

India.
Ministry of Labour

Committee on Consumer
Price Index Numbers
1977

Report



REPORT
OF
THE COMMITTEE
ON
CONSUMER PRICE
INDEX NUMBERS

GOVERNMENT OF INDIA
MINISTRY OF LABOUR
FEBRUARY, 1978

ERRATA

Page	Para	Line	<i>In place of</i>	<i>Read</i>
6	1.13	6th	the 15th December, 1977	the end of January, 1978
6	1.14	Ist	13	14
9	2.3	4th	B L S	F L S
16	3.9	7th	Coordination	coordination
31	4.17	14th	Higher. Index	higher C.P. Index
37	4.30	Ist	Committee	Bureau
38	4.32	2nd	is from	is available from
39	4.34	4th	mines plantations	mines or plantations
47	4.53	7th	appears	appear
58	5.1	11th	60 centres since	60 centres. Since
73	7.4	5th	fulfilled on	fulfilled. On
74	7.8	15th	relating	rotating
78	8.2	9th	electricity and generating	electricity generating
81	8.17	Ist	abolished	abolishes
82	8.21	Ist	that	than
87	9.1	23rd	Ambedkar	Ambekar
91	2	5th	involve	involves
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108		8th	The side heading	"On price collection machinery" should appear after third para.
127	Item I	2nd	participates	participants
131	Item 5	4th	Union	Unions
133	Item 7	6th	Union	Unions
134	Item 8	6th	Union	Unions
135	Item 9	6th	Union	Unions
137	Item 7	7th	H.M.T.	H.M.P.
142	Item 2	Ist	Ambedkar	Ambekar
201	Para 2	17th	Consumers	consumers
202	Para 3	5th	index, is	index and is
202	Para 3	12th	Other	others

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CHAPTER I

INTRODUCTION

1.1 The Consumer Price Index (CPI) Numbers for the working class, compiled by the Labour Bureau of the Government of India, are important indicators of the changing economic situation in the country. Apart from serving as a guide for policy formulations, these index numbers are utilised for regulating the dearness allowance paid to thousands of manual workers and other employees. Naturally, therefore, the entire organised working class is vitally interested in the correctness of the index. The CPI Numbers compiled by the Labour Bureau as well as by several State Governments, had been criticised in the past, and several committees had been set up by the Central and the concerned State Governments to look into one technical aspect or the other of certain specific centres' indices. The current series of the CPI Numbers compiled and published by the Bureau, have also come under severe criticism. Despite the Bureau's attempts from time to time to reply to such criticism and explain the indices, the general impression that the index numbers do not properly reflect the actual price situation, has persisted. Consequently, there was a growing feeling that these index numbers should be examined in all aspects, and the deficiencies therein, if any, should be corrected. At the Tripartite Labour Conference held in the first week of May 1977, several trade union representatives suggested that a Committee should be appointed to go into the various aspects of the CPI Numbers and make recommendations. The Government of India, therefore, decided to constitute a Committee consisting of experts as well as trade unionists belonging to different trade union organisations and persons associated with the all-India organisations of employers, to go into this subject and make recommendations to the Government. The text of the

Resolution dated the 31st May, 1977, constituting the Committee, is reproduced below :—

1. *Resolution*

No. U/24025/4/77—LB. The present series of the Consumer Price Index Numbers for Industrial Workers are compiled by the Labour Bureau on base 1960=100 and are based on the Family Budget Enquiries conducted in 1958-59. In order to ascertain the shifts in the consumption pattern of the working class since 1958-59, the Labour Bureau had undertaken fresh family budget surveys in 1971 in respect of 60 centres. However, there has been demand from various quarters that before the new series are released the Index Numbers should be reviewed in all their aspects and the deficiencies in the series, if any, be rectified before the new series are introduced. The Government of India have, therefore, decided to constitute a Committee to go into the various aspects of the CPI Numbers and make recommendations.

2. The Committee will consist of the following :—

- | | |
|--|---------------------|
| 1. Shri Nilakantha Rath, Professor,
Gokhale Institute of Politics and
Economics, Poona | ... <i>Chairman</i> |
| 2. Smt. Maniben Kara | ... Member |
| 3. Smt. Parvathi Krishnan, MP | ... Member |
| 4. Smt. Renuka Devi, MP | ... Member |
| 5. Shri Prasanabhai Mehta, MP | ... Member |
| 6. Shri B. N. Sathaye | ... Member |
| 7. Dr. M. K. Pandhe | ... Member |
| 8. Shri Kanti Mehta | ... Member |
| 9. Shri V. I. Chacko | ... Member |
| 10. Shri R. L. N. Vijayanagar | ... Member |

- | | | |
|--|-----|------------------|
| 11. Shri V. R. Rao, Director, Central Statistical organisation | ... | Member |
| 12. Shri M. A. M. Rao, Director, Labour Bureau | ... | Member |
| 13. Shri R. S. Deshpande, Deputy Secretary, Ministry of Labour | ... | Member Secretary |

3. The terms of reference of the Committee will be as follows :—

- (i) To review the various aspects of the Consumer Price Index Numbers for industrial workers including the criteria and the methodology for deriving the weighting diagram, the linking factor, methods of compilation of the index and the price collection system;
- (ii) To study and report on :
 - (a) the existing price collection procedures and machinery;
 - (b) the desirability and mode of associating the representatives of the trade unions and employers with the processes of price collection work; and
- (iii) To make recommendations on the above matters.

4. The Committee will submit its report within a period of two months.

5. The Committee will devise its own procedure and it may call for such information and take such evidence as it may consider necessary.

1.2 The Resolution was amended by a corrigendum dated the 4th June, 1977 by which Shri M. T. Shukla was added as member of the Committee.

1.3 Consequent upon her appointment as the Minister of State in the Ministry of Education and Social Welfare in the Union Government, Smt. Renuka Devi, MP resigned from membership of the Committee with effect from 7th September, 1977.

2. Programme of work of the committee

1.4 The first meeting of the Committee was held on 18th June, 1977 in New Delhi and was inaugurated by the Union Minister of Labour and Parliamentary Affairs, Shri Ravindra Varma. At this meeting, the Committee discussed the scope of the terms of reference and drew up the programme of its work and the time table. It was decided to address letters to the Central trade unions and the all-India organisations of employers who had attended the Tripartite Labour Conference held in May 1977 inviting their comments on the terms of reference of the Committee and specific issues relating to the CPI Numbers.

1.5 The Committee also decided to visit selected price collection centres for on-the-spot study of the price collection work and mechanism and have discussions with local representatives of trade unions and organisations of employers, as well as with the price supervisors and price collectors. Accordingly, sub-committees of the Committee visited selected price collection centres between 18th July, 1977 and 26th August, 1977. At these centres, at the request of the Committee, the State Labour Commissioners had arranged meetings with the representatives of local trade unions and organisations of employers. A list of participants in these discussions is given in Appendix I. Certain organisations presented memoranda to the Committee; a list of organisations which submitted memoranda is given in Appendix II. During the sub-committee's visit to Calcutta, the Minister of Labour, Government of West Bengal circulated a note on the Consumer Price Index Numbers for the consideration of the Committee. As a last phase of the discussions, a meeting with the leaders of the central trade unions

at the all-India level was held at Delhi on the 13th September, 1977. A list of trade unions who participated in this meeting is given at Appendix III. Specific aspects of the CPI Numbers on which their comments were invited in the meeting have been listed in Appendix IV.

1.6 At the centres visited, the sub-committees held discussions with the price supervisors and price collectors and also visited selected markets along with the concerned price collectors for examining the price collection work. A list of markets visited at these centres is given in Appendix V.

1.7 The sub-committees also held discussions with the State Committees on the Consumer Price Index Numbers constituted by the Governments of Maharashtra and Andhra Pradesh on the 20th July, 1977 and the 28th September, 1977, respectively.

1.8 The Committee had the benefit of discussions with certain experts in the economic and statistical fields. A list of the experts is given in Appendix VI.

1.9 A meeting of Assistant Directors, who are incharge of the Regional Offices of the Labour Bureau at Bombay, Calcutta, Madras and Kanpur was held at New Delhi on the 10th August, 1977 to discuss various aspects of the price collection and price supervision work.

1.10 One of the meetings of the Committee was held in Labour Bureau, Simla, on the 14th & 15th September, 1977. During this visit the Committee examined how price data were maintained and processed in the Labour Bureau.

3. Collection of information

1.11 In response to the letters addressed to the central trade unions and all-India organisations of employers referred to in paragraph 1.5 above, certain trade unions and organisations of employers sent their replies (list in Appendix VII) and made

specific suggestions regarding the CPI Numbers. The replies and memoranda received and the discussions held with the representatives of trade unions and organisations of employers and discussions held with the experts and advice given by them were analysed and considered by the Committee.

1.12 At the request of the Committee, the Labour Bureau prepared a large number of statistical documents and exercises. These were examined in detail by the Committee.

EXTENSION OF THE TIME LIMIT FOR SUBMISSION OF THE REPORT

1.13 In accordance with its terms of reference, the Committee was required to submit its report within two months which expired in August 1977. However, the detailed verification of statistical returns as well as many empirical exercises could not be completed in time. Therefore, the Committee had to request the Government to extend the time limit till the 15th of December, 1977.

1.14 The Committee held in all 13 meetings. All the meetings except the one at Simla were held in New Delhi.

4. Scheme of the Report

1.15 Chapter II gives the background of the CPI Numbers. Chapter III discusses various points of criticism against the CPI Numbers regarding their scope and coverage, sample size of the family living surveys (FLS), and also makes recommendations regarding the compilation of State level index numbers, and the discontinuance of the parallel series of index numbers. Chapter IV is devoted to the review of the 1960 and the 1971 base series of index numbers and gives the Committee's recommendations regarding the rectification of these index numbers. Chapter V makes recommendations regarding the introduction of the 1971 based series and the calculation of linking factors. Chapter VI examines the present procedure

and machinery relating to price collection and makes recommendations for improving the same. Chapter VII is devoted to the question of association of users interests with the task of compilation of CPI Numbers at various stages and makes recommendations in that direction. Chapter VIII summarises the recommendations of the Committee. The last Chapter contains acknowledgements.

CHAPTER II

CONSUMER PRICE INDEX : BACKGROUND

2.1 The Labour Bureau presently brings out CPI Numbers for Industrial Workers (Base 1960=100) in respect of 50 centres (comprising 32 factory centres, 8 mine centres and 10 plantation centres); an all-India index which is a weighted average of the indices for the 50 centres is also compiled and published. To provide for periodic revision of the weighting diagram used for the compilation of such indices, the Labour Bureau conducted fresh F.L.S. in 1971 to ascertain shifts in consumption pattern of working class families. The 1971 survey was conducted in 60 centres (44 factory centres, 7 mine centres, and 9 plantation centres) and new weighting diagrams have been worked out and index numbers with 1971 as base are being compiled. However, the new series of indices with 1971 base has not yet been released. Generally speaking, the two series *i.e.*, the present series (Base 1960=100) and the 1971-based series are similar in essential aspects, such as, concepts and definitions, sampling design, procedure for imputation, substitution, etc. The lists of centres covered in the 1960-based and 1971-based series are given in Appendix VIII.

2.2 The industrial working class referred to in the Bureau's series of index numbers covers manual workers employed in factories, mines and plantations registered under the respective legislative enactments, namely, the Factories Act, 1948, Mines Act, 1952 and the Plantation Labour Act, 1951. The present scope of the all-India index has been the result of the expansion, over the successive surveys, of the number and coverage of the Index Numbers. The Government of India's scheme of 1944 for Cost of Living Index Numbers covered 22 industrial centres.

The 1958-59 survey covered 50 centres comprising not only industrial (factory) centres, but also mine and plantation centres. The 1971 series covered 60 centres comprising factory, mine and plantation. As a result, while the index numbers for individual centres continued to cover exclusively one or the other of the three categories of workers, the all-India CPI Number has gradually come to cover a wider section of the working class than the factory workers with which it initially started.

2.3 It may not be out of place at this stage to briefly recount the basic procedures adopted by the Labour Bureau in its compilation of the index numbers. The technical details, such as the scope of the BLS, the sample design, the concepts and definitions to be followed, etc., are finalised in consultation with and on the basis of the guidelines laid down by the Technical Advisory Committee on Statistics of Prices and Cost of Living (TAC) originally constituted in 1954 and re-constituted in 1960. The TAC represents the highest technical expertise in this field available at the level of the Central and State Governments and is presided over by the Director of the Central Statistical Organisation. While the field work of the FLS is conducted by the National Sample Survey Organisation (NSSO), the scrutiny of the data, construction of the weighting diagram and the compilation of the index number are done by the Labour Bureau as per the guide-lines laid down by the TAC. Any procedural issues and technical matters that arise from time to time are also referred to the TAC and their guidance obtained in dealing with them. Simultaneously with the FLS, arrangements for the collection of prices on a regular basis are also made. The selection of markets for price collection in each centre is done in consultation with the concerned State Government authorities and other recognised user interests. The price collectors and supervisors, entrusted with the collection of prices from the selected markets/shops, regularly, every week/month, are generally the employees/officials of the State Bureaus of Economics and Statistics or of the State Labour Departments, in some cases. Price collection work is supervised by a senior

officer of the State Department concerned as also by the regional offices and headquarters of the Labour Bureau.

2.4 These index numbers are used by industry, commerce and Government to regulate the dearness allowance not only of their industrial workers, but also other employees including officers. It is, therefore, only natural that the workers and their trade unions are deeply exercised over the movements in the index numbers, as their pay packet, specifically the dearness allowance component, is linked to the movement of these indices. These indices have, therefore, attracted considerable attention and close scrutiny of the various user interests, particularly the trade union organisations, who have expressed dissatisfaction with several aspects of these index numbers.

2.5 The points of criticism have been many and varied; some relate to the basic aspects of these indices such as their scope, coverage, concepts and definitions, the sample design, and the preparation of the weighting diagram; some others relate to the procedures and techniques adopted in the compilation of the index numbers from month to month, such as procedures for imputations, specifications given to items, the unit for pricing, substitution of items, black-market and open market prices and computation of house-rent index; and still others relate to the price collection machinery and procedures such as defective and inadequate arrangements for price collection, wrong selection of markets and inadequacy of number of shops selected, lack of proper supervision, etc. Apart from these specific points, a common point of criticism has been the non-association of the user interests, workers' trade unions and organisations of employers, with the preparation of these indices at the different stages, starting from selection of centres and planning and designing of the FLS to the collection of expenditure data, the price collection work and the compilation of the indices.

2.6 Of the various points of criticism mentioned above, those which relate to the basic aspects of the FLS can only be taken care of, if necessary, when a new survey is undertaken.

Other points which relate to defects in the current practices and procedures adopted in the compilation of the present series of index numbers could be considered and suitable action taken, wherever necessary, to revise such practices and correct the indices accordingly; some other points which relate to changes or improvements in the price collection machinery and to securing effective and continuing association of the user interests with the various stages of the compilation of the indices could be suitably implemented without much delay. Hence, these various aspects are dealt with in detail in the following chapters.

CHAPTER III

SCOPE AND COVERAGE OF THE INDEX SERIES

3.1 As has been mentioned in the previous chapter, certain basic aspects of the CPI Numbers published by the Bureau, the number of centres covered, the method of their selection, the scope of the FLS and the representative character of the weighting diagram, the sample design, size of sample and methods of sampling, etc. have come in for criticism. These are examined in the following paragraphs :—

1. *The number of centres covered (50 in 1960 series and 60 in 1971 series) is not adequate nor representative and their selection is not based on proper criteria.*

3.2 The number of centres to be covered for purposes of compilation of indices by the Labour Bureau has been determined on the basis of the budgetary resources available to it from time to time. If more resources are made available, the Bureau would be able to take up more centres in its future surveys.

3.3 As regards the selection of centres, we have examined the procedure and find that the Bureau follows a certain well-defined procedure for this purpose. Given the total budgetary resources allocated to it for the purpose, the Labour Bureau in consultation with the TAC decides on the number of centres for which CPI Numbers are to be compiled. This total number of centres is then allocated to factory, mine and plantation centres on the basis of their relative numerical strength in the total working class population in these three sectors in the country. After the number of centres in these three centres is determined, they are distributed among the different States on the basis of their relative strength in the total working force in that sector in the country. Once the total number of factory,

mine and plantation centres to be surveyed is decided for every State in this manner, the question of specifying the particular centre arises. The specific centres are selected in consultation with the State Government, and on the basis of the relative employment in the centres in the sector. However, there was a change in the data base for the selection of the specific centres in each State in 1971, when the centres were selected on the basis of the total working force in the district in which the centre was located, rather than on the basis of the centre-specific employment data. Either method of selection is on the basis of some principle and procedure, and is not arbitrary. The choice of the particular data base depended on two considerations. In the first place, the problem is one of availability of data. Uptodate industrial employment data for every industrial/mine/plantation centre in every State are often not readily available. Moreover, the available data are often incomplete, and the degree of incompleteness varies from centre to centre. Thus this basis has its limitations. Secondly since the all-India index is compiled as a weighted average of the centre-specific indices, the choice of the centres on the basis of the total employment in the district in which they are located might provide a somewhat better statistical basis for the all-India index. The Committee, while appreciating that the choice of the data base will have to depend on the availability of the necessary data at the time of the survey, would suggest the adoption of centre-specific employment data as the basis as far as possible. This of course need not rule out any further technical improvement in this matter at the time of subsequent surveys. The Bureau followed the basic procedure for selection of centres described above in the past two surveys, with a few exceptions, wherein a departure was made either at the instance of the TAC or the State Government concerned. For instance, in the 1971 series, TAC suggested the inclusion of Bhopal and Bhavnagar, the latter as a replacement for Kaira originally selected; they also suggested the addition of Nasik to the centres to be covered in Maharashtra. (A note explaining the selection of centres for the survey of 1971 is given in Appendix IX). If as a result of the procedure adopted for S/3 M of Lab/78—2

selection of centres, there has been dropping of some old centres and addition of new ones, it is because the importance of the State and/or centre, in above terms has changed. This no doubt creates discontinuities in the consumer price index for some centres, but as long as a particular procedure like the one currently adopted by the Labour Bureau is followed, this appears unavoidable. Otherwise, as long as budgetary constraints exist, to avoid dropping a centre, once selected, may lead to more important new centres not being covered. On the other hand, if for any reason the State Government wants to retain the old centres which is dropped by the Bureau the State Government could continue compilation of index for the centre on their own. We, therefore, feel that subject to our suggestion relating to the data base, the present procedure for selection of centres may continue, the present pattern of selection of the centres into three distinct groups may also continue.

3.4 However, it was brought to the attention of the Committee that in a number of centres, while the index covers only an exclusive category of workers, say miners or factory workers, the industrial composition of the working class has undergone considerable change. Growth of factories in mine centres, for example, has resulted in substantial addition of factory labour to the local working force in the centre. But these factory workers are not covered by the FLS and the index, if the centre is a mining centre. The Committee is of the opinion that all the workers in such centres should be covered for the purposes of the index. Therefore, we recommend that once a centre has been selected on the basis of its relative strength among factory, mine or plantation centres, as at present, the subsequent FLS should cover all manual workers in the three sectors in the centre and not be confined to only factory, mine or plantation workers.

3.5 Besides the consumer price indices for the centres which are included in the all-India index, the Labour Bureau is at present compiling C.P.I. Numbers for 3 other centres, namely, Beawar (Rajasthan), Cuttack and Berhampur (both Orissa) based

on surveys conducted in 1951-52 or earlier. The indices for these centres were to be discontinued after the subsequent round of F.L.S., but due to requirements of the local users, these have been continued without the benefit of a new weighting diagram. This is not very desirable. The Committee recommends that the users of these indices be persuaded to discontinue using these indices and to adopt suitable alternative ones, failing which, the Bureau should arrange to update the weighting diagram of these indices with the help of fresh F.L.S.

3.6 Among the new centres covered by the 1971 series are, Thana and Calcutta (Industrial Region). Thana is contiguous to Bombay city and Calcutta (I.R.) is contiguous to Calcutta city which have been two of the oldest centres for index. In course of our consultations with the various user interests in these two regions, it was suggested that it would not be necessary or desirable to have two separate indices for Thana and Bombay, and also for Calcutta and Calcutta (I.R.), since as places of residence and work of many workers, these are not quite separable. We were informed by the Labour Bureau that the Maharashtra Government which had earlier suggested separate indices for Bombay and Thana, had now suggested a single index for the two centres. The Committee, therefore, recommends that in the 1971 series, Bombay and Thana should be taken together and a single index prepared. Similarly, Calcutta city and Calcutta (I.R.) should be taken together for compilation of the C.P.I. Consequently, there will be 58, instead of 60, Centres covered by the 1971 series of the consumer price index. The technical details of combining these two centres into one, for compilation of the index, should be worked out by the Labour Bureau in consultation with the T.A.C.

2. Parallel series of C.P.I. Numbers for certain Centres

3.7 Another important issue that came up for the Committee's consideration was the existence of parallel series of consumer price index numbers for certain centres, published by the Labour Bureau as well as some State Governments. For instance, the Kerala Government is publishing such parallel series

for two centres viz., Alwaye and Alleppey with 1970 as base and the Bihar Government is publishing parallel series for three centres, viz., Jamshedpur, Jharia and Monghyr with 1939 as base. Although these centres are covered by the Bureau in its 1960-based series and the Bureau has suggested the discontinuance of the State series, the State Governments have not agreed to discontinue the compilation of the parallel indices. The reason advanced by the Kerala Government was that the State indices have a wider coverage than the Bureau's and are specially suited for regulating minimum wages under the Minimum Wages Act. The reason put forth by the Bihar Government was that the old (1939-based) indices are widely used for regulating dearness allowance in a number of industries and their discontinuance will cause much dislocation of existing wage agreements, etc.

3.8 The Committee feels that in order to avoid conflicting demands, based on divergent trends of one or the other series, it would be desirable that the parallel series are discontinued. Where the State series are also compiled on accepted procedures and methodology and with the same base year and where the State Government desires to continue these series to meet their specific requirements, as in the case of Kerala, the Committee feels that the Bureau may discontinue publishing its own indices for these centres. It would, however, continue to compile these indices for utilisation in compiling the all-India index. As regards the parallel series with an old base and based on outdated technical procedures and methodology, as in the case of the Bihar indices with 1939 as base, the Committee is of the view that the State Government and the users should be persuaded to discontinue old series and adopt the new ones with an appropriate linking factor.

3.9 The Committee feels that the only effective way to avoid the controversy and waste of effort involved in compiling parallel series of C.P.I. Numbers would be for the Labour Bureau and the State Governments to pool their resources and coordinate their efforts in this regard; they could mutually agree on the centres to be taken up for index compilation, and apportion them between themselves. Technical Coordination and uniformity of concepts, coverage and procedure could be ensured by the T.A.C.

3. *The coverage of workers under the present indices needs to be enlarged*

3.10 The suggestions made before the Committee for changes in the working class population covered by the index have been of two types. One proposes expansion of the coverage of the index to all the non-agricultural manual workers in urban areas who, in terms of their earnings and living, are not markedly different from the class of factory workers, but are currently excluded because the establishments in which they work are not factories as defined under the Factories Act. These include not only the manual workers in establishments regulated under various State or Central Laws, as the port and dock workers, the workers in electricity generating and supplying establishments, and the workers in public transport, both road and railway undertakings, but also workers in small-scale manufacturing and processing establishments not covered under the Factories Act, construction workers and other such categories. A consumer price index purporting to indicate the changing price levels faced by working class households, it is contended, should cover all these working class households as well. As against this, another suggestion has been made that the coverage of the family living surveys should be confined to such manual workers who are currently entitled to receive dearness allowance. A further suggestion has been made to limit the surveys to only such manual workers whose incomes lie within certain specified limits.

3.11 The Committee has considered these suggestions. Since the index is intended to indicate the changing price level faced by the working class households, it does not appear reasonable to confine the coverage of the F.L.S. to a section of the working class which may be receiving separate dearness allowance at the time of the survey. The coverage of the survey for purposes of the index should be as wide as practicable. Currently, the Labour Bureau appears to go half way in this direction. For, while it lists the households for survey on the basis of at least one member of the household being a manual worker in factory, mine or plantation, a household is finally included if at least half of the

total income of the household is from manual work and not necessarily only from manual work in factory, mine or plantation. The Committee is of the view that the scope of the survey may be enlarged so as to include manual workers in establishments other than factories, mines and plantations. Therefore, as a first step towards a wider coverage, we suggest that the next FLS may be enlarged to include manual workers in ports and docks, in electricity generating and distributing establishments, in public transport undertakings and in railways.

3.12 The Committee has also examined the suggestion to limit the population base of the index to workers whose incomes lie within certain limits. This suggestion was made because it was feared that inclusion of very low or very high income recipients may adversely affect the weights and the index. But as against this contention, many trade union representatives have pleaded for the inclusion of all classes of labour, particularly the low-income categories who they fear might be getting excluded from the F.L.S. The Committee is of the view that all categories of manual workers as defined in the Factories Act, Mines Act and Plantation Labour Act and also other relevant legislation should be covered in the survey irrespective of their incomes.

3.13 Another suggestion made was that the sample households should be drawn after proper stratification of the population so that every strata receives proper representation in the sample. One trade union representative suggested stratification on the basis of not only income, but also a number of other characteristics of the working class households. The Committee recognises that for a given sample size, stratification would give an average with a smaller sampling error. But since the Bureau at present draws a sample size such that the sample error is kept within specified limits, it may not be necessary to insist on stratification. Moreover, the data required for stratification of the households at the time of sampling may not be readily available. However, the Labour Bureau may keep the general suggestion about stratification in view at the time of the next round of surveys.

4. Sample size is inadequate and sample design for the family budget surveys defective

3.14 Doubts have been raised by trade union representatives about the adequacy of the sample size chosen for some centres particularly in the 1971 survey. In some centres the sample size for the survey in 1971 was smaller than for the survey in 1958-59, though their population had grown over the years. This has created an impression that the sample size is inadequate to give a correct picture of the expenditure pattern of the working class in the centres. It was explained to us that the Labour Bureau chooses a sample size such that the error arising because of sampling is minimised. In keeping with this decision, the sample size selected for the survey in 1958-59 was statistically analysed with the help of the subsequent index numbers for the centre. If in the light of this analysis it turned out that the sample size was much larger than necessary, then a proportionately smaller sample size was decided upon for the survey in 1971; otherwise, the sample size was increased. We reproduce in Appendix X a note by the Labour Bureau giving these details. Naturally, the adequacy of the actual sample size of 1971 can be checked only after the results are available and these can be used for deciding on the sample size for the next round of F.L.S. We would, however, like to suggest that such detailed statistical exercises about not only the sample size for estimation of the overall index, but also for the important components of it, should be undertaken as a matter of routine, and the results published in the journal of the Bureau for wide familiarity and discussion among specialists in the field.

3.15 Two different sampling methods currently used in different centres for the Bureau's family living surveys are: (1) pay-roll sampling and (2) tenement sampling. If the working class households reside in fairly well demarcated localities in a centre, either method of sampling should give satisfactory results. But, if the residential quarters of the labour force tend to be dispersed in such a manner that special localities cannot be meaningfully demarcated, pay-roll sampling would be preferable.

The Labour Bureau had by 1971 switched over to pay-roll sampling in most cases. However, in certain centres, particularly in the mine centres, where employment of workers through contractors is wide-spread, it is feared that a large part of the working class population may not be covered by the family living survey if the pay-roll sampling method is followed, since quite often it is not possible to obtain a complete list of the workers employed by the contractors. In such circumstances, it would be preferable to follow the method of tenement sampling, in order to ensure the widest coverage of the working class households in the sample frame.

3.16 An issue on which serious objection has been taken was the proportion of single-member households in the sample of working households in the consumer survey carried out in 1958-59, which provided the weights for the 1960-based price index. It has been alleged that this gave excessive representation to very low income (or expenditure) groups in the sample.

3.17 This issue was highlighted with particular reference to the F.L.S. in Calcutta in 1958-59. The Committee tried to ascertain, from independent sources, if there was reason to suspect that the single-member households had a disproportionately large representation in the survey. One such source which was available to the Committee was the Report of the survey of Calcutta city carried out by Prof. S. N. Sen of the University of Calcutta in 1954—58*. Comparison of data in the above survey report with that of the survey of the Labour Bureau does not provide a reason to believe that there was over-representation of single-member households in the Calcutta city in the survey conducted by the Labour Bureau in 1958-59.

3.18 The sample size—its adequacy and its representative-ness, the sampling techniques—whether pay-roll or tenement, stratified or non-stratified, are all issues essentially of a statistical nature. These matters in relation to the family living surveys.

*The City of Calcutta : A Social-Economic Survey, 1954-55 to 1957-58 by Prof. S. N. Sen.

which formed the basis of the Bureau's index numbers, were explained to the Committee by the Chairman of the TAC. He assured the Committee that proper statistical precautions are taken in deciding the sample size, in selecting the sample, and in deciding upon the methods and procedures of sampling households. The Committee appreciates that matters relating to the sample design, sample size, etc. are of a technical nature and should largely be left to a technical body like the TAC. At the same time, we feel that there is need for consulting, in a suitable manner and at an appropriate stage, the trade unions and organisations of employers and discuss with them the basis on which the various sampling issues are being finalised, so as to eliminate any misunderstandings and mis-apprehensions in this regard.

5. *Centre-specific Vs State Level Indices*

3.19 Conflicting opinions have been expressed before the Committee about the advisability of increasing the number of centres for which consumer price indices are compiled. Some have welcomed the increase in the number of centres, while others, particularly from the organisations of employers were in favour of the publication of only one all-India CPI Number for working class, irrespective of the number of centres in which the survey may be conducted and the price data collected. They have argued that multiplicity of indices, without a clear guideline about which index should be used where for payment of dearness allowance, has led to varying practices in different regions and industries. This, according to them, has resulted in an irrational wage and dearness allowance structure in the economy. They would, therefore, like the Committee to recommend not only guidelines for use of particular indices in particular centres/ industries, but also specify the extent of neutralisation, keeping in view the need for a more rational wage and salary structure in the economy and the inflationary potentiality of neutralisation.

3.20 The Committee, while fully sharing the concern about the irrational wage, salary and income structure feels that this situation has nothing to do with the way in which the consumer

price index is compiled or published. There are other reasons for the prevailing differential wage situation in the country. And that gets reflected in the rates of dearness allowance even when uniform rate of neutralisation is agreed upon. Furthermore, the un-uniform rate of neutralisation in different industries has been a matter of mutual agreement between employers and employees, and the index cannot help in restoring uniformity. This Committee is required to examine various aspects of the CPI Numbers for the working class, but not to lay down the extent to which the effect of rise in price should be neutralised, not to mention the question of wage and income differentials in the country. These are questions which the Committee finds are engaging the attention of Government, who have now appointed a Committee to go into all these questions.

3.21 A view has also been expressed that since many centre-specific indices are not being used and many more centres have no indices specific to them it may be better to have State level indices, which can be used as the relevant index for all the centres within the bounds of the State particularly by those which do not have centre-specific index. This index can be weighted average index of all the centres in the State for which the Labour Bureau and the State Government have been compiling CPI Numbers. This matter should be further examined by the TAC and the Standing Consultative Committee we recommend later.

3.22 Our discussions with the Chairman of the National Sample Survey Organisation brought another possibility, in connection with the future shape of the CPI Numbers, to our attention. The NSSO is currently conducting quinquennial consumer expenditure surveys separately for rural and urban areas all over the country. For the purpose of the survey, the whole country has been divided into 73 contiguous regions. The sample size, we are told, is fairly large not only for each of these regions but also for a large urban centre in a region with population of more than a million. With some adjustment of the sample size in particular regions, it is possible to get from these sample households a sub-sample of manual worker households for each

region which may give an adequate sample for estimating the expenditure pattern of the manual worker households. That could form the basis of the weighting diagram for compilation of a regional CPI. This approach may have a number of possible advantages. In the first place, it would cover all centres of non-farm manual work in the country and not be confined to only 50 or 60 selected centres as at present. The regional indices, as visualised above, can foreclose the necessity of arbitrary choice of an index for a centre not covered by the Bureau, by giving proper statistical representation to every urban centre in the survey and the index. At the same time, indices for some specific centres, particularly the ones with population of more than a million can continue to be compiled with the help of the weighting diagram from the National Sample Surveys. Moreover, regional and all-India index numbers can be compiled by appropriately combining these indices and they would have a wider and better statistical base than the current all-India index number. Another merit of using the NSSO's quinquennial consumer expenditure surveys is that it would enable a new weighting diagram and a new index once every five years. And all this can be done at little or no additional cost for the survey, since the NSSO in any case conducts these quinquennial consumer expenditure surveys for other uses.

3.23 We have discussed the question of using the NSSO's consumer expenditure survey for the purpose of compilation of consumer price indices at some length because of the possibility it holds but for a more wide-based and comprehensive series of consumer price index numbers for the working class. However, a firm decision can be taken only after a full examination of all aspects of the proposal including the problems involved in the transition from centre-specific to regional indices and the possibility of continuing many of the centre-specific indices along with the regional indices at least for some more time in the future. We, therefore, recommend that the Labour Bureau, the TAC and the Standing Consultative Committee suggested by us later in this report may examine the different aspects of this proposal as also the other issues discussed above at an early date.

CHAPTER IV

REVIEW OF 1960 AND 1971 SERIES

4.1 We now turn to the consumer price index numbers published by the Labour Bureau. The current series is based on survey conducted in 1958-59 and has the price base in the year 1960. There has been very wide-spread suspicion expressed in trade union circles in the country about the correctness of the index. The Committee has carefully gone into the methodology followed in the compilation of the price index for different items in the index and into specific points of alleged deficiency that came to its attention. The Committee had circulated the forms used for the collection of price data and the indices prepared on the basis of these data, to all the central trade union organisations and organisations of employers in the country with a request that these be sent to their constituent units in the respective centres so that they could send their specific comments to the Committee. We received only a few comments from certain centres. Besides, the central organisations of the trade unions and the employers also submitted memoranda giving their overall comments. All these have been examined by the Committee. We present below our comments and recommendations on the various points examined by us.

4.2 The methodology followed by the Bureau in compiling the 1960-based CPI shows considerable improvement over the earlier indices prepared by it. However, in our view there are still a number of aspects which need improvements. The two important deficiencies which require attention are (i) pricing of commodities made available through ration shops in areas under rationing, and (ii) the price index for house rent.

1. *Price Index of commodities sold in ration shops*

4.3 Rationing was introduced for some commodities in many centres after 1960, the base year of the current series of CPI

Numbers. After rationing was introduced, the Labour Bureau began collecting the ration price of such commodities. There were now two price indices for the commodity, one for the ration price and another for the open market price. But the base price quotation for the both price series was the same *i.e.* the open market price. The combined price index for the commodity was then computed by giving weights to these two price indices. The permitted ration quantum expressed as a percentage of the total quantity of the commodity consumed by the household in the base year provides the weight for the ration price index. The remaining proportion provides the weight for the open market price index. This procedure is followed in centres where there is modified rationing.

4.4 Two objections have been raised to this procedure. Firstly, it is pointed out that the price for the index should refer to the same quality of the commodity as was specified in the base year. If the quality of the commodity made available in the ration shop is different, then only the open market price of the specified quality of the commodity or its equivalent should be taken. In regard to some ration commodities like rice, wheat and jowar, the quality of the grain sold in ration shops was poorer than the quality specified in the base period. It has, therefore, been suggested that in modified rationing areas ration price should not be taken for indexing but only the open market price of the specified quality should be taken. The Committee is of the view, that while the theory of Laspeyres' price index may justify such a procedure, it would not be proper to ignore the fact of price control and rationing in preparing the CPI. Rationing and fair price system are introduced by the State to prevent the cost of living of the consumers from rising very high in an inflationary situation. Since consumers use this facility, it would not be logical to refuse to take cognisance of it in computing the CPI Numbers. Therefore, we consider it necessary to take the ration price into consideration in preparing the index.

4.5 But here a second objection is raised. A general practice in compiling the price index for a commodity is that if it becomes

impossible to obtain price quotation for the originally specified quality of the commodity the price quotation for a superior or inferior substitute is taken to compile the index with suitable splicing. It is alleged that in case of the ration commodity, the quality is often inferior to the quality specified in the base year, but the Labour Bureau has taken the price of the ration goods into the index without splicing. The Labour Bureau has justified this procedure by pointing out that as per international practice, when there is a compulsory change over from one variety to another, as in a situation of statutory rationing, splicing need not be done. On the advice of the Technical Advisory Committee, the Bureau extended this practice to include modified rationing areas also, where an open market for the commodity exists. In our view, this is too liberal interpretation of the logic of forced substitution. In a situation of modified rationing, the proper thing to do would be to splice the price data for the ration commodity while introducing it in the index. However, we recognise that it is not practicable to correct on this count the current indices at this late stage. However, we recommend that in future care should be taken to include ration price in the index after appropriate splicing.

4.6 The second question raised about the procedure followed by the Labour Bureau relates to the weights attached to the ration price and the price in the open market. Under the current procedure, the weight for the ration price index is the proportion of the quantity of the commodity admissible in ration to its total quantity in the base year. This procedure has been objected to on the ground that consumers do not always lift the entire permitted quantity from the ration shop mainly because the quality of the commodity supplied in ration is very poor ; this is noticed particularly when the difference between the ration and open market prices of the commodity narrows. Therefore, it has been suggested that the quantity of the ration commodity that should be taken for weighting its price index with, should be the actual off-take from the shop and not the quantity permitted by the rationing authority. The Committee recommends that this

suggestion should be followed by the Bureau with immediate effect.

4.7 The actual off-take of ration commodity may be ascertained in the following manner. The Labour Bureau should select a large number of ration shops larger than the number of such shops from which at present it collects data every week on price, etc. in predominantly working class residential areas in the centre. Information about the total quantity of each ration commodity sold and the total number of consumer units registered at the shop should be collected at the end of every month from the records of the shop. Bulk purchases made by hotels, canteens, etc., should be excluded from the total quantity sold, wherever possible since information on the number of consumer units for which such quantities have been sold may not be available. The average off-take per consumer unit during the month may be arrived at from these data.

4.8 We have so far discussed the procedure to be followed in centres where informal/modified rationing prevails. But in 4 of the centres for which the Labour Bureau compiles consumer price index—Calcutta, Howrah, Asansol and Bombay—there is statutory rationing. For the statutorily rationed commodities, there exists no free, legal open market. Consequently, it is not possible to collect open market prices for assigning the weight of the non-ration quantity. Therefore, till the end of 1973, the Labour Bureau was pricing the entire quantity of the commodity at ration price. In 1974, the Bureau, in consultation with the T.A.C., applied a corrective action to the indices of these items. Since then, the practice followed in these 4 centres has been to distribute the non-ration part of the total weight of the commodity to the other items in the food-group of the index on a *pro rata* basis. This, in effect, means that for the non-ration quantum of that commodity in the average consumer basket, the price index used is the weighted average price of the other items in the food-group. This has affected only the price index of rice in the statutory rationed areas since the other commodities were either completely covered by rationing or were available in the open market.

4.9 Very serious objection has been taken to this practice by the Trade Unions, who have put their finger on the resolution adopted by the Conference of Labour Statisticians of the I.L.O. in 1947 which says, "In a period of price control or rationing, where illegal prices are charged openly to the groups to which the index applies, such prices should be taken into consideration, as well as controlled prices".

4.10 It has also been brought to the attention of the Committee that according to the Labour Bureau's monograph on C.P.I. Numbers published in 1954, the Bureau was collecting both open and black market prices at that time. However, it was not possible for us to ascertain what procedure was being followed at that time to collect the black-market price quotations. Subsequently, when statutory rationing was reintroduced in the 60's, the TAC did not advise collection of black-market price.

4.11 The Maharashtra State Consumer Price Index Committee, which regularly examines the price data of both the Central and State indices, expressed the view, in discussion with this Committee, that it was not desirable to use black-market price data, because according to that Committee such prices were unreliable and indefinite, varying from seller to seller and consumer to consumer. As the Chairman of the committee put it, 'reliability and not legality is the test'. To illustrate the distinction, the Committee pointed out that in the matter of house rent in the State centres, a rent higher than the legal rent was taken, if reported, since the senior supervisor was in a position to personally verify the information.

4.12 We are of the view that what is relevant in this context is not so much the legality as the practicability of collection of black-market price. There may not be any objection to using black-market prices if it were possible to regularly collect sufficient number of such price quotations and verify them periodically for their accuracy. For example, at present, in the city of Calcutta, black-market in rice is open. In this situation collection of black-market prices is practicable, although its verification may not be easy since there is no guarantee that the

supervisor will be able to find the seller at the specified place of operation when he goes for checking. However, a similar situation may not prevail in every centre at every time for every commodity. Practicability of collection and verification of reliable black-market prices under less open conditions can be seriously doubted. And one cannot lay down a procedure which can be reasonably followed at one time, but *not* at another. The assessment of the situation and the application of the given procedure should be based on specific criteria and not left to the discretion of the price collector. Leaving the choice to the discretion of the price collection machinery can only lead to serious objection from one or other group of users of the index.

4.13 In the light of the considerations stated above the Committee has come to the conclusion that it will not be advisable to insist on the collection of black-market price of rice or any other commodity which may be under the statutory rationing scheme.

4.14 The Committee examined an alternative possibility of using the index of the open-market price of rice in the immediate neighbourhood of the statutorily rationed area, as an approximation or proxy to the black-market price of rice in the centre. Of course, this too cannot be a perfect substitute. There are limits to their comparability; for example, tightening of control on smuggling into the centre would create greater scarcity of supply in the black-market and push up the price; but the impact of this measure on the open-market price of the commodity just outside the ration area may be different. However, subject to such limitations, the proxy index may give a general indication of the trend of the black-market price in the centre. But at the same time, whether the index of black-market or proxy price is used, the weight to be applied to it has also to be estimated. For, introduction of statutory rationing and emergence of black-market will lead to change in the consumption of the commodity by the household, and the weight of black-market purchase in his total consumption has to be estimated. Indeed, this estimation has to be done periodically, depending upon the nature of control and rationing and the trend of black-market or proxy price.

4.15 The Committee finds that proxy price indices for rice may be available for only 3 of the 4 statutorily rationed centres in the 1960 series. But the weights at different times are not available, except for a single year 1971 when a fresh family living survey was conducted. Therefore, even if one were to use the proxy index for the black-market price index, this is not possible in case of all the 4 centres, and the weights are not available for any of them for the past. In future, this can be used if the weights can be estimated from time to time through special surveys for the purpose. This would be both time-consuming and expensive.

4.16 In view of all these difficulties in estimating a black-market price or a proxy price index and the changing weights, the Labour Bureau has been following the corrective action method. The Bureau in effect, compiles two price indices for rice : one is the ration price index, and the other the weighted average price index of all the items in the group except rice. The weights to be attached to these two indices are based on the total quantum of rice purchased by average household as reported in the family living survey in the base year. The quantity of rice permitted in ration, expressed as a proportion of this total purchase in the base year, gives the weight to be attached to the ration price index. The remainder gives the weight to be given to the price index of the corrective action.

4.17 A comparison of the two sets of weights, one used by the Labour Bureau based on the 1960 survey, and the other revealed by the 1971 survey, shows that the weight given to the corrective action index was higher than the weight that would have been given to the proxy or black-market price index that year had such an index been used. This implies that even if the black-market or proxy price index in such a year is higher than the corrective action index used by the Bureau, the weight attached to it would be lower. Therefore, the overall price index of rice compiled by the Bureau in these statutorily rationed centres would not be very different from the price index that may be computed by taking proxy prices and the new weights. Some trial calculations showed that use of proxy prices would have given

only a slightly higher. Index in some earlier months of very high price of rice, while the Bureau's method gives a comparatively higher Index for the current months.

4.18 All this suggests that the Bureau's method of corrective action in estimating the price index for the non-ration weight of rice in the statutorily rationed centres, has been a reasonably satisfactory method. The Committee has, therefore, come to the conclusion that the current practice of the Labour Bureau, of distributing the weight of the non-ration quantum of a commodity under statutory rationing on all other items of the food group, is the best alternative available, and should continue to be followed in such situations.

2. Rent Index

4.19 The other important aspect of the current CPI Numbers to which objection has been taken, relates to the index for house rent. The current index for house rent for the factory centres is a considerable improvement over the index compiled by the Bureau prior to 1960, in which the price index for rent was kept constant at 100. After the 1960-based index was introduced this practice changed. For the 1960 and 1971-based indices, the Labour Bureau carries out a six-monthly survey of the rent of a sub-sample of the tenements that had been covered by the family living surveys. These rent data, used with the help of the chain-base method, give the price index for rent. In effect, it tells how the rents of the tenements in which the households of factory workers were living in 1958-59 (or 1971, for the new F.L.S. in that year) had changed over time. For the mine and plantation centres, however, such an index was not prepared, since most surveyed households were reportedly living in self-owned or rent free tenements. Therefore, while a rental value was imputed to all the tenements, self-owned or free, in order to estimate the weight of rent in the average household expenditure, the price index for house rent is kept unchanged at 100.

4.20 The Committee is of the view that the method followed in compilation of the price index for house rent does not fully

reflect the changing price situation faced by the working class in the centres, and needs further improvement. In case of the self-owned tenements, the housing is neither costless, nor does its cost remain unchanged. Besides the annual amortization charge, there are the repair and maintenance costs and taxes, if any, which do not remain unchanged over the years. It is therefore not proper to keep the index of the rental value of self-owned houses unchanged at 100.

4.21 In the factory centres, the Labour Bureau does not prepare a separate index for self-owned tenements, but considers the rent-index compiled for rented tenements to represent the changing rental values of self-owned tenements as well. This is a reasonable procedure, particularly when self-owned tenements are a very small proportion of all working class tenements in the factory centres. In the mining centres covered by the Bureau's indices, the situation is the opposite. In these centres, rented tenements formed a very small proportion of all working class tenements. A very large proportion of tenements was self-owned hutments, often standing on mine land, and a small but growing proportion of tenements, particularly in coal mine areas were provided free by the Coal Mines Workers Welfare Housing Board. Under such conditions, it is not possible to compile a rent index for rented tenements which may be imputed to self-owned tenements. It is, therefore, necessary to compile a separate price index for the self-owned tenements in the mine centres.

4.22 Most of the self-owned tenements in the mine centres surveyed by the Bureau are small, low huts with mud or brick walls and tile or straw roofs. The Bureau estimates a rental value of such tenements through local enquiries at the time of the family living surveys. This itself is a difficult exercise in a situation where renting of tenements is not common. Therefore, instead of trying to estimate a rental value of these tenements year after year, it would be preferable to prepare an index of repair and maintenance costs and taxes for the tenements and use this as the index of the rental cost of self-owned tenements. The repair and maintenance, etc. cost index for self-owned tenements

can be compiled by collecting price data for materials like tile, straw, etc., and wages of skilled and unskilled workers and combining the indices of these prices with appropriate weights. The Committee recommends that the Bureau should prepare such an index for the self-owned tenements in the mine centres henceforth.

4.23 The current rent indices for the self-owned tenements can be corrected for the past period if an index of their repair and maintenance cost can be prepared. Unfortunately, price indices for materials, like brick, tile or straw, and for wages of construction workers are not available for any of the mining centres covered by the Bureau. The only alternative open is to estimate an approximate index. We recommend that a repair and maintenance cost index be prepared by taking the simple average of the price indices for bricks and tiles in the wholesale price index of India and the simple average of the indices of wage rates of skilled and unskilled male and female construction labour for Delhi City, (based in the year 1961-62 and 1961 respectively) available with the National Buildings Organisation. The material and wage indices may be combined with equal weights to give the index of repair and maintenance cost of self-owned tenements in all the mine centres. This common index may be used to correct the rent index in the CPI for these centres in both the 1960 and 1971-based indices. This will help in correcting the current indices for the mining centres. When subsequently the Bureau compiles a proper centre-specific repair and maintenance, etc. cost index, that index will have to be spliced on to the approximate index recommended above, from the year from which it becomes available.

4.24 The question of the house rent index for tenements given to working class households free, is of a different type. It is important in the plantation centres and to a lesser extent in the mine centres. The plantation owners or companies are statutorily required to provide free housing to all their workers. This in effect means that the plantation worker's total wage is

partly in cash and partly in kind, in form of a tenement. When a consumer receives a part of his income in kind and spends it on his consumption directly, construction of a price index for such a consumer requires that a price be attributed to the commodity received in kind and spent on consumption. The price would normally be the price of the commodity prevailing in the market. In case of the tenements provided by plantation owners to their workers, the Labour Bureau has found it difficult to estimate a market rent in such areas from year to year, since there is no market in housing in these centres. Consequently, there is the necessity to impute an index for the rental value of such houses. The Labour Bureau has imputed an unchanged index of 100. It has been argued that since the workers do not pay any rent, its price does not change for them, and therefore, the index should be kept at 100. This, in our opinion, is not correct. If the workers do not pay any rent, then its weight in the expenditure basket should be zero. But if a market value is to be imputed to it in the base year, as is done now, then the same must be done in every subsequent year. There is no justification for keeping the rent index unchanged at 100. Some others feel that using the CPI Number for the centre, excluding the rent index, as an approximation to the rent index, would be more appropriate. The Committee has also examined this suggestion. The Committee notes that in case of the plantation centres, use of any index, approximate or otherwise, for the house-rent, is not material from the point of view of use of the CPI Numbers for neutralisation of price rise in the centres. For, free-housing is a payment in kind and, therefore, would not feature in the index used for neutralisation. The inclusion of the rent index in case of free housing is relevant for preparing an overall consumer price index, which is comparable with similar indices for other centres where housing is not free, and for compilation of the all-India CPI. Since in the absence of a proper rent index, an arbitrary index has to be imputed, it is best to impute a rent index for the plantation centres which least affects the all-India index from the point of view of the non-plantation centres. In these terms both the suggestions

either to keep it at 100 or move it with the overall CPI Number, are not satisfactory. A satisfactory method is to impute the weighted average house rent index of all the non-plantation centres to the house rent index of each of the plantation centres. We recommend that this should be done in correcting the current indices for the plantation centres, as well as in future.

4.25 In the mining centres, the Welfare Board is providing free housing to miners in gradually increasing numbers. Here also it is not possible to estimate the changing rental values of such houses, since very little renting is reported in the mine areas. But that is no reason why the imputed rent index of such tenements should be kept unchanged at 100. Fortunately, an index for the self-owned houses can be compiled in these centres, which we have recommended earlier. This index may also be used to impute a rent index for the 'free' housing in the mine centres. The Committee, therefore, recommends that the repair, maintenance, etc. index, compiled for self-owned tenements in mine centres, be used as the house rent index for 'free' as well as the few rented houses in these centres.

4.26 We now turn to the rent index for the factory centres. The basic defect of this index, as it is currently constructed, is that it does not take into account the rent of new tenements that might have been occupied by the working class in the centre after the year of survey. There is always a difference in the rent between new and old houses, and this is particularly wider in centres where rents are controlled under the law.

4.27 In preparing the proper rent index by including the new tenements in the sample year after year, it is necessary to compare price of the given tenements in the year of survey with the rent of the same or similar tenement—similar in quality and area in the earlier or base year. This is necessary in order to avoid mixing up changes in rent arising out of changes in the quality and floor space occupied by the household; from being mixed up with changes in rent due only to change in the price (or rent) of given type of housing.

4.28 It may be argued that the inclusion of rent of 'new' houses in a larger proportion than in the base year is a violation of the fixed basket theory. For, the rent of a 'new' house may be higher than the rent of similar but 'old' house on two counts : firstly, the cost of housing may have gone up, and secondly, it is 'new' and in that sense of superior quality. What should be included in the index, it is argued, is the first and not the second element. While this contention may be correct, by the same token it may also be said that a house in the base year is not the same in a subsequent year, since it is so much older, and, therefore, inferior. Not to take account of this aging of the base-year houses in the index, is also a violation of the fixed basket theory. While both points are logically valid, at present it does not appear practicable to take either of these into account in computing the rent index.

4.29 In view of the fact that new housing has been completely left out of the picture in the current house rent index prepared by the Labour Bureau, it is necessary to change the pattern of rent survey currently carried out by the Bureau. Currently, a given and fixed sub-sample of the original sample of tenements is surveyed once every six months to collect the data on rent. The Committee recommends that instead of this, the Bureau should draw a new and larger sample once every year from an up-to-date list of workers in the factory centre and conduct a rent survey for the tenements occupied by them. The survey should ascertain the current rent of each tenement as well as its rent in the previous year. If there is a new house in the current sample, its rent in the previous year cannot, of course, be obtained. The current rent of a new house should, therefore, be compared with the rent of a similar house(s) in the previous year. This will be used to compute the overall rent index for the centre based on the previous year. Then by the chain-base method this index can be related to the base year of the CPI for the centre. The Committee recommends that the Bureau adopt this method for preparation of the rent index henceforth.

4.30 However, this method is not open to the Committee for correcting the current rent indices for the current or any past period. The Committee examined various possibilities for correcting the rent indices of the current series of Consumer Price Indices for the factory centres. One possibility examined by the Committee in great detail was the use of the rent data in the family living expenditure survey carried out by the Bureau in 1971, to correct the rent index of the 1961-based indices in the year 1971. That would have helped us recommend correction of the 1960-based indices for the year 1971. But this had not proved possible. In the first place, the average rent figures for 1961 and 1971 belong to two different samples, and the difference between the two may be due partly to different magnitudes of sampling errors. But what is more important, the composition of the houses in the 1971 survey was not necessarily the same as in the 1961 survey; larger proportion of concessional accommodations provided by employers and the State, was reported in many centres; houses were possibly bigger or smaller, with better amenities than in the past. To prepare a proper rent index, it is necessary to compare the rents of similar tenements between the two periods. For this it is necessary to classify the sample tenements in the two periods into comparable groups in terms of quality of housing as well as quantity of floor space, or at least to compare the rent of different sized structures on the basis of rent per square metre. Unfortunately, most of the detailed data required for the purpose were not available from the sample survey schedules for most of the factory centres. Examination of such data for a few centres for which some information was available in detail, indicated that use of the crude average rent data for 1971 and 1961 for preparation of the rent index without these necessary adjustments can be a source of considerable error. The Committee was, therefore, forced to abandon this approach.

4.31 The only other alternative open to the Committee to suggest a method of correcting the current indices for the exclusion of new houses from the rent survey and index, was to

devise an approximate rent index. For this purpose two sets of data are needed : (a) the weights of new (*i.e.*, post-base year) and old houses in the centre every year ; (b) rent indices for the 'new' and for the 'old' houses. The growth rate of new housing in a centre may be considered to be approximately equal to the growth rate of the total number of households living in that centre. Besides, we may assume that one per cent of the old houses (*i.e.*, houses in the base year) may be replaced by new houses in every subsequent year. This will enable estimation of the relative weights of new and old tenements every year after the base year. For estimating the annual compound growth rate of 'new' tenements, we may use the rate of growth of households between 1961 and 1971 as revealed by the censuses.

4.32 The rent index for 'old' tenements (*i.e.*, tenements existing in the base year) is from the rent survey of the Labour Bureau in each centre. As for the rent index of the new tenements, we propose that in the absence of any reliable source of data, the general consumer price index for the centre excluding the rent index may be considered a fair approximation of this index. It means that the rent of new tenements is assumed to have increased at the same rate as the price of all other commodities and services in the centre. With these two indices of rent, for 'old' and 'new' tenements, and their weights every year, a consolidated rent index for each centre can be prepared. We recommend that this method be followed to correct the 1960 based index as well as 1971 based index until the results of the new rent surveys recommended by us earlier become available.

4.33 The rent indices for the factory, mines and plantation centres in both the 1960 and 1971 series should be corrected for the period beginning with January 1971 onwards to enable calculation of a correct linking factor recommended in Chapter V.

3. Other 'free' items

4.34 There are some other items in the index, about which a change in the current practice is needed, in keeping with our

recommendations earlier about house rent index for free tenements. In some mine or plantation centres working class households are allowed to collect coal or firewood free from the mines plantations. The Labour Bureau currently imputes a value to these, and keeps their price indices fixed at 100. We recommend that the price index for these items in other nearby centres be imputed to that in the mine or plantation centre. The same practice may be followed in case of a mine centre where medicine was supplied free by the employer.

4.35 Certain items like school fees and text books, on which the households reported expenditure in the year of survey, were subsequently made free by the State Governments concerned. When the State makes certain commodity or service available free to all its citizens, it ceases to have a place in the consumer price index. We recommend that in this situation, the weight of such an item in the index should be distributed *pro rata* on all other items in the index, and the separate price index for the item should be discontinued. Where text-books are not provided free of cost by the State, we recommend that, instead of taking the price quotation of one or two text-books for a class for indexing, as at present, the average price of all the prescribed text-books for all classes upto the secondary stage should be taken.

4.36 On the basis of the corrections suggested by us in the house rent index for the factory, mine and plantation centres, in the treatment of free fuel, coal and medicine, free school fees and text-books, and change in the tramfare index for Calcutta, an illustrative exercise has been prepared showing the over-all CPI for each of the centres in the 1960 series as it would appear for the month of August 1977. This is given in Appendix XI.

4. Tobacco and Intoxicants

4.37 A question has been raised about the treatment of intoxicants in the Index. In 1975, the Government directed the Labour Bureau to examine the question of exclusion of 'non-essential' items like pan, supari, tobacco and intoxicants from the index. The Bureau pointed out that the index is based

on the actual expenditure pattern reported by the household and introduction of normative considerations would not indicate what the index is meant to indicate, and would not be scientific. Despite the views of the Labour Bureau, the Cabinet Committee on Economic Policy and Co-ordination of the Government of India desired that the question of excluding intoxicants from the consumer basket should be gone further by the Technical Advisory Committee. The TAC examined the question and reiterated the stand taken by the Labour Bureau. The TAC, however, suggested that if Government so desired, for its administrative use, the consumer price index numbers excluding the group of items may also be compiled by the Labour Bureau. The Cabinet Committee did not agree with the recommendation of the TAC and directed that tobacco and liquor should be excluded from the consumer price index numbers. The TAC accordingly advised the Labour Bureau in August 1976 to exclude 'tobacco and tobacco products' and 'liquor and liquor products' and 'Other intoxicants' from the weighting diagram and distribute the weights of the excluded items to the remaining items in the index basket on a *pro-rata* basis. The TAC further considered that the introduction of this change in the existing series might create difficulties since many wage and DA agreements were linked to these series. The TAC, therefore, suggested that the changes should be incorporated in the 1971-based series and not in the current, *i.e.* 1960-based series. The Labour Bureau made changes accordingly.

4.38 The Committee has examined this question fully and is of the view that the index numbers should be based on the consumption pattern as revealed in the family expenditure survey and the weighting diagram based on it. It is not proper to bring in normative considerations into this matter. Indeed, if the idea is to discourage people from consuming them, then exclusion of their weights from the CPI cannot serve that purpose. We therefore, do not agree with the view of the Cabinet Sub-committee in this matter, but agree with the view of the Labour Bureau and the TAC, and endorse the following practices

currently followed by the Bureau in compiling the 1960-based series. The same procedure should be followed for compiling the 1971 base series.

Wherever expenditure on tobacco and liquor and other intoxicants is reported in the household expenditure survey, the items should be taken into account in compiling the consumer price index, subject to the following :—

- (a) If expenditure on liquor and intoxicants is reported in the survey even if there was prohibition, no open market price quotations would be available, and therefore, the weight of this item should be distributed *pro-rata* on the other items in the sub-group.
- (b) If in the above situation, prohibition is subsequently lifted, the open market price of the item should be collected and the index used after proper splicing.
- (c) If there was no prohibition in the base year but is introduced later, the weight of the item should be distributed *pro-rata* to other items in the sub-group.

5. Problem of Substitution

4.39 The problem of substitution of specified items for collection of price has provided a wide field for complaints. It is alleged that when the specified commodity is not available in the market, often the price of an inferior substitute is taken, which tends to depress the index. The criticism regarding inferior substitution mostly relates to clothing and footwear.

(a) Clothing

4.40 The collection of prices of clothing items presents genuine difficulties for the price collector. Not only is there a large variety of items of clothing, like saree, dhoti, shirting, etc. available in the market at any time, but the varieties or brands also change frequently. Proper collection of price data, therefore, required as detailed a specification of the particular variety as possible. Moreover, when this variety ceases to be

available in the market, a correct substitute has to be taken. If proper substitution is not ensured, spurious changes in price due to quality difference may get introduced inadvertently.

4.41 The Labour Bureau has tried different methods in the past to ensure proper price data for clothing. This question was examined extensively by the Lakdawala Committee set up by the Government of Maharashtra in 1963. The Committee recommended the 'census method' for tackling the problem. Under this method, a large number of popular varieties of cloth in a narrow quality range were to be selected for collecting prices. For averaging these prices, two alternatives were suggested : (i) taking the median of all the prices collected as the price of the particular item of cloth; (ii) taking the average price relatives of common sub-varieties for every two consecutive months and calculating the index by chain method. The Bureau experimented with this 'census method' in some centres. However, the experiment had to be abandoned as the selected shopkeepers showed reluctance in furnishing detailed information on all the varieties stocked by them month after month.

4.42 Thereafter the Bureau switched over to collecting prices of clothing items from mill retail shops, wherever, such shops had been functioning in the selected markets. The clothing price data for the 1960 series are being collected from these shops in 29 centres. But even this arrangement has not been free from problems. The specification of a particular variety of a mill's cloth in the schedule as well as in the retail shop's records is in terms of the mill's number of variety and its brand name. Varieties go out of production and sale after some time and then neither the price collector nor the retail shopkeeper is in a position to say with certainty which new or old variety would be its exact substitute. Consequently the price collector has often to rely on the judgement of the shopkeeper, and if the price of the suggested substitute is within ± 5 per cent of the price of the earlier variety, then that price is taken; otherwise splicing of the price data is resorted to for compiling the index. Naturally, at times it leaves scope for quotation of the price of an inferior

or superior substitute being taken without splicing, with its consequential impact on the price index of the item. During our visits to the selected shops in some centres, we found instances of price quotation of what appeared to us as rather inferior substitutes being taken. But contrary examples were also not wanting. Under the circumstances it is not possible to say that over a long period taking price of incorrect substitute would have had a generally depressing or inflating effect on the index.

4.43 The Committee is fully conscious of the difficulty inherent in this work. But a continuous effort at improving the situation is needed and to that end the Committee makes the following suggestions :—

- (i) The specifications of clothing items selected for price collection should be given in greater detail, including not only the mill number, brand name and length and breadth in case of sarees and dhoties as at present, but also the count of the yarn, the warp and the weft, breadth of border, if any, single or multi-coloured, etc. If it is not possible to get all these details from the shopkeeper, particularly of the mill variety, we recommend that the Labour Bureau should use the good offices of the Mill-owners' Association and the Textile Commissioner to get these details about the varieties produced by the textile mills periodically so that its regional officers and field agencies are fully posted with the details of comparable varieties.
- (ii) There should be a greater check and supervision of the price data relating to clothing by the regional offices of the Bureau.
- (iii) The State level consumer price index committees, recommended by us later in the report, may be requested to arrange verification of data in the field in all doubtful cases.

- (iv) In case of such items for which the currently specified variety is considered to be one commonly used by the working class, the specification should be changed in consultation with the State Committee, and its price taken for indexing after proper splicing.
- (v) Ready-made garments have presented formidable problems regarding substitution. We, therefore, recommend that instead of collecting prices for ready-made garments (cotton, terrycot, etc.) their weights should be attributed to the price index of the particular type of cloth and tailoring charge in proper proportion. For classification, 'tailoring charges' may be included in the group 'clothing' rather than the "Miscellaneous group" where it now features.
- (vi) A suggestion was made to the Committee that the price of controlled cloth should be taken into account in compiling the Consumer Price Index for working class. We find that the production of controlled cloth to-day is hardly 4 per cent of the total production of cloth in the country. Moreover, these varieties were reportedly not available in most of the retail cloth shops generally patronised by the working class households. Therefore, in our opinion, no special procedure is necessary for pricing it in the index.

(b) *Footwear*

4.44 The criticism relating to the price index of this item relates not only to defective substitution, but also to defective specification for which price quotation was taken in the base year. It was pointed out to us that very different qualities of shoes and chappals were originally specified for price collection in different centres, that some of them were of inferior quality (e.g. canvas shoes in Delhi) which workers generally did not use, while others were of a superior variety, as in Howrah. Choice of inferior variety, it was felt had depressed the shoe price index.

4.45 It is necessary to remember that in the computation of the CPI what is relevant is not the actual price of a commodity but its price relative over time. If the price relative of an inferior variety moves at the same rate as that of a superior variety, the index will remain unaffected by the choice of one or the other. The price indices for shoe and chappal in selected centres given in Appendix XII would show that the choice of a particular variety for price quotation in the base year has not affected the relative movement of the price indices of the item in different centres. Though Calcutta and Howrah had different varieties quoted, the price relatives are quite comparable. So is the case with 'tyre-soled' chappal at Mundakayam and canvas shoes at Delhi. In fact, the few cases in which one finds a somewhat larger difference could partly be due to defective substitution. The index for shoes in Delhi in August, 1977 was much higher than for most other centres and for Ahmedabad rather lower, possibly because of superior and inferior substitutes respectively. However, this difference, if in error, is of an order that can make only a negligible difference to the overall consumer price index numbers.

4.46 However, it is not enough to assure ourselves that any alleged wrong specification and substitution have not made material difference to the general index. It is also equally important that the basic method followed should be correct, and the right varieties specified and substituted in order to lend credibility to the index. The Committee, therefore, recommends that towards this end, the Labour Bureau should make substitution in consultation with State Level Committees.

4.47 We understand that the Labour Bureau estimates the price of an item not available in the market by repeating the old quotation and watches the market situation for about a period of 3 months. In our view the period of 3 months is rather a long one. We, therefore, recommend that if an item is not available for a period of 4 weeks the old price may be repeated. But after that either the item should be substituted by taking a

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proper variety and its price taken by splicing, or the weight of the item be imputed to other related items for a temporary period until the item reappears in the market.

6. *Other specific issues*

(a) *Medicines*

4.48 Complaints have been made about the price index for doctor's fee and medicine. Some organisations of employers have maintained that in centres where workers are covered by Employees State Insurance Scheme, any expenditure incurred by working class household on medicine and private doctor's fee over and above the ESI contribution should not be encouraged and compensated for price rise. Therefore, they have suggested that the weight attached to these items should be added to that of ESI contribution.

4.49 The Committee feels that when workers avail the services of private doctors and buy outside medicines in addition to the ESI facilities, it would not be proper to exclude them from the index. As in the case of liquor discussed earlier, it would not be correct to change the index by not taking the prices of commodities and services they buy. We, therefore, do not advocate that the price indices for these items should not be separately computed.

4.50 It was pointed out that the ESI Scheme may be introduced or its scope expanded to cover more family members in a centre after the family living survey was conducted. In such cases it would not be right to continue to attribute the centre weight of medical expenditure to the price indices for private doctor's fee and medicine. The Committee recommends that in such a situation the Bureau should make an enquiry to ascertain the division of the working class household's total expenditure on medical services, between ESI contribution and private doctor's fee and medicine. These weights should be used to combine the indices of the prices of these two categories of

medical service to arrive at the total index for medical expenses in the centre.

4.51 The trade union representatives have expressed dissatisfaction with the specification of items of medicines selected for price index and have doubted the correctness of the price quotations. In the 1960 series, the item specified for medicine was diaphoretic mixture or carminative mixture. It was alleged that this item has by now become out-dated and its inclusion has depressed the index. A comparison of the price index of the standard mixtures with that of other standard drugs, whose price indices are available from the 1971-based indices for the same centres, is given in Appendix XIII. These data do not show that the inclusion of this item had a depressing effect on the index. The specification has been changed to patent drugs in the 1971-based index for most of the centres.

4.52 A doubt has also been raised about the accuracy of the price quotation of certain medicines in some centres, both in the 1960 and 1971-based indices. It is noticed that in these centres, the price of mixture remained constant for long stretches during the last 17 years of the index. Similarly, the price of certain medicine tablets remained unchanged or changed very little over a long stretch in the 1971-based index. We examined the matter and have found that this pattern of price of medicines was not confined to a few centres, but was quite widespread. While occasional errors of reporting cannot be ruled out, there is no reason to doubt the general pattern as revealed by these data.

(b) *Doctor's fee*

4.53 The index for doctor's fee has moved differently in different centres. Consequently the trade unions have raised doubts about its correctness. The Labour Bureau collects quotation about visit fee of the doctor from two doctors in each selected market in a centre. We found that not merely do these quotations vary from doctor to doctor but also all doctors do not appear to charge their fees at the same time. Further more, an element of defective price collection is likely since

response bias also cannot be ruled out. It is, therefore, necessary to supervise the collection of these data more frequently. A larger number of doctors than at present from each market may be chosen wherever possible to get a better average of the doctor's fee.

(c) *Tramfare*

4.54 The trade union representatives in Calcutta have pointed out that the tramfare index is depressed since the specification of the index is for the second class fare though the second class was abolished on a number of routes in the city long ago. We have checked the data and found that if the index had been based on second class fare, but the current price is to be an average of first and second class fares, the overall current consumer price index for Calcutta would increase by 0.1 only. While this is insignificant, we recommend that for the 1960-based index for Calcutta the Bureau should use the average of first and second class tramfares for the price index. For the 1971-based index, however, the base price should also be the average fare for the two classes.

(d) *Cinema Tickets*

4.55 Similarly it was pointed out that in Calcutta the price of the lowest class cinema ticket is taken for index compilation. But in most cinema halls this class has only a small number of seats and its price does not rise as much as that of the higher classes. We recommend that henceforth the price quotation for the last-but-one class in cinema halls should be used for index after splicing in all the centres.

(e) *Quantitative Changes*

4.56 Trade union representatives have argued that quantitative changes in certain specified items, like a cup of prepared tea or coffee, a plate of ordinary meal (Thali) in a restaurant, snacks like *idli*, *dosa* and *samosa*, plate of sweets, and cake of soap are not taken note of in computing their price index, and

that this depresses the index. We have checked the facts with the Bureau and find that in the current practice of the Bureau there is no provision for taking account of changes in quantity and quality of food served in a 'Thali' when it is priced for indexing. Prepared meal is separately priced in 10 centres in the 1960 series ; in the remaining centres its weight has been imputed to the whole food-group index. It is separately priced in all the centres in the 1971 series. In regard to sweet snacks, the price quotation is as per specified weight of the item in all centres except 6 in the 1960 series, and in all but 2 centres in the 1971 series. As for saltish snacks (they are : *pakora*, potato chop, *samosa*, *idli* or *dosa*, depending on the centre), the item is priced not by weight but by plate or piece in 18 of the 50 centres in the 1960 series, and in 33 of the 60 centres in the 1971 series. In regard to the cup of prepared tea, the Bureau's schedule provides for fluid measure of the cup of tea in all but 11 centres in the 1960 series, and in all but 3 centres in the 1971 series, and in all centres for cup of coffee. There is a specification of the weight of a cake of soap in most of the schedules. The Committee recognises the problem of change in the quantity as well as quality of the contents of a 'Thali', but finds no practicable method to suggest for measuring these. In view of this difficulty, the Committee is of the view that it is not desirable to price this item separately, but to impute its weight in the index to all the items in the food and fuel groups *pro rata*. This implies that the price index for 'Thali' is taken to be the same as the price index for all items in the food and fuel groups taken together. This is also the procedure followed in regard to the prepared food items in many other countries. In regard to cup of prepared tea or coffee, the Bureau has specified the fluid measure in most centres for price collection and indexing, and the reported changes have been taken into account in indexing, except for occasional clerical errors. However, this does not take into account changes in the quality of the cup of tea or coffee. Since inability to take this factor into account in the price index will always leave a sense of dissatisfaction about the index the Committee recommends that this item also should not be priced separately, but the weight for the item should be attributed to the price indices

of tea leaves/coffee powder, sugar, milk, and fuel, after ascertaining the value weights of these constituents in the total item in the base year. Since these weights are likely to vary from centre to centre because of local tastes and habits, we recommend that the Bureau should ascertain these weights separately for each centre, after enquiries with the local tea shopkeepers. The price index of sugar used for the purpose should be the index of open market price and of milk the price charged by the milkman. In regard to salted snacks, the Committee recommends that the Bureau should try to collect price of the items by weight, where this is not being done. But where this is not possible, as in case for example, of items like *idli* and *dosa*, the separate pricing of the items should be discontinued and the weights distributed to the items, including fuel, that go to make the item of snack. We believe that the price index of these constituent items are already being compiled in the respective centres ; where they are not available, the price index of the nearest substitute item may be taken (like for example, price index of gram for price index of besan). In regard to sweet snacks as well as soap cakes, the Bureau gets the price data per unit of specified weight in all but a few centres. We recommend that this practice should be introduced in the remaining centres forthwith. The Committee recommends that the relevant indices of the 1960 series should be corrected on the above lines henceforth, as well as for the past to facilitate calculation of a proper linking factor. The indices of the 1971 series for all centres should also be corrected on the above lines before they are introduced. It may be noted that the adoption of this method of imputation is departure from the practice generally adopted in index compilation by the Bureau of imputing the weight of an item only in such cases where the weight is very small or the items are such that they cannot be regularly priced. The Committee is fully aware that as a result of the adoption of this method the price index for the particular items may go up in one centre and go down in another. This is unavoidable and has to be taken in the stride. The Committee is not able to give an illustrative calculation for the centres, incorporating these changes, since the weights have to be separately ascertained for each centre.

(f) *Qualitative changes*

4.57 Besides the quantitative and qualitative changes in cup of tea and *Thali*, trade union representatives have drawn attention to the deterioration due to adulteration in the quality of milk, edible oils, and spices. The Committee's recommendations about prepared food and drinks are designed to take care of changes in both quantity and quality of these items in the index. In regard to milk, the Labour Bureau has been splicing the price data for indexing, wherever the fat content of the milk supplied by the Government dairies is reported as changed. But nothing is done in regard to the price index of milk supplied by the milkmen, or of edible oils, spices, etc. The Committee recognises that the problem of changes in the quality of the items priced for the index is a genuine one. However, the Committee finds it difficult to suggest ways in which the relevant information can be obtained as a routine and quantified for being included in the index.

(g) *Durable Consumer Goods*

4.58 An objection raised by some trade union representatives relates to the inclusion of certain durable consumer goods, like radio and electric fan in the consumer price index. Their contention was that these commodities are purchased by a household only once in a long time. The inclusion of such an item in the index would be disproportionate to its importance and thereby may have a depressing effect on the index. Now, it is true that durable consumer items are not purchased every year, but only a small number of households may be buying it at any time. But at the same time, it is necessary to remember that some households, though not the same households, would be buying these items every year. For purposes of the index it is necessary to estimate the average monthly or annual expenditure of all working class households in the centre on the item. The total reported expenditure on such a durable item is divided by the total number of all household in the sample to give the average per households (and not per actually purchasing household) expenditure, which would be a very much smaller figure than the actual price of the

commodity. Therefore, it is clear that this is a reasonable procedure to estimate average expenditure on such durable items. In the family living survey in 1971 two per cent of the sample households in Delhi, and a little over one per cent in cities like Madurai and Madras reported expenditure on purchase of transistor radio, its repair and licence fees, and the average per household expenditure on the item formed 5 to 10 per cent of the expenditure in the related sub-group of expenditure. Therefore, these items are being separately priced for compilation of the index. However, in a couple of centres only one family had reported purchase of an electric fan. When less than one per cent of households report such expenditure, the Committee is of the view that such item should not be priced separately but its weight imputed to other relevant item or items.

(h) *Imputations*

4.59 We now turn to the question of imputation of the weights of items featuring in the expenditure which are not separately priced. As mentioned earlier, when an item has a very small weight in the total expenditure, instead of separately collecting price data for it, its weight is imputed to some other item(s). In doing this, care has to be taken to see that the weight is imputed to an item the price movement of which would be similar to that of one the weight of which is to be imputed. Some trade union representatives have pointed out that in many instances the imputations have not been proper. We have also examined the scheme of imputations for many centres in both the 1960 and 1971 series. It appears to us that while in a number of instances the imputations are proper, there are quite some cases in which this is not so. Some illustrative instances of improper imputations have been cited in Appendix XIV. The instances of what may be considered as improper imputations are of three types : (1) Imputation of weight to an inappropriate item. For example, in one centre weight of bajra has been imputed to barley while it would be proper to impute it to jowar. Similarly, expenditure on tonga and rickshaw charges has been imputed to bus fare in Delhi and Kanpur, whereas it would be

appropriate to price them separately. (2) The weight of a given item has been imputed to different items in different centres. For example, the weight of 'desi sugar' has been imputed to 'gur' in one centre and to 'crystal sugar' in another. Similarly, *zardaf Kimam* has been imputed to chewing tobacco in some centres and to bidi/cigarette in others. *Suji* and *maida* have been imputed to bread in some centres and to wheat in others. (3) Weight of certain items has been imputed to other items, when in fact in view of their weight or characteristic it should have been separately priced. For example, items like soap-nut (Shikakai) and electric bulbs for which there was significant expenditure reported in some centres in 1971, have not been separately priced but imputed to some other item or to all items in the sub-group. The Committee recommends that the criteria for imputation laid down by the Bureau itself should be carefully followed and generally uniform practice adopted for imputation of the weight of a given item in different centres. Where, as for example, in case of soap-nuts and bulbs and tonga and rickshaw charges the items have to be separately priced for indexing, we recommend that their index be revised if the base year price can be obtained; otherwise their prices should be taken into account henceforth by appropriate splicing. The Committee also recommends that the Labour Bureau should scrutinise the imputation details in all the 60 centres of the 1971 series and carry out necessary corrections as suggested by us, before introducing the 1971 series. In future, any modification in the scheme of imputations should be made in consultation with the State level Committees.

(i) *Excluded Items*

4.60 It was also pointed out by the Unions that some commodities that working class households are known to buy in certain centres had not featured in the family living survey. This, it was alleged, leads to the depression of the index. It was stated that in the Delhi Centre bedding materials like 'razai' 'gadda' did not feature in the survey in 1958-59 and even in 1971; in Calcutta, mattress, Quilt and iron frying pan were not reported in the survey in 1958-59. We find that the survey schedule for

1958-59 as well as for 1971 had a single-head 'Mat, mattress, durrie' against which the expenditure incurred on any or all of these 3 items was to be noted. In both the centres expenditure under this head had been reported. Iron frying pan was not reported in the Calcutta survey of 1958-59; but in the 1971 survey, when it was reported, its weight was extremely small. Similarly, a popular vegetable 'patal' was not reported in the family living survey in Calcutta in 1958-59, though it was reported in 1971. However, comparison of price index for the vegetable groups for Calcutta with the index of 'patal' price in the adjacent Howrah centre, showed that the price index for 'patal' had moved slower than the total index for all vegetables in Calcutta. Therefore, there is no reason to presume depression of the Calcutta index on that account. The Committee would like to note that while the non-reporting of an item in the survey may indicate its negligible importance in the pattern of purchase in the centre, its non-inclusion, even inadvertently, only implies that the index of such items moves as the overall CPI for the centre.

4.61 Another item of household expenditure termed "social expenditure" which the Bureau excludes from the weighting diagram, has attracted the attention of the trade unions. They feel that its exclusion from the index depresses the index. 'Social expenditure' includes expenditure on presents or gifts or contributions on occasions like a wedding or, funeral or other religious functions, etc. These expenditures are incurred often as cash payments and not on purchase of any item and, therefore, they cannot be priced. It is, therefore, not possible to include such expenditure in the index. To exclude the item from the weighting diagram implies that its price index moves at the same rate as the overall CPI. The same explanation also holds good in case of trade union membership contribution. There is, therefore, no reasons to object to the procedure followed by the Bureau in this matter.

(j) *Comparison of price quotations in the two Series*

4.62 Some trade union representatives drew the attention of the Committee to the differences-small and not-so-small-between

the price quotations in the 1960 and 1971-based indices, for a large number of commodities in the same centre in a given month. This raised doubts about the correctness of the price quotations. The Committee has examined all the cases brought to its attention and some more. The differences arise due to a number of circumstances, *viz.*,

(a) In all the centres examined there had been a change in the specific markets from which price data are collected ; and a few had been dropped and other new markets added for the 1971 index. Moreover, the particular shops chosen were not necessarily the same. In some markets the day of the week fixed for price collection was different for 1971 index. All these accounted for small differences in the average prices, though the prices in each market were comparable for the two series.

(b) Specifications of many items of clothing, footwear, electricity rates, transport charges, even of groceries were different for the 1971 than the 1960 series and that explained the larger differences in price quotations between the two.

(k) *Unit of measure*

4.63 In the 1960 series unit of measurement for a number of items in the list of condiments and spices is in one kilogram. The trade union representatives pointed out that working class households buy these items in very small lots at a time and the prices for small lots are often higher than prices per kilogram. Therefore taking price quotations for 1 kg. units would depress the price index. We feel that the relevant point in this context is not whether the price charged for small lots is higher or not, but, whether the price relative of the item sold in small lot moves faster than when it is sold in 1 kg. unit. The Committee has examined the price relatives for a few centres for the same items sold in small and large lots. The evidence shows that while the price relative for small lots had moved somewhat higher in some items, it was comparable in case of others, and had moved less

fast in a few instances as well. The Committee therefore recommends that the units specified for collection of price data of all items of groceries and particularly spices, should be those in which the working class households make their purchases. We find this change has been made for a number of items in the price collection schedules for the 1971-based series. We recommend that similar change be incorporated for the other items and their price indices be appropriately spliced.

7. Comparison of W.P.I. & C.P.I.

4.64 Before we end this long review of the current consumer price index numbers, we would like to comment on the comparison made between the wholesale price index and the Consumer price index during 1975-76. It was pointed out to us that during this period while the W.P.I. was rising, the C.P.I. was declining. This gave rise to doubts about the correctness of the consumer price index numbers. The Committee had examined the question in some detail. In the first place, it is necessary to remember that these two indices are not quite comparable; the W.P.I. includes many items which have no place in the C.P.I., and the weights of the items included in the two indices are also quite different. Nevertheless, the Committee examined the movement of the wholesale prices and the retail prices of 32 items in Delhi market for the periods 1972 and 1975-76 during which the overall all-India W.P.I. and C.P.I. were not moving parallel to each other. This examination of prices showed that in these cases both the series were moving together. If the overall W.P.I. was moving differently, it was because of items which were not relevant for the C.P.I. We, therefore, have found no evidence to doubt the correctness of the general trend of C.P.I. *vis-a-vis* the W.P.I. during this period.

8. Summing up

4.65 We now sum up the alleged deficiencies of the current consumer price index numbers as well as those relating to the 1971-based series awaiting release. We found that the Bureau follows the generally accepted methods and procedures for

compilation of the index numbers. We have suggested two significant technical improvements—one relating to the index for house rent and the other relating to price index for rationed commodities. The acceptance of these procedures would lead to some modification of the indices. We have also examined a large number of specific points of criticism, relating to specification of items, substitution, imputations, exclusion of items from the index, etc. We have found that in certain instances the procedures followed need improvement. We believe that the deficiencies in these cases have not significantly affected the index numbers. Nevertheless, it is our view that the methodology followed should be proper and scientific, and towards this end we have suggested certain improvements over the current practices and recommended that these be adopted by the Bureau henceforth in the preparation of its current indices.

CHAPTER V

INTRODUCTION OF THE 1971-BASED CONSUMER PRICE INDEX NUMBERS AND THE LINKING FACTOR

1. *Introduction of the 1971 based series*

5.1 The current series of the Consumer Price index numbers (1960=100) is based on a survey carried out in 1958-59. In pursuance of the recommendation of the 25th session of the Indian Labour Conference, the Ministry of Labour directed the Labour Bureau to conduct a fresh working class family expenditure survey. The Labour Bureau in consultation with the Technical Advisory Committee designed the survey for 60 centres. The National Sample Survey Organisation conducted the field investigations and the Bureau, after processing and tabulation of the data, prepared the weighting diagram for the 60 centres, since 1973, CPI Numbers with 1971 as base are being regularly compiled and maintained by the Labour Bureau.

5.2 Following the recommendations of the Indian Labour Conference, the Labour Bureau organised discussions with representatives of trade unions and organisations of employers at the State capitals where the details of the new family living surveys and the new index numbers were placed before the participants. These consultations had taken place in all the States except West Bengal, by the time this Committee was appointed.

5.3 The question of introduction of the 1971 series of the CPI Numbers was specifically raised by the Committee in its discussions with the worker's and employers' representatives in the centres visited by the committee and also in the meeting with the representatives of all Central Trade Union Organisations held in New Delhi. Two different views were expressed in these meetings. Some representatives of trade unions felt that since the introduction of the 1971 series has already been delayed by

6 years, and a fresh FLS would be due soon, it is preferable to expedite the new survey and till then carry on with the 1960-based index numbers. Introduction of two new series within a short period would present difficulties. Representatives of other trade unions as well as of the organisations of employers, on the other hand opined that the consumption pattern on which the current series of indices is based, is quite old and no longer reflects the consumption pattern of the working class in these centres. Many new commodities have entered the working class consumption basket and changes have occurred in consumption of other commodities during the last decade and a half. These are not taken into account in the current index. Any further delay in changing the base will make the index only less realistic. In their opinion, it is, therefore, necessary to introduce at the earliest the index based on the more recent survey in 1971.

5.4 We have examined all aspects of the question. We feel that while the weighting diagram of the 1971-based index is already 6 years old, it is better to have a 6-year old weighting diagram than an 18-year old one for the index. Had it been introduced say in 1974, it would have been the operating index now.

5.5 Moreover, there would be force in the argument against introducing the new index at this stage, if there was fair chance of having a new index with a new base in another couple of years from now. But that does not appear possible. The Committee was informed by the Chairman of the N.S.S.O. that in the light of its scheduled commitments, the earliest the N.S.S.O. could take up the field investigations for the Labour Bureau's special consumer expenditure survey would be in 1980-81. At this rate a new CPI with 1980-81 as base will not be available for use before 1983. We do not consider it advisable to carry on so long with the 1960-based index. The wholesale price index numbers issued by the office of the Economic Adviser have already been switched over to the new base of 1970-71. Besides the trade unions and employers, many other users including the Planning Commission have indicated preference for an index

based on a more recent year. The Committee, therefore, recommends that the new CPI Numbers for working classes with 1971 as base should be introduced at the earliest, after carrying out the corrections and modifications as recommended by the Committee. With the introduction of 1971-based series, the compilation and publication of the CPI Numbers with 1960 as base should be discontinued.

5.6 The Committee would at the same time strongly recommend that a new working class F.L.S. be conducted at the earliest. The survey should be scheduled for 1980-81, unless, after full examination of all the facts and implications, it is decided to have the regional C.P.I., referred to in Chapter III of this Report. In the event of the introduction of the regional index numbers, the new survey may take place in 1982-83. The Committee also recommends that the results of the survey for preparation of index should be available at the earliest and in any case in about 18 months from the date of completion of the field investigations.

5.7 In view of the changing consumption pattern of the working classes in urban areas, it would be proper to conduct new consumption surveys at shorter intervals. We, therefore, think that a 5-year interval would be preferable for the survey. The 5-yearly survey would not be an expensive proposition if it can be linked with the N.S.S.O.'s quinquennial consumer expenditure survey. We would, therefore, recommend that this question be examined by Government expeditiously, and an early decision taken in the matter.

2. *Linking factor*

5.8 When a consumer price index with a new base is published, the index with the old base is discontinued. The index based on a new weighting diagram is strictly not comparable with the index based on an older weighting diagram. But, because of the agreement arrived at between the employees and the employers, relating the payment of dearness allowance on a basic wage to the old-based index, it becomes necessary to

express the new index number in terms of the old base. This necessitates the calculation of a linking factor. The Committee is of the view that the best course would be for the unions and employers to negotiate new agreements for payment of dearness allowance in terms of the new index. This will obviate the need for a linking factor. However, until this is done, a linking factor is indicated.

5.9 The Technical Advisory Committee had examined three different methods of estimating the linking factor. One is the arithmetic method of expressing the simple average of the monthly index numbers in the old series in the base year of the new series as a ratio of the base index of the new series. The second is the 'ratio method' which takes a simple average of the ratio of the monthly price indices of the old series to the new series for all the months for which the two indices are compiled simultaneously. The third method is the 'regression method' by which the monthly index numbers for the old series are regressed against those for the corresponding months of the new series to give an estimated linking factor. On earlier occasions, the Labour Bureau had used the first method to calculate the linking factor. But the T.A.C. recommended the adoption of the 'ratio method' for establishing the linking factor between the 1971 and the 1960-based index numbers. If the new index is introduced immediately after its base year, then a linking factor calculated with the help of any one of these three methods would give almost the same result. But, when, a longer time elapses, as in the case of the 1971 series, using the arithmetic method will not be appropriate. Between the remaining two methods, the ratio method has the advantage of being more easily understood. The Committee, therefore, endorses the suggestion of the T.A.C. that the ratio method should be adopted to calculate the linking factor. The Committee recommends that the linking factors between the 1971 and the 1960 series should be based on monthly index numbers beginning with January, 1971 to the latest month before the introduction of the 1971 series. It is, therefore, not possible for the Committee at this stage to calculate and present the linking factors for the different centres.

CHAPTER VI

PRICE COLLECTION PROCEDURE AND MACHINERY

6.1 An important constituent of the Consumer Price Index Numbers is current retail prices for specified goods and services included in the weighting diagram. According to the Labour Bureau, selection of markets/shops for collecting the retail prices was done in consultation with the local trade unions, employers and workers after a detailed survey of the markets at each centre. The prices are being collected by the Labour Bureau through part-time price collectors who are generally State Government employees. The prices for most of the items the specifications of which were fixed before hand on the basis of detailed market surveys, are collected regularly every week. For some standard items like tea leaf, newspaper, clothing items, shoes, etc. prices of which are not subject to fluctuations from week to week, prices are collected once a month. The prices collected and utilised in the index are retail prices inclusive of taxes that are charged by the shopkeepers to the customers buying in retail, and not the wholesale prices. The work of the price collectors is supervised by price supervisors who are also State Government employees and have been engaged by the Labour Bureau on a part-time basis. Detailed instructions have been issued by the Labour Bureau for the use and guidance of price collectors and price supervisors. The price data collected by the price collectors and checked by the price supervisors are further audited by the Regional Offices of the Labour Bureau located at Bombay, Calcutta, Madras and Kanpur. On receipt at the Headquarters, the price data are again scrutinised and references made back to the field in doubtful cases.

6.2 For the purpose of collection of prices, markets which are predominantly patronised by the working class population in a centre are selected. The number of markets selected usually

varies with the size and the number of developed markets at a particular centre and this varies between 1 to 12 at different centres. Appendix XV gives the number of markets selected for price collection in each centre in the 1960 and 1971 series. The prices are collected from selected markets on a fixed day of the week or the month which is generally a day when a large proportion of workers make their purchases. For collecting price quotations, two shops which are generally popular with the working class in the locality are selected from each market for each item. Two reserved shops for each item are also selected as standby for getting price quotations. In centres where statutory/informal rationing system is in vogue, prices of rationed commodities are also collected from the ration/fair price shops, with a view to utilising them suitably in the index compilation. It may be mentioned that the shopkeepers supply information on the prices to the Bureau regularly on a voluntary basis and there is no statutory obligation on their part to do so.

6.3 The price collection system for the consumer price index numbers has come in for severe and pointed criticism, especially from the trade unions. The major points of criticism at various places have been :—

- (i) In certain centres the selection of markets has been defective and their number inadequate. Selection of shops is also faulty and their number inadequate.
- (ii) The names of shops from which prices are collected are kept secret from the unions, making it impossible for them to verify the price data used in the indices.
- (iii) Shops once selected, continue for years, even after they cease to be patronised by the workers.
- (iv) The price collectors are not properly trained and they are not acquainted with the shopping habits of the workers.
- (v) The price collection work is done by price collectors on a part-time basis and they, therefore, do the work in a casual manner.

- (vi) The price collectors do not even visit the markets and shops or visit them at the wrong time, and prices are reported to the Labour Bureau without actually checking the market situation.
- (vii) The procedure of collecting prices from the shopkeepers is defective and often the prices collected reflect what the shopkeeper puts on the notice board, rather than the actual retail prices charged from the consumer.
- (viii) There is no proper supervision of the prices collected by the price collectors.

6.4 In order to study the actual situation obtaining in the field, the Committee considered it desirable to make on-the-spot study of the price collection system and the machinery. For this purpose sub-committees were constituted to visit the markets and shops in the selected centres, and also have discussions with the local representatives of trade unions and employers' organisations. (Please refer to Appendix V). The sub-committees also had discussions with the price collectors and the supervisors in the centres visited.

6.5 Generally speaking, we have no reason to believe that the selection of markets in the various centres was done in a haphazard manner. However, we find that once the markets were selected, there was no change effected or new ones added, even in centres where a number of new markets had come into existence. For instance, it was pointed out to us that in Delhi, shifting of the working class population had taken place on account of the execution of the city development plans and new markets had sprung up in the outlying worker colonies ; but such markets have not been included for price collection. Prices in the newly developed areas may generally be somewhat higher than those prevailing in the older established markets and these should be used for the compilation of the index. It was also brought to our notice that in a number of centres only one market was selected both for the 1960 and 1971 series. We consider that the number of markets selected in some centres is inadequate.

It is seen from Appendix XV that in as many as 14 centres in 1960 series and 15 in 1971 series—and these include big industrial centres like Madurai, Coimbatore, Tiruchirapalli, Guntur and Alwaye—only one market has been selected for price collection. We also feel that it is not imperative in all circumstances to stick to the same markets once selected. Where new working class areas and markets develop or where other conditions justify a change of or addition to existing markets, the Labour Bureau should effect such a change/addition in consultation with the State level Committee.

6.6 According to the current procedure, prices for each item are collected from two shops in every selected market in a centre. A shop once selected is seldom changed, nor are names of shops made public. We are given to understand that the Bureau follows the practice of not changing the shops selected for price collection in order to eliminate price changes due to intershop price variations; and the names of shops are kept confidential in order to obviate the possibility of the shopkeepers being subjected to too many queries and possible pressures by interested parties, leading to annoyance and non-cooperation. We are unable to agree with the position taken by the Labour Bureau and our specific recommendations in this regard are given in Chapter VII (*vide* para 7.10). Further, while we agree that changing shops too frequently may not be desirable, the need for a change should be examined periodically, and shops may be changed, wherever considered necessary and justified.

6.7 It was brought to our notice that in some centres, employers, particularly in the textile industry, have set up fair price shops or cooperative stores in the working class localities or in factory premises; and that since these shops are popular with and patronised by workers, they should be selected for collecting prices for compilation of the index. We feel that there may be no objection to selecting such shops in addition to the other shops in the selected markets in the centre. However, the price quotations from such shops should get only so much weightage in the average price of the commodity as is indicated

by the proportion of the total quantity sold by such shops to the total purchases by the working class in the centre.

6.8 On the basis of our discussion with the price collectors and visits to the selected shops in several centres, and our scrutiny of the price data at Labour Bureau, Simla, we found that the price collection work was, by and large, being performed conscientiously and carefully. However, this is, not to say that the Committee did not come across instances of inaccurate prices being reported, or of doubtful price quotations being used for certain items like clothing. But such lapses/inaccuracies were infrequent and occurred more on account of insufficient knowledge of the intricacies and finer points of the price collection technique on the part of the price collector. For instance, the general accuracy of the price data collected at Ahmedabad centre was corroborated by the office of the Textile Labour Association, Ahmedabad, who also independently collect prices for the items in the Bureau's schedule. In fact, we found there have been less complaints about the price data and the index numbers from those centres where the trade unions have been taking active interest in this work, or where advisory committees have been functioning as in Bombay and Hyderabad. The complaints have generally come and are found to be not altogether unfounded, from those centres where the user interests have not been associated with or not taken interest in this work. We have discussed this matter further and made our specific recommendations in Chapter VII.

6.9 The Committee has examined the question of having full-time price collectors instead of the present part-time price collectors. At present price collection work is done on a part-time basis by employees of the State Bureaus of Economics and Statistics or in some cases the State Labour Department. These employees are allowed time for half a day each week on the specified price collection day for this work. Each price collector collects prices from one market (2 shops) for which he is paid an honorarium of Rs. 45 per month, besides a fixed travelling allowance, by the Labour Bureau. During discussions with the

price collectors we were told that the half day allowed to them for this work was not adequate, as also the amount of honorarium paid to them by the Labour Bureau. While we appreciate the need for allowing more time to the price collectors for this work, and also an enhancement in the honorarium paid, we do not consider that there is enough work in all the index centres to justify the appointment of whole-time price collectors. Where the number of markets in a centre is only one or two, the present system of part-time price collection may continue ; and the Labour Bureau may arrange with the concerned State Government Department for allowing them more time for this work. However, in centres in which the number of markets covered is three or more, we consider that appointment of full-time price collectors would be justified, both from the point of view of adequate work load, as well as of ensuring improvement in the quality of price data collected. We are aware that this may entail additional expenditure. But we feel that this extra expenditure is absolutely necessary.

6.10 It was also pointed out to us that there is an imperative need for giving refresher training courses to price collectors, and price supervisors periodically to acquaint them with the price collection techniques and keep them abreast of the latest requirement of the Labour Bureau. While we consider this requirement is being met partially *albeit*, through the visits of the officers of the Labour Bureau, it will be worthwhile to arrange periodical courses for the price collection agency. The Committee, therefore, recommends that training courses to price collectors and price supervisors should be arranged regularly by the Labour Bureau.

6.11 The supervision of the price collection work at the local level is also entrusted to officers of the State Government Department from which the price collectors are drawn. These supervisors are also appointed on part-time basis and receive an honorarium from the Labour Bureau. In a number of centres, it was reported that the supervisor seldom visited the markets to inspect the price collection work. The most glaring instance which was brought to the notice of the Committee was

that in one centre the price supervisor had not visited the markets in his charge for nearly 50 months. The Committee feels that the standard of supervision was rather poor and there is considerable scope for improvement. We would suggest that the supervisors in charge of this work should preferably be of the middle level, as very senior officers have not been able to spare enough time and attention required for this work. It is also necessary that a supervisor is not burdened with too many markets to supervise. We consider 4 markets to supervise would be a reasonable charge for a supervisor. We consider it preferable that the Labour Bureau should entrust this work to the State Bureau of Economics and Statistics as the Bureau and their staff are already engaged in similar work on a regular basis. Some of them even compile CPI Numbers on their own and would, therefore, be much better suited and equipped for the price collection and supervision work for the Labour Bureau.

6.12 We now come to the question of Labour Bureau's own arrangements for price supervision work. In order to improve the audit of the current price data going into the compilation of the index, the Labour Bureau has established four regional offices, one each at Madras, Calcutta, Bombay (recently shifted to Ahmedabad) and Kanpur and one sub-regional office at Bombay attached to Ahmedabad regional office. The regional offices are under the charge of an Assistant Director with requisite subordinate staff. The regional officers/staff members are required to visit each centre under their charge every six weeks. But because of the wide-spread jurisdiction of each regional office, the increase of work load over the years, and the limited staff available, these officers are able to visit each centre and the markets therein, approximately once in six months. The regional officers are required to send their inspection reports to the Headquarters on the basis of which necessary corrections are made in the price data reported by the price collectors through the price supervisors. The price quotations are also scrutinised at the Headquarters and necessary clarifications are obtained through references to the field.

6.13 The Committee considers the supervision work carried out by the regional officers of the Labour Bureau very important for ensuring the accuracy of the price data collected. In view of the importance of this work and the volume of work involved, we feel that the present strength of the regional offices is quite inadequate. The present jurisdiction of each of the four regional offices is too wide and it is difficult for a regional officer and his staff to cover his entire jurisdiction frequently. There is, therefore, need for strengthening the regional offices and for the opening of sub-regional offices in States where the number of centres does not justify a full-fledged regional office. We suggest that while the number of regional offices may remain four as at present, they should be headed by senior officers of the rank of Deputy Director assisted by Assistant Directors and other supporting staff. We also suggest that with a view to minimising long travels sub-regional offices should be opened at Gauhati, Dhanbad, Amritsar, Hyderabad, Ahmedabad and Bhopal. Our recommendation regarding the set-up of the regional offices is given in Appendix XVI. Such a reorganisation becomes imperative, if our recommendations regarding increase in shops and markets, improvements in price collection methods, imputation and substitution, and undertaking house rent surveys, etc. are to be effectively implemented. In the proposed set-up senior officers will be put in direct charge of the region for (a) pursuing administrative matters with the State Governments (b) conducting meetings with the index users and (c) ensuring effective supervision of the price collection work. The jurisdiction of each of the centres will be confined to not more than 2 or 3 States so that it would be possible for the regional officers to carry out inspection frequently. As the State level committees recommended by us separately would be meeting every month it is necessary that a senior officer of the Labour Bureau is available at the regional level. The reorganisation of regional offices suggested above would also necessitate the strengthening of the set-up at the Headquarters. We feel that there is a need for 2 wholtime officers of the rank of Joint Director—one for coordination of field work and the other for the supervision of

tabulation, compilation and research work. In fact continuous public relation and carrying out of exercises for assessing the reliability of sample size and the price index on a continuous basis would justify more senior posts in the Headquarters. However, keeping in view the need for austerity, we recommend provision of only 2 whole-time Joint Directors.

CHAPTER VII

ASSOCIATION OF USER INTERESTS

7.1 A major use of the Consumer Price Index has been for the regulation of dearness allowances payable to the working class to neutralise the rise in prices. Therefore, the CPI must not only provide a correct measure of the rise in prices as they affect the working classes but it must also appear to the workers and their unions to be such a correct measure. During our work and particularly during our discussions with the trade union representatives we were distressed by their reaction to the CPI. Indeed, the CPI was variously described as nothing but fraud perpetrated on the working class. However, as a result of a detailed examination of the 1960 and 1971 indices the Committee finds that despite the defects and shortcomings noted by us, this reaction is not born out. The implied charge of *mala fides* on the part of the Labour Bureau is particularly distressing. As our examination shows, in the construction and routine computation of the CPI the Labour Bureau has been doing a reasonably competent job. Certain technical defects in its construction which we are seeking to rectify by our recommendations are not of a nature to invite doubts about the *bona fides* of the Labour Bureau. There are admitted shortcomings in the collection of price data, but they are such as are not completely avoidable with any human agency and we can only hope to minimise them by means of certain improvements we are recommending. In view of this we have wondered what could be the reasons for the extremely suspicious attitude of the trade unions towards the CPI. It seems to us that one important reason has been the failure of the Labour Bureau on a number of occasions to even entertain complaints and suggestions from the trade unions on particular aspects of the index. And the government did not take timely action to meet the growing

dissatisfaction of the unions with the Index. We feel that the trade unions would have appreciated the many technical and operational problems of the CPI, had the Labour Bureau, as a matter of principle, taken the working classes and Union leaders into confidence by associating them at least informally in the collection of the price data, explaining to them the computational aspect of the CPI, and eliciting their suggestions and co-operation. Many of our recommendations below are designed to meet this shortcoming.

7.2 The Committee was informed by the Labour Bureau that it had consulted the trade unions and the organisations of employers at different stages of its work relating to the 1971 based series. The selection of centres for the FLS was done in consultation mainly with the State Governments, but once a centre was selected, the Bureau sought the assistance of the State Government to arrange meetings with local trade unions and employers' representatives to elicit their suggestions about the contents of the schedules to be canvassed in the family budget survey. Subsequently, the Labour Bureau's officials also contacted some of these organisations for their suggestions at the time of selection of markets and shops in a centre for routine collection of price data. After the index numbers were compiled and before their release the Bureau organised meetings of users in various States to explain the new index and invite their suggestions. As regards consultations at the stage of price collection work, all that the Bureau has done is to issue instructions to the State Governments to display the filled-in price schedules for the information of representatives of employees and employers.

7.3 We find that the procedure for consultation with the trade unions and employers has been an *ad hoc* one and is confined to the early stage of the preparation of a new series. The Committee found that for a variety of reasons, this arrangement has not proved satisfactory. Even these *ad hoc* consultations with trade unions were not sufficiently broad based.

The unions have demanded consultations at all stages and on a continuing basis.

7.4 The intention in displaying the weekly price quotations obtained from selected local markets was to enable the trade unions and employers' organisations to check and verify the correctness of the price reported. But that expectation has not been fulfilled on the one hand, in some centres the Labour Bureau's instructions have not been properly carried out by its field agency, on the other hand, in most other centres with a few notable exceptions, the trade unions and organisations of employers have shown little or no interest in the scrutiny of the prices. In Ahmedabad one local trade union organisation has regularly been checking the prices collected and displayed by the Bureau. In one or two other centres, some trade union workers tried to verify the price data for two or three months, after which their interest in the work appears to have waned. In the meanwhile, the dissatisfaction of the trade unions with the index has mounted.

7.5 The Committee considers it very necessary and desirable to associate the workers' and employers' representatives with all aspects of the work of compilation of CPI on a continuing basis. We have examined various suggestions in this regard.

7.6 The most important source of doubt about the correctness of the index has been the nature of price data collected from the markets every week. We feel that it is necessary to ensure the association of the workers' and employers' organisations in this task. The Labour Bureau uses its own field agency, usually employees of the State Bureau of Economics and Statistics or in some cases the State Labour Commissioners' office, to collect the price data. The Committee is of the view that the Bureau should continue doing the work of data collection and computation with its own agency.

7.7 But there should a mechanism by which the workers' and employers' representatives can check the returns, discuss their doubts and satisfy themselves about the correctness of the

computations. The Labour Bureau displays the price returns in every centre; but it does not disclose to others the names of the shops from which the price data are collected. This, it is argued by the trade unions, prevents verifications of price quotations from the shops. The reason given by the Labour Bureau for not divulging the names of the shops is their apprehension that some people may get into arguments with the shopkeepers, which may ultimately result in their non-cooperation with the Bureau in the price collection work. The representatives of employers' organisation also expressed similar apprehensions.

7.8 The Committee, however, finds that the experience of the index compiling authority in one State, namely, Andhra Pradesh where the names of shops is not kept confidential appears to have belied these apprehensions. In Andhra Pradesh, the Bureau of Economics and Statistics is responsible for compilation of the consumer price index for working class in the centres in the State, other than those covered by the Labour Bureau. To assist the Bureau in this work, the State Government constituted in 1967 a committee consisting of the Director of the Bureau of Economics & Statistics as Chairman, and the State Labour Commissioner, one representative of the trade union organisations in the State and one representative of the organisations of employers in the State nominated by the State Government as members. The representative of the trade unions as well as of the employers is changed once every two years, relating among the representatives of different organisations. This committee meets once every month when it scrutinises the price returns from all centres in the State, makes references back to the field in case of doubts and examines the changes in the indices for individual commodities as well as the overall index. If the representative of the unions or employers in any centre wishes to accompany the price collector to any market, he is free to accompany him, as an observer. If he has any complaint he is required to bring it to the notice of the price supervisor in the centre or to the Unions'/Employers' representative in the State Committee for follow-up action. We were told that in

some centres trade Union workers had accompanied price collectors regularly in their weekly rounds. During our discussions with the committee, all the members of the committee assured us that this experiment had worked well and no difficulty in price collection work had been encountered on this account.

7.9 In Maharashtra also a State level committee scrutinises the work of consumer price index for both the State and the Central series. This Committee is presided over by a retired judge of the High Court and has a Professor of Statistics and one of the concerned officials of the State Government as members. But it does not include representative of trade unions and employers' organisations.

7.10 In the light of our discussion with different groups of interests and the experience of the price index committees in Andhra Pradesh and Maharashtra, the committee suggests the following arrangement for associating the trade unions and organisations of employers with the work of compilation of the CPI members.

(i) The work of price collection should continue to be the responsibility of the Labour Bureau and the State Government officials as at present. However, there need not be any objection if a representative of the trade unions or organisations of employers in a centre accompanies a price collector as an observer when he goes to the market for collection of price data. The representative should not interfere with the price collectors' work, but report any shortcomings he may notice to the price supervisor of the centre.

(ii) Price quotations should be displayed regularly every week on the notice board or desk of the price collecting agency at the centre, and the returns should be open for inspection by the representatives of the trade unions and organisation of employers'. However, it would not be practicable to supply every organisation with copies of the price list every week in view of the large volume of paper work involved. The

representatives of the trade unions and organisations of employers may bring to any doubts about the accuracy of any price quotation to the attention of the price supervisor who shall thereupon investigate the matter in the field and take necessary action.

(iii) A standing Committee should be constituted at the State level to scrutinise the work of price collection in the various centres in the State. It would be desirable to have a single committee for the centres covered by the State Government series as well as the Labour Bureau series. The Committee should have as members one representative of the trade unions and one representative of the organisations of employers in the State, in addition to the concerned officers of the State Government and the Regional Officer of the Bureau. The union and employers' representatives should be rotated once every two years, to ensure representation to different organisations. This Committee should meet regularly once every month to transact its business. The Committee would normally meet in the state headquarters, but it would be desirable that it may meet in each of the other centres in the State at least once in a while so that it can examine local problems in greater detail, with the help of the local staff and the trade union and employers' representatives. The Committee should scrutinise the price data collected from various centres in the State and make suggestions for any correction that may be necessary in the light of the deficiencies pointed out by the representatives of the trade unions or employers. It should also examine questions like commodity specification, substitution of items, imputations, change of markets and shops, etc., and make recommendations to the Labour Bureau. When it is decided to undertake a new FLS this committee should help the Labour Bureau with advice about arrangement for wider consultation on matters like the finalisation of the questionnaire, specification of markets, the list of commodities to be priced, imputation to be made, etc. It would facilitate the work of the State Committee if simultaneous computation of indices for the Centres in the State could be

arranged in the State Headquarters as is being done in Maharashtra at present; but this is a matter which we would leave to be negotiated separately in each case.

7.11 At the all-India level we would like to recommend the constitution of a Standing Advisory Committee in the Ministry of Labour on the Consumer Price Index. This committee should have representatives of central trade union organisations and organisations of employers besides the Chairman of the TAC and the Director of the Labour Bureau as its members and may meet at least once a year. Government may consult this committee on all matters relating to the CPI Numbers and related issues. The main functions of the committee should be to consider and advise the Government on broad issues relating to the CPI Numbers like the type of population to be covered, types of indices—centre specific or regional, timing of surveys, choice of centres and sampling, general complaints, if any, about the indices, etc. This committee will provide a continuing forum for consultation with the user interests on the overall problems relating to the CPI.

7.12 The Committee considers it extremely important that the workers and particularly their representatives in trade union organisations are familiar with the simple logic and arithmetic of the index numbers and what it is and what it is not, so that doubts and suspicions arising out of misunderstandings may be eliminated. Towards this end the Committee would like to recommend that the Labour Bureau organise, at least once in a year in each state and preferably in individual centres, one day seminars of trade union workers, where the concept of the index, its methods of data collection, compilation of the index etc. can be explained, with the help of the indices relating to their centres, and in the process their doubts clarified and suggestions entertained. This would create wider appreciation of the index and also create better relations between the workers organisation and the Labour Bureau which has been the Achilles heel of the index number problem in the recent years.

CHAPTER VIII

SUMMARY OF MAIN RECOMMENDATIONS

Selection of Centres

8.1 The present basis of the selection of Centres and the present pattern of the selection from three distinct groups, namely, Factory, Mines and Plantations may continue. (Para 3.3).

Coverage of Workers

8.2 Once a centre has been selected on the basis of its relative strength among factory, mine or plantation centres, as at present the subsequent family living surveys should cover all manual workers in the three sectors in the Centre and not be confined to only factory, mine or plantation workers (Para 3.4). The scope of the surveys should be enlarged so as to include manual workers in other establishments. As a step towards this, the next family living survey should cover manual workers in ports and docks, electricity and generating and distributing establishments, public transport undertakings and railways (Para 3.11). Having decided the categories of manual workers to be covered in the family living surveys, all manual workers in these categories should be covered irrespective of their income, as at present. (Para 3.12). Contract labour engaged in factory, mine or plantation centres should be covered in the family living surveys, if necessary, by adopting tenement sampling methods. (Para 3.15).

Some Old Series of CPI

8.3 There are three centre indices for Beawar, Cuttack and Berhampur, which do not form part of the all-India index, but are currently in use. The users of these indices should be persuaded to discontinue using these and to adopt suitable

alternative ones, failing which the Bureau should arrange to update the weighting diagram through fresh family living surveys. (Para 3.5).

Combination of Centre Indices

8.4 In the 1971 series, indices for Bombay-Thana and Calcutta-Calcutta (I.R.) should be combined and a single index published in each case. (Para 3.6).

Parallel Series

8.5 It is desirable that the parallel series for the same Centre are discontinued. However, if some State Governments are compiling their series on the basis of accepted procedures and methodology, and want to continue them for their specific requirements, the Labour Bureau may discontinue publishing its series but continue compiling them for the all-India index. (Para 3.8).

8.6 The Labour Bureau and the State Government should pool up their resources and apportion them between themselves to avoid waste of efforts. (Para 3.9).

State/Regional Index

8.7 The question of compiling the State level indices and regional indices may be examined in consultation with the TAC and the Standing Consultative Committee recommended by us. (Para 3.21 and 3.23).

Price of Rationed Commodity

8.8 Where rationing is introduced ration price should be utilised for index compilation with proper splicing for quality changes. (Para 4.4 and 4.5).

Weight for Ration Price

8.9 In compiling the price index for an item sold in the ration shop in modified rationing areas, the weight attached to the ration price should be based on the actual off-take and not on the admissible quantity. (Para 4.5).

Black Market Prices

8.10 It will not be advisable to insist on the collection of black market prices for purposes of index compilation. (Para 4.13).

8.11 The current practice of the Labour Bureau of distributing the weight of the non-ration quantum of a commodity under statutory rationing in all other items of the food group is the best alternative available and should continue to be followed in such situations. (Para 4.18).

Rent Index

8.12 The present method of compiling house rent index needs improvement. The house rent index in the mining centres should not be kept frozen at 100 as at present. Henceforth, the house rent index for the self-owned tenements in the mining centre should be based on the repair, maintenance, etc., cost index to be compiled by taking the raw material cost and wages of skilled and unskilled workers at the mining Centres. (Para 4.20 and 4.22).

Till such centre specific indices become available for correcting the current indices in the 1960 and 1971 series a common repair, maintenance, etc., cost index for all mining centres may be prepared by taking a simple average of the price indices for bricks and tiles from the wholesale price index of India and the simple average of the indices of wage rates of skilled and unskilled construction workers for the Delhi Centre (Para 4.23). This rent index should also be used for compiling the rent index for free houses provided to the mining workers as well as the rented houses in the mining centres. (Para 4.25).

8.13 For the rent index for the factory centres, the pattern of the rent survey currently carried out by the Labour Bureau does not take into account new houses from time to time and therefore, should be changed. Henceforth, the rent survey should be based on a new and a larger sample taken every year from an upto-date list of workers. (Para 4.29).

8.14 For correcting the current indices, the weight given to the house rent index should be apportioned between old and new houses. For the new houses, the weight should be determined on the basis of the rate of growth of households in the centre as revealed by the population census data for 1961 and 1971. The remaining weight should be assigned to old houses.. The rent index for the new houses should be the overall consumer price index, excluding the rent index, for the centre. For the old houses, the rent index calculated on the basis of the present six monthly surveys should be used. (Para 4.31 and 4.32).

8.15 House rent index for plantation centres should not be kept frozen at 100 as at present. The weighted average house rent index for all the non-plantation centres may be taken as the house rent index for each plantation centre for the current period as well as in future. (Para 4.24).

Other Free Items

8.16 For firewood, coal and medicine provided free of cost by employers in some centres, the price index should not be kept at 100 or reduced to zero. The price index of these commodities in nearby centres should be imputed in such cases. (Para 4.34).

8.17 When State abolished school fees or provides text books free to the students, the weights of these items in the index should be distributed on all other items of the index *pro rata*. Where text books are not provided free, the average price of all the prescribed text books for all the classes upto the secondary stage should be taken for indexing. (Para 4.35).

Tobacco and intoxicants

8.18 Whenever expenditure on tobacco and liquor and other intoxicants is reported in the household expenditure surveys, the items should be included in the index subject to the following :—

- (a) If expenditure on liquor and intoxicants is reported in the survey even if there was prohibition, no open market price quotations would be available and

therefore, the weight of this item should be distributed *pro rata* on the other items of the sub-group.

- (b) If in the above situation, prohibition is subsequently lifted, the open market price of the item should be collected and the index used after proper splicing.
- (c) If there was no prohibition in the base year but is introduced later, the weight of the item should be distributed *pro rata* on the other items in sub-group. (Para 4.38).

Clothing items

8.19 The specification should be given in greater detail. There should be a greater check and supervision of price data relating to clothing by the regional offices of the Bureau. The State level CPI Committees may arrange for verification of data in all doubtful cases and in such cases splicing may be resorted to. In case the currently specified variety is considered to be not commonly used by the working class, the specification should be changed in consultation with the State Committee and its price adopted after splicing. Instead of collecting prices for readymade garments, their weights should be attributed to the relevant cloth and tailoring in proper proportion. Tailoring charges may be included in clothing group rather than in 'Miscellaneous'. For including controlled cloth in index scheme, no special procedure is necessary. (Para 4.43).

Medicines

8.20 When ESI Scheme is introduced after the base year of the index, the division of the workers' expenditure on medical services between the ESI contribution, and private doctor's fee and medicines should be ascertained for assigning proper weights to the two categories of medical expenses for arriving at the index. (Para 4.50).

Doctor's Fee

8.21 A larger sample of doctors that at present from each market may be chosen wherever possible to arrive at the average of the doctor's fee. (Para 4.53).

Tram Fare at Calcutta

8.22 For 1960 index the average of the first and the second class tram fare may be taken in the current period. For 1971 series both the base price as well as the current price may be taken as the average of the first and the second class fares. (Para 4.54).

Cinema Tickets

8.23 Henceforth the cinema ticket charge for the lowest but one class should be used in the index after splicing. (Para 4.55).

Quantitative and qualitative charges

8.24 (i) Item of prepared food/drinks such as cup of tea/coffee, saltish snack like *idli*, *dosa* etc., should not be priced separately. Instead their weights should be imputed to their constituent items including fuel. (Para 4.56).

(ii) The practice of pricing prepared sweets per unit of specified weight should be followed in all the centres. (Para 4.56).

Durable Consumer Goods

8.25 Durable consumer goods should not be priced separately in the index when less than one per cent of households report expenditure in the family living surveys but its weight should be imputed to other relevant item/items. (Para 4.58).

Imputation

8.26 The imputation details should be thoroughly checked for the 1971 series in respect of every one of the 60 centres and necessary corrections carried out before the series is introduced. Specifically (i) items on which significant expenditure has been reported should be separately priced and not imputed, (ii) items having higher weight should not be imputed to items having lower weight and inappropriate imputations should be corrected. (Para 4.59).

Unit of Measure

8.27 The units specified for collection of price data of all items of groceries and spices should be those in which the working class households make their purchases. Henceforth whenever necessary changes in units should be incorporated and their price indices be appropriately spliced. (Para 4.63).

Introduction of the 1971-based CPI Series

8.28 The new CPI Numbers on base 1971 should be introduced at the earliest, simultaneously discontinuing the compilation and publication of 1960-based series of the index numbers. (Para 5.5).

Conduct of the fresh Family Living Surveys

8.29 A new family living survey should be conducted at the earliest *i.e.* by 1980-81. The survey results should also be made available at the earliest and in any case in about 18 months from the date of completion of the field investigations. (Para 5.6).

Interval between two surveys

8.30 The interval between two surveys should preferably be five years. (Para 5.7).

Linking Factor

8.31 The linking factor between the 1960 and the 1971 series should be calculated with the help of the ratio method and should be based on the monthly index numbers beginning with January 1971 to the latest month before the introduction of this series.

Addition to markets

8.32 Where new working class areas and markets develop or where other conditions justify a change of or addition to existing markets, the Labour Bureau should effect such a change/addition in consultation with the State Level Committees. (Para 6.5).

Change of shops

8.33 Though the change of shops too frequently may not be desirable, the need for a change should be examined periodically and shops may be changed whenever considered necessary and justified. (Para 6.6).

Price Collection Machinery

8.34 Where the number of markets in a centre is only one or two the present system of part-time price collection may continue ; and the Labour Bureau may arrange with the concerned State Governments for allowing them more time for this work. In centres in which the number of markets covered is more than three, full-time Price Collectors should be appointed. (Para 6.9).

Training Courses

8.35 Training courses for price collectors and price supervisors should be arranged regularly by the Labour Bureau. (Para 6.10).

8.36 It is preferable that the Labour Bureau entrusts the work of price collection to the State Bureau of Economics and Statistics. The price supervisors should preferably be of middle level. A Supervisor should not be burdened with more than 4 markets to supervise (Para 6.11).

Regional offices of the Labour Bureau

8.37 Regional Offices should be strengthened and put under the charge of Deputy Directors and sub-regional offices opened in States where the number of Centres does not justify a full-fledged regional office. (Para 6.13).

Association of User interests

8.38 There may not be any objection if a representative of the trade union or organisations of employers' in a centre accompanies a price collector as an observer. [Para 7.10(i)].

8.39 Price quotation should be displayed regularly on the notice board or desk of the price collecting agency at the centre. [Para 7.10(ii)].

State Level Committee

8.40 At the State level, a Standing Committee consisting of representatives of trade unions and organisations of employers and officials of the State Government and the Labour Bureau should be constituted to meet once a month to scrutinise the price data and also examine other related questions. [Para 7.10 (iii)].

All India Committee

8.41 At the all-India level a Standing Advisory Committee consisting of representatives of trade unions and organisations of employers, the Chairman of the TAC and the Director, Labour Bureau should be constituted in the Ministry of Labour to advise the Government on broad issues and provide a continuing forum for consultation on matters relating to the index. (Para 7.10).

Regular Seminars on CPI

8.42 The Labour Bureau should organise once a year at least in each State one day seminar of trade union workers where the various aspects of the index can be explained, their doubts clarified and their suggestions entertained. (Para 7.12).

CHAPTER IX

ACKNOWLEDGEMENT

9.1 The Committee would like to place on record its appreciation of the co-operation received from the trade unions and employers' organisations with whom the Committee had the benefit of discussions at various price collection centres as well as in New Delhi. The memoranda received from the trade unions and employers' organisations proved to be of great value in analysing the problems and identifying the deficiencies in the consumer price index numbers. The Committee would also like to express its gratitude to the State Government officials, who had arranged the meetings with the representatives of trade unions and employers' organisations as well as with the price collectors, supervisors and other officials of the State Governments. The Committee is also thankful to the members of the State Committees on Consumer Price Index Numbers of Maharashtra and Andhra Pradesh with whom the Sub-committees of the Committee had the opportunity to have deliberations. The Committee wishes to express its deep gratitude to Professor V. M. Dandekar, Director, Gokhale Institute of Politics and Economics, Pune and Chairman, Governing Council of the National Sample Survey Organisation, New Delhi, Prof. Nikhilesh Bhattacharya of the Indian Statistical Institute, Calcutta, Shri K. C. Majumdar, Director, Perspective Planning Division of the Planning Commission, Shri B. N. Datar, Director, Ambedkar Institute for Labour Studies, Bombay, Prof. S. D. Punekar, formerly of the Tata Institute of Social Sciences, Bombay and Shri S. Subramaniam,

formerly Member, Tariff Commission for having spared their valuable time for discussions with the Committee.

9.2 The Labour Bureau not only provided the Committee with very useful documents, but also did all the empirical exercises required by the Committee in course of its work. We are thankful to Shri M. A. M. Rao, the Director of the Labour Bureau for placing the services of the Bureau at the disposal of the Committee. Shri K. K. Bhatia, former Joint Director, Shri H. G. Gupta, Deputy Director, Shri R. N. Mukerjee and Shri Satnam Das, Assistant Directors not only undertook the responsibility of providing the various documents and doing the empirical exercises, but also gave detailed information about the technical procedures followed by the Labour Bureau. The other officers and staff of the Labour Bureau also rendered valuable assistance to the Committee. The Committee would like to record its high appreciation of the help and assistance rendered by all these officials and staff of the Labour Bureau. The Committee would also like to thank the Assistant Directors of the Bureau in-charge of its four regional offices, Sarvashri Kripal Singh, K. V. Vasudevan, A. Narayanswami and B. N. Kacker who assisted the Sub-committees during their visits to various centres.

9.3 The Committee would like to thank Shri K. D. Bhatia, Director, Bureau of Economics and Statistics, Delhi Administration and his staff for providing the detailed data on wholesale and retail prices in Delhi.

9.4 Finally, the Committee wishes to place on record its appreciation of the hard work done by Shri R. S. Deshpande, Member-Secretary of the Committee throughout the deliberations and the work of the Committee. The Ministry of Labour provided all the secretarial assistance to the Committee. The

Committee is, therefore, grateful to the officials of the Ministry, especially Shri N. K. Verma, Section Officer and other staff of the Labour Bureau Section, whose sincere co-operation and assistance helped in expediting the work of the Committee.

New Delhi 4-2-78.	<i>Sd/-</i> (NILAKANTHA RATH) <i>Chairman</i>
<i>Sd/-</i> (Smt.) (MANIBEN KARA) <i>Member</i>	<i>Sd/-</i> (Smt.) (PARVATHI KRISHNAN)* <i>Member</i>
<i>Sd/-</i> (PRASANABHAI MEHTA) <i>Member</i>	<i>Sd/-</i> (B. N. SATHAYE)* <i>Member</i>
<i>Sd/-</i> (M. K. PANDHE)* <i>Member</i>	<i>Sd/-</i> (KANTI MEHTA) <i>Member</i>
<i>Sd/-</i> (M. T. SHUKLA) <i>Member</i>	<i>Sd/-</i> (V. I. CHACKO)* <i>Member</i>
<i>Sd/-</i> (R. L. N. VIJAYANAGAR)* <i>Member</i>	<i>Sd/-</i> (V. R. RAO) <i>Member</i>
<i>Sd/-</i> (M. A. M. RAO) <i>Member</i>	
<i>Sd/-</i> (R. S. DESHPANDE) <i>Member-Secretary</i>	*Subject to Minutes of dissent.

I

MINUTE OF DISSENT

BY

SHRI V. I. CHACKO

SHRI R. L. VIJAYANAGAR

We differ both in emphasis and in regard to certain suggestions and recommendations contained in the Report. We do not consider the comments contained in the Report as an appropriate or sufficient response to the various charges made against the Government, the Labour Bureau and the price collecting agencies and the employers, or adequate for the purpose of placing the issue clearly before the bar of public opinion. The Committee has been appointed in public interest and this duty of placing the various issues before the public is a duty cast on the Committee.

During the course of the proceedings and in the material submitted by the labour representatives and union spokesmen to the Committee, attacks have been made on the methodology of collection and compilation of consumer price indices by the Labour Bureau. It has become a trade union practice to question the indices whenever prices showed a stable or declining trend. Unless the CPI numbers steadily increase, thus providing an automatic escalation to dearness allowance payments month after month, the Index numbers as well as the collecting agencies and the Government are accused of manipulating, falsifying and depressing the index numbers.

The severe criticism made and the propaganda unleashed with the accusation of 'fraud' put the Government and the price

collecting agencies on the defensive and its effect has been to seek appeasement by setting up new committees to enquire into price collecting and index structuring procedures. The present committee itself has been appointed as a result of such attacks made on the central series published by the Labour Bureau.

2. While certain unions have made oral and written submissions that fraud has been committed in the compilation of price and the computation of the indices, the Committee has not been provided with any evidence other than vehement assertions. Fraud involve deliberate deceit and dishonesty but the accusations so freely made and repeated have not been substantiated.

3. The Committee during the course of its work has had the opportunity to see and verify for itself the high technical standards maintained by the agencies concerned, the enormous amount of detailed work done by these agencies and the expertise gained by them. In fact, the Labour Bureau has shown that it is a finely turned instrument which in professional competence stands favourably with the best in the world.

4. In view of these, we consider that the views expressed in the Report concerning these charges made on the Bureau and the price collecting machinery and the reliability of the procedures as totally inadequate and the relatively passive comments in the Report may only encourage further attacks on fancied or real errors if the indices do not rise as desired.

5. Organised labour appears to have come to the view that the Consumer Price Index Numbers is the sole basis for regulating the payment of DA to labour. This is not correct, as it is also as an economic indicator. In view of the fact that the organised labour in the country represents less than 20 m. out of some 188 m. people earning their livelihood, its efforts to secure an automatic compensation on the basis of CPI Numbers, more often than not indiscriminately shown, have merely tended to transfer resources to a particularly privileged

but small section of the community, from the vast numbers who do not benefit by any such index either for the improvement of their income, or to get compensated for the higher prices they have to pay. The employers have argued that multiplicity of indices, without a clear guideline about which indexes should be used where for the payment of Dearness Allowance has led to the varying practices in different regions and in different industries, which, in turn, have resulted in an irrational wage and Dearness Allowance structure in the economy. They pointedly drew the attention of the Committee that its terms of reference were wide enough to cover the user aspect of the index numbers and hence pleaded that the Committee should recommend guidelines for the use of particular indices in particular centres/ industries keeping in view the need to evolve a more rational wage and salary structure in the economy and to moderate the inflationary potential of automatic neutralisation. The employers on their part, expressed themselves in favour of publication of only one All-India index irrespective of the number of centres in which the survey may be conducted and the price data collected.

6. The system of compensation in the industrial employment exclusively based on consumer price index would merely accelerate the further increase of costs, particularly in a partially controlled economy. The effect of this would be different upon different industries and different groups of workers. In the case of goods produced in particular for mass consumption, the industries may not be able to pass on the increased cost to the masses whose purchasing capacity has been impaired due to uneven distribution of national income. As a result, such industries may go sick bringing about closures or under-utilisation of capacities leading to loss of production and loss of employment. We, therefore, thought that the Committee would apply its mind to this challenging aspect of the terms of reference, but we were disappointed. The terms of reference are clear to the effect that the Committee should "review the various aspects of the Consumer Price Index Numbers for industrial workers including the criteria and the methodology for deriving the

weighting diagram, the linking factor, methods of compilation of the index and the price collection system", and "study and report on :

- (a) the existing price collection procedures and machinery;
- (b) the desirability and mode of associating the representatives of the trade unions and employers with the process of price collection work"

According to us the terms are so wide as to cover not only the mechanism of the compilation of index, but also the way in which the Consumer Price Index should be used. However, the Committee summarily dismissed the plea for laying down guidelines regarding the user aspects of the index on the mere ground that irrational wage, salary, and income structure has nothing to do with the way in which the Consumer Price Index is compiled or published. In doing so it has confined itself to the inclusive part of the terms of reference and has totally ignored the leading part of the terms of reference and the role of the index as it affects wage structure in the economy. The twin factors which hold pivotal position in wage fixation are the per capita national income and the Consumer Price Index number and as such the Committee should have made constructive suggestions and recommendations in this regard, which would have gone a long way to assist the National Wage, Price and Income Policy Committee recently set up by the Central Government in making its own recommendations for evolving a national wage policy.

7. Having set our general views on the terms of reference of the Committee, we will now refer to the specific items of the consumption basket whose price index is sought to be corrected in the manner explained in Chapter IV of the Report.

Index of commodities sold in Ration Shops

8. In regard to price index of commodities sold in ration shops in informal rationing areas, it is suggested that the quantity

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of the ration commodity that should be taken for weighting its price index, should be the actual off-take from the shops, as against the present practice of taking the quantity permitted by the rationing authority. For the ascertainment of actual off-take of the ration commodity, it is suggested that the Labour Bureau should select a large number of ration shops in working class residential areas in the centre and collect information from them about the total quantity of each ration commodity sold and the total number of consumer units registered at each of these shops at the end of each month from the records of the shops. By excluding from the total quantity sold, bulk purchases made by hotels, canteens, etc., it is suggested that the average off-take per unit during the month should be arrived at to attach the weight for the ration commodity. We should not, however, overlook the fact that these shops are patronised not only by the working class but also the general public and it is difficult to say that whenever the off-take goes down, it is the working class that has reduced the off-take. Moreover, the Government has, as a matter of public policy, brought into existence over a period of years, a large number of fair price shops as a measure of insuring the working class community against the inflationary spiral, and as such everything should be done to encourage purchases, from such shops. This is possible only if the prices are taken in proportion to weight of permissible quantities of each commodity as is being done now. No case has, therefore, been made out why a change in the practice should be made and thus defeat the policy of the Government.

9. In regard to house rent index for tenements given to working class free of charge, a questionable logic has been advanced by the Committee as to how the index in such a case should not remain at 100. In the view of the Committee, provision of rent-free tenements means that a worker's total wage is partly in cash and partly in kind, in the form of a tenement. We, however, hold that there is no basis for such an inference. Where wages are *ab initio* fixed on a certain cash wage plus a rent free quarter, the Committee is right in taking such a view.

However, in this country, wages have not been evolved on that basis. By and large, wages of workers employed in industrial or commercial concerns have been fixed either by collective bargaining or arbitration or adjudication, taking into account wages in the locality concerned or in the neighbouring locality, the minimum need of workers by way of food, clothing, housing and other requirements etc. For instance, in the case of a tea plantation unit wages have been fixed say, at Rs. 150 per month on the basis that a similar wage was being paid by another manufacturing unit, say a chemical factory situated in the same locality based on the consumer price index number say, 150 on the 1944 series. It provides for wage adjustments of Re. 1 per point rise per month. The chemical factory does not provide any rent-free quarter. But, in the wage fixed, all the relevant factors including rent had been taken into account. If subsequently by legislation the plantation worker is to be provided with a rent-free quarter, it is difficult to understand as to how the Committee can say that in this case the plantation worker's pay packet consists of cash wages of Rs. 150 and a rent-free quarter in addition. And, further to hold that the weight of house-rent in the expenditure basket of the plantation worker is zero, seems to us unreasonable and irrational. We, therefore, feel that without knowing the facts and circumstances, of each case, if a generalisation is made as has been done by the Committee that where rent-free quarters are provided it "is not material from the point of view of use of the CPI Numbers for neutralisation of price rise", it could lead to absurd results as we demonstrate below :

Let us say, the wage of a plantation worker has been fixed at Rs. 150 in 1951 at an index of 150 in CPI 1944=100 on the ground that a chemical factory worker in that locality was getting Rs. 150. The rate of neutralisation was Re. 1 per point rise in the index.

In the family expenditure survey, relevant to 1944=100 series the percentage of a house rent to

total expenditure was 8 per cent. On the basis of pay packet, house rent component works out to Rs. 12.

In 1957, a legislation was made providing for rent-free quarters for plantation workers which adds to cost the employers an additional Rs. 25 p.m. per worker.

In 1958-59 family expenditure survey, the rent expenditure was accordingly computed at Rs. 25. In the 1960=100 series, the house rent was put at Rs. 25. Thereafter, the house rent index is kept constant at 100. In 1960, the index in 1944=100 series stood at 300, giving a linking factor of 3. Thereafter, the 1944 series were discontinued. The 1960=100 series stands today at 200 which converted to 1944 works out to 600 by the linking factor.

If today the house rent is excluded from the CPI on the ground that it is provided free the index would rise by, say, 10 points equal to 30 points in the old index. We may now compare the situation of a plantation worker with that of a chemical factory worker :

	Tea worker	Chemical worker
	Rs.	Rs.
Total pay for 600 points	600	600
House rent part of pay packet of Rs. 600 at 8%	48	48
Based on original value of the free quarter .	25*	Nil
Additional DA arising out of house rent being excluded from the index (which gives a rise of 30 points on 1944 series)	30	30

*Because of the cost of maintenance, repairs, taxes, insurance etc., the real cost may be higher.

The total house-rent received by a tea worker works out to Rs. 103 whereas for the chemical factory worker it is only Rs. 78. This was not the position when both started at Rs. 150 in 1951. This is the fortuitous result of the removal of index number of 100 from the plantation series of CPI.

10. While the removal of the constant value of 100 given for rent-free houses for more than 25 years in these series (1944=100) may not have been intended as a means to stretch the index for plantation workers, the above illustration proves that it has such an effect. We feel that the Committee had no call to tamper with a well-established principle and procedure.

11. While we are in agreement with the suggestion that the case of self-owned tenements, the index should be adjusted on the basis of an index of maintenance of repairs, we are not in favour of correction in rent index in factory centres where index for 'new' houses is proposed to be set by general consumer price index in the centre excluding the rent index. House rent has nothing to do with the food prices or with the prices of pan, supari or Tobacco. The appropriate index is, therefore, the combined index of group II, *i.e.*, fuel and light, group IV, *i.e.*, clothing, bedding and footwear and Group V *i.e.*, miscellaneous. We, therefore, suggest that this combined index should be applied to arrive at the index of new houses.

Price Index of items supplied free

12. The recommendation is in this regard to items like school fees and text books on which the house holds reported expenditure in the year of survey but were subsequently made free by the State Governments to the effect that the weight of such an item in the index should be distributed *pro rata* on all other items in the index, has no rationale behind it and as such we cannot lend our support to it. If the State takes over the expenditure on these items through a levy on the employer or through community taxation, it is totally wrong to discontinue

the separate price index for the item concerned and to spread its weight on all the other items in the index.

It is a matter of common knowledge that school fee does not rise or fall as in the case of food articles. In fact, they remain constant over a number of years. The recent trend has, however, been to subsidise the school fee. In certain centres, school education is being made free. Similar is the position with regard to the text books. Normally, therefore, the price index of these items remain either stationary or decline. To disturb this position through the mechanism of spreading their weights on all other items in the index, when they are made free, is totally uncalled for. Such a course would obviously result in an unwarranted upward bias in the index depending upon the extent of hike that takes place in the prices of commodities over which the weight has been so spread. This is tantamount to nullifying the efforts of the Government in stabilising the price line.

13. In regard to coal or firewood supplied free of charge in some mine or plantation centres, we are not in favour of the suggestion that the price index for these items in the other nearby centres should be imputed to that of the mine or plantation centre as it tends to inflate the index artificially and in our view, the Labour Bureau's practice of imputing a value to them and keeping their price indices fixed at 100 is perfectly in order. No case has been made for a change in this long established practice.

The observation we have made in the above paragraph also holds good in regard to mining centres where medicines are supplied free of charge by employers.

14. At the commencement of the work of the Committee we drew attention to the need for maintaining a perspective of the national economy and not to look upon the present opportunity as a means to lead the CPI. The net effect of the

various proposals contained in the Chapter IV to which we have referred in this Note is to raise the index numbers in such a way as to create not only fertile grounds for disputes but to increase the national liability on DA by several hundred crores.

Dated this the 4th day of February, 1978.

Sd/-

(V. I. CHACKO).

Sd/-

(R. L. N. VIJAYANAGAR)

**NOTE OF DISSENT BY Dr. M. K. PANDHE AND SHRI
B. N. SATHAYE**

We do not agree with some of the assessments of the current practices in compiling the CPI numbers and recommendations arising out of these assessments. We give below our views on these issues. The notes are clarifying our viewpoints on some observations in the Report while on certain issues we are dissenting from the recommendations of the Committee.

On inclusion of plantation and mining centres

1. We express our disapproval at the manner in which the mining and plantation centres were included by the Labour Bureau in the Scheme of compilation of the All India Index for 1960 series. Though it is claimed that the inclusion of these centres has covered a wider section of the working class than the factory workers with which it initially started, the decision to keep the House Rent Index frozen at 100 had only resulted in depressing the All India Index. This was totally in contradiction to the decision of the Labour Bureau, not to keep the House Rent Index constant at 100 for factory worker's centres. Since

the number of centres for which House Rent Index was frozen was as large as 18 out of 50 centres in 1960 series and 16 out of 60 in 1971 series, and in most of the centres the index was not used for the calculation of their D.A., the inclusion of these centres resulted in justified apprehensions that it was mainly meant to nullify the effect of the improvement made over the earlier series in respect of House Rent Index for Factory Centres. Moreover no Central Trade Unions demanded at that time the compilation of the indices for these centres.

On selection of centres

2. The observations of the committee that the Labour Bureau follows a certain well defined procedure for selection of centres for compiling the CPI numbers does not reflect the reality. Because it is observed that in the process of selection of new centres, certain centres in the old series were dropped. For instance, in 1949 series 27 Factory Centres were included but 13 out of them were dropped while compiling 1960 series and 9 out of the 50 in 1960 series were dropped while compiling 1971 series which include some of the centres dropped in earlier series. This discontinuity created difficulties for workers whose D.A. was linked with CPI numbers in these respected centres. It is also observed that no uniform basis for the selection of centres in 1960 and 1971 series was maintained. For 1960 the selection of centres was done on the basis of latest available employment figures in factories, mines and plantations. This base was however, changed subsequently as per directive of the TAC to the total working force in a district as per census report, while compiling 1971 series. Since the selections were made on the basis of 10 year old data of working force the centres which developed at a faster rate during sixties were naturally ignored. If the latest available employment figures for factories, mines and plantations would have been obtained perhaps the selection of centres would have been different. For instance Kothagudem would have been selected instead of Gudur in Andhra. Similarly major industrial centres like Bokaro and Ranchi in Bihar, Kota in Rajasthan would have found a place in the 1971 series. There may be some more cases of this type in other States.

On size of the sample

3. It is observed that in some important industrial centres like Bombay, Madras, Howrah and Bangalore the size of the sample has been reduced at the time of fresh family living surveys. This was done at a time when the employment in these centres has increased considerably and in the course of time the character of the working class also became more heterogeneous. This has introduced more variability in their expenditure pattern. Under these circumstances instead of undertaking pilot studies to obtain estimates of variability at different centres the sample size was reduced on the basis of exercises on co-efficient of variation of CPI numbers for ten periods (January to July) of each year from 1964 to 1968 for 43 centres common to 1958-59 and 1971 surveys. We were informed by the former Director of the Labour Bureau that the single member families in Calcutta in 1971 survey came down to about 35 per cent as compared to 55 per cent in 1958-59. In Bombay several workers from other States have come in search of employment during 60's, which has made the character of the working class more heterogeneous. Some other cases might have missed in the survey due to the reduced sample. A pilot study would have helped in the matter. The report of the Sub Commission on the statistical sampling to the United Nations Statistical Commission (First Session on 22nd to 27th September 1947) states in Chapter VI on sampling methods in Family Budget Enquiries "In any case it is most inadvisable to conduct a single large survey without preliminary preparations in the form of Pilot Studies through which knowledge necessary for the design of an efficient sample can be gained, questionnaire tried out, and interviewers trained."

We are of the view that the decision not to undertake pilot studies on the plea of paucity of time and resources is unjustified. Before taking a decision to increase the number of centres the requirements of funds should have been taken into consideration and reduction in the size of the sample in this manner could have been avoided. In view of the failure of the Labour Bureau to convince the trade unions about its methodology we feel that

the size of the sample should have been maintained to ensure credibility of the index.

4. While conducting the Family Living Surveys adequate precautions were not taken to ensure proper reflection of the actual consumption pattern. For example in 1960 series it appears that the expenditure on liquor was not reported by a single worker in Bombay, Madras and Ahmedabad which is *prima facie* unrealistic. This is borne out by the fact that the expenditure on liquor, however, appeared in the 1971 Survey. There are other important items of consumption which also have not been reported in the Family Living Surveys.

On black market prices

5. In centres where statutory rationing is introduced or prices of essential commodities are controlled, black market is rampant and the workers are compelled to pay much higher prices than prescribed under official order in scarcity conditions. Unless the prices that workers are actually paying for the commodities purchased in the black market are collected, the CPI numbers will not reflect the actual price situation. As a result of this they receive less dearness allowance and are consequently forced to reduce their consumption of these and other items. Hence we find that the conference of Labour Statisticians of the ILO observes that "In a period of price control or rationing, where illegal prices are charged openly to the groups for which Index applies, such prices should be taken into consideration as well as the control prices".

We have come across the following extract in the Labour Bureau publication 'CONSUMER PRICE INDEX NUMBERS'— A Monograph "If the open market or black market is patronised by the working classes in addition to Government controlled shops for the purchase of their requirements of rationed and controlled articles, both sets of prices *i.e.*, control price and black market price or open market price, are obtained for such articles and a weighted average of the two sets of prices is

calculated, the weights being the estimated proportions of purchase from the two sources". However, as detailed information was not available we could not go into methodology followed by them. If the experience of collection of these prices had been available it would have helped in considering the justification in discontinuing the practice by the TAC.

We are of the opinion that collection of black market prices should not be considered as impracticable. The very fact that Labour Bureau was once collecting them bears this out. Open collection of prices from fixed shops may not be possible in the case of black market prices and hence the prices may have to be collected directly from the consumers. Since the commodities are essential consumers are compelled to regularly purchase these items in the black market which is wide spread. Therefore, regular collection of these prices from them can be practicable. The practice followed by the Labour Bureau in 1958 should, therefore, be resumed and experience gained in the process can be utilised for overcoming the difficulties that may be encountered while collecting such prices.

After introduction of statutory rationing there has been considerable deterioration in the quality of items supplied through public distribution system. Some experts who appeared before the Committee pointed out that while considering the deterioration in the quality of rationed commodity proper splicing should have been done. A guide to Consumer Price Index Numbers published by the Labour Bureau (1961) has pointed out "When the system of distribution of food grains, sugar etc., at fair prices is introduced on a stable basis, due representation is given to such prices also after allowing for any difference in quality, between the quality selected in index and the variety being sold at fair price shops" (Page 21).

In the absence of proper splicing in such a case we get a comparison of superior variety of an item in the base period with an inferior one at the current period and the index is depressed as a result of this. Therefore, we are unable to understand the

practice adopted by the Labour Bureau to incorporate the prices of rationed articles without proper splicing. With regard to the information given by the Labour Bureau that the relevant records of the detailed price data for the mid-sixties for specific centres are not now available with the Bureau, we strongly feel that the Bureau should have preserved the data so long the 1960 series is in force. This also necessitates the urgency for evolving other suitable mechanism to correct the 1960 series.

We do not agree with the recommendation of the Committee that no correction should be done for the past on account of non-splicing of prices of rationed commodities. We strongly advocate that it should be done to correct the food index properly.

On introduction of 1971 series

We are of the view that unless the 1960 and 1971 series are fully corrected in accordance with all recommendations it will not be appropriate to discontinue 1960 series and link the 1960 series with the 1971. It would be necessary to correct the weighting diagram of 1971 series in an appropriate manner before doing so. To our regret the Committee could not rectify all the mistakes pointed out in 1960 series. As a result of which the linking factor that would be arrived at would be much lower than the actual one. The introduction of 1971 series is already delayed by seven years and the new survey is due soon. It would be more appropriate if the 1960 series is directly linked with a new series after conducting a fresh family budget survey as soon as possible instead of switching over to 1971 series which will have a very short life.

The correction of the 1960 series even may take considerable time. After Government's consideration of the report of the Committee and decision thereon the Labour Bureau will require some time to incorporate all the corrections as per government decision. It would also be necessary to institute some local level machinery at each centre so that work of correction is ensured fully and carried out expeditiously. In view of all these it would

be preferable if fresh family living surveys are conducted at the earliest so that the introduction of the new series is not further delayed.

On correction of the 1960 based series

(a) *Rationed Articles*

We have noted elsewhere in this note our views on the black market prices. We do not approve of the corrective action adopted by the Labour Bureau which provides for distribution of the weight of the commodity in short supply to the entire food group. This cannot be a proper alternative to the collection of the black market prices, since they would be higher than the commodities sold freely in the market.

There has been considerable deterioration in the quality of food articles in the recent past compared to the original specification. We do not agree with the view of the Committee that the present indices cannot be corrected on account of the past failure to do proper splicing in spite of deterioration of quality of items supplied through ration shops. A direct comparison of the base year specification and current specification can be utilised for this purpose. The prices of the items of the base year specification or nearest comparable to them can also be obtained to make suitable corrections.

(b) *Clothing*

The collection of prices of clothing items is no doubt a difficult problem due to availability of several varieties in the market. However, in majority of the cases inferior substitutes have been used in the past. Since the details regarding original specifications and latest available specification can be obtained a method can be evolved to correct the index. We, therefore, express our disagreement with the view of the Committee that the index of clothing items cannot be corrected for the past.

(c) *Footwear*

We are of the opinion that by and large there has been inferior substitution in footwear over the last years. The Bata Company,

for instance, which was manufacturing leather shoes in 1960 has substituted inner leather shoe lining by canvas or other synthetic material. As a result of this substitution the actual extent of price rise gets concealed. Perhaps this is one of the reason why the price relative of canvas shoe appears comparable with that of leather shoes. It also makes material difference between the original specifications and the current specifications. We, therefore, consider that the index for footwear needs correction.

(d) *Quantitative and qualitative changes*

There are several items of consumption whose quantity and quality have considerably deteriorated since 1960. There is unanimity of opinion in the Committee that the problem of deterioration of quality of the items priced for the index is a genuine one. However, some feel that it is difficult to suggest ways to correct the existing series for want of adequate data. The major items which have shown deterioration are as follows :—

1. Thali
2. Readymade cup of tea
3. Saltish snacks
4. Sweets
5. Milk

Over and above this the problem of adulteration is also extremely important since it leads to concealing the actual price rise. This is particularly more pronounced in items like edible oil, vegetable oil, milk, ghee, spices etc.

We agree that this problem is not easy to solve. But unless suitable methodology is evolved to ensure that the effect of difference arising out of quality deterioration between the two varieties is eliminated from the index, it cannot reflect the reality of the situation. The Committee's recommendation of imputing the weight of such items or its ingredients to the food-group or

other items in the food-group will only improve the position marginally. We, therefore, feel that some mechanism should be evolved to rectify the past deterioration of quality and quantity. Otherwise the workers would lose heavily after linking the existing series with the new one.

If, however, there is forced improvement of quality of certain items and splicing is introduced the index cannot be considered as realistic. In this connection it is necessary to quote the ILO recommendations ".....if the consumer is left with no other choice but to make the more expensive article, there being no close substitute, the difference in price might well be counted as price change and not as payment for higher quality, even if there is a utility differential....." (Report of the ILO on Compilation of Consumer Price Indices) (Special problems— p. 91).

Though we have found that the Labour Bureau has taken into account this aspect in certain cases we feel that it is necessary to observe it strictly in every such case so as to ensure proper reflection of the price situation.

It is not proper to brush aside the correction of index for an item on the ground that its impact on the overall index would be negligible. The cumulative effect of several small items may be significant and therefore care should be taken to rectify every item however small weight it may be having in the consumption basket.

On the proposed introduction of region-wise index series

The proposal to introduce a Regional Consumer Price Index Numbers was brought before the Committee almost at the fag end of its deliberations. It could, therefore, not discuss the proposal with either trade union or employers organisations. All the Central Trade Unions appearing before the Committee have earlier accepted the Centre specific Consumer Price Index Numbers.

The concept of dividing the country into 73 contiguous regions and compiling separate indices for these regions substantially alters the character of index itself.

The index numbers are at present used for a specific type of workers and inclusion of all non-farming manual workers will not reflect the required consumption pattern for the purpose of evolving a proper weighting diagram.

On price collection machinery

We, therefore, are of the view that the present practice of compiling centre specific indices should not be disturbed.

According to us the Committee's assessment that the price collection work by and large is being performed conscientiously and carefully is an over statement.

Our attention has been drawn in several cases to the fact that the price collection work is not undertaken on the day specified by the Labour Bureau and during rainy season it is more so. If the day of the price collection happens to be an official holiday many prefer to collect prices on the following day. The time prescribed for collecting the prices of the perishable commodities is not observed in many cases. Wherever the price supervision was adequate the lapses were found to be minimum. But there are States where this supervision was completely lacking.

Some genuine practical difficulties with the price collectors were also noticed. He has to perform his duty without antagonising the shopkeeper for fear of their non-cooperation. He has to accept the prices quoted by them to ensure this continued cooperation, the prices quoted by him, therefore may necessarily not be the same at which consumers are purchasing. With a short time available at their disposal some of the price collectors do their work in casual manner. The paltry payment of travelling allowance and honorarium does not provide them sufficient incentive in his work.

On strong language used by trade unions

According to us the observations made in the Report regarding the characterisation of the index as a fraud by the Trade Unions are not justified.

The Trade Union movement has been complaining for a considerable longer period that the CPI numbers do not reflect the actual rise in prices of commodities. There have been several agitations on this question jointly organised by the Trade Unions in different centres. There was, however, a persistent reluctance on the part of the Government and the Labour Bureau to pay any heed to these agitations. It was only the Bombay Bandh in 1963 that forced the Maharashtra Government to constitute Lakdawala Committee. Desai Committee was constituted for Ahmedabad Centre also after the threat of strike action. The Committee for Delhi and other centres were also results of similar actions of the working class. Appointment of Ramamurti Committee for 4 centres was also announced following the working class movements leading towards strike actions. In centres where the Trade Union movement could not assert effectively the index remained uncorrected. The principle of compensation for rise in prices was thus denied to the workers for no fault of theirs.

All these Expert Committees could not go into full details of various aspects of compilation of index. They could only point out the most glaring errors in index and suggested some corrective measures also.

Working class and trade union movement further developed a mistrust in the price index because the statistical experts associated with the machinery of compilation of indices could not realise the elementary things which an ordinary worker could see. For instance, the official statisticians justified Calcutta miscellaneous index to be kept frozen at 150, points over a considerably longer period for the 1944 series.

The prices of pure ghee were substituted by vegetable oil, repeating of prices for certain clothing items for several months

was considered justified when their prices were going up in the market. The Housing was kept stationary for decades for certain centres, defeating the very purpose of compilation of index. A pair of sarees of medium variety was considered to be available at Rs. 8.50 in the early seventies in Calcutta. These are only some of the most glaring cases, but there are several more instances of this type. Imperfect imputations and substitutions have made the matters worse for the worker. Surprisingly all these methods were statistically considered as justified and wherever workers and trade unions expressed doubts they were given a curt reply that these were all technical matters to be dealt with by the technical experts.

If trade unions desired any information from the State Labour Department or the Labour Bureau they were not supplied with it on several occasions. When the interest of several lakhs of workers were involved it seems attempts were made to keep the information secret. Trade Unions had to face difficulties in getting necessary information even to prepare memorandum for submission before the Expert Committees. Therefore, it was not merely a question of good public relations but an attitude of the authorities towards establishing credibility of the index itself.

The matter became extremely intolerable for the workers during the recent emergency. As it happened in all aspects of social and economical life in the country during that period, the consumer price index numbers were also victims of authoritarianism. The declared determination of the Government to bring down the prices, the repeated threats given by the then Prime Minister and other official spokesmen that the traders would be severely dealt with, and symbolic arrests of traders did not bring down the price level as claimed by the then Government. But the price index declined appreciably during the period since the shrewd shopkeepers were quoting only the officially justified prices. Even at times price reductions were announced as a part of implementation of 20-Point Programme. But the price lists displayed at shops were only for the official inspectors and not for the consumers. The working class, however, suffered due to

these policies. Their dearness allowance was drastically cut when in actual life they were not experiencing a corresponding price cut. In some industries the cut in DA was as much as Rs. 40 per month. There was universal resentment at this mockery but the working class could not resist it due to the emergency regulations. Some central trade unions raised their voice of protest at this state of affairs even during the emergency. In a meeting of Consultative Committee of MPs attached to the Union Labour Ministry, all the participants expressed similar sentiments.

The Labour Bureau which has been responsible for compilation of price index openly intervened in favour of the employers after the submission of the Report of the Bhattacharyya Committee constituted by the Government of West Bengal for Calcutta Centre. The Trade Unions were further shocked to see a complete identity of views expressed in a note submitted by the Indian Jute Mills Association (IJMA) to the Government of West Bengal and a note later submitted by the then Director of the Labour Bureau. The West Bengal Government forced the workers in the State to accept only Rs. 16 instead of Rs. 64 as DA to them under the threat of using DIR regulations, consequent to Expert Committee's recommendations. The image of the high position of the Director of an important organisation like this was never so much tarnished in the past. In Delhi, the Expert Committee's Report was modified by the TAC on the basis of a note prepared by the Labour Bureau, which was responsible for the errors pointed out in the Report. Thus the extent of error was arbitrarily brought down.

The credibility of the Consumer Price Index Numbers went down considerably among the workers since they were defrauded crores of rupees of their dearness allowance. There is no wonder that almost all the national trade union centres have characterised the consumer price index as fraudulent. Considering all this, we do not see any reason why should the Committee feel distressed when the trade unions use such strong words in expressing their resentment.

The Committee had no occasion to go into subjective role of various individuals or agencies in the defects that were found in the compilation of index. The Committees' visits to various centres and markets were pre-arranged and there was no scope for surprise checks. We do not consider that there has been enough evidence to pass a judgement that the mistakes were not deliberate or intentional. It would also not be proper to state that the shortcomings were unavoidable with any human agency.

Though we agree that the trade unions should take more interest in price collection machinery we do not consider it correct to say that trade unions were not interested in checking up the prices. In some places they did not respond because of their mistrust in the price collection machinery. In Calcutta the Committee was informed by a trade union representative in the presence of the price supervisor that the shopkeeper was not quoting correct prices when a representative belonging to his organisation accompanied the price supervisor. It is, therefore, necessary to restore the confidence of the trade unions in the price collection machinery before getting a positive response from them in the matter.

We are confident that if the CPI Numbers are fully corrected and the credibility of the index is established through the Advisory Committees there may not be any reason for the trade unions to use such harsh language.

Sd/- M. K. Pandhe

4-2-78

Sd/- B. N. Sathaye

4-2-78

NOTE OF DISSENT BY SMT. PARVATHI KRISHNAN

There are two points on which I have differing viewpoints on the recommendations made by the Committee and am therefore submitting my note of dissent to them.

On use of black market prices

1. I am of the opinion that in centres where statutory rationing is introduced or prices of essential commodities are controlled, a black market inevitably comes into being and workers are more often than not compelled to purchase commodities in the black market and pay prices which are higher than those prescribed under official order. Hence, unless the prices which workers are actually paying for the commodities purchased in the black market are collected, the Consumer Price Index Numbers will not correctly reflect the actual price situation. Hence the Conference of Labour Statisticians of the ILO (1947) observed that "in a period of price control or rationing, where illegal prices are charged openly to the groups to which the index applies, such prices should be taken into consideration, as well as the controlled prices".

On the introduction of the 1971 series

2. I am of the opinion that the 1971 series should not be introduced but steps taken immediately to conduct a fresh survey and new series be introduced. As has been stated all the shortcomings and mistakes in the 1960 series cannot be fully corrected. This has also resulted from the undue delay in examining the complaints made by the trade unions. Trade unions have been pointing out that details of specifications or quality were not defined in such a manner as to ensure that quality could be identified uniquely. During the period 1960—77, several times it has been pointed out that substitutions have been introduced which were at times not proper and inferior items have been brought into the picture when computing the index.

The Committee has made recommendations for correction of the 1960 series in respect of some of the items. This exercise will itself take some time. After Government has considered

the report of the Committee and takes a decision on it, the Labour Bureau will have to incorporate corrections in the index.

The 1971 series are based on a Survey taken more than seven years ago and is itself outdated now. Hence, instead of introducing series which is itself outdated and about which the working class has expressed serious misgivings, the most satisfactory thing to do would be to undertake a fresh survey and prepare a weighting diagram which is up-to-date. The consultations with the users at all stages of the survey will also provide the guarantee against any misgivings and patent shortcomings.

Sd/

Parvathi Krishnan

4th February, 1978.

New Delhi.

II

OBSERVATIONS OF THE CHAIRMAN ON THE MINUTES OF DISSENT

1. Five of our colleagues have written minutes of dissent to the Report of the Committee. Recording of differences from the observations and recommendations in the main report is unexceptionable. However, some of the statements in the minutes written by some of them might give an incorrect impression about specific observations or recommendations in the report. It is, therefore, necessary to clarify the position in this regard. Secondly, in the minutes of dissent a number of statements have been made on technical matters relating to the index, the implications of which are not obvious. These matters had been discussed in the Committee at length at different sittings, but all these have naturally not been spelt out in detail in the report. In the light of the observations in the minutes, it is necessary to state the technical position clearly for the record. I confine my observations to those two aspects. I am writing this after fully informing the concerned colleagues about the contents of this note.

*Observations on the Minute of Dissent by Dr. M. K. Pandhe
and Shri B. N. Sathaye*

2. On inclusion of plantation and mining centres in the all-India Index, Dr. Pandhe and Shri Sathaye, in their note of dissent, express disapproval of the manner in which the indices for these centres were included in the compilation of the all-India index of the 1960 series. They question the motive of the Bureau in keeping the rent index for these centres unchanged at 100 and including the Index for these centres in the all-India index. The Report has recommended revision of the method of

compiling the rent indices for not only the factory centres but also for the mine and plantation centres. The Committee has disapproved of the practice of keeping the rent index in the mine and plantation centres fixed at 100, giving reasons for such disapproval, and suggests methods for compiling proper rent indices. It also recommends revision of the rent indices for the earlier years to facilitate calculation of a proper linking factor. Therefore, this cannot provide occasion for dissent by them. As for the motive of the Labour Bureau in including the indices of these centres in the all-India index, it is necessary to point out that the Report does not go into the motives, but makes only a factual statements : "As a result, while the index number for individual centres continued to cover exclusively one or the other of these categories of workers, the all-India CPI Number has gradually come to cover a wider section of the working class than the factory workers with which it initially started". (Para 2.2) This surely cannot be a matter for dissent. While there can be no objection to any colleague expressing such suspicion, this cannot properly speaking be termed as dissent, or difference of opinion.

On selection of centres

3. They state that the observation of the Committee that the Bureau has followed a certain well-defined procedure for selection of centres for compiling the CPI Numbers does not reflect the reality because there has been dropping of old centres in the new round of surveys. The report briefly recounts the procedure followed by the Bureau for selection of centres. The Report points out that as long as the total number of centres to be surveyed is limited, any procedure, consistently followed, may result in dropping of some centres and selection of new ones. The Committee was informed by the Labour Bureau that wherever the users of the index for a centre, which was dropped from new round of survey, so desired, the Bureau continued to compile the index for the centre on the old base. The Report recommends that in such cases, if the users cannot be persuaded to cease using that index, then the base for the index should be

updated by a fresh consumer expenditure survey. Thus, the Report has made specific recommendation about the centres which may be dropped as a result of the use of a particular procedure in regard to selection of centres. The Report states the considerations with the TAC that led to the change in the data base for the selection of particular centres in the States, and expresses its preference for the centre specific employment data as the basis, subject of course to availability of data. In the light of all this, it is not clear from their note what observation and recommendation in the Report our colleagues are differing from.

On selection of sample

4. They object to the reduction of the sample size in some centres in the 1971 survey, based on the calculation of the coefficient of variation of the CPI Numbers of a number of sub-samples of the total sample of households in the centre in the earlier survey. They consider this inadequate because they think that the composition of households in the centres may have so changed as to make the exercise based on a 10-year old sample of households irrelevant. Therefore, they think a pilot survey should have been done in order to estimate this coefficient of variation and thus determine the sample size. The question here is not only of additional costs and the availability of time for pilot survey before the date fixed for the family living survey. It is necessary to note that the coefficient of variation measures relative variability and should be considered more stable over time; it cannot be significantly affected by small variations in the composition of the population. There was no evidence to suggest that reduction in the proportion of single-member households in the population covered would significantly change the coefficient of variation; separate tabulation for single-member and multi-member households, carried out by the Bureau for one of the major industrial centres, showed that the two weighting diagrams and consequently the two separate CPI Numbers were not very different, lending thereby no support to the above contention. The ILO advice quoted by our

colleagues would be relevant where a new large-scale survey on a new subject is to be undertaken. The Labour Bureau and the NSSO were not doing the family living survey in 1971 for the first time, indeed all-India consumption surveys have been conducted every year by the NSSO since 1951. The Labour Bureau had considerable experience and evidence of its own and of the NSSO to build upon. Finally, the adequacy of the sample size of the 1971 survey can be checked in the same manner in which the sample size of the 1958-59 survey was done before the 1971 survey. The report has also suggested that this be done and the results published for the use of interested scholars and professionals.

On the correctness of the Survey

5. They allege that adequate precautions were not taken at the time of Survey to ensure proper reflection of the actual consumption pattern, by pointing out that expenditure on liquor was not reported in the 1958-59 survey in 3 cities where there was prohibition. Liquor is a commodity-expenditure on which is under reported in consumer surveys in all countries; under a regime of prohibition, it becomes more so, since households are reticent to reveal expenditure on socially discouraged and illegal habits. While the non-reporting of this expenditure may be considered to be a defect in the weighting diagram for these three centres, there is no way of correcting this defect. Incidentally, it may be useful to note in this context, that on the basis of available evidence, the exclusion appears to have given an upward bias to the index.

On black market prices

6. They differ from the Committee's recommendation about collection of black market price data for the index. There can be no objection to their doing so. However, in their comment, they suggest that failure of the Labour Bureau to use black market price has resulted in the index being depressed with its consequential impact on the DA paid to workers. The Report points out that this has not been the invariable situation. The

corrective action method followed by the Bureau since 1974 appears to have given a somewhat lower index when the relative price of rice was very high, and a higher index when the relative price of rice was low, as during August 1977 for which the data were checked, than what the proper use of either the proxy price or the black market price would have done.

On the correction of the 1960-based index

(a) *On ration commodity*

7. They have advocated that when rationing is introduced for any commodity, its price should be taken into account in the index by splicing, which the Bureau has not done so far. This is exactly what the Committee has recommended to be done henceforth. They, however, contend that the Committee recommends that "no correction should be done for the past". The Report does not make such a recommendation; what it says is that, "we recognise that it is not practicable to correct on this account the current indices at this late stage". This is because the Bureau informed the Committee that the relevant records of the detailed price data for the middle 60's for the specific centres are now not available with the Bureau. They suggest in their note that this can be done by "a direct comparison of the base year specification and current specification". I am afraid this is based on a misunderstanding of what splicing requires in this context. For splicing the ration price index with the open-market price index of the commodity, one has to know the prices of the two at the time rationing was first introduced; the ration price index will have to be based on the index of the open-market price of the commodity from that date onwards. A comparison of the current prices of two varieties or current price data for any other centre is not relevant in this matter of splicing.

(b) *Clothing*

They state that most of the time inferior substitutes have been taken for indexing this item which has depressed the index. According to them, this can be corrected for the past by taking

'the details of the original specification and the latest available specification and devising a method based on these'. Now, in the first place, the Report notes that while there was reason to believe that both inferior and superior substitutes had been taken, the Committee had no basis to assert that in the majority of cases inferior substitutes had been taken. Secondly, as the Report points out, the Bureau's practice is to take the price of the substitute directly for indexing, without splicing, only if the price difference, upward or downward, is not more than 5 per cent. Otherwise, splicing is done. During the past 17 years prices of substitutes have been taken with and without splicing in all the centres, for the simple reason that the specified varieties have gone out of the market. Under the circumstances, to try to compare the price quotations of the present variety with that of the variety specified in 1960 is not possible and useful.

(c) *Footwear*

They contend that the price index of leather shoes is depressed because there has been a change in the quality of such shoes which has not been taken into account. There was a complaint about taking the price of canvas shoes for indexing in Delhi. The Report states that the examination of price indices for canvas and leather shoes showed that the index of the former is quite comparable to that of the latter. It is now contended by them that the leather shoe's price index is depressed. They say that the lining material used in leather shoes of the Bata Shoe Company has changed after 1960. The substitution, they suggest, is inferior and this change in quality should have been taken into account in preparing the index. In the first place, this type of change cannot be normally noticed by the price collector. However, assuming that the information about substitution is correct, that does not by itself tell us whether the substitution was superior, inferior or neutral. But assuming again that it was inferior how does one take it into account except by splicing? Splicing requires price quotations for the two varieties for at least two consecutive months at the time of the change over; this is impossible at this stage.

(d) *Change in quantity and quality*

They have raised the question of changes in the quantity and quality of prepared foods and drink, like 'Thali' sweet and saltish snacks, prepared tea and coffee, and deterioration in the quality of milk and adulteration of item like edible oil, which are not taken into account in the price quotations for the index. The Committee recognises the problem. The Report recommends appropriate action in regard to 'Thali', ready made tea and coffee, and sweets and snacks that are not measured for sale and milk supplied by government dairies. They, however, call these 'marginal' improvements, without explaining either in their note or in the Committee what is the further deficiency and what should be done in that direction. In regard to the changing quality of milk supplied by milkmen, and adulteration of edible oil and other items, the problem is of ascertaining this in the field from week to week. Our colleagues say, "we, therefore, feel some mechanism should be evolved to rectify the past deteriorations in quality and quantity" as if the problem is only one of correcting past errors. The real problem is to suggest the method to be followed in future. Once this is done, the correction for the past may be made by using the same method or some approximation to it. But the Committee has not been able to find out any method, and the colleagues have not been able to suggest any in their minute. That is why the Committee could not make any recommendations in the matter. Here again, the situation may be viewed as one of 'forced change' to which they refer. However, they are not being consistent in this matter, for while they insist on the argument of 'forced change' when there is an improvement in quality, they do not take it into account when there is a deterioration.

They want corrections to be carried out in the past index however small their impact on the overall index for the centre, for they think that many small corrections may add up to a large change. Now, it is necessary to note that this may be so, if there are many small corrections to be made and they are all in one direction. The Committee had no evidence to deduce

that either of these conditions hold. But, subject to this reservation, it is proper to say that any correction, however small, should be made, if it is firmly indicated and a method to do so is found. The trouble is, there is no firm evidence in all such situations that the error is there. The Report indicates that even if one considers it as an error, correction will not make material difference to the index. This cannot be interpreted to mean, as they do, that the Report suggests that small differences be ignored. If this were so, the tramfare index for Calcutta would not have been recommended for revision in the 1960 series.

They appear to attach great importance to all these possible drawbacks which in their judgement appear to depress the index. And, irrespective of whether one can devise an operable method to take these into account in routine collection of data or compilation of the index, they want that the current indices be revised upwards by some measure. This, I am afraid, shows misplaced faith in our ability to compile the 'exact' consumer price index. It is well known that the Laspeyres price index, which is the type of index the Bureau compiles, has an upward bias; that is, it overstates the rise in the cost of living of the average household. But it is not empirically easy to say by how much. Are we then to insist that somehow some downward adjustment be made in the index to take account of this? I mention this in order to draw attention to the Laspeyres index, which does not warrant of absolute correctness as a measure of change in the cost of living, and to the absence of any empirical basis for *ad hoc* changes in it for the purpose.

Adoption of the 1971 series

8. They have expressed themselves against the introduction of the 1971 series of CPI Numbers, unless all the defects in the 1960 and 1971 series of index numbers are corrected. They specify the following points which the Committee's Report, according to them, does not take into account; black market price for statutorily rationed commodity, splicing of ration price

index for quality changes, price index for clothing, footwear and quality changes in broad category of oils, spices and milk. I have explained in detail above the factual and technical position in regard to these. I may point out that not in a single one of these situations has the Committee found a way for making changes, nor have the colleagues been able to suggest in their note a method by which corrections, if any, can be carried out.

They have given a second reason for advocating non-introduction of the 1971 series : it is that, it would be used for only a 'few years before a new index comes up. Now, the Committee has ascertained that taking an optimistic view, a new index, based on a new family living survey, cannot be introduced in less than 6 years from now. The Report has unanimously recommended that the base for the CPI Numbers should preferably be revised once in 5 years. Yet they choose to suggest that 6 years more is 'few' for an index the base of which is already 18 years old'.

On Regional Index Numbers

9. They have dissented from the Committee's recommendation on the suggestion for regional index numbers. The matter was first raised in the Committee towards the end of September 1977 and more than two months had passed, and further meetings held before their minute of dissent was submitted; so it cannot be said that it came up for discussion 'almost at the fag end of the Committee's deliberations'. It is true that this was not a point that the Committee raised and discussed with the representatives of employers and employees when it met them. But, after all not every matter mentioned or recommended by the Committee had been discussed with them. The Committee includes many leaders of trade unions movement and organisations of employers, and one expects that their thinking will also reflect the thinking in such organisations. But the most important point is that the Committee has not recommended the adoption of this proposal, or the discontinuance of the current practice of compilation of centre-specific indices. The Committee

has recommended that the proposal should be examined from all its aspects, technical and otherwise, by all the relevant bodies including the Central Consultative Committee, consisting amongst others, of representatives of trade unions and a considered decision taken after that.

OBSERVATIONS ON THE NOTE

BY

SHRI V. I. CHACKO

AND

SHRI R. L. N. VIJAYNAGAR

Free text-book and school fee

Shri Chacko and Shri Vijaynagar in their note of dissent from the recommendation of the Committee that when the State makes school education and text-books free to the citizens, the Bureau should cease to compile separate price index for these items, and distribute the weight of these on all other items in the index. They argue that "if the State takes over the expenditure on these items through a levy on the employer or through community taxation, it is totally wrong to discontinue the separate price index for the item concerned.....". It is necessary to point out that the present and universal practice in compilation of index number is not to value and include in the index goods and services provided free by the State. When, therefore, the State makes any good or service free to its citizens, the only feasible course is to distribute the weight of the item *pro rata* on all the other items in the index till another family living survey is conducted.

Sd/-

Nilakantha Rath

Chairman

4th February, 1978

APPENDICES

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APPENDIX I

List of Price Collection Centres visited by Sub-Committees constituted by the Committee for discussions with the representatives of trade unions and Employers' Organisations

Place	Date of of Visit	Names of Trade Unions and Employers' Organisations whose representatives participated in the discussions
<i>Trade Unions</i>		
1. Madras	18-7-1977	<ol style="list-style-type: none"> 1. All India Trade Union Congress (Tamil Nadu Branch). 2. Bharatiya Mazdoor Sangh (Tamil Nadu Branch), 3. Centre of Indian Trade Unions (Tamil Nadu Branch). 4. Hind Mazdoor Sabha (Tamil Nadu Branch). 5. Indian National Trade Union Congress (Tamil Nadu Branch). 6. Labour Progressive Federation.
<i>Employers/Employers' Organisations</i>		
2. Bangalore	19-8-1977	<ol style="list-style-type: none"> 1. All India Manufacturers Association. 2. Association of India Engineering Industry. 3. Employers Federation of South India. 4. Southern India Mill Owners Association. 5. South Indian Sugar Mills Association. <p style="text-align: center;"><i>Trade Unions</i></p> <ol style="list-style-type: none"> 1. All India Trade Union Congress, Karnataka State Committee. 2. Bharatia Mazdoor Sangh, Karnataka State. 3. Centre of Indian Trade Unions, Karnataka State. 4. Indian National Trade Union Congress, Karnataka Branch.

APPENDIX I—*contd.*

5. Indian Telephone Industries Employees Union.
6. Karnataka Karmik Congress.

Employers/Employers' Organisations

1. Association of Indian Engineering Industry.
2. Federation of Karnataka Chamber of Commerce and Industry.
3. Mysore State Employers' Association.

3. Mundakayam 22-7-1977 *Trade Unions*

1. Akhila Kerala Plantation Labour Union.
2. All Kerala Thottam Thoshilali Union.
3. Centre of Indian Trade Unions (Kerala).
4. Thiru Cochin Thottam Thozhilali Union (INTUC Unit).
5. Estate Staff Union of South Inida.
6. High Range Estate Employees Union (AITUC).
7. Kottayam Plantation Labour Union.

Employers/Employers' Organisations

1. Association of Planters in Kerala.
2. Boyce Estate.
3. Cheruvally Estate.
4. Mullaridie Estate, Peermade.
5. Mundakayam Estate.
6. Mundakayam Planters Association.
7. Travancore Rubber & Tea Company Limited.
8. United Planters Association of Southern India.
9. Valley End Estate, Mundakayam.
10. Shri C.P.A. Yoosuf General Merchant, Mundakayam.
11. Shri Reli Dey, Mundakayam.
12. Shri R.K. Dey, Mundakayam,

4. Calcutta 25-7-1977 *Trade Unions*

1. All India Trade Union Congress, West Bengal Branch.

APPENDIX I—*contd.*

2. Asian Confederation of Labour.
3. Bharatiya Mazdoor Sangh, West Bengal Branch.
4. Centre of Indian Trade Unions, West Bengal Branch.
5. Hind Mazdoor Panchayat, West Bengal Unit.
6. Hind Mazdoor Sabha, West Bengal Unit.
7. Indian National Trade Union Congress, West Bengal Branch.
8. National Federation of Indian Trade Unions.
9. Trade Union Co-ordination Centre.
10. United Trade Union Congress (Lenin Sarani).
11. United Trade Union Congress (Bipin Behari Ganguli Street).

Employers/Employers' Organisations

1. Association of Indian Engineering Industry (Eastern Region).
2. Bengal Chamber of Commerce & Industry.
3. Bengal Mill Owners' Association.
4. Bengal National Chamber of Commerce.
5. Bharat Chamber of Commerce.
6. Indian Chamber of Commerce.
7. Indian Jute Mills Association.
8. Indian Tea Association.
9. Merchants Chamber of Commerce.

5. Dhanbad

27-7-77

Trade Unions

1. Bharat Colliery Kamgar Union (CITU).
2. Centre of Indian Trade Union (Bihar State Committee), Patna.
3. Damodar Valley Corporation Karamchari Sangh.
4. Engineering Workers Union.
5. Hind Mazdoor Panchayat (Bihar State).

APPENDIX I—*contd.*

6. Indian National Mines Workers Federation.
7. Indian National Trade Union, Dhanbad.
8. Kumardhubi Engg. Workers Union.
9. Rashtria Koila Mazdoor Sangh (INTUC), Dhanbad.
10. United Coal Workers Union (AITUC).
11. United Trade Union Congress, Dhanbad.

Employers/Employers' Organisations

1. Associated Cement Company Ltd., Sindhri.
2. Bharat Coking Coal Ltd.
3. Barabar Engg. & Foundry Works.
4. Bokaro Steel Ltd.
5. Damodar Valley Corporation.
6. F.C.I. Mazdoor Union.
7. Harry Refractory & Ceramic Works Limited.
8. Hindustan Steel Construction Ltd.
9. Hindustan Zinc Ltd.
10. Kumardhubi Fire Clay & Silica works Ltd., Kumardhubi.
11. Kumardhubi Engg. Works Ltd.

28-7-77 *Trade Unions*

1. All India Trade Union Congress, Dhanbad.
2. Centre of Indian Trade Unions (Bihar State Committee), Patna.
3. Colliery Mazdoor Sabha of India (CITU).
4. Hind Mazdoor Panchayat.
5. Indian National Trade Union Congress, Dhanbad.
6. Koyala Ispat Mazdoor Panchayat.
7. Rashtria Colliery Mazdoor Sangh (INTUC).
8. United Trade Union Congress, Dhanbad.

APPENDIX I—*contd.**Employers/Employers' Organisations*

1. Associated Cement Company Ltd.
2. Bokaro Steel Ltd.
3. Fertilizer Corporation of India (Planning & Development Division) Sindhri.
4. Kumardhubi Fire Clay & Silica works Ltd.

6. Bombay

29-7-77 *Trade Unions*

1. All India Trade Union Congress (Maharashtra State Unit).
2. Air Corporations Employees Union.
3. Bharatiya Mazdoor Sangh (Maharashtra State Unit).
4. Centre of Indian Trade Unions (Maharashtra State Unit).
5. Hind Mazdoor Sabha.
6. Indian National Trade Union Congress (Maharashtra State Unit).

Employers/Employers' Associations

1. All India Manufacturers Association.
2. Association of Indian Engg. Industry.
3. Bombay Chamber of Commerce and Industry.
4. Employers Federation of India.
5. Indian Merchants Chamber.
6. Organisation of Pharmaceutical Producers of India, Bombay.
7. Mill Owners Association, Bombay.

7. Ahmedabad

1-8-77 *Trade Unions*

1. All India Trade Union Congress (Gujrat State Unit).
2. Bharatiya Mazdoor Sangh (Gujrat State Unit).
3. Centre of Indian Trade Union (Gujrat State Committee).
4. Hind Mazdoor Sangh (Gujrat State Unit).
5. Indian National Trade Union Congress (Gujrat State Unit).
6. Textile Labour Association & National Labour Organisation.

APPENDIX I—*contd.*1-8-77 *Employers/Employers' Organisations*

1. Ahmedabad Mill Owners Association.
2. Federation of Gujrat Mills and Industries, Baroda.
3. Gujrat Chambers of Commerce & Industry.
4. Saurashtra Mill Owners Association.

8. Delhi

11-8-77 *Trade Unions*

1. All India Trade Union Congress (Delhi Branch).
2. Bharatiya Mazdoor Sangh (Delhi Branch).
3. Centre of Indian Trade Union (Delhi Branch).
4. Delhi Journalist Association.
5. Delhi Union of Journalists.
6. Hind Mazdoor Sabha (Delhi Unit).
7. Indian National Trade Union Congress.
8. Kapra Mill Mazdoor Sangh.
9. Kapra Mazdoor Ekta Union.
10. National Front of Indian Trade Unions (Delhi Branch).
11. Textile Mazdoor Sangh.
12. United Trade Union Congress (Delhi Branch).

Employers/Employers' Organisations

1. All India Organisation of Employers.
2. Association of Indian Engineering Industries.
3. Delhi Factory Owners Federation.
4. Delhi Printers Association.
5. Delhi Cloth Mill Chemical Works.
6. Delhi Hindustan Mercantile Association.
7. Federation of Indian Manufacturers.
8. Northern India Manufacturer's Association.
9. Punjab Haryana Delhi Chamber of Commerce.
10. Shahdara Manufacturers Association.

APPENDIX I—*contd.*

9. Kanpur

26-7-77 *Trade Unions*

1. All India Trade Union Congress (U.P. State Unit).
2. Bharatiya Mazdoor Sangh (U.P. State Unit).
3. Centre of Indian Trade Union (U.P. State Committee).
4. Hind Mazdoor Sabha (U.P. State Unit).
5. Indian National Trade Union Congress (U.P. State Unit).
6. Rashtriya Textile Mazdoor Union (INTUC).
7. United Trade Union Congress.

Employers/Employers' Organisations

1. Employers Association of Northern India.
2. Elgin Mills.
3. Indian Sugar Mills Association (U.P. Branch).
4. U.P. Chamber of Commerce.

APPENDIX II

List of Organisations which submitted Memoranda to the Committee

1. Bihar State:

Employers' Organisation

- (i) Bihar Industries Association.

2. Delhi :

(a) Trade Union Organisations:

- (i) Kendriya Sachivalaya, New Delhi.
- (ii) National Front of Indian Trade Union, Delhi Branch.

(b) *Employers' Organisations:*

- (i) Delhi Factory Owners' Federation.
- (ii) Punjab, Haryana & Delhi Chamber of Commerce & Industry.

3. Gujarat:

(a) Trade Union Organisations:

- (i) CITU (Gujarat State Committee).
- (ii) INTUC (Gujarat State Branch).
- (iii) National Labour Organisation.
- (iv) Textile Labour Association, Ahmedabad.

(b) Employer's Organisations:

- (i) Saurashtra Mill Owner Association, Surendra Nagar.

4. Karnataka:

(a) Trade Union Organisations:

- (i) All India Trade Union Congress, Karnataka State Committee.
- (ii) C.I.T.U. (Karnataka State Committee).
- (iii) Indian Telephone Employees' Union.
- (iv) Karnataka Karmik Congress, Bangalore.

5. Kerala:

(a) Trade Union Organisations:

- (i) Bhartiya Mazdoor Sangh (Kerala State Unit).
- (ii) C.I.T.U. (Kerala State Committee).

APPENDIX II—*contd.*6. *Maharashtra:*(a) *Trade Unions:*

- (i) All India Trade Union Congress (Maharashtra State Committee).
- (ii) Bharatiya Mazdoor Sangh (Maharashtra State Unit).
- (iii) Biri Mazdoor Sabha, Ahmednagar.
- (iv) C.I.T.U. (Maharashtra State Committee).
- (v) I.N.T.U.C. (Maharashtra Branch).
- (vi) M.R.T.U.C. of the A.I.T.U.C.

(b) *Employers' Organisation:*

- (i) Employers Federation of India, Bombay.

(c) *Others:*

- (i) National Institute of Labour Management, Parel, Bombay.

7. *West Bengal:*(a) *Trade Union Organisations:*

- (i) All India Trade Union Congress.
- (ii) Asian Confederation of Labour, Calcutta.
- (iii) I.N.T.U.C. West, Bengal Branch.
- (iv) Memorandum jointly submitted by West Bengal Committee of C.I.T.U., U.T.U.C., T.U.C.C., H.M.S. and H.M.T.
- (v) National Front of Indian Trade Union, Calcutta.

(b) *Employers' Organisations:*

- (i) Bengal Chamber of Commerce and Industry, Calcutta.
- (ii) Bharat Chamber of Commerce, Calcutta.
- (iii) Indian Chamber of Commerce, Calcutta.

(The Hon'ble Minister of Labour, Government of West Bengal gave a note to the Committee during the courtesy call made by the sub-Committee members on 25th July, 1977).

8. *Tamil Nadu:*

(a) Labour Progressive Federation, Madras.

(b) *Employers' Organisations:*

- (i) Employers' Federation of Southern India, Madras.
- (ii) Southern India Mill Owners' Association, Coimbatore.

9. *Uttar Pradesh:*

Employers' Association of Northern India, Kanpur.

APPENDIX III

List of Trade Unions whose representatives participated in the meeting of Committee on the 13th September, 1977

1. All India Trade Union Congress, 24, Canning Lane, New Delhi.
2. Bhartiya Mazdoor Sangh, 19, Windsor Place, New Delhi.
3. Centre of Indian Trade Unions, 172, Lenin Sarani, Calcutta.
4. Hind Mazdoor Panchayat, 204, Raja Ram Mohan Roy Road, Girgaum, Bombay.
5. Indian National Trade Union Congress, 1-B, Maulana Azad Road, New Delhi.
6. National Front of Indian Trade Unions, 2, Jawaharlal Nehru Road, Calcutta.
7. National Labour Organisation, Gandhi Mazdoor Sevalaya, Bhadra, Ahmedabad.
8. United Trade Union Congress, 249, Bipin Ganguly Street, Calcutta.
9. United Trade Union Congress (LS), 77/2/1, Lenin Sarani, Calcutta.

APPENDIX IV

Specific aspects of the Consumer Price Index Numbers for the working class on which the representatives of the Central Trade Unions were requested to offer comments in the meeting held on the 13th September, 1977

1. The "working class" to which the consumer price index number currently compiled by the Labour Bureau relates, consists of manual workers in (i) factories, (ii) mines and (iii) plantations, as defined in the basic laws relating to these three sectors.

(a) What, in your view, should be the population that this index should cover and why? (You may know that the Central Statistical Organisation has been compiling a similar consumer price index for the middle class in urban India.)

(b) Specifically, at present the Labour Bureau takes *badli*, casual and contract labour into the sample frame, if the lists of such workers are available with the main establishments or with the contractors. Do you think that these classes of manual workers should be included in the sample frame, and if so, how can adequate coverage of these groups be ensured?

2. Do you have any comments/suggestions on the method of sampling adopted at different stages of the family budget enquiries?

3. At present the Labour Bureau is conducting family budget surveys to derive new weighting diagrams once every 10 years or so. What in your view should be the interval between two surveys, 5 years, 10 years, or any other?

4. At present, the Labour Bureau is compiling, two different consumer price index series—one with 1960 as the base year and the other with 1971 as the base year. The former are being published regularly and are in use. The latter are awaiting acceptance. The methodology followed in the compilation of both the indices is more or less the same. Dissatisfaction has been expressed in various quarters about the method followed in the compilation of the price index of one or other item in the consumption basket. You are requested to comment on any specific commodity's price index for any specific centre. Particularly:

(a) What are your comments and suggestions on the compilation of the price index of cereal items in the statutory rationing areas and modified rationing areas?

(b) In your opinion, does the house rent index for (i) industrial, (ii) mining, and (iii) plantation centres, adequately reflect the changing cost of housing of the working class? If not, why? In what way may it be improved so as to better reflect the reality of the housing costs to workers?

(c) The compilation of the index for clothing is plagued with the problem of substitution arising out of frequent discontinuation of the manufacture of specific varieties, and with the problem of inadequate specification of quality of the cloth. This gives rise to doubts about the correctness of the clothing index. Do you have any comments on this and can you make any suggestions as to how the difficulties associated with this task can be minimised?

APPENDIX IV—*contd.*

5. The 1960-based index is based on a weighting diagram derived in the year 1958-59. It is now 18 years old. There is another weighting diagram for 1971 awaiting acceptance.

Do you think it is desirable to switch over to the 1971-based index now, after modifications, if any, in these two indexes?

Or, would you rather wait for a new consumer survey and a new index, and till then carry on with the 1960-based index, whose weighting diagrams and commodity specifications are no longer considered quite relevant?

You may note that a new survey's results would not be available probably in less than 5 years from now.

6. Do you think the weighting diagram should be modified before a new family budget survey is conducted, to take account of changing expenditure pattern of the working class in a centre? If so, how should it be done?

7. What are your comments on the price collection procedure currently being followed for compilation of the CPI Nos. at various centres?

8. What are your specific suggestions for associating representatives of the trade unions and employers' organisations with price collection work and machinery? Do you think a type of committee as existing in Bombay at the State level or at each Centre, with the added representative of local trade unions and employers' associations would be a useful device? What would be its functions?

9. What are the other ways in which the Labour Bureau can keep the trade unions and employers' associations continuously informed of its work, and have consultations with them periodically?

APPENDIX V

Markets visited by members of the Sub-Committee which visited selected centres

<i>Madras (18-7-77)</i>	<i>Bangalore (20-7-77)</i>	<i>Mundakayam (23-7-77)</i>
1. Washermen Pet	1. Krishna Rajendra Market	1. Main Market
2. Royapuram	2. Malleswaram Market	
<i>Calcutta (26-7-77)</i>	<i>Jharia (27-7-77)</i>	<i>Bombay (30-7-77)</i>
1. Metiabruz	1. Jharia	1. Elphinstone Road
2. Tangra	2. Kendua Kirkend	2. Lal Bag, Parel
3. Sealdah		
<i>Ahmedabad (1-8-77)</i>	<i>Delhi (11-8-77)</i>	<i>Kanpur (26-8-77)</i>
1. Jamalpur	1. Subzimandi	1. Darshanpurwa
2. Rakhial	2. Shahdara	2. Sisamau

APPENDIX VI

List of Experts with whom the Committee/Sub-Committee had discussions during the enquiry

1. Prof. Nikhilesh Bhattacharya, Indian Statistical Institute, Calcutta.
2. Shri B. N. Datar, Director, Ambedkar Institute for Labour Studies, Rashtriya Mill Mazdoor Sangh, Bombay.
3. Prof. V. M. Dandekar, Director, Gokhale Institute of Politics and Economics, Poona and Chairman, Governing Council of the National Sample Survey Organisation.
4. Dr. K. C. Majumdar, Director, Perspective Planning Division, Planning Commission.
5. Dr. S. D. Punekar, Formerly Head of the Department of Research, Tata Institute of Social Sciences, Bombay.
6. Shri S. Subramaniam, formerly Member, Tariff Commission, Bombay.

APPENDIX VII

List of Organisations who sent replies in response to letter No. U-29025/5/77-LB dated 22-6-77 (Questionnaire) to the Committee

I. Trade Unions:

1. All India Trade Union Congress, New Delhi.
2. Centre of Indian Trade Unions, Calcutta.
3. Hind Mazdoor Sabha, Bombay.
4. Textile Labour Association, Ahmedabad.
5. Bhartiya Mazdoor Sangh, Delhi.

I. Employers Organisations:

1. All India Manufacturers' Organisation, Bombay.
2. Bihar Industries Association, Patna.
3. The Employers' Federation of India, Bombay.
4. Mill Owners Association, Bombay.
5. Madhya Pradesh Textile Mills Association, Indore.
6. All-India Organisation of Employers, New Delhi.

APPENDIX VIII

List of Centres covered under the 1960-based and 1971-based series of Consumer Price Index

State	Centres	
	1960 (2)	1971 (3)
(1)		
Andhra Pradesh	1. Gudur (M) 2. Guntur (F) 3. Hyderabad (F)	1. Gudur (M) 2. Guntur (F) 3. Hyderabad (F)
Assam	4. Digboi (F) 5. Doom-Dooma (P) 6. Labac (P) 7. Mariani (P) 8. Rangapara (P)	4. Doom-Dooma (P) 5. Gauhati (F) 6. Labac (P) 7. Mariani (P) 8. Rangapara (P)
Bihar	9. Jamshedpur (F) 10. Jharia (M) 11. Kodarma (M) 12. Monghyr (F)	9. Jamshedpur (F) 10. Jharia (M) 11. Kodarma (M) 12. Monghyr— Jamalpur (F)
Gujarat	13. Noamundi (M) 14. Ahmedabad (F) 15. Bhavnagar (F)	13. Noamundi (M) 14. Ahmedabad (F) 15. Baroda (F) 16. Bhavnagar (F) 17. Surat (F)
Jammu & Kashmir	16. Srinagar (F)	18. Srinagar (F)
Haryana	17. Yamunanagar (F)	19. Yamunanagar (F)
Kerala	18. Alleppey (F) 19. Alwaye (F) 20. Mundakayam (P)	20. Alwaye (F) 21. Mundakayam (P) 22. Quilon (F)
Madhya Pradesh	21. Balaghat (M) 22. Bhopal (F) 23. Gwalior (F) 24. Indore (F)	23. Balaghat (M) 24. Bhilai (F) 25. Bhopal (F) 26. Indore (F) 27. Jabalpur (F)
Maharashtra	25. Bombay (F) 26. Nagpur (F) 27. Sholapur (F)	28. Bombay (F) 29. Nagpur (F) 30. Nasik (F) 31. Poona (F) 32. Sholapur (F) 33. Thana (F)

APPENDIX VIII—Contd.

Centres

States (1)	1960 (2)	1971 (3)
Karnataka	28. Ammethi (P)	34. Bangalore (F)
	29. Bangalore (F)	35. Chikmangalur (P)
	30. Chikmangalur (P)	36. Hubli-Dharwar (F)
	31. Kolar-Goldfield (M)	
Orissa	32. Barbil (M)	37. Barbil (M)
	33. Sambalpur (F)	38. Rourkela (F)
Punjab	34. Amritsar (F)	39. Amritsar (F)
Rajasthan	35. Ajmer (F)	40. Ajmer (F)
	36. Jaipur (F)	41. Jaipur (F)
Tamil Nadu	37. Coimbatore (F)	42. Coimbatore (F)
	38. Coonoor (P)	43. Coonoor (P)
	39. Madras (F)	44. Madras (F)
	40. Madurai (F)	45. Madurai (F)
Uttar Pradesh	41. Kanpur (F)	46. Tiruchirapalli (F)
	42. Saharanpur (F)	47. Bareilly (F)
	43. Varansasi (F)	48. Ghaziabad (F)
		49. Kanpur (F)
West Bengal		50. Varanasi (F)
	44. Asansol (F)	51. Asansol (F)
	45. Calcutta (F)	52. Calcutta (F)
	46. Darjeeling (P)	53. Calcutta Industrial Region (Excluding Calcutta) (F)
	47. Howrah (F)	54. Darjeeling (P)
	48. Jalpaiguri (P)	55. Durgapur (F)
	49. Raniganj (M)	46. Howrah Industrial Region (F)
Delhi	50. Delhi (F)	57. Jalpaiguri (P)
Pondicherry	—	58. Raniganj (M)
		59. Delhi (F)
		60. Pondicherry (F)

F—Factory Centre

M—Mining Centre

P—Plantation Centre

APPENDIX IX

A note on the selection of centres covered under the working class family income and expenditure survey, 1971

In its third meeting held at New Delhi on 16th and 17th July, 1968 the Technical Advisory Committee on Statistics of Prices and Cost of Living decided to form a Working Group to draw up the details of the fresh Family Living Surveys. The Working Group included the following members:—

1. Shri K.K. Bhatia, Director, Labour Bureau, Simla . Chairman
2. Head of the N.S.S. Division I.S.I. or his nominee . Member
3. Shri S.M. Vidwans (Government of Maharashtra) . Member
4. Dr. P.C. Joshi (Department of Economic Affairs) . Member
5. Chief Director, National Sample Survey or his nominee . Member
6. Shri B. Sitaraman (C.S.O.) . Convener

The following were the terms of reference of the Working Group:—

1. Definition and Concepts;
2. Choice of centres;
3. Designing of the pilot study;
4. Details of schedules to be canvassed;
5. Sampling design;
6. Outline of end tables;
7. 'Repeat' annual Surveys.

It was decided that the Working Group should place before the Technical Advisory Committee its recommendations on various matters including proposals for a pilot survey within a period of 3 months.

The following items were proposed for discussion in the first meeting of the Working Group held at Simla on 2nd and 3rd September, 1968:—

1. Defining of the class of workers to be covered;
2. Names of centres to be covered for the working class survey;
3. Coverage for 1969-70, survey@ in respect of schedules 'A' and 'B' for the Working Class;
4. Any other item.

Accordingly, the Labour Bureau prepared an approach paper for the consideration of the Working Group (Relevant extracts relating to the question of selection of centres for the survey are at Annexure D).

@The survey was ultimately held in 1971.

APPENDIX IX—*contd.*

The Working Group held three meetings. At these meetings the group considered *inter alia* the question of centres to be covered and submitted its report to the Technical Advisory Committee in respect thereof (Relevant extracts of the Report *vide* Annexure II).

It will be seen that as per its Report, the Working Group while adopting the 3 stage approach for the allocation of centres among different sectors (factory, mining and plantation) in the various States, tentatively selected 58 centres. Of these 58 centres, F.L.S. were suggested to be carried out at 56 centres only since the surveys at two other centres (Bhilai and Rourkela) had been carried out in 1965-66. The group further recommended that Poona be covered by the Maharashtra Government concurrently with the central surveys in 1969-70. If Poona was to be covered as proposed by the group, the Central Government was to carry out the survey at Nasik. The tentative list of centres selected by the Working Group which included 17 new centres, however, left out the following nine centres out of the 50 centres covered in 1958-59 survey for the reasons mentioned against them:—

<i>Centre</i>	<i>Reason</i>
(i) 1. Kolar Gold Fields 2. Bhavnagar 3. Alleppey 4. Bhopal 5. Gwalior 6. Sambalpur	} Minor importance in the all-India picture.
(ii) 7. Saharanpur 8. Ammathi 9. Digboi	} States concurrence for dropping/ replacing the centre.

The aforesaid selection of centres was expected to give a total of 58 centres for purposes of all-India Index.

The First Report of the Working Group was presented in the Fifth Meeting of T.A.C. held at New Delhi on 5th December, 1968. (Relevant extracts of the Summary Record of the Discussions *vide* Annexure III.)

The following points emerged during the discussion on the report of the Working Group:—

1. Bhilai and Rourkela, covered in 1965-66, should also be covered fresh as *inter alia* the weighting diagram based on 1965-66 (an abnormal Year) consumption pattern may not be considered satisfactory.
2. Bhopal should be included as an additional centre for Madhya Pradesh and Bhavnagar be chosen as a replacement for Kaira centre in Gujarat (Recommended by the Working Group).
3. Poona should be covered in central series since it happened to be one of the centres of Maharashtra selected on the basis of objective considerations evolved by the Working Group. The State Government was to be requested to cover some other centre of interest to the State. The Bombay-Thana region should be chosen as a single large centre with an adequately large sample size. Nasik should be covered independently and not as a substitute for Poona.

APPENDIX IX—*contd.*

4. The Calcutta-Howrah industrial complex, should be divided into 3 different centres, *viz.*,
 - (i) Calcutta industrial region (excluding Calcutta).
 - (ii) Calcutta.
 - (iii) Howrah Industrial Region.

The aforesaid selection of centres thus provided a list of 59 centres to be covered. The question relating to Bombay-Thana was subsequently discussed on 23-4-69 in the room of the Director, C.S.O. and it was decided at the behest of the Maharashtra Government that Bombay and Thana might be covered as two separate centres (Annexure IV).

The decision regarding Bombay and Thana as two separate centres raised the number of centres covered under the F.L.S., 1971 to 60.

APPENDIX IX—*contd.*

ANNEXURE I

Relevant extracts from the approach paper prepared by Labour Bureau, Simla relating to Surveys among industrial workers for considerations in the First Meeting of the Working Group on Family Living Surveys, 1969-70 (Constituted by the T.A.C.) held at Simla on September 2 and 3, 1968

Terms of Reference No. 2—Names of Centres to be covered:—

2.1 Centres covered during Family Living Survey, 1958-59

The names of centres covered under the Family Living Surveys among industrial workers, 1958-59 together with character and workers employed therein are given below:—

State	Centre	Character	No. of Workers employed	
			1958-59	Recent year
1	2	3	4	5
Andhra Pradesh	(i) Guntur	Factory	47,003	17,974
	(ii) Hyderabad	Factory	—	27,166
	(iii) Gundur	Mining	3,966	818
Assam	(i) Digboi	Factory	2,276	1,336
	(ii) Doom-Dooma	Plantation	—	17,970
	(iii) Labac	Plantation	—	7,710
	(iv) Mariani	Plantation	—	22,583
	(v) Rangapara	Plantation	—	17,555
Bihar	(i) Jamshedpur	Factory	—	54,574
	(ii) Monghyr-Jamalpur	Factory	—	14,000
	(iii) Jharia	Mining	—	135,199
	(iv) Kodarma	Mining	—	10,331
	(v) Noamundi	Mining	—	12,874
Delhi	(i) Delhi	Factory	—	68,306
Gujarat	(i) Ahmedabad	Factory	150,464	168,502
	(ii) Bhavnagar	Factory	9,200	11,479
Haryana	(i) Yamunanagar	Factory	—	—
J & K	(i) Srinagar	Factory	7,611	3,763

APPENDIX IX—*contd.*

(1)	(2)	(3)	(4)	(5)
Kerala	(i) Alleppey	Factory	—	2,773
	(ii) Alwaye	Factory	—	7,094
	(iii) Mundakkayam	Plantation	—	2,442
Madhya Pradesh	(i) Bhopal	Factory	4,630	14,939
	(ii) Gwalior	Factory	—	16,976
	(iii) Indore	Factory	26,220	31,006
	(iv) Balaghat	Mining	—	3,490
Madras	(i) Coimbatore	Factory	19,714	N.A.
	(ii) Madras	Factory	36,985	N.A.
	(iii) Madurai	Factory	18,002	N.A.
	(iv) Coonoor	Plantation	435	N.A.
Maharashtra	(i) Bombay	Factory	—	161,483
	(ii) Nagpur	Factory	23,034	11,508
	(iii) Sholapur	Factory	—	6,749
Mysore	(i) Bangalore	Factory	62,529	103,668
	(ii) Chikmagalure	Plantation	1,489	1,173
	(iii) K.G. Field	Mining	—	46
	(iv) Ammathi	Plantation	—	—
Orissa	(i) Sambalpur	Factory	5,368	2,020
	(ii) Barbil	Mining	—	—
Punjab	(i) Amritsar	Factory	22,094	23,430
Rajasthan	(i) Jaipur	Factory	4,877	20,001
	(ii) Ajmer	Factory	8,295	11,653
Uttar Pradesh	(i) Kanpur	Factory	—	83,820
	(ii) Saharanpur	Factory	—	11,249
	(iii) Varanasi	Factory	—	15,560
West Bengal	(i) Asansol	Factory	34,084	4,229
	(ii) Calcutta	Factory	21,506	23,177
	(iii) Howrah	Factory	142,038	182,421
	(iv) Darjeeling	Plantation	7,774	8,362
	(v) Jalpaiguri	Plantation	20,536	19,044
	(vi) Raniganj	Mining	—	4,782

2.2 Centres proposed by the States for the Family Living Survey 1969-70.

Views of the State Governments were sought about the names of the centres to be covered during the proposed survey. Most of the States favoured retention of the existing centres. Only the States of Assam, Bihar and Mysore

APPENDIX IX—contd.

suggested that the existing centres of Digboi (F) Monghyr—Jamalpur (F) and Amathi (F) may be replaced by Gauhati (F), Barauni (F) and Hubli-Dharwar (F) respectively. The Labour Bureau feels that the 50 centres covered under the 1958-59 surveys continue to be important from the all-India point of view as may be derived from the employment figures given above in respect of the year 1958-59 and the recent years. A word of caution should, however, be mentioned regarding the acceptance and use of the employment figures since the coverage of these figures in regard to geographical boundaries, etc., may not be identical and hence the two sets of figures are not comparable. As the demarcation of boundaries, etc. for individual centres for the proposed survey has not yet been made and can be finalised on the basis of the findings of the pilot survey only, it would not be worthwhile at the moment to ask the State Governments to supply the relevant data. However, a somewhat rough idea of the relative importance of particular centres can fairly be obtained from these figures which should, perhaps, be considered for this limited purpose only. Coming to the point, as already emphasised, the retention of the 50 centres is all the more important in view of the fact that the index numbers for these 50 centres which are being compiled and published by the Labour Bureau at present are used for regulating the D.A. of workers in the respective centres. Discontinuance of any such centre-wise index series may raise certain complications and objections both from employers' as well as employees' organizations. It will, therefore, not be advisable to drop any of these 50 centres from the proposed survey in 1969-70. On the other hand, the new three centres proposed by State Governments as substitutes for the next round of the survey are fast developing industrial centres of all India importance. Gauhati and Barauni have become important land-mark in the industrial map of India by virtue of the gigantic oil refineries operating in the public sector. The third proposed substitute centre *i.e.*, Hubli-Dharwar is also a factory centre and has a heavy concentration of Labour force numbering more than 11,000. All the three centres of Gauhati, Barauni and Hubli-Dharwar in addition to the existing 50 centres may, therefore, be covered during the next round of survey.

As regards other additional centres, to be covered during 1969-70 survey, proposal for 19 new centres have come from the State Governments details of which along with the present employment figure of workers are given below:—

State/Union Territory	Additional centres suggested for inclusion	Character	No. of workers (in recent years)
(1)	(2)	(3)	(4)
Andhra Pradesh	(i) Kothagudium	Mining	Already covered during 1964-65
Gujarat	(i) Baroda (ii) Surat	Factory Factory	52,308 19,456
Madhya Pradesh	(i) Jabalpur	Factory	8,787

APPENDIX IX—*contd.*

(1)	(2)	(3)	(4)
Madras	(i) Kotagiri	Factory	759
	(ii) Salem	Factory	4,871
	(iii) Sivakasi	Factory	2,395
	(iv) Rajapalayam	Factory	1,113
	(v) Valparai	Factory	985
	(vi) Kanyakumari	Factory	38
Maharashtra	(i) Poona	Factory	32,806
Orissa	(i) Chowdwar	Factory	6,406
	(ii) Rayagada	Factory	1,074
	(iii) Talcher	Mining	5,800
Punjab	(i) Ludhiana	Factory	19,400
Rajasthan	(i) Kota	Factory	7,392
Uttar Pradesh	(i) Allahabad	Factory	7,636
	(ii) Bareilly	Factory	6,679
Pondicherry	(i) Pondicherry	Factory	9,800

Out of the 19 additional centres suggested, Kothagudium in Andhra Pradesh was already covered during the F.L.S. (1964-65) and need not be taken up again for inclusion in the proposed round of survey. While on the one hand it would be desirable to include additional centres within the purview of the next round of survey with a view to obtaining a more representative and broad-based picture of all-India position wherein the regional characteristics are suitably reflected, on the other hand the present financial stringency and certain operational difficulties compel us to adopt a modest view and to suggest selection of only those centres which are really important from the all-India point of view. It is accordingly suggested that seven additional centres *viz.*, (i) Baroda (ii) Jabalpur, (iii) Poona, (iv) Talcher, (v) Ludhiana, (vi) Kota and (vii) Pondicherry may be included.

It may be recalled in this context that in a T.A.C. meeting, while discussing the need for construction of State Series of C.P.I. Nos. need was felt to increase the number of centres in each State. It is feared that the present selection of centres is not enough to build the indices at State Level, and the number will have to be considerably enlarged if the desired purpose is to be achieved. The alternative, therefore, is to ask the State Governments to come forward to fill the gap which also gives an opportunity for fuller participation of the State Governments in the Survey.

2.3 Final proposal for covering 60 centres

Thus in brief the proposal is to cover a total of 60 centres by the Labour Bureau *i.e.* repeating the survey in the existing 50 centres and adding 10 centres *viz.* (i) Gauhati, (ii) Barauni, (iii) Hubli-Dharwar, (iv) Baroda, (v) Jabalpur (vi) Poona (vii) Talcher, (viii) Ludhiana, (ix) Kota, and (x) Pondicherry. It will further be seen that all these new centres are factory centres except Talcher in Orissa which happens to be a mining one. No centres suggested by the Govts. of J & K, Madras and U.P. can, however, be considered for inclusion in the proposed survey as none of them appears to be sufficiently important from the all-India point of view.

APPENDIX IX—*contd.*

ANNEXURE II

**Relevant extracts from the First Report of the Working Group
on Family Living Survey, 1969-70**

* * * * *

9. *Choice of centres* : The Group thought that during the 1969-70 survey, a total number of 60 industrial centres may be covered, keeping in view their all-India importance. However, by applying certain objective criteria (listed below) the Group arrived at a total number of 58 centres. In case, the State Governments feel the necessity of C.P.I. Numbers for additional industrial centres the respective States may cover such centres and maintain C.P.I. Numbers for their local use.

10. For the actual allocation of the centres among different sectors (factory, mining and plantation) in the various States, the following criteria were adopted :—

- I. In the first stage, the number of centres were allocated among factory, mining and plantation sectors in the ratio of the total employment in each sector.
 - II. In the second stage, the number of centres allocated to each sector were distributed among States on the basis of industrial employment in each State.
 - III. In the third stage, the actual centres were selected on the basis of district-wise industrial employment as per 1961 census. In picking up the most important centre within a district, States were also consulted. Care was taken to ensure that only one centre per sector was selected from a District.
11. Accordingly, the centres were allocated to the various sectors of different States. The share of the factory, mining and plantation sectors came to 44, 7 and 9 respectively for a total 60 centres originally assumed. Details in this regard are given in Statement I. While reviewing the representation given to different States on the basis of the above criteria, the Working Group discovered that Jammu & Kashmir, Pondicherry and Himachal Pradesh would go unrepresented in the central series. Therefore, the question of allocating a centre to each of these States was further examined. This examination showed that it was possible to select a centre each from Jammu & Kashmir and Pondicherry but not from Himachal Pradesh, as the requisite concentration of Working Class population was not available at any centre of Himachal Pradesh.

APPENDIX IX—contd.

12. The sector-wise list of centres selected for different States is given below :—

List of Centres (tentatively) selected by the Working Group for different States

S. No.	State	Name of the Centres	Sector
(1)	(2)	(3)	(4)
1.	Andhra Pradesh	1. Hyderabad	Factory
		2. Guntur	Factory
		3. Gudur	Mining
2.	Assam	4. Gauhati	Factory
		5. Doom-Dooma	Plantation
		6. Mariani	Plantation
		7. Rangapara	Plantation
		8. Labac	Plantation
3.	Bihar	9. Jamshedpur	Factory
		10. Monghyr-Jamalpur	Factory
		11. Jharia	Mining
		12. Kodarma	Mining
		13. Noamundi	Mining
4.	Delhi	14. Delhi	Factory
5.	Gujarat	15. Ahmedabad	Factory
		16. Surat	Factory
		17. Baroda	Factory
		18. Kaira	Factory
		19. Yamunanagar	Factory
7.	Punjab	20. Amritsar	Factory
8.	Jammu & Kashmir	21. Srinagar	Factory
9.	Kerala	22. Quilon	Factory
		23. Alwaye	Factory
		24. Mundakkayam	Plantation
10.	Madhya Pradesh	25. Jabalpur	Factory
		26. Indore	Factory
		27. Bhilai	Factory
		28. Balaghat	Mining
		29. Coimbatore	Factory
11.	Madras	30. Madras	Factory
		31. Madurai	Factory
		32. Tiruchirapalli	Factory
		33. Coonoor	Plantation

APPENDIX IX—*contd.*

(1)	(2)	(3)	(4)
12. Maharashtra	.	34. Bombay	Factory
		35. Poona*	Factory
		36. Thana	Factory
		37. Sholapur	Factory
		38. Nagpur	Factory
13. Mysore	.	39. Bangalore	Factory
		40. Hubli-Dharwar	Factory
		41. Chikmagalur	Plantation
14. Orissa	.	42. Rourkela	Factory
		43. Barbil ²	Mining
15. Rajasthan	.	44. Jaipur	Factory
		45. Barbil	Mining
16. Uttar Pradesh	.	46. Kanpur	Factory
		47. Gazhiabad	Factory
		48. Varanasi	Factory
		49. Bareilly	Factory
17. West Bengal	.	50. Barrackpore (Calcutta Industrial Region as defined in 1961 census excluding Calcutta).	Factory
		51. Calcutta	Factory
		52. Howrah	Factory
		53. Asansol	Factory
		54. Durgapur	Factory
		55. Jalpaiguri	Plantation
		56. Darjeeling	Plantation
		57. Raniganj	Mining
18. Pondicherry	.	58. Pondicherry	Factory

*In case Poona is covered by the State Government, the proposed Central Surveys would cover Nasik.

APPENDIX IX—*contd.*

13. Family Living Surveys at Bhilai and Rourkela have recently been carried out by the Labour Bureau and Poona is proposed to be covered by the Maharashtra Government concurrently with the central surveys in 1969-70. If Poona is covered as proposed, the Central Government will carry out the survey at Nasik.

14. Selection of centres as indicated above, leaves out from the present series, the following nine centres. These centres have been omitted for one or the other of the following reasons :—

- (i) minor importance in the all-India picture (Kolar Gold Fields, Bhavnagar, Alleppy, Bhopal, Gwalior and Sambhalpur).
- (ii) State's concurrence for dropping/replacing the centre (Saharanpur, Ammathi, Digboi).

15. Thus, family living surveys in 1969-70 would be carried out at 56 centres, surveys at two other centres (Bhilai and Rourkela) having recently been carried out by the Labour Bureau. This would give a total of 58 centres for all-India purposes.

APPENDIX IX—*contd.*

STATEMENT I

(a) Statement showing employment in different stratum and pro-rata allocation of 60 centres on the basis of employment.

	Factory	Mine	Planta- tion	Total
A. Employment (in thousands) during the year 1966	4,687	700	900	6,287
B. Allocation 60 centres in different stratum on the basis of employment	45 1.3 (44.73)	7 (6.68)	8 (8.59)	60 Centres

APPENDIX IX—contd.

STATEMENT I

(b) Statement showing (a) percentage of employment to total in 1966 (b) share of allocation of centres on the basis of employment and (c) optimum allocation of centres (State-wise) for different sectors for the proposed Family Living Survey during 1969-70.

S. No.	State	Percentage of employment			Share of allocation			Optimum allocation (in Nos.)			
		Factory	Mine	Plan-tation	Factory	Mine	Plan-tation	Factory	Mine	Plan-tation	Total
1	2	3	4	5	6	7	8	9	10	11	12
1.	Andhra Pradesh	5.44	5.86	—	2.44	0.41	—	2	1	—	3
2.	Assam	1.73	1.43	52.00	0.78	0.10	4.15	1	—	4	5
3.	Bihar	5.08	36.28	0.11	2.29	2.54	0.01	2	3	—	5
4.	Maharashtra	19.99	3.14	—	9.00	0.22	—	9	—	—	9
5.	Gujarat	8.81	1.29	—	3.96	0.09	—	4	—	—	4
6.	Haryana	1.56	0.14	—	0.70	0.01	—	1	—	—	1
7.	Jammu & Kashmir	0.19	—	—	0.09	—	—	—	—	—	—
8.	Kerala	4.20	0.14	12.22	1.89	0.01	0.98	2	—	1	3
9.	Madhya Pradesh	4.52	13.00	—	2.03	0.91	—	2	1	—	3
10.	Madras	8.64	2.86	8.11	3.89	0.20	0.65	4	—	1	5
11.	Mysore	5.12	4.43	8.56	2.30	0.31	0.68	2	—	1	3
12.	Orissa	1.43	8.00	—	0.64	0.56	—	1	1	—	2
13.	Punjab	2.22	—	—	1.00	—	—	1	—	—	1
14.	Rajasthan	1.60	2.72	—	0.72	0.19	—	1	—	—	1
15.	Uttar Pradesh	8.81	0.43	0.11	3.96	0.03	0.01	4	—	—	4
16.	West Bengal	18.62	18.14	18.33	8.38	1.27	1.47	8	1	1	10

17. Andaman & Nicobar Islands	0.06	—	—	0.03	—	—	—	—	—	—	—	—
18. Delhi	1.88	—	—	0.85	—	—	—	1	—	—	—	1
19. Himachal Pradesh	0.06	0.14	0.11	0.08	0.01	0.01	—	—	—	—	—	—
20. Manipur	—	—	—	—	—	—	—	—	—	—	—	—
21. Tripura	0.04	—	0.45	0.02	—	—	—	—	—	—	—	—
22. Goa	—	2.00	—	—	0.14	—	—	—	—	—	—	—
Total	100.00	100.00	100.00	45	7	8	45	7	8	60		

APPENDIX IX—*contd.*

STATEMENT I

(c) Statement showing existing centres, optimum allocation of centres and proposed allocation of centres (State-wise for different sectors) as recommended by the Working Group on Family Living Survey.

S. No.	State	Existing Centres (1958-59)				Optimum allocation of Centres (1969-70)			
		Factory	Mining	Planta- tion	Total	Factory	Mining	Planta- tion	Total
1	2	3	4	5	6	7	8	9	10
1.	Andhra Pradesh	2	1	—	3	2	1	—	3
2.	Assam	1	—	4	5	1	—	4	5
3.	Bihar	2	3	—	5	2	3	—	5
4.	Maharashtra	3	—	—	3	9	—	—	9
5.	Gujarat	2	—	—	2	4	—	—	4
6.	Haryana	1	—	—	1	1	—	—	1
7.	Jammu & Kashmir	1	—	—	1	—	—	—	—
8.	Kerala	2	—	1	3	2	—	1	3
9.	Madhya Pradesh	3	1	—	4	2	1	—	3
10.	Madras	3	—	1	4	4	—	4	5
11.	Mysore	1	1	2	4	2	—	1	3
12.	Orissa	1	1	—	2	1	1	—	2
13.	Punjab	1	—	—	1	1	—	—	1
14.	Rajasthan	2	—	—	2	1	—	—	1
15.	Uttar Pradesh	3	—	—	3	4	—	—	4
16.	West Bengal	3	1	2	6	8	1	1	10

17. Andaman & Nicobar Islands	—	—	—	—	—	—	—	—
18. Delhi	1	—	—	1	1	—	—	—
19. Himachal Pradesh	—	—	—	—	—	—	—	—
20. Manipur	—	—	—	—	—	—	—	—
21. Tripura	—	—	—	—	—	—	—	—
22. Goa	—	—	—	—	—	—	—	—
23. Pondicherry	—	—	—	—	—	—	—	—
Total	32	8	10	50	45	7	8	60

N.B. :—For adjustment due to rounding up, etc. No. of plantation centres in West Bengal have increased to 2 (1.47) thus raising the total allocation of plantation centres to 9. This would induce a corresponding decrease of total factory centres to 44 from 45 in order to make the State-wise as well as all-India totals comply with the allocation recommended by the Working Group. Out of 60 proposed centres, 59 have been distributed to different States and a decision is yet to be taken for the remaining one.

APPENDIX IX—contd.

STATEMENT I

S. No.	State	Proposed allocation (1969-70)				Addition/deletion over existing centres			
		Factory	Mining	Planta- tion	Total	Factory	Mining	Planta- tion	Total
1	2	3	4	5	6	7	8	9	10
1.	Andhra Pradesh	2	1	—	3	—	—	—	—
2.	Assam	1	—	4	5	—	—	—	—
3.	Bihar	2	3	—	5	—	—	—	—
4.	Maharashtra	5	—	—	5	(+)	—	—	(+)
5.	Gujarat	4	—	—	4	(+)	—	—	(+)
6.	Haryana	2	—	—	2	(+)	—	—	(+)
7.	Jammu & Kashmir	1	—	—	1	—	—	—	—
8.	Kerala	2	—	1	3	—	—	—	—
9.	Madhya Pradesh	2	1	—	3	(—)	—	—	(—)
10.	Madras	4	—	1	5	(+)	—	—	(+)
11.	Mysore	2	—	1	3	(+)	(—)	(—)	(—)
12.	Orissa	1	1	—	2	—	—	—	—
13.	Punjab	2	—	—	2	(+)	—	—	(+)
14.	Rajasthan	2	—	—	2	—	—	—	—
15.	Uttar Pradesh	4	—	—	4	(+)	—	—	(+)
16.	West Bengal	5	1	2	8	(+)	—	—	(+)
17.	Andaman & Nicobar Islands	—	—	—	—	—	—	—	—

18. Delhi	1	—	—	1	—	—	—	—	—
19. Himachal Pradesh	—	—	—	—	—	—	—	—	—
20. Manipur	—	—	—	—	—	—	—	—	—
21. Tripura	—	—	—	—	—	—	—	—	—
22. Goa	—	—	—	—	—	—	—	—	—
23. Pondicherry	1	—	—	1	(+)1	—	—	—	(+)1
Total	43	7	9	59	(+)11	(—)1	(—)1	(—)1	(+)9

N.B. :—For adjustment due to rounding up, etc. No. of plantation centres in West Bengal have increased to 2 (1.47) thus raising the total allocation of plantation centres to 9. This would induce a correspondence decrease of total factory centres to 44 from 45 in order to make the State-wise as well as all-India totals comply with the allocation recommended by the Working Group. Out of 60 proposed centres, 59 have been distributed to different States and a decision is yet to be taken for the remaining one.

APPENDIX IX—*contd.*

ANNEXURE III

Relevant extracts relating to selection of centres from the summary Record of the Discussions held in the 5th Meeting of the Technical Advisory Committee (5th December, 1968).

* * * * *

2. The Chairman in his introductory remarks referred to the work done by the Working Group on family living surveys set up at the third meeting of the TAC and drew the attention of the members to the First Report of the Group placed before this meeting. He mentioned that a government decision on conducting the family budget survey of the industrial working class population has been taken and funds for this purpose have been provided to the Labour Bureau. The Working Group in their First Report have considered the technical details of the survey relating to industrial workers only on the basis of the material supplied by the Labour Bureau. Selection of centres and other preliminary work has to be finalised early to launch the survey in July 1969. The Committee may, therefore, give its firm recommendations on various matters raised in the Report.

Item (i) Working Class Family Living Surveys, 1969-70—First Report of the Working Group

5. Shri K.K. Bhatia, Director, Labour Bureau and Chairman of the Working Group presenting the First Report of the Working Group mentioned that the Group held 3 meetings (one at Simla and two at New Delhi) and considered several documents prepared by the Labour Bureau on the survey relating to industrial workers. The First Report deals with the following terms of reference :—

- (a) Concepts and definitions.
- (b) Choice of centres,
- (c) Designing the pilot survey and
- (d) Schedules to be canvassed.

A second report dealing with the remaining terms of reference namely, (a) Sampling design, (b) End-tables and (c) Repeat Annual Surveys, will be submitted to the TAC in April-May 1969.

6. The Chairman of the Working Group then referred to the objective criteria which the Group kept in mind in selecting centres for the proposed survey. Proceeding on the basis of a general indication that 60 centres are to be covered all over the country, the Working Group allocated this number amongst different sectors (factory, mining and plantation) and within each sector amongst different States on the basis of the latest available employment data. The actual selection of centres within a State was, however, done on the basis of district-wise employment figures for non-household manufacturing industries taken from the 1961 Census in the absence of centre-wise information on the latest base. A list of 58 centres arrived at in this manner has been recommended by the Working Group. Family living surveys at 2 of these

APPENDIX IX—*contd.*

centres (Bhilai and Rourkela) have recently been carried out (in 1965-66) by the Labour Bureau and the Working Group did not consider it necessary to undertake family living surveys at these centres during 1969-70 some of the centres of the existing series had to be excluded from the proposed new series, because they were not sufficiently important from the all-India point of view. In some cases, the State Government had also concurred with a proposal to drop/substitute these centres. The Director, Labour Bureau mentioned at this stage that the Department of Labour and Employment has already requested the Department of Statistics to arrange for the field work of these surveys being carried out by the N.S.S. Organisation.

9. The following points emerged during the discussion on the report of the Working Group :—

1. Bhilai and Rourkela where surveys had been carried out in 1965-66, should also be covered in 1969-70 as the weighting diagrams based on the consumption pattern during 1965-66 (which was an abnormal year) may not be considered satisfactory. There should be no objection for undertaking fresh surveys as the current thinking at official level is in favour of repeating such surveys, once in 5 years, to reflect consumption pattern.
2. Bhopal, and Bhavnagar may be included in the list of centres for the proposed new series. Whereas Bhopal will be an additional centre in Madhya Pradesh, Bhavnagar may be chosen as a replacement for Kaira centre (recommended by the Working Group).
3. Poona may be covered in the central series during 1969-70, since it happens to be one of the centres of Maharashtra selected on the basis of objective considerations evolved by the working Group. The State Government may be requested to cover some other centre of interest to the State. The Bombay-Thana region may be chosen as a single large centre with an adequately large sample size. Nasik may be covered independently and not as a substitute for Poona.
4. The Calcutta-Howrah industrial complex may be divided into 3 different centres, *viz.*,
 - (i) Calcutta industrial region (excluding Calcutta).
 - (ii) Calcutta.
 - (iii) Howrah industrial region.

Sample size for these centres also, will have to be kept sufficiently large.

* * *

10. There was a considerable amount of discussion on the use of district-wise employment figures based on 1961 Census for selecting centres within States. Some members thought that probably sampling methods could have been adopted for this purpose. According to them, it would be possible to devise an appropriate sampling procedure even if selection of some of the larger

APPENDIX IX—*contd.*

centres like Bombay and Calcutta had to be ensured in the over all probability sample. The difficulty, however, was one of ensuring selection of most of the important industrial centres (covered in the 1958-59 series) as consumer price index numbers are needed for each of these centres to meet the requirements of wage boards and other statutory wage-fixing authorities. Some amount of consultation between the States and the Labour Bureau had also taken place in this matter. It may be difficult to convince the States if some of their important centres do not get included in the probability sample. The Chairman finally suggested that an exercise may be carried out quickly (before the 21st December 1968) to determine whether probability selection of at least some of the centres for the 1969-70 surveys is really feasible. The ISI representative was requested to undertake this work. Pending the results of the investigations the TAC recommended a list of 59 centres (including Bhilai and Rourkela) in which fresh family living surveys had to be carried out in 1969-70. This list is given in Statement III.

APPENDIX IX—*contd.*
STATEMENT III

List of Centres recommended by the Technical Advisory Committee on Statistics of Prices and Cost of Living (TAC) for the Working Class Family Living Survey in 1969-70

S. No.	State	Name of the Centres	Sector
1	2	3	4
1.	Andhra Pradesh	1. Hyderabad	Factory
		2. Guntur	Factory
		3. Gudur	Mining
2.	Assam	4. Gauhati	Factory
		5. Doom-Dooma	Plantation
		6. Māriani	Plantation
		7. Rangapara	Plantation
		8. Labac	Plantation
3.	Bihar	9. Jamshedpur	Factory
		10. Monghyr-Jamalpur	Factory
		11. Jharia	Mining
		12. Kodarma	Mining
		13. Noamundi	Mining
4.	Delhi	14. Delhi	Factory
5.	Gujarat	15. Ahmedabad	Factory
		16. Surat	Factory
		17. Baroda	Factory
		18. Bhavnagar	Factory
6.	Haryana	19. Yamunanagar	Factory
7.	Punjab	20. Amritsar	Factory
8.	Jammu & Kashmir	21. Srinagar	Factory
9.	Kerala	22. Quilon	Factory
		23. Alwaye	Factory
		24. Mundakayam	Plantation
10.	Madhya Pradesh	25. Bhopal	Factory
		26. Jabalpur	Factory
		27. Indore	Factory
		28. Bhilai	Factory
		29. Balaghat	Mining

APPENDIX IX—*contd.*

1	2	3	4
11. Madras	. . .	30. Coimbatore	Factory
		31. Madras	Factory
		32. Madurai	Factory
		33. Tiruchirapalli	Factory
		34. Coonoor	Plantation
12. Maharashtra	. . .	35. Bombay-Thana	Factory
		36. Poona	Factory
		37. Nasik	Factory
		38. Sholapur	Factory
		39. Nagpur	Factory
13. Mysore	. . .	40. Bangalore	Factory
		41. Hubli-Dharwar	Factory
		42. Chikmangalur	Plantation
14. Orissa	. . .	43. Rourkela	Factory
		44. Barbil	Mining
15. Rajasthan	. . .	45. Jaipur	Factory
		46. Ajmer	Factory
16. Uttar Pradesh	. . .	47. Kanpur	Factory
		48. Ghazhiabad	Factory
		49. Varanasi	Factory
		50. Bareilly	Factory
		51. (Calcutta Industrial Region (excluding Calcutta).	Factory
17. West Bengal	. . .	52. Calcutta	Factory
		53. Howrah Industrial Region	Factory
		54. Asansol	Factory
		55. Durgapur	Factory
		56. Jalpaiguri	Plantation
		57. Darjeeling	Plantation
		58. Raniganj	Mining
		59. Pondicherry	Factory

Extracts from Shri K. N. G. K. Sastry, Deputy Director, C.S.O., New Delhi letter No. CSO/K-101/69 dated 24-2-1969 addressed to Shri B. P. Guha, Deputy Director, Labour Bureau, Simla.

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.....The final list of centres for the forthcoming working class family living surveys may be deemed to be the same as the one recommended by the T.A.C. at its 5th meeting.

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APPENDIX IX—*concl.*

ANNEXURE IV

Relevant extracts from the record of decisions taken at a meeting held in C.S.O. Director's room to review the progress of the Working Class Family Living Surveys 1969-70.

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9. Bombay.—Thana area was recommended to be taken up as a single centre for the family living survey. In view of the representation from the State Government on this point we may consider Bombay and Thana as two separate centres. Thus, the total number of centres for the new working class family living surveys would be 60.

* * * *

APPENDIX X

Working Class family income and expenditure survey at 60 centres, 1971—A note about determination of sample sizes for the various centres

After the selection of centres for the 1971 survey it was important to determine the sample sizes for the various centres so as to provide sufficiently precise estimates of the Consumer Price Index Numbers for these centres, it may be said in this connection that since the conduct of earlier survey in 1958-59, there have been large increase in the working class population in most of the centres and probably there have also been changes in the composition of the working class due to rural-urban and inter-state migration and entry of sizeable percentage of middle class population into the working class. These factors might have resulted in making the working class population more heterogeneous and consequently introduced more variability in their expenditure pattern. Due to paucity of time and resources, it was not possible to undertake pilot studies to obtain estimates of variability at different centres. In the absence of such a study, the following procedure was adopted to fix up sample sizes at various centres selected for the survey.

Out of the 60 centres selected for the survey, there are 43 centres which are common with the 1958-59. For each of these 43 centres, the consumer price indices were worked out by using the sub-sample-wise weighting diagrams and price data for 10 periods, namely, January and July of each year from 1964 to 1968. For each set of price data, the variation between the sub-sample indices provided an estimate of the error. The co-efficient of variation (C.V.) of the consumer price index number was worked out for these 10 periods for the 43 centres and these are presented in Annexure I to this note. The sample size has been fixed for each of these centres by considering (1) the maximum value of the C.V. estimated at 10 periods under consideration and the precision envisaged for the proposed survey *viz.*, 2 per cent coefficient of variation (E) and (2) the changes in the working class population brought about since 1958-59. The working class population figures used for this purpose relating to 1968-69 have been obtained through the preliminary survey conducted by the N.S.S.O. during the period from October, 1969 to January, 1970. The centres have been classified into 3 groups, namely, (A) for those centres where the co-efficient of variation worked out has been more than 2 per cent, the sample size for the new survey has been calculated by inflating the sample size of the past survey by the ratio $\frac{(C.V.)^a}{E^2}$ subject to the condition that the sample size so arrived at should not be more than twice the sample size of the past survey (B). The sample size at a centre has generally been kept the same as in 1958-59 survey if the C.V. was found to be between 1 and 2 per cent (C). For centres with C.V. less than 1 per cent, the sample size has been reduced subject to the condition that the maximum reduction is upto 50 per cent of that of the earlier survey.

The sample size for each of the 17 new centres has been determined after taking into consideration the working class population at those centres and the variability observed at a neighbouring or a similar centre. A statement

APPENDIX X—*contd.*

showing the new centres along with their working class population and the name of the corresponding centres used for determining the sample size is given in Annexure II to this note.

Some associations of employers and employees had earlier expressed a view that the sample sizes for Bombay and Ahmedabad for the 1958-59 survey were inadequate. Since the sample sizes for these two centres determined for the 1971 survey were lower than those for the 1958-59 survey, these sample sizes were further tested by calculating the co-efficients of variation (for the 9 half-yearly periods *viz.*, July, 1964 to July, 1968) on the basis of the weighting diagrams thrown up by the family budgets (179 for Bombay and 90 for Ahmedabad) specially canvassed (spread over a period of 3 months—October to December 1970) for the purpose. Judging from the maximum values of the co-efficients of variation obtained (1.58 for Ahmedabad and 1.04 for Bombay) it was felt that the co-efficients of variation on the basis of much higher sample sizes (648 for Ahmedabad and 1080 for Bombay) could be expected to be much less. As such, on technical grounds, there appeared to be no justification for enhancement in the sample sizes for these two centres over what had been determined.

The sample sizes determined for the 60 centres are presented in Table I appended to this note.

APPENDIX X—contd.

TABLE I

List of centres, sampling method adopted and sample-size for the working class family, income and expenditure survey, 1971

State/Centre	1958-59				1971				Remarks (Description at the end of the Table)
	Sampling Method adopted	No. of workers	Sample size		Sampling Method adopted	No. of workers	Sample size		
			Sch. A	Sch. B ₁			Sch. A	Sch. B ₁	
1	2	3	4	5	6	7	8	9	10
(a) Factory Centres									
<i>Andhra Pradesh:</i>									
1. Guntur	T	47003	180	60	P	24619	216	84	C
2. Hyderabad	P	NA	480	120	P	48813	648	252	A
<i>Bihar:</i>									
3. Jamshedpur	T	NA	720	240	T	57283	648	252	D
4. Monghyr Jamalpur	P	NA	480	120	P	14972	432	168	D
<i>Gujarat:</i>									
5. Ahmedabad	T	150464	720	240	T	174119	648	252	D
6. Bhavnagar	P	9200	240	60	P	8689	432	168	A
<i>Jammu & Kashmir:</i>									
7. Srinagar	P	7611	480	120	P	7861	432	168	B

Haryana:

8. Yamunanagar	P	NA	240	60	P	12537	432	168	A
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Kerala:

9. Alwaye	P	NA	240	60	P	15745	216	84	D
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Madhya Pradesh:

10. Bhopal	P	4600	240	60	P	15098	432	168	A
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11. Indore	P	26220	480	120	P	29692	432	168	D
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Tamil Nadu :

12. Coimbatore	P	19714	720	180	P	41725	432	168	B
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13. Madras	P	36985	960	240	P	126254	648	252	E
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14. Madurai	T	16602	360	120	P	21646	216	84	B
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Maharashtra:

15. Bombay	T	NA	1440	480	T	556357	1080	420	F
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16. Nagpur	P	23034	720	180	P	21650	648	252	B
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17. Sholapur	T	NA	540	180	P	15682	432	168	B
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Karnataka:

18. Bangalore	T	62529	720	240	P	119978	648	252	E
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Punjab:

19. Amritsar	T	22094	540	180	P	21435	432	168	B
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Rajasthan:

20. Ajmer	T	8295	360	120	P	7444	216	84	B
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21. Jaipur	P	4877	240	60	P	12497	216	84	B
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APPENDIX X—contd.

1	2	3	4	5	6	7	8	9	10
<i>Uttar Pradesh:</i>									
22. Kanpur	T	NA	720	240	P	71763	648	252	D
23. Varanasi	P	NA	240	60	P	8824	216	84	D
<i>West Bengal:</i>									
24. Asansol	P	34084	720	180	P	47544	648	252	D
25. Calcutta	T	21506	720	240	P	179824	648	252	D
26. Howrah	P	142038	1200	300	P	223406	864	336	E
<i>Delhi:</i>									
27. Delhi	T	NA	720	240	P	75778	648	252	E
(b) Mining Centres									
<i>Andhra Pradesh:</i>									
28. Gudur	P	3966	240	60	P	3944	432	168	A
<i>Bihar:</i>									
29. Kodarma	P	NA	240	60	P	8031	648	252	A
30. Jharia	P	NA	960	240	P	122669	648	252	B
31. Noamundi	P	NA	240	60	P	1641	216	84	G
<i>Madhya Pradesh:</i>									
32. Balaghat	P	NA	240	60	P	2606	84		G
<i>Orissa:</i>									
33. Barbil	P	NA	240	60	P	18513	432	168	C

West Bengal:

34. Raniganj P NA 480 120 P 112154 648 252 C

(c) Plantation Centres

Assam:

35. Doom-Dooma P NA 480 120 P 36191 432 168 B

36. Labac P NA 240 60 P 10802 432 16

37. Mariani P NA 240 60 P 26820 432 168 A

38. Rangapara P NA 480 120 P 15817 648 252 H

Kerala:

39. Mundakayam P NA 240 60 P 30278 432 168 I

Tamil Nadu :

40. Coonoor P 435 240 60 P 16708 432 168 C

Karnataka:

41. Chikmagalur P 1489 480 120 P 6586 432 168 D

West Bengal:

42. Darjeeling P 7774 480 120 P 41930 432 168 D

43. Jalpaiguri P 20536 480 120 P 141643 432 168 D

(d) New Factory Centres

Assam:

44. Gauhati P 8750 216 84

Gujarat:

45. Surat P 29652 432 168

46. Baroda P 29634 432 168

APPENDIX X—contd.

1	2	3	4	5	6	7	8	9	10
<i>Kerala:</i>									
47. Quilon	P	37734	432	168
<i>Madhya Pradesh:</i>									
48. Jabalpur	P	37176	432	168
49. Bhilai	T	16329	432	168
<i>Tamil Nadu:</i>									
50. Tiruchirapalli	P	16525	216	84
<i>Maharashtra:</i>									
51. Thana	P	37585	432	168
52. Poona	P	91343	648	252
53. Nasik	P	11751	216	84
<i>Karnataka:</i>									
54. Hubli-Dharwar	P	12552	216	84
<i>Orissa:</i>									
55. Rourkela	T	19191	432	168
<i>Uttar Pradesh:</i>									
56. Ghaziabad	P	15406	216	84
57. Bareilly	P	10815	216	84
<i>West Bengal:</i>									
57. Calcutta: I.R.	T	270859	864	336
59. Durgapur	P	31834	432	168

Union Territory:

60. Pondicherry	P	8761	216	84
	TOTAL		27,432	10,668

A = Sample size increased.

B=Sample size reduced.

C=Sample size adjusted upward to the nearest multiple of 216.

D=Sample size reduced to the nearest multiple of 216.

E=Sample has not been reduced to half due to increase in working class population as compared to 1958-59.

F=Sample size reduced but not to the extent of 50% in view of its importance as a working class city.

G=Although the C.V. was observed to be greater than 2 the sample size has been reduced in view of very small working class population.

H=Increased but not 2 times the earlier sample size since the working class population has not been large at Rangapara centre.

I=Increased because the coverage of Mundakayam centre has been increased three times during the present survey.

P—Pay Roll.

T—Tenement.

APPENDIX X—cont.

ANNEXURE I

Co-efficient of variation of consumer price Index Numbers for 10 periods, viz, Jan. & Jul. of each year from 1964 to 1968 for 43 centres common to 1958-59 and 1971 surveys

State	Centre	Jan. 64	Jul. 64	Jan. 65	Jul. 65	Jan. 66	Jul. 66	Jan. 67	Jul. 67	Jan. 68	Jul. 68	Max. Value of C.V.
1	2	3	4	5	6	7	8	9	10	11	12	13
(a) Factory Centres												
1. Andhra Pradesh	1. Guntur	0.02	0.11	0.04	0.25	0.03	0.34	0.85	1.80	1.97	1.28	1.97
	2. Hyderabad	0.29	0.77	0.40	0.57	0.72	1.14	1.32	1.53	0.66	1.04	1.53
2. Bihar	3. Jamshedpur	0.17	0.20	0.40	0.45	0.43	0.58	0.59	1.00	0.64	0.74	1.00
	4. Monghyr	0.80	0.10	0.39	0.82	0.51	0.03	0.11	1.22	0.44	0.68	1.22
3. Gujarat	5. Ahmedabad	0.12	0.17	0.16	0.21	0.29	0.36	0.46	0.66	0.58	0.37	0.66
	6. Bhavanagar	0.04	0.01	1.05	0.10	0.03	0.38	1.19	0.33	0.50	0.81	1.19
4. Jammu & Kashmir	7. Srinagar	0.66	0.11	0.09	0.35	0.11	0.08	0.28	0.60	0.03	0.13	0.66
5. Haryana	8. Yamunanagar	0.32	0.09	0.05	0.49	0.30	0.07	1.01	0.51	0.05	0.08	1.01
6. Kerala	9. Alwaye	0.03	0.10	0.35	0.07	0.25	0.45	0.42	0.73	0.25	0.71	0.73
7. Madhya Pradesh	10. Bhopal	0.06	0.30	0.09	0.07	0.03	0.22	0.68	1.14	0.22	0.04	1.14
	11. Indore	0.07	0.21	0.15	0.12	0.08	0.44	0.88	0.62	0.31	0.61	0.88

8. Tamil Nadu	12. Coimbatore	0.15	0.24	0.14	0.06	0.19	0.17	0.18	0.10	0.15	0.08	0.24
	13. Madras	0.06	0.12	0.12	0.23	0.22	0.26	0.30	0.36	0.32	0.30	0.36
	14. Madurai	0.08	0.05	0.12	0.11	0.09	0.12	0.08	0.12	0.30	0.16	0.30
9. Maharashtra	15. Bombay	0.21	0.27	0.30	0.39	0.40	0.29	0.23	0.30	0.33	0.28	0.40
	16. Nagpur	0.25	0.21	0.27	0.16	0.26	0.44	0.57	0.66	0.81	0.51	0.81
	17. Sholapur	0.05	0.08	0.10	0.07	0.07	0.12	0.14	0.09	0.13	0.03	0.14
10. Mysore	18. Bangalore	0.28	0.40	0.25	0.12	0.37	0.34	0.23	0.36	0.25	0.22	0.40
11. Punjab	19. Amritsar	0.21	0.45	0.32	0.41	0.52	0.62	0.64	0.74	0.67	0.84	0.84
12. Rajasthan	20. Ajmer	0.06	0.12	0.14	0.02	0.15	0.24	0.32	0.45	0.52	0.34	0.52
	21. Jaipur	0.76	0.02	0.21	0.02	0.13	0.02	0.02	0.17	0.06	0.24	0.76
13. Uttar Pradesh	22. Kanpur	0.39	0.21	0.61	0.32	0.27	0.36	0.38	0.55	0.62	1.00	1.00
	23. Varanasi	0.22	0.15	0.07	0.54	0.60	0.79	0.84	0.11	0.28	0.10	0.84
14. West Bengal	24. Asansol	0.36	0.28	0.34	0.59	1.18	0.18	0.33	0.17	0.50	0.40	1.18
	25. Calcutta	0.11	0.22	0.53	0.47	0.50	0.57	0.51	0.59	0.72	1.25	1.25
	26. Howrah	0.76	0.16	0.43	0.28	0.34	0.35	0.28	0.37	0.51	0.53	0.76
15. Union Territory	27. Delhi	0.48	0.05	0.33	0.25	0.70	0.22	0.36	0.33	0.63	0.46	0.70

(b) Mining Centres

1. Andhra Pradesh	28. Gudur	0.79	1.44	0.76	0.51	1.02	0.39	0.79	0.53	1.57	1.56	1.57
2. Bihar	29. Kodarma	2.07	5.47	4.72	5.41	4.95	6.44	5.72	8.13	6.04	5.49	8.13
	30. Jharia	0.28	0.60	0.76	0.70	0.58	0.65	0.41	0.67	0.38	0.61	0.76
	31. Noamundi	0.16	0.92	1.14	1.10	1.19	1.49	1.31	2.25	2.23	2.29	2.29
3. Madhya Pradesh	32. Balaghat	0.24	0.31	0.49	0.51	0.61	0.75	1.01	1.40	1.07	0.82	1.40
4. Orissa	33. Barbil	0.12	0.36	0.34	0.16	0.86	1.19	1.52	1.52	1.07	0.88	1.52
5. West Bengal	34. Raniganj	0.64	0.42	0.56	0.68	1.30	0.76	0.71	0.14	0.20	0.42	1.30

APPENDIX X—*contd.*

1	2	3	4	5	6	7	8	9	10	11	12	13
(c) Plantation Centres												
1. Assam	35. Doom-Dooma	0.25	0.06	0.10	0.05	0.10	0.22	0.21	0.39	0.07	0.08	0.39
	36. Labac	0.33	0.19	0.63	0.03	0.80	1.06	1.54	2.00	1.16	2.77	2.77
	37. Mariani	0.09	1.20	0.10	0.68	0.18	0.76	0.21	1.26	1.47	2.19	2.19
	38. Rangapara	0.16	1.03	0.28	0.88	0.53	1.35	2.39	4.15	3.19	5.89	5.89
2. Kerala	39. Mundakayam	0.04	0.20	0.55	0.05	0.08	0.03	0.21	0.08	0.22	0.59	0.59
3. Tamil Nadu	40. Coonoor	0.02	0.14	0.59	0.52	0.85	0.64	0.71	1.17	0.92	0.45	1.17
4. Mysore	41. Chikmagalur	0.55	0.18	0.26	0.18	0.78	0.84	0.42	0.68	0.70	0.58	0.84
5. West Bengal	42. Darjeeling	0.11	0.32	0.81	0.38	0.65	0.48	0.27	0.46	0.65	0.16	0.81
	43. Jalpaiguri	0.42	0.46	0.89	0.31	0.29	0.33	0.22	0.05	0.14	0.16	0.89

APPENDIX X—concl'd.

ANNEXURE II

Sample Size and type of sampling at 17 new centres

Sl. No.	Centre	No. of workers	Centre to which corresponds	Sample size		Investigator strength	Type of sampling* @
				Sch. A	Sch. B1		
1.	Gauhati	8750	*	216	84	1	P
2.	Surat	29652	Bhavnagar	432	168	2	P
3.	Baroda	29634	Bhavnagar	432	168	2	P
4.	Quilon	37734	Coimbatore	432	168	2	P
5.	Jabalpur	37176	Indore	432	168	2	P
6.	Bhilai	16329*	**	432	168	2	T
7.	Tiruchirapalli	16525	Madurai	216	84	1	P
8.	Thana	37585	Sholapur	432	168	2	P
9.	Poona	91343	Ahmedabad	648	252	3	P
10.	Nasik	11751	Ajmer	216	84	1	P
11.	Hubli-Dharwar	12552	Alwaye Madurai	216	84	1	P
12.	Rourkela	19191*	**	432	168	2	T
13.	Ghaziabad	15406	Ajmer Jaipur	216	84	1	P
14.	Bareilly	10815	Ajmer Jaipur	216	84	1	P
15.	Calcutta I.R.	270859*	Howrah	864	336	4	T
16.	Durgapur	31834	**	432	168	2	P
17.	Pondicherry	8761	Madurai	216	84	1	P

NOTE 1 : *In the case of Gauhati as there was no similar centre nearby, the sample size is fixed on the consideration of number of workers.

**In these three centres, the C.V. is supposed to be as in Jamshedpur and as the number of workers employed is much lower than that of Jamshedpur the sample size is reduced to $\frac{1}{3}$ of that of Jamshedpur.

*@ P=Payroll

T=Tenement.

APPENDIX XI

Consumer Price Index Numbers for Working Class for August, 1977—Existing and Revised as per Committee's recommendations.—an illustrative exercise

Base : 1960=100

Sl. No.	State/Centre (Sector)	House Rent Indices		General Indices		Factors taken into account for revisions
		Existing	Proposed	Existing	Proposed	
1	2	3	4	5	6	7
<i>Andhra Pradesh</i>						
1.	Gudur (M)	100	315	312	324	Medicine, School fee and Housing.
2.	Guntur (F)	392	392	365	366	School fee and Housing
3.	Hyderabad (F)	194	258	338	347	School fee and Housing
<i>Assam</i>						
4.	Digboi (F)	278	278	341	341	Housing
5.	Doom-Dooma(P)	100	249	299	327	Firewood and Housing
6.	Labac(P)	100	249	269	301	—do—
7.	Mariani (P)	100	249	284	311	—do—
8.	Rangapara (P)	100	249	298	313	—do—
<i>Bihar</i>						
9.	Jamshedpur (F)	145	194	324	328	Housing
10.	Jharia (M)	100	315	321	348	Coke, School fee and Housing
11.	Kodarma (M)	100	315	359	369	Housing
12.	Monghyr (F)	212	237	363	365	—do—
13.	Noamundi (M)	100	315	342	356	—do—

Gujarat

14. Ahmedabad (F)	. . . . .	143	204	311	315	School fee and Housing
15. Bhavnagar (F)	178	220	323	327	—do—

Haryana

16. Yamunanagar(F)	219	279	351	356	Housing
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Jammu & Kashmir

17. Srinagar (F)	181	240	318	324	School fee and Housing
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Karnataka

18. Ammathi (P)	100	249	337	344	—do—
19. Bangalore (F)	273	309	346	352	—do—
20. Chikmagalur (P)	100	249	328	333	Housing
21. Kolar Gold-Field (M)	. . . . .	100	315	329	341	School fee and Housing

Kerala

22. Alleppey (F)	. . . . .	192	211	327	329	—do—
23. Alwaye(F)	. . . . .	202	229	318	321	—do—
24. Mundakayam(P)	. . . . .	100	249	299	322	School fee, Firewood and Housing

Madhya Pradesh

25. Balaghat(M)	. . . . .	100	315	357	369	Housing
26. Bhopal(F)	. . . . .	192	261	333	339	—do—
27. Gwalior (F)	. . . . .	194	229	348	349	—do—
28. Indore (F)	. . . . .	199	232	353	355	—do—

APPENDIX XI—contd.

1	2	3	4	5	6	7
<i>Maharashtra</i>						
29. Bombay(F)	145	238	319	323	—do—
30. Nagpur (F)	186	227	319	321	—do—
31. Sholapur (F)	188	211	323	324	—do—
<i>Orissa</i>						
32. Barbil (M)	100	315	313	332	Housing
33. Sambalpur(F)	230	300	354	359	—do—
<i>Punjab</i>						
34. Amritsar(F)	193	199	339	339	Housing
<i>Rajasthan</i>						
35. Ajmer(F)	223	236	338	338	Housing
36. Jaipur(F)	214	275	357	361	—do—
<i>Tamil Nadu</i>						
37. Coimbatore(F)	306	310	319	320	Housing and School fee
38. Coonoor(P)	100	249	315	325	Medicine, School fee and Housing
39. Madras(F)	280	289	302	305	School fee & Housing.
40. Madurai(F)	277	291	327	329	—do—

Uttar Pradesh

41. Kanpur(F)	.	.	.	.	186	229	329	332	Housing.
42. Saharanpur(F)	.	.	.	.	159	192	333	335	—do—
43. Varanasi (F)	.	.	.	.	202	243	383	386	—do—

West Bengal

44. Asansol (F)	.	.	.	.	178	267	346	352	Housing and School Book.
45. Calcutta (F)	.	.	.	.	165	204	331	335	Tram Fare, School Book & Housing.
46. Darjeeling(P)	.	.	.	.	100	249	278	289	Housing and School Book.
47. Howrah (F)	.	.	.	.	155	193	321	325	Housing and School Book.
48. Jalpaiguri (P)	.	.	.	.	100	249	288	296	Housing and School Book.
49. Raniganj (M)	100	315	332	356	Coal, School Book, Housing.

Delhi

50. Delhi (F)	222	295	362	366	Housing.
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All India	—	—	327	334	
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(M)—Mining.

(F)—Factory.

(P)—Plantation,

APPENDIX XII

Price Indices for shoes and chappals in selected centres

S. No.	Centre	Specification	Base Price (1960) (Rs.)	Specification (August, 77)	Current Price (Aug., 77) (Rs.)	Price relative (August, 77)
1.	Delhi	Bata pump new cut	4.11	Bata, Super Dog, size 7.	13.60	330.90
2.	Calcutta	Chrome leather inferior quality Bata Janta	14.16	Bata, 'Pioneer', Upper -Leather, sole rubber.	42.94	296.96
3.	Howrah	Chrome. leather inferior quality Bata Comfort	22.67	Bata, 'Pioneer', Upper leather, sole rubber.	41.52 70.15*	309.44
					*Linked price	
4.	Kanpur	Bata longlife 'Oxford' Upper leather, rubber sole.	15.53	Bata, 'Pioneer', Upper leather, sole rubber size 7.	44.87	288.92
5.	Ahmedabad	Bata longlife upper leather, rubber sole.	15.99	Bata, 'Step Maser,, medium upper leather, rubber sole, size 7.	40.00	255.78
6.	Bombay	Longlife 'Durby' . Upper leather rubber sole.	16.75	Bata, 'Pioneer', Upper leather rubber sole.	45.95	274.33
7.	Mundakayam	Local Chappal upper leather, tyre sole inferior quality.	3.50	Same as in 1960	10.62	303.43

APPENDIX XIII

Index of medicines under the 1960 and 1971 series of C.P.I. numbers for the period 1972 to 1977

State/Centre	Specification (a) 1960 series (b) 1971 series	Index Nos. for January of each year (1971 = 100)					
		1972	1973	1974	1975	1976	1977
1	2	3	4	5	6	7	8
<i>Andhra Pradesh</i>							
1. Gudur	(a) Medicine is not priced under the 1960 series.						
	(b) Dycrysticine	100	100	100	122	122	122
2. Guntur	(a) Standard prescription	103	103	103	112	121	120
	(b) Dycrysticine	100	100	100	117	122	144
3. Hyderabad	(a) Diaphoretic Mixture	100	100	100	120	120	120
	(b) Dycrysticine	97	97	99	114	114	111
<i>Assam</i>							
1. Doom Dooma	(a) Sulphaguanadine	100	100	100	150	150	225
	(b) Dycrysticine	100	100	100	100	100	110
2. Labac	(a) Diaphoretic Mixture	111	111	111	111	133	133
	(b) Netragin Tablets	100	100	100	100	120	120
3. Mariani	(a) Medicine is not priced under the 1960 series.						
	(b) Dycrysticine	100	100	100	100	100	100

APPENDIX XIII—contd.

1	2	3	4	5	6	7	8
4. Rangapara	(a) Diaphoretic Mixture	100	100	100	100	100	100
	(b) Dycrysticine	100	100	100	100	121	121
<i>Bihar</i>							
1. Jamshedpur	(a) Diaphoretic Mixture	106	106	116	122	193	257
	(b) Chloromycetin	100	107	107	108	131	127
2. Jharia	(a) Diaphoretic Mixture	100	100	132	138	150	150
	(b) Vicks Formula 44	96	96	105	95	122	122
3. Kodarma	(a) Diaphoretic Mixture	100	133	133	133	133	133
	(b) Vicks Formula 44	106	106	106	121	121	121
4. Monghyr	(a) Diaphoretic Mixture	100	100	133	133	133	133
	(b) Vicks Formula 44	100	100	95	95	123	123
5. Noamundi	(a) Medicine does not feature in the Index basket						
	(b) Chloromycetine	107	107	107	104	131	131
<i>Gujarat</i>							
1. Ahmedabad	(a) Mixture Sodiumthiosulphates	109	109	112	118	128	128
	(b) Pentid Sulpha	100	100	100	125	125	160
2. Bhavnagar	(a) Mixture Sodium-thiosulphates	102	102	102	146	146	146
	(b) Pentid Sulpha	100	100	99	124	124	130

Haryana

1. Yamunanagar	(a) Diaphoretic Mixture	100	100	100	130	150	150
	(b) Pentid Sulpha	100	100	100	120	128	157

Jammu & Kashmir

1. Srinagar	(a) Diaphoretic Mixture	100	100	167	167	167	167
	(b) Pentid Sulpha	103	103	109	129	137	146

Karnataka

1. Bangalore	(a) Standard Prescription	100	100	100	108	123	123
	(b) Pentid Sulpha	100	160	188	208	208	208
2. Chickmagalur	(a) Standard Prescription	101	102	102	102	102	142
	(b) Pentid Sulpha	98	98	109	98	98	91

Kerala

1. Alwaye	(a) Standard Prescription	91	100	100	109	109	109
	(b) Diaphoretic Mixture	91	88	115	142	142	155
2. Mundakayam	(a) Standard Prescription	100	100	100	138	138	138
	(b) Diaphoretic Mixture	100	100	100	159	172	195

Madhya Pradesh

1. Balaghat	(a) Diaphoretic Mixture	100	100	100	100	100	100
	(b) Chloromycetin	101	107	105	123	123	105
2. Bhopal	(a) Diaphoretic Mixture	100	100	125	135	135	120
	(b) Diaphoretic Mixture	100	100	100	100	100	120
3. Indore	(a) Diaphoretic Mixture	98	101	101	127	138	138
	(b) Chloromycetin	108	107	106	120	127	108

APPENDIX XIII—contd.

1	2	3	4	5	6	7	8
<i>Maharashtra</i>							
1. Bombay	(a) Diaphoretic Mixture	96	95	95	111	122	126
	(b) Pentid Sulpha	100	100	100	126	126	155
2. Nagpur	(a) Mixture Sodium-thiosulphates	100	100	100	133	133	133
	(b) Pentid Sulpha	100	100	100	114	126	149
3. Sholapur	(a) Mixture Sodiumthiosulphates	100	100	127	127	127	127
	(b) Pentid Sulpha	100	100	100	124	124	130
<i>Orissa</i>							
1. Barbil	(a) Medicines does not feature in the index basket						
	(b) Chloromycetin	100	107	107	104	117	115
<i>Punjab</i>							
1. Amritsar	(a) Diaphoretic Mixture	100	100	100	100	100	100
	(b) Pentid Sulpha	100	100	100	120	129	149
<i>Rajasthan</i>							
1. Ajmer	(a) Diaphoretic Mixture	100	100	108	126	143	171
	(b) Diaphoretic Mixture	100	100	117	133	133	152
2. Jaipur	(a) Diaphoretic Mixture	115	119	128	158	158	158
	(b) Diaphoretic Mixture	100	100	120	200	200	300

Tamil Nadu

1. Coimbatore	(a) Standard Prescription	100	124	134	200	200	200
	(b) Aspro	100	100	100	125	125	125
2. Coonoor	(a) Standard Prescription	100	100	100	100	100	100
	(b) Pentid Sulpha	98	98	109	98	98	98
3. Madras	(a) Standard Prescription	105	109	118	118	122	119
	(b) Pentid Sulpha	98	98	109	98	98	122
4. Madurai	(a) Standard Prescription	100	131	131	131	131	131
	(b) Pentid Sulpha	98	109	98	98	98	113

Uttar Pradesh

1. Kanpur	(a) Diaphoretic Mixture	101	101	104	124	124	127
	(b) Diaphoretic Mixture	98	98	108	122	125	125
2. Varanasi	(a) Diaphoretic Mixture	100	100	122	141	156	199
	(b) Diaphoretic Mixture	100	103	110	127	132	162

West Bengal

1. Asansol	(a) Standard Prescription	94	94	104	116	123	126
	(b) Chloromycetin	103	108	107	122	126	119
2. Calcutta	(a) Standard Prescription	103	118	121	124	124	124
	(b) Chloromycetin	101	109	105	116	129	120
3. Darjeeling	(a) Standard Prescription	99	110	127	136	157	157
	(b) Vicks Formula 44	98	97	97	96	109	124

APPENDIX XIII—concl'd.

1	2	3	4	5	6	7	8
4. Howrah	(a) Standard Prescription	100	116	108	120	120	124
	(b) Chloromycetin	100	108	110	117	127	118
5. Jalpaiguri	(a) Standard Prescription	102	115	129	136	136	160
	(b) Vicks Formula 44	100	100	116	142	136	150
6. Raiganj	(a) Standard Prescription	103	103	110	137	157	161
	(b) Chloromycetin	103	109	109	118	131	122
<i>Delhi</i>							
1. Delhi	(a) Diaphoretic Mixture	102	102	122	136	136	136
	(b) Aspro	100	111	111	111	111	111

APPENDIX XIV

Imputation Deficiencies—Some illustrations

Item	Centre	Expenditure imputed to	Deficiencies noticed	Recommendations
1	2	3	4	5
1. Bajra and bajra atta	Kanpur	Barley	Bajra is a kharif crop and barley is a rabi crop and as such their consumption are in different months. Moreover their prices do not move in a similar manner.	The expenditure should have been imputed to jowar which is also a kharif crop and is also priced.
2. Suji	Yamunanagar	Bread	Expenditure and number of reporting families is larger than those of bread.	The item should be separately priced.
3. Pork and poultry	Calcutta (IR)	Goat meat	In Calcutta (P) and Howrah expenditure on this item has been imputed to beef and hence no consistency is maintained.	For maintaining consistency and from the utility point of view the expenditure should be imputed to Meat Section.
4. Mixed spices	Howrah, Calcutta (P), Calcutta (IR), Delhi, Yamunanagar, etc.	Spices Section	Expenditure and number of reporting families is larger than the individual spices to which the expenditure has been imputed.	This item should be priced separately.

APPENDIX XIV—contd.

1	2	3	4	5
5. Apples	Calcutta (IR), Howrah and Delhi	Fruit Section	Expenditure and number of reporting families is much larger than the other individual fruits to which the expenditure has been imputed.	This item should be priced separately.
6. Toffee/ Chocolate	Howrah	Sugar	In some other centres the expenditure on toffee has been imputed to biscuits or Jalebi or sub-group. Thus there is no consistency.	For uniformity the expenditure should be imputed to the sub-group.
7. Deshi Sugar	Delhi, Surat	Crystal Sugar	In some other centres the expenditure on deshi sugar has been imputed to gur. Thus there is no consistency.	For maintaining consistency and from content point of view the item should be imputed to gur.
8. Zerda/Kimam	Surat	Bidi/ Cigarettes	At some other centres it is imputed to chewing tobacco.	For maintaining uniformity and from utility point of view it should be imputed to chewing tobacco.
9. Candle	Calcutta (P)	Bulb	At some other centres it is imputed to Kerosene oil.	For uniformity and from utility point of view, the item should be imputed to kerosene oil.
10. Hospitalisation charges	Delhi	ESI	At Calcutta (IR) the item is imputed to Doctor's fee.	For maintaining uniformity the item should be imputed to Doctor's fee.

11. Pet animals mela, exhibition, circus, wet colours (holi), club fee, etc.	Calcutta (P), Calcutta (IR)	Cinema	All items do not follow the trend of cinema rates.	The items should be imputed to the sub-group.
12. Sweeper charges	Calcutta	Repair etc.	In Madras it is imputed to tailoring, etc.	Being a service item, it should better be imputed to tailoring etc.
13. Tonga & Rickshaw charges	Delhi, Jamshedpur, Kanpur	Bus fare	Tonga & rickshaw fare do not move similarly to bus fare.	The item should be priced separately.
14. Soapnut (Shikakai)	Madras	Soap chip	Expenditure and number of reporting families is larger than those for chips to which its expenditure has been imputed.	This item should be priced separately.

APPENDIX XV

Number of markets from which prices are collected for Consumer Price Index Numbers

State	1960 series		1971 series	
	Centre	No. of markets	Centre	No. of markets
1	2	3	4	5
Andhra Pradesh	1. Gudur	2	(1) Gudur	2
	2. Guntur	1	(2) Guntur	1
	3. Hyderabad	3	(3) Hyderabad	3
Assam	4. Digboi	1	(4) Doom-Dooma	1
	5. Doom-Dooma	1	(5) Gauhati*	3
	6. Labac	1	(6) Labac	1
	7. Mariani	1	(7) Mariani	1
	8. Rangapara	1	(8) Rangapara	1
Bihar	9. Jamshedpur	4	(9) Jamshedpur	4
	10. Jharia	4	(10) Jharia	4
	11. Kodarma	2	(11) Kodarma	2
	12. Monghyr	2	(12) Monghyr Jamalpur	2
	13. Noamundi	1	(13) Noamundi	1
Gujarat	14. Ahmedabad	6	(14) Ahmedabad	8
	15. Bhavnagar	2	(15) Bhavnagar	2
			(16) Baroda*	3
			(17) Surat*	3

Jammu and Kashmir	16. Srinagar	3	(18) Srinagar	4
Haryana	17. Yamunanagar	2	(19) Yamunanagar	2
Kerala	18. Alleppey	1	(20) Alwaye	2
	29. Alwaye	1	(21) Quilon	1
	20. Mundakayam	1	(22) Mundakayam	3
Madhya Pradesh	21. Balaghat	2	(23) Balaghat	2
	22. Bhopal	3	(24) Bhopal	4
	23. Gwalior	2	(25) Bhilai	1
	24. Indore	4	(26) Indore	4
Maharashtra			(27) Jabalpur	3
	25. Bombay	12	(28) Bombay	12
	26. Nagpur	4	(29) Nagpur	4
	27. Sholapur	4	(30) Nasik	2
			(31) Poona	1
			(32) Sholapur	2
Karnataka			(33) Thana	1
	28. Ammathi	1	(34) Bangalore	2
	29. Bangalore	2	(35) Chikmagalure	3
	30. Chikmagalur	3	(36) Hubli-Dharwar	2
	31. Kolar Gold Fields	1		
Orissa	32. Barbil	2	(37) Barbil	2
	33. Sambalpur	1	(38) Rourkela*	2
Punjab	34. Amritsar	5	(39) Amritsar	4

*New Centres.

APPENDIX XV—*contd.*

1	2	3	4	5
Rajasthan	35. Ajmer	4	(40) Ajmer	4
	36. Jaipur	4	(41) Jaipur	4
Tamil Nadu	37. Coimbatore	1	(42) Coimbatore	1
	38. Coonoor	2	(43) Coonoor	2
	39. Madras	4	(44) Madras	5
	40. Madurai	1	(45) Madurai (46) Tiruchirapalli*	1 1
Uttar Pradesh	41. Kanpur	6	(47) Kanpur	6
	42. Saharanpur	2	(48) Ghaziabad*	1
	43. Varanasi	3	(49) Varanasi (50) Bareilly*	5 3
West Bengal	44. Asansol	3	(51) Asansol	3
	45. Calcutta	5	(52) Calcutta	5
	46. Darjeeling	4	(53) Calcutta (IR)*	4
	47. Howrah	4	(54) Darjeeling	4
	48. Jalpaiguri	4	(55) Jalpaiguri	4
	49. Raniganj	4	(56) Raniganj (57) Howrah (58) Durgapur*	4 6 2
Delhi	50. Delhi	3	(59) Delhi	5
Pondicherry	—		(60) Pondicherry*	1

*New Centres.

APPENDIX XVI

Existing and Recommended Regional/Sub-Regional Offices of Labour Bureau

Regional office	States covered	Present for		Recommended for			
		50 centres covered under 1960 based series		60 centres covered under 1971 based series			
		No. of centres covered	No. of markets	Regional office/Sub-office	States covered	No. of centres covered	No. of markets
1	2	3	4	5	6	7	8
1. Calcutta	West Bengal . . .	4	16	1. Calcutta	West Bengal . . .	8	30
	Assam	5	5	(i) Gauhati	Assam	5	7
	Orissa	2	3	(ii) Dhanbad	Bihar & Orissa . . .	5 } 7 2 } 4	13 } 17 4 } 17
	Bihar	2	5				
	Total	13	29			20	54
2. Kanpur	U.P.	3	11	2. Kanpur	U.P.	4 } 5 1 } 4	13 } 17 4 } 17
	Bihar	3	8		Delhi		
	M.P.	1	2	(i) Amritsar			
	West Bengal . . .	2	8		Punjab	1 } 4 1 } 3	4 } 10 4 } 10
	Delhi	1	3		J & K		
	Punjab	1	5		Haryana	1 } 2	
	Haryana	1	2				
	J & K	1	3				
Total	13	42			8	27	

APPENDIX XVI—contd.

1	2	3	4	5	6	7	8
3. Madras	A.P.	3	6	3. Madras	Tamil Nadu	4}	9}
	Karnataka	4	7		Pondicherry	1}	1}
	Kerala	3	3		Kerala	4}	6}
	Tamil Nadu	4	8	(i) Hyderabad	A.P.	3}	6}
					Karnataka	3}	7}
	Total	14	24			6	13
						15	29
4. Bombay	Maharashtra	3	20	4. Bombay	Maharashtra	6	22
(i) Ahmedabad	Gujarat	2	8	(i) Ahmedabad	Gujarat	4}	16}
	M.P.	3	9		Rajasthan	2}	8}
	Rajasthan	2	8	(ii) Bhopal	M.P.	5	14
	Total	10	45			17	60
	Grand Total	50	140			60	170

Speech by the Honourable Labour Minister on the occasion of the inauguration of the first meeting of the Committee on Consumer Price Index Numbers held on 18th June, 1977 at 9.30 a.m. in the Committee Room of Shram Shakti Bhavan

I am very happy to have got this opportunity to spend some time with you this morning. You will recall that both at the meeting I had with the Trade Union leaders on the 18th April and at the tripartite Labour Conference held in the first week of May, 1977, several trade union representatives had suggested that an independent Committee should be appointed to go into the various aspects of the Consumer Price Index Numbers. I am glad that the Committee constituted in pursuance of these suggestions is starting its work from today under the distinguished chairmanship of Prof. Nilakantha Rath.

2. The Consumer Price Index Numbers is one of the important indicators which depict the economic situation in the country. In a country like ours where a vast number of people live on a subsistence level, fluctuations in prices of essential commodities affect their day-to-day life. Their living pattern is sensitive even to a small change in the prices of the commodities they consume. In these circumstances the measurement of prices through a statistical device like the Consumer Price Index Numbers assumes a very important role. The Consumer Price Index Numbers, apart from serving as a guide for policy making to the Government, are utilised for regulating the dearness allowance for many employees in the country. The industrial workers measure the value of their small pay-packet by the index number, published by the Labour Bureau. It is, therefore, natural that the workers are vitally interested in the correctness of the index. Government is also keen to ensure the Consumer Price Index truly reflects the prices paid by the Consumers.

3. The Consumer Price Index has been criticised from time to time and several Committees had been constituted to look into one technical aspect or the other of the index. In the recent years, there has been a growing feeling among the workers that the index is not a true index, is not a true reflection of the actual price situation in the country. Some have complained that the index numbers are based on incorrect price data and, therefore, the workers are being deprived of their legitimate amount of dearness allowance. Some critics have gone further and alleged that the index is a "fraud" on the workers, and the Labour Bureau is manipulating the index to subserve the interests of certain sections of the community. Some other have said that they suspect the Government is giving secret instructions to the Labour Bureau to keep the index down. The Labour Bureau has tried to reply to the criticisms and allegations from time to time, but the general feeling that the index is incorrect continues to persist. I can assure you that the Government has given no instruction to the Bureau to manipulate the index in any manner. The Government has also absolutely no intention to manipulate the index in any manner, it wants the index to be truthful and genuine reflection of the price situation. We have, therefore, thought that it will be proper to get the index examined in all its aspects, so that doubts or apprehensions may be removed on the basis of a thorough examination by an independent Committee. Government is, therefore, anxious that misconceptions and misunderstanding about the index are removed totally, and the credibility of the index is put beyond scepticism and challenge.

4. I need hardly point out to a Group like this that the compilation of the Consumer Price Index is a highly technical matter. The compilation of our index follows the international practices approved by the ILO. The index is based on the family budget surveys undertaken by the Labour Bureau from time to time. A Technical Advisory Committee has been constituted in the Central Statistical Organisation with Director of the CSO as its Chairman, to give advice and guidance in the compilation of the index. It is quite likely or more than likely

that some of the criticisms of the index may be based on inadequate understanding of the technical aspects of the index. For example, it is demanded that the C.P.I. should reflect changes in the tastes and preferences of the working class from time to time, forgetting that the C.P.I. is always related to a fixed consumption basket determined on the basis of the scientifically conducted family income and expenditure surveys. Sometimes the consumer price index numbers are compared with the wholesale price index is a more truthful reflection of the price situation. It appears that the basic structural differences between the two series are either forgotten or ignored, when we make such comparison and criticism. More instances like these can be given to show how the criticism of the CPI is based on misconceptions and inadequate understanding of the methodology followed in its compilation. We have, therefore, thought that it would be desirable to associate workers' representatives with the examination of the question. In this Committee, workers' representatives will get full opportunities to present their point of view and to discuss issues with the technical people and get fully acquainted with the technical aspects of the compilation of the index.

5. Lately, the price collection procedure and machinery followed in the CPI numbers has come under severe criticism. While the Labour Bureau has given clarifications on several occasions and tried to remove misconceptions regarding the methodology followed in the price collection system, the criticism has continued. Several suggestions have been made for modifying the price collection system. It has been suggested that the representatives of trade unions should be associated with the price collection work. As the price data constitutes the very basis for the compilation of the index, we felt that it would be desirable to get the procedure and machinery followed for price collection examined by the Expert Committee. We have, therefore, suggested, in the terms of reference, that the Committee should study and report on the price collection system as well as the necessity and feasibility, and the mode of associating representatives of workers with the price collection work. We have to look at the various aspects of this question. I hope the Committee

will study this question and suggest ways and means of associating workers with this work which will be practical and workable.

6. The Committee is headed by a distinguished Professor of the Gokhale Institute of Economics and Politics, Poona, Prof. Nilakantha Rath is an eminent economist having not only a brilliant academic career, but also rich experience in the economic field. His work on problems of poverty in India is known to all of us and he is eminently suitable to steer the work of the Committee. The Committee is endowed with rich experience of men and women who have worked among workers for long periods. I am sure they have the welfare of the working class families upper most in their minds. I, therefore, have great expectations from the Committee and I am confident that the Committee's report will help us to invest on Consumer Price Index with the truthfulness authenticity and credibility that they need. I am aware that we have given a very short time to the Committee to complete its work. But I am sure that it would be possible for a Committee like yours to adhere to the time schedule. I wish the Committee all success.