-60	133.0	..	148.4	149.2	124.5	108.5
	Repeated						
53	31-12-60	133.0	..	148.4	149.2	124.5	108.5
Average for 1960		131.621	141.437	149.830	148.372	123.568	109.384
149.101							

Source : Weekly Bulletin 'Index Number of Wholesale Prices in India' (Revised Series)  
issued by the Office of the Economic Adviser to the Government of India.

## APPENDIX IV

*Computation of adjusted clothing group*

Item	Weight	Existing Index	Average Wholesale price Index in 1960	Adjusted Index 3 × 4	Column 2 × Column 5.
1	2	3	4	5	6
Dhoties.. .. .	16	186	149.101	277.328	4437.248
Coating.. .. .	13	428	109.384	468.164	6086.132
Shirting .. .. .	24	356	141.437	503.516	12084.384
Cloth for trousers .. .. .	7	301	109.384	329.246	2304.722
Sarees .. .. .	17	404	123.568	499.215	8486.655
Cloth for skirts. .. .. .	13	408	131.621	537.014	6981.182
Khans for choli .. .. .	10	258	131.621	339.582	3395.820
	100				43776.143 i. e. 438